polaris

2015

ANNUAL REPORT

contents

Disclaimer

This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Stamford Corporate Services Pte Ltd for compliance with the relevant rules of the Exchange. The Company's Sponsor has not independently verified the contents of this annual report. This annual report has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this annual report including the correctness of any of the statements or opinions made or reports contained in this annual report.

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vision

To be the brightest provider of connection devices and services and to serve with a caring touch.

mission

To enable and enhance connection for people in Singapore and across Southeast Asia.

values

We believe that achieving the best outcomes for our stakeholders – including customers, partners and shareholders – involves taking a principled approach to business. Therefore, we are committed to the following values:

Trust

We are reliable, honest and always deliver what we promise.

Simplicity

We strive to be clear and meaningful in all that we do.

Young At Heart

We approach our work with a creative, open-minded and positive attitude.

Caring Touch

We treat our people, customers, partners and shareholders with respect, kindness and sincerity.

Innovation

We innovate with solution/s when we face challenges and to run our business efficiently with productivity.

letter to shareholders

Dear valued Shareholders,

Developments in FY2015

Let us begin by first thanking you, our valued shareholders for your support in a very tough year. FY2015 has been another year of modest growth as the Singapore economy grew at a relative weak rate of 2.1%, largely due to the slowing down of the global economy. The bright spark is that national incomes continued to rise, which augurs well for the Group as a primarily retail focused business.

Our operating environment remains a challenge, which became more pronounced as the year progressed. The strengthening US dollar against the Singapore dollar meant that the importing of devices has become more costly. In addition, the US Federal Reserve's announcement to hike interest rates by 0.25%, the first such hike in almost a decade, means that we are now operating in an environment of higher interest rates. This impacts our business directly, and adds to an already escalating cost of doing business.

Other trends that have impacted us include a shift in consumer preference from brick-and-mortar shops to online. We believe that this is inevitable, with the proliferation of mobile devices and Internet penetration in Singapore. In fact, as a distributor of mobile and web-enabled products, we are a contributor to this phenomenon! What this means however, is that as a business, we must respond and be ready as more and more consumers flock online to do their shopping.

Despite the challenging operating landscape, the Group has made several investments to ready ourselves for the future. During the year, we have seen the intense competition between leading mobile brands, as well as new players trying to break into the lucrative, but highly competitive market. With the US dollar continuing to strengthen, handset prices are set to rise. Additionally, growing labour costs and high rentals continue to put pressure on our margins.

As with any new investments, it is inevitable that we will have to endure some initial stage losses. PT Trikomsel Oke Tbk has been a victim of the weakening economy and consumer sentiments in Indonesia, but it has continued to enjoy the support of its creditors. We believe that after restructuring, the business will be more lean and focused. Some fruits are already beginning to bear, for example, PT Trikomsel Oke Tbk has introduced its own smartphone brand in the Indonesia market and this allows the company to improve its margins on a per device basis.

This fits our modus operandi. We look for new partners and products that can ultimately bring value to consumers. Even as we endure some difficult times with PT Trikomsel Oke Tbk, we must adopt a long term view. ASEAN is home to some 600 million people, which is even more than that of the European Union or North America, and has a GDP that is ranked 7th globally.

The year also saw us continuing our strategy of expanding our product range, with two new partnerships coming into fruition. We continue to build on our partnership with InFocus. InFocus is a US company specialising in the manufacture of Digital Light Processing (DLP) and LCD projector and accessories, as well as large-format touch displays, software, LED televisions, tablets and smartphones, and we see many promising opportunities to bring their products into the region. We also concluded an investment into XMI, makers of the award winning X-mini™, and this strengthens our product portfolio.

In FY2015, we increased the number of SingTel Corporate (CIS) Roadshows, which has help raised sales revenues. Last but not least, we have built-up non-contract handset sales capability in support of SingTel's SIM only initiatives.

While we acknowledge the challenging retail environment, we are cautiously optimistic that we have made the right strategic investments to position the Group for further growth, and with our strategic partnerships forged, we will be able to deliver greater shareholder value in the near future.

Financial Review

The Group continued to focus on its core areas as per the previous year. We recorded a turnover of $156.148 million for the year ended 31 December 2015, which translates to a 17% increase year-on-year. Despite the higher turnover, net profit was negatively impacted due to the ongoing challenges that PT Trikomsel Oke Tbk faces. Our business is now divided into three business segments, namely Telecommunications, Lifestyle and Distribution. Both our Distribution and Telecommunications segments recorded increased turnover with $89.671 million and $44.823 million respectively. These results represent an increased revenue of 37% for Distribution and 20% for Telecommunications year-on-year. However, our Lifestyle segment recorded a 27% decrease to $21.444 million.

Accounting for PT Trikomsel Oke Tbk, the Group recorded a net loss of $328.075 million for the year, a large portion of which was due to the provision of impairment of the investment. Notwithstanding, the Group achieved a huge turnaround for net operating cashflow with a gain of $5.430 million, up from a deficit of $4.679 million last year.

Corporate Social Responsibility

In January 2016, Polaris staff participated in its second corporate social responsibility (CSR) program with Dignity Kitchen - Singapore's first hawker training school for disabled and disadvantaged people, following its successful inaugural launch in 2015. In today's society, the handicapped and elderly are faced with greater challenges when competing in the job marketplace. Dignity Kitchen gives on-the-job training and place trainees in jobs so that they can have hope for better futures, better lives and better opportunities to be successful in their own right. Our staff took part in the "Hawkers for the Day" program, which is a bonding exercise whereby colleagues come together on a hawker stall platform, learn to whip up hawker food with the guidance of Dignity Kitchen trainers and serve food to a group of old folks who visits Dignity Kitchen for their meal treat for the day. Through this, we learnt to appreciate the challenges of the disabled manning a hawker stall and also experienced a day in the life of a hawker.

In addition, Polaris made a donation pledge of $15,000 to Singtel's Touching Lives Fund.

Future Prospects

With the global economic outlook remaining volatile, FY2016 is expected to be a challenging year. The usual challenges of higher retail rental and manpower costs will continue to affect us, especially with the existing labour policies. As such, plans are underway to build and boost our e-commerce platform. This serves two purposes – it lowers our operating costs and enhances productivity and the same time leverages the changing consumer habit to go online for purchases.

Shifting the focus online brings great potential to our business. The number of handsets being sold online across ASEAN has grown exponentially. This will only grow as mobile and Internet penetration increases in the region.

We have also done a review of the different KPIs set on the Group's exclusive distributorships with different brands to gauge their respective sales volume and market share, so as to help us have a deeper understanding of our consumers' preferences and the market trend. In FY2016, you will see us sharpening our focus on products that continue to drive our business and margins, and at the same time, we will also rationalise some of the others which are non-core.

Going forward, the Group will ride on its foundation and continue with our regional retail and distribution expansion plans by further penetrating developing markets. There are regional opportunities which the Group must seize, and leverage on its expertise in retail and distribution experience. We will continue to exercise financial prudence, while developing our targeted growth areas.

In summary, shareholders can expect to see a revitalised PT Trikomsel Oke Tbk, new brands, products and services, as well as a greater online presence.

In Appreciation

Finally, on behalf of the Board, we would like to take this opportunity to express our appreciation to the senior management, fellow directors and staff for their dedication and commitment towards the Group and contributing relentlessly towards our goals. A special mention goes to our Telecommunications segment where they have turned in a sterling performance this year.

It has been a tough year, and it is only with a common vision and united spirit that we can achieve what we set out to do. We would also like to thank our valued shareholders, business partners and associates who have given us our staunch support throughout the year. We will continue to focus on enhancing our business performance in the coming year, so as to create greater value for our stakeholders. With that, we look forward to your continual support in our journey towards excellence.

Tan Chung Yaw, Richard
Non-Executive Chairman

Ang Chuan Hui, Peter
Chief Executive Officer and Executive Director

board of directors

Mr. Tan Chung Yaw, Richard

Non-Executive Chairman

DATE OF APPOINTMENT AS DIRECTOR
26 July 2011

DATE OF LAST RE-ELECTION
30 April 2014

NATURE OF APPOINTMENT
Independent Non Executive

BOARD COMMITTEES SERVED ON
Member of Nominating Committee and Chairman of Audit and Remuneration Committees since 26 July 2011

Mr. Tan has over 27 years of experience in Internet, Venture Capital, IT, International Telecommunications and Mobile Communications, primarily in senior leadership positions. He is an Independent Director of the Trustee-Manager of Asian Pay Television Trust and was appointed on 29 April 2013. Mr. Tan has also since October 2008 held the post of Deputy Chief Executive Officer of PT Smartfren Telecom Tbk, and is currently responsible for corporate strategy. Before joining PT Smartfren Telecom Tbk, Mr. Tan held the position of Director of Commerce at PT Telekomunikasi, Indonesia (Telkomsel) where he was responsible for sales and marketing.

From 2001 to 2007, Mr. Tan was Vice President (Wholesale) at SingTel Ltd., where he was responsible for the wholesale of voice and data products across SingTel and Optus.

Mr. Tan holds a Bachelor of Science in Electrical Engineering (Honours) and Master of Science in Electrical Engineering from the National University of Singapore.

Mr. Sugiono Wiyono Sugialam

Non-Executive Director

DATE OF APPOINTMENT AS DIRECTOR
26 July 2011

DATE OF LAST RE-ELECTION
30 April 2015

NATURE OF APPOINTMENT
Non Independent Non Executive

BOARD COMMITTEES SERVED ON
Member of Nominating and Remuneration Committees since 26 July 2011. Appointed member of Audit Committee on 3 October 2015

Mr. Sugiono has over 25 years of working experience in the telecommunication industries. He started his career in PT Panggung Electric Citrabuana where he was the Commercial Director. In 1994, he was the Director of Petro Industry.

He is currently the President Director/ Chief Executive Officer and shareholder of PT Trikomsel Oke Tbk, Indonesia's first and leading Indonesian public listed company dealing in retail and distribution of telecommunication and multimedia products via its branded retail chains "Okeshop" and "Global Teleshop". With more than 1,000 owned retail outlets spread in 175 cities across the 33 provinces in Indonesia and a network of more than 15,000 independent retailers, PT Trikomsel Oke Tbk has a market capitalization of approximately US$710 million as of January 2013.

Mr. Sugiono is also the first Director in Sales and Marketing of Crayon Digital Pte. Ltd. and Operational Director of San Media Pte. Ltd.

Mr. Sugiono won the Entrepreneur of the Year award in 2008 (in the category of Services Entrepreneur) and was a finalist in the Entrepreneur of the Year award in 2007.

Mr. Sugiono holds a Bachelor of Economics with major in company management from Surabaya University, Indonesia.

Mr. Ong Kok Wah

Independent Non-Executive Director

DATE OF APPOINTMENT AS DIRECTOR
20 May 2010

DATE OF LAST RE-ELECTION
30 April 2015

NATURE OF APPOINTMENT
Independent Non Executive

BOARD COMMITTEES SERVED ON
Member of Remuneration Committee since 25 May 2010. Chairman of Nominating Committee and member of Audit Committee since 17 August 2010

Mr. Ong was re-designated as an Independent Director on 12 August 2010.

Mr. Ong has over 47 years of working experience in the marine and offshore industries. He started his career in the Merchant Navy with Shell Eastern Fleet, Maple Hill Shipping and Guan Guan Shipping. He was with the Port Authority of Singapore ("PSA") from 1968 to 1975 where his last position was Controller (Shipping). He joined Chuan Hup Holdings Limited Group as a Director from 1976 to October 2005. He was a Director with CH Offshore Ltd ("CHO") for the period from 1987 to 2010, during which he was appointed as CEO from 2004 to 2007.

Mr. Ong was a member of the American Bureau of Shipping's Southeast Asia Technical Committee. He was a Council Member of the Singapore Shipping Association ("SSA") since its inception in 1985 until 2007, where his last held position was Honorary Secretary. SSA has in its June 2008 annual general meeting bestowed an 'Honorary Membership' on Mr. Ong and he remains as one of their trustees. He has also been a Director on the Board of the Shipowners' Mutual Protection and Indemnity Association (Luxembourg) since 1993 and was the Director of their Singapore registered insurance company.

Mr. Ong is the Independent Non-Executive Director of ICP Ltd and holds directorships in several private companies in Singapore.

Mr. Ong attended Nautical Studies at Singapore Polytechnic. He holds a Second-mate (FG) certificate from the Ministry Of Transport Singapore.

board of directors

Mr. Ang Chuan Hui, Peter

Executive Director and Chief Executive Officer

DATE OF APPOINTMENT AS DIRECTOR
1 March 2012

DATE OF APPOINTMENT AS CEO
1 March 2012

DATE OF LAST RE-ELECTION
30 April 2014

NATURE OF APPOINTMENT
Executive Director and Chief Executive Officer

BOARD COMMITTEES SERVED ON
NA

Mr. Ang has more than 15 years of experience in the Telecommunication Industry. He started his career with Ericsson Telecommunication as Channel Sale Manager and was promoted to Director, Product Marketing for Asia Pacific Region where he was in charge of planning, implementation and product launches within the region for all products. Key achievements include turning around APAC business from declining profit and market share to a market share of more than 10% with double digit NIBT, successfully installing new processes that streamline and drive focus on the business for the region and also building up India market share from zero to 5% through product features that reaches out to the India consumer. Subsequently, Mr Ang was promoted to Vice President Marketing for Asia Pacific where he was responsible for marketing and product strategy across Sony Ericsson's various portfolios, overseeing product, marketing communication, public relations, market intelligence, channel marketing and go-to-market implementation for all mobile phones, accessories and services within the region.

Prior to leaving Sony Ericsson, Mr Ang was promoted to Hub GM for Singapore, Malaysia and Indonesia where he was responsible for all operations, profit and loss, and customer relationships. He also spearheaded the drive to increase Android market share in these markets and it was under his leadership when Sony Ericsson set sight on becoming the company with the most entertaining smartphone.

Mr. Ang holds a Bachelor of Engineering (Honours) in Electrical and Electronic from Loughborough University of Technology, UK. He was awarded the Overseas Research Student award for PhD Studies.

Ms. Juliana Julianti Samudro

Executive Director and Chief Financial Officer

DATE OF APPOINTMENT AS DIRECTOR
26 July 2011

DATE OF LAST RE-ELECTION
29 April 2013

DATE OF APPOINTMENT AS CHIEF FINANCIAL OFFICER
1 January 2014

NATURE OF APPOINTMENT
Executive Director and Chief Financial Officer

BOARD COMMITTEES SERVED ON
NA

Ms. Juliana was appointed as Chief Financial Officer of the Company and re-designated from Non-Executive Director to Executive Director with effect from 1 January 2014.

Ms. Juliana started her career in PT. Trikomsel Oke Tbk, Jakarta as Senior Vice President of Corporate Services in 2008, and was subsequently promoted to Director of Corporate Services in May 2010. She is responsible for overall corporate affairs, such as corporate secretary, investor relations, corporate legal, accounting and financial.

Previously, she acted as Senior Vice President and Head of Corporate Secretary Division of PT Bank UOB Buana Tbk, Jakarta where she managed the company's corporate affairs relating to capital market and stock exchange including corporate legal matters.

From 2010 to present, Ms. Juliana held several directorships in the multimedia and telecommunication industry.

Ms. Juliana holds a degree in Bachelor of Arts from California State University in Los Angeles, USA. She studied at Pasadena City College.

HEADPHONE

SPEAKER

THE EVOLUTION IN PORTABLE SOUND

The X-mini™ EVOLVE wireless headphone speaker.

With the introduction of the first X-mini™ Capsule Speaker™ in 2007, XMI pioneered a new category in portable sound and pocket size speakers, not because small speakers had never been done before but because it had never been done so well before. XMI urged the world to rethink that space, to imagine new possibilities, to dare to share.

Powered by X-mini's™ signature compact audio drivers, the X-mini™ EVOLVE extends XMI's expertise and experience in delivering great "Sound Beyond Size" to the headphone category. Providing users with both personal and shared audio in one easy to carry device. XMI is once again redefining boundaries.

- **Hybrid Headphones and Stereo Speakers play mode**
- **Signature X-mini™ drivers creates clearer and cleaner mid and high frequencies**
- **Separate audio drivers for headphones and speakers**
- **X-mini™ Buddy-Jack systems to connect with multiple X-mini™ speakers**
- **Bluetooth enabled for both wireless and wired connectivity**
- **Built-in microphone for wireless telephone calls and lifestyle conferencing**

corporate profile

Polaris Limited ("Polaris") is a Singapore-based holding company and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Polaris is active in the distribution and retail of smart mobile devices and lifestyle electronics in Asia, with extensive operations in Singapore, as well as in Asian countries including Cambodia, Indonesia, Malaysia, Myanmar, Philippines and Thailand. The Group has structured its operations into 3 main strategic business segments:

Distribution

Polaris distributes mobile devices and accessories through Southeast Asia. It has established strong relationships with many global brands such as Apple, Blackberry, HTC, HP, Huawei, InFocus, LG, Lenovo, Nokia, Samsung, Sony, and Xiaomi, etc.

Polaris has been appointed as the exclusive distributor of InFocus for distribution into markets such as Singapore, Malaysia, Thailand, Vietnam, Philippines and Cambodia.

Lifestyle

Polaris offers a wide range of the latest mobile devices, consumer electronics and accessories via our network of retail outlets in Singapore.

We have strong working relationships with several leading technology brands and help make their products available to consumers throughout Singapore. Polaris was appointed an Apple Premium Reseller, Lenovo Business Partner and Sony Business Partner.

Polaris has a strategic e-commerce platform with Shopdeca which serves South East Asia markets, from wholesale of mobile communications to lifestyle products.

Polaris's in-depth corporate knowledge serves corporate clients with an efficient B2B distribution. Our corporate clients include Singapore Airlines, Holiday Inn, Standard Chartered Bank and Australia and New Zealand Bank (ANZ), amongst others.

Telecommunication

This segment focuses on operating retail business, providing high-quality products and services offered by Singtel Group. Polaris was appointed Singtel Platinum Partner, being the largest Singtel Exclusive Retailer chain in Singapore.

key management

Mr. Lim Chee Keong

Head of Operations

Mr. Lim Chee Keong joined the company on 12 Oct 2012 as Operations Manager. He is responsible for the overall operations of the Company and its subsidiaries.

When the Company entered into a distributor agreement with Singtel on April 2013, he was tasked to setup, integrate and manage the newly incorporated subsidiary into the Group.

Prior to joining the Group, Mr. Lim was the Launch Execution Manager for Sony Mobile Communications from 2005 to 2012. He was responsible for the launch of Sony Mobile's products for Asia Pacific countries, covering 13 countries and supporting over 40 mobile operators and customers. During the earlier phase of his career, he spent 7 years working as a Systems Engineer. During this period, he provided technical support telecommunications systems, ranging from small telephone exchange to mission-critical communications systems.

Mr. Lim started his professional career as a R&D software engineer after completing his bachelor degree.

Mr. Lim graduated with a Bachelor of Engineering (Honours) in Electrical & Electronic, from Loughborough University of Technology, UK.

Mr. Chan Jwee Heng, Kenn

Head of Human Resource and General Affairs

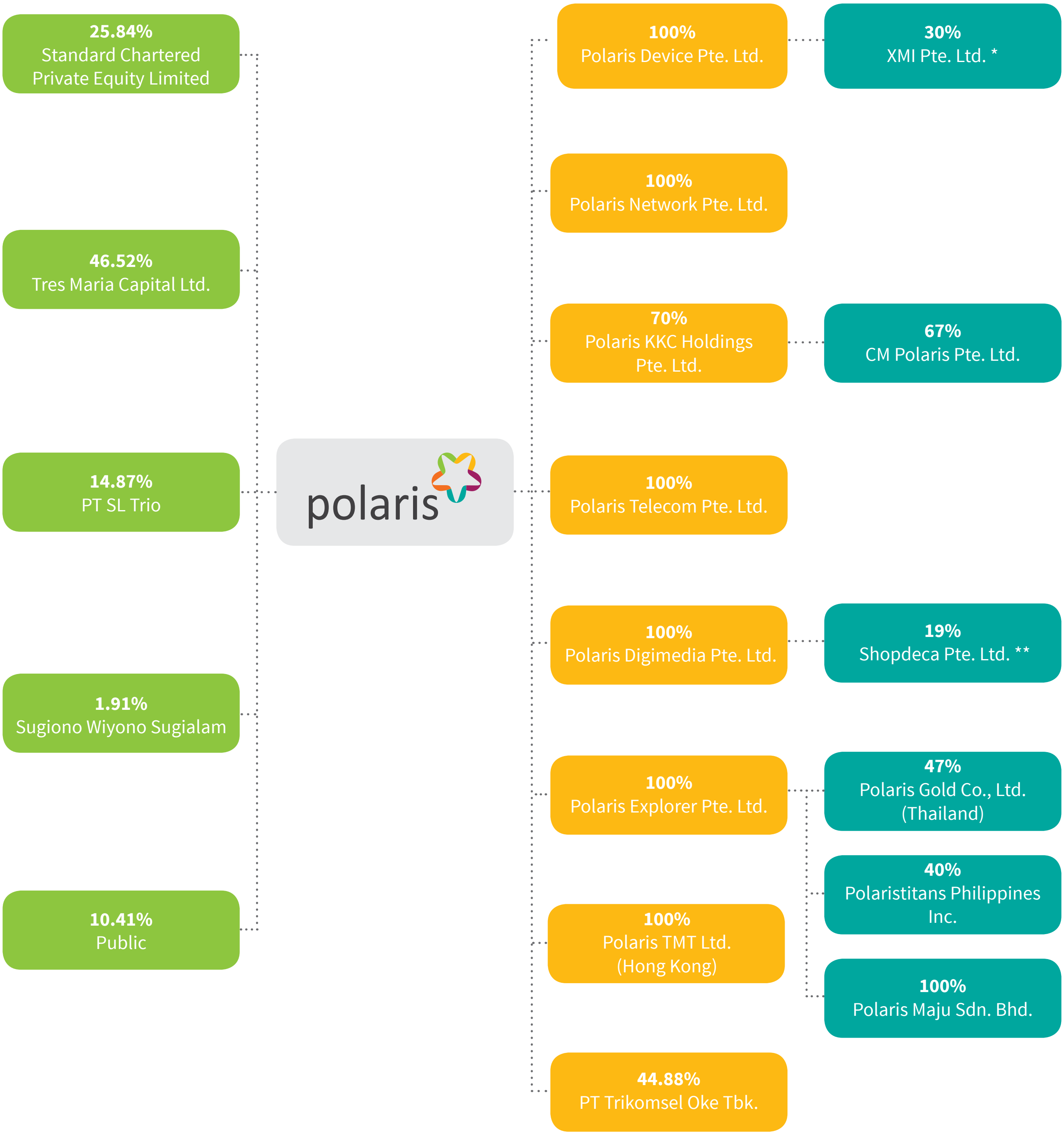
Mr. Chan was appointed as HR and Admin Manager on 27 May 2013. He is responsible for the overall HR and Admin services, policies and programs for the Company and its subsidiaries.

Mr. Chan was with a US based company from 1994 to 2013. He was a Senior Manager that accounted for the business relationship with the company's key corporate accounts to ensure continual organic growth. He also carried the role of a General Manager to oversee the operational functions of the company.

Mr. Chan was well respected by the principal, customers and also the company as a meticulous person with a strong ability to address matters proactively. He had proven records in coping conflicting points of view, demonstrate discretion, integrity, fair-mindedness, and possessed a persuasive, congenial personality.

Mr. Chan graduated with a Bachelor of Science (Honours) in Management Studies from University of London.

corporate structure



* Option to increase up to 45%

** Option to increase up to 33%

our coverage

Store presence

Cambodia

1 Polaris Store

Indonesia

431 Oke Stores

116 Global Teleshop

Myanmar

19 e-city Stores

Singapore

1 Apple premium Reseller Store

3 Lenovo Stores

18 Singtel Stores

operations at a glance

The Group has had an exciting and challenging FY2015. Through the year, we have relentlessly focused on strengthening our retail and regional footprint, enhancing our product range and optimising our operational processes. This has been the strategy since 2010 and with unwavering perseverance, we are reaping results even in a tough market environment.

Rising rental costs and the tightening of labour continue to be the main challenges that the Group faces. As expected, retail rental rates contributed to higher operating costs, while a tight labour market resulted in a manpower crunch.

The Group continued on with its efforts to optimise efficiencies to mitigate rising costs. These include outsourcing, productivity enhancement efforts and consolidation of critical functions. In the year, we have also expanded our product offerings with the investment into XMI, makers of the award winning X-mini™. X-mini™ is a pioneer and leader in the world of portable audio technology, striking the perfect balance of portability and uncompromising sound quality. Conceptualised, developed and commercialised in-house in Singapore, X-mini™ has continually set new industry standards in the field of portable sound.

Operating Segments

In FY2015, the Group carried out further consolidation to our business units to sharpen focus on our areas of strengths. We now operate primarily in three business segments, namely:

Distribution	– where the Group distributes devices gadgets and accessories;
Lifestyle	– where the Group operates exclusive concept stores for Apple, Lenovo and Sony; and
Telecommunications	– where the Group operates a chain of retail outlets for Singtel.

By tapping on our operational track record, deep expertise and wide experience in the electronic and telecommunication industry, we have been quick to adapt and rise to meet the demands of the market.

Lifestyle

Formerly known as the Group's Consumer Electronics segment, the Lifestyle segment is by far, the most regionalised of our business segments. The Lifestyle business unit's diversity in product lines and geography allows us to hedge against a downturn in any particular country, and grow with the region.

As a premium reseller of Apple products, this segment was boosted by the launch of new Apple products, such as the iPhone 6, iPhone 6+ and Apple Watch in 2015. The Group also continued to work with our other marque brands, Lenovo and Sony, to ensure a wide variety of product offerings for consumers, and establish ourselves as a premier full suite provider of electronic products in the region.

Telecommunications

The Telecommunications segment is our partnership with Singtel to operate Singtel retail outlets. We have continued to expand in this segment by identifying new strategic areas to site our stores, and together with our existing ones, offer extensive coverage in the Singapore market. Today, we are the largest distributor for Singtel with 18 stores island-wide.

Distribution

The Distribution segment oversees the distribution devices, gadgets and accessories. The strategy for the unit has always been to leverage economies of scale and enhance operational efficiencies, as well as grow our networks in the region. This strategy has continued unabated and is a sound one, as we continue to diversify and ensure the resilience of our business.

Some headwinds in the segment include rising transport costs, as well as a challenging market.

Looking forward, the Group continues to see Singapore as its primary and anchor market, from which we will regionalise and expand. In addition, we look to enhance our offerings by attracting the best talent there is on offer in the industry and to ensure that our business units are well resourced to meet any challenges, and capture arising opportunities. Finally, we are always on the lookout for new products and services that we can bring to the market.

Overcoming rising rental and labour costs are key to ensuring that our operations remain efficient and profitable. We will continue to streamline and enhance operationally in the coming FY.

our stores

e-city Myanmar

Apple Singapore

Lenovo Singapore

Lenovo Singapore

Lenovo Singapore

Singtel Singapore

singtel stores


City Square Mall


Kovan Heartland Mall


People's Park

Blk 826 Tampines St


Tampines Mart


Clifford Centre


East Link Mall


Funan Digitalife Mall


Loyang Point


Paya Lebar Square


Hougang 1


Nex

corporate information

Board of Directors

Tan Chung Yaw, Richard
Non-Executive Chairman

Ang Chuan Hui, Peter
Executive Director and Chief Executive Officer

Juliana Julianti Samudro
Executive Director and Chief Financial Officer

Sugiono Wiyono Sugialam
Non-Executive Director

Ong Kok Wah
Independent Non-Executive Director

Audit Committee

Tan Chung Yaw, Richard
Chairman

Sugiono Wiyono Sugialam

Ong Kok Wah

Remuneration Committee

Tan Chung Yaw, Richard
Chairman

Sugiono Wiyono Sugialam

Ong Kok Wah

Nominating Committee

Ong Kok Wah
Chairman

Tan Chung Yaw, Richard

Sugiono Wiyono Sugialam

Company Secretary

Teo Meng Keong, *ACIS*

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Share Registrar

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One Raffles Quay
#18-00 North Tower
Singapore 048583
Partner-in-Charge: Tan Chwee Peng (Date of appointment since financial year ended 31 December 2015)

financial contents

Corporate Governance Report

Polaris Ltd. (the “Company”) is fully committed to maintaining high standards of corporate governance within the Company and its subsidiaries (the “Group”). The Board of Directors (the ”Board”) recognises the importance of good corporate governance and the offering of high standards of accountability to the shareholders.

This report outlines the Company’s corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012 (the “Code”). The Company is generally in compliance with the principles and guidelines as set out in the Code and in areas where there are deviations from the Code, appropriate explanations are provided within this report. The Board considers that the alternative corporate governance practices are sufficient to meet the underlying objective of the Code.

BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board

The Board manages the Group in the best interests of shareholders as well as the interest of other stakeholders and pursues the continual enhancement of the long-term shareholder value. Besides carrying out its statutory responsibilities, the Board’s role is to:

a. set the overall business direction of the Group, with particular focus on business expansion and synergies;

b. oversee the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance;

c. approve major investment and divestment proposals, material acquisitions and disposal of assets, major corporate policies on key operations, annual budget, the release of the Group’s half year and full year results and interested person transactions of a material nature;

d. identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;

e. assume corporate governance practices directly or through the respective Committees; and

f. consider sustainability issues e.g. environmental and social factors, as part of its strategic formulation.

All directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the best interests of the Company.

To assist the Board in executing its responsibilities, the Board has delegated specific functions to the Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”) (together “Board Committees” and each a “Board Committee”). Each of these Board Committees has its own written terms of reference and its actions are reported to and monitored by the Board. Minutes of the Board Committee meetings are available to all Board members.

The Board has held meetings for particular and specific matters as and when required. The Company’s Articles of Association allow a board meeting to be conducted by means of conference telephones or similar communications equipment.

A record of the directors’ attendance at meetings of Board and Board Committees for the financial year ended 31 December 2015 (“FY2015”), as well as frequency of such meetings, is set out in Table 1.

Corporate Governance Report

The Company has adopted a set of Approving Authority & Limit Guidelines ("Guidelines"), setting out the level of authorisation required for specified transactions, including those that require Board approval. Under the Guidelines, new investments or divestments and all commitments to banking facilities granted by financial institutions to the Company require the approval of the Board.

On directors' training, the Group has instituted an orientation program for new directors to familiarise them with the Group's core business and governance practices. Directors are also given an opportunity to visit the Group's operational facilities and meet with management staff (the "Management") to obtain a better understanding of the Group's history, business operations, policies, strategic plans and objectives. Directors and senior executives are encouraged to attend relevant training to enhance their skills and knowledge, particularly on new laws and regulations affecting the Group's operations.

All directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make well-informed decisions and to ensure that the directors are competent in carrying out their expected roles and responsibilities. The directors are aware of the requirements in respect of disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information.

A formal letter is sent to newly-appointed directors upon their appointment explaining their duties and obligations as directors. New directors, upon appointment, will also be briefed on their duties and obligations as directors. The directors are also informed of regulatory changes initiated by or affecting the Company.

The Company has an on-going budget for all directors to attend appropriate courses, seminars and conferences for them to stay abreast of the relevant business developments. These include programmes run by the Singapore Institute of Directors or other training institutions.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises five directors of whom two are independent non-executive directors ("INEDs"), one non-independent non-executive director ("NINED") and two executive directors. The NC conducted its annual review of the directors' independence and was satisfied that the Company complies with the guidelines of the Code including the guideline that at least one-third of the Board is made up of independent directors.

A summary of the current composition of the Board and its committee is set out in Table 2.

The Chairman of the Board and the Chief Executive Officer ("CEO") is not the same person. The Chairman of the Board is an independent director who is not part of the management team nor is he an immediate family member of the CEO.

The NC, which reviews the independence of each director on an annual basis, adopts the Code's definition of what constitutes an independent director as well as the respective director's self-declaration in the statement of director's independence.

The Company has no independent non-executive director who has served on the Board beyond nine years.

The Board is of the view that its current size is appropriate, taking into account the nature and the scope of operations of the Group.

The Board recognises the importance of an appropriate balance and diversity of skills, experience, gender, knowledge and professional qualifications in building an effective Board. For this purpose, the NC reviews the Board's collective skills matrix regularly.

Corporate Governance Report

As a Group, the directors bring with them a broad range of expertise and experience in areas such as accounting, finance, business and management experience, industry knowledge, strategic planning and customer-based experience and knowledge. The diversity of the directors' experience allows for the useful exchange of ideas and views. The profile of all Board members is set out in the section entitled 'Board of Directors'.

The non-executive directors' aim is to assist in the development of proposals on strategy by constructively challenging Management. The non-executive directors would also review the performance of Management in meetings.

Where warranted, the non-executive directors meet without the presence of the executive directors or Management to review any matters that must be raised privately.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Board has adopted the recommendation of the Code to have separate persons appointed as Chairman and the CEO. This is to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable power or influence. Further, the AC, RC and NC are chaired by independent directors.

Mr. Tan Chung Yaw, Richard ("Mr. Tan") is currently the Chairman of the Board (the "Chairman"), whilst Mr. Ang Chuan Hui, Peter ("Mr. Ang") fulfills the role of the CEO of the Company as part of the Company's plans for new direction of the Company. Mr. Ang plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and strategic vision. He manages the businesses of the Company and implements the Board's decisions. He also ensures that the directors are kept updated and informed of the Group's businesses and developments.

As Chairman, Mr. Tan is responsible for, amongst other things, exercising control over the quality, quantity and timeliness of the flow of information between the Management and the Board, and ensuring compliance with the Company's guidelines on corporate governance.

The Chairman is also responsible for representing the Board to the shareholders, ensuring that Board meetings are held when necessary, setting the Board meeting agenda in consultation with the Chief Financial Officer and/or Company Secretary, acting as facilitator at Board meetings and maintaining regular dialogue with the Management on all operational matters. At annual general meetings and other shareholders' meetings, the Chairman ensures constructive dialogue between shareholders, the Board and the Management.

There is no necessity to appoint a lead independent director.

As a good corporate governance practice, Mr. Tan has volunteered to retire as Director and Non-Executive Chairman of the Company at the conclusion of the forthcoming AGM due to possible conflict of interests. The Company will appoint a new Chairman who will be an Independent and Non-Executive Director to fill the vacancy. The NC is in the midst of identifying a suitable candidate and will announce this new appointment pursuant to the requirements. Section B of the SGX-ST Listing Manual (Rules of Catalist).

Corporate Governance Report

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC, regulated by a set of written terms of reference, comprises three members, a majority of whom, including the Chairman, are independent non-executive directors. The NC meets at least once a year. The members of the NC are as follows:

1. Mr. Ong Kok Wah (Chairman, INED)
2. Mr. Tan Chung Yaw, Richard (INED)
3. Mr. Sugiono Wiyono Sugialam (NINED)

The principal functions of the NC is to establish a formal and transparent process for:

a. reviewing nominations of new director appointments based on selection criteria such as the incumbent's credentials and his/her skills and contributions required by the Company;

b. reviewing and recommending to the Board the re-election of directors in accordance with the Company's Articles of Association;

c. determining annually whether a director is "independent", guided by the independent guidelines contained in the Code;

d. deciding whether a director is able to and has adequately carried out his/her duties as a director of the Company, in particular whether the directors concerned have multiple board representations or if they are in conflict with the interest of the Company; and

e. deciding how the Board's performance may be evaluated and propose objective performance criteria.

In accordance with the Company's Articles of Association, one third, or if their number is not a multiple of three, the number nearest to one-third of the directors are required to retire from office by rotation at each Annual General Meeting ("AGM"), (provided that no director holding office as managing director, shall be subject to retirement by rotation or be taken into account in determining the number of directors to retire). Newly appointed directors will hold office only until the next AGM following their appointments and they shall be eligible for re-election. Such directors are not taken into account in determining the number of directors who are to retire by rotation at that meeting.

The NC had recommended to the Board that Ms. Juliana Julianti Samudro will be nominated for re-election at the forthcoming AGM in accordance with Article 86 of the Company's Articles of Association. Mr. Tan Chung Yaw, Richard has volunteered to retire as Director and Non-Executive Chairman of the Company at the conclusion of the forthcoming AGM due to possible conflict of interests.

In making the recommendations, the NC evaluates the director's contribution and performance, such as his/her attendance at meetings of the Board or Board Committees, where applicable, participation, candor and any special contributions. The Board has accepted the NC's recommendation and accordingly, the above-mentioned directors will be offering themselves for re-election at the forthcoming AGM.

Each member of the NC has abstained from reviewing and approving his own re-election.

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The NC reviews annually the independence declarations made by the Company's independent non-executive directors based on the criterion of independence under the guidelines provided in the Code. The NC has reviewed the independence of each director for FY2015 in accordance with the Code's definition of independence and is satisfied that Mr. Tan Chung Yaw, Richard and Mr. Ong Kok Wah remain as independent directors of the Company.

The NC and the Board are of the standpoint that setting a maximum number of listed company board representations would not be meaningful as the contributions of the directors would depend on many other factors such as whether they are in full time employment and their other responsibilities or principal commitments. In addition, the board representations presently held by its directors do not impede the performance of their duties to the Company.

Notwithstanding that some of the directors have multiple board representations, the NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Company and each director is able to and has been adequately carrying out his/her duties as a director of the Company.

No alternate director has been appointed to the Board.

The NC is responsible for identifying and recommending new board members to the Board, after considering the necessary and desirable competencies of the candidates which include;

a. academic and professional qualifications;

b. industry experience;

c. number of other directorships;

d. relevant experience as a director; and

e. ability and adequacy in carrying out required tasks.

The NC leads the process for board appointments and makes recommendations to the Board. The integrated process of appointment includes:

a. developing a framework on desired competencies and diversity on board;

b. assessing current competencies and diversity on board;

c. developing desired profiles of new directors;

d. initiating search for new directors including external search, if necessary;

e. shortlist and interview potential director candidates;

f. recommending appointments and retirements to the Board; and

g. election at general meeting.

Key information of each member of the Board can be found under the 'Board of Directors' section of this Annual Report.

The date of the directors' initial appointment and last re-election and their directorships are shown in Table 3.

Corporate Governance Report

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Board has, through the NC, implemented an annual evaluation process to assess the effectiveness of the Board as a whole and the contribution of each individual director. The NC is also responsible for deciding how the Board's performance may be evaluated and proposes objective performance criteria for the Board's approval and implementing corporate governance measures to achieve good stewardship of the Company.

The NC adopts a formal system of evaluating the Board as a whole every year. A Board performance evaluation is carried out and the assessment parameters include evaluation of the Board's composition, size and expertise, timeliness of Board information as well as Board accountability and processes.

The annual evaluation exercise provides an opportunity to obtain constructive feedback from each director on whether the Board's procedures and processes had allowed him/her to discharge his/her duties effectively and to propose changes which may be made to enhance the Board's effectiveness as a whole. The collated findings are reported and recommendations are made to the Board for consideration and for further improvements to help the Board to discharge its duties more effectively.

Although the directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of directors for the current year are based on their attendances, commitment of time and contributions made at these meetings.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board is informed of all material events and transactions as and when they occur. All analysts' and media reports on the Group are forwarded to the directors on an on-going basis.

The Board has separate, independent and unrestricted access to the senior management of the Group at all times. Requests for information from the Board are dealt with promptly by the senior management.

The Board is provided with complete, adequate and timely information prior to board meetings.

The Board receives monthly management financial statements, annual budgets and explanation on forecast variances to enable them to oversee the Group's operational and financial performance. Directors are also informed of any significant developments or events relating to the Group.

The Board has separate and independent access to the Company Secretary at all times. The Company Secretary or his/her nominee attends all Board meetings and is responsible for ensuring that established procedures and all relevant statutes and regulations that are applicable to the Company are complied with. The Company Secretary assists the Chairman by preparing meeting agendas, attending Board and Board Committee meetings and preparing minutes of board proceedings. Under the direction of the Chairman, the Company Secretary, with the support of the management staff, ensures good information flows within the Board and the Board Committees and between senior management and non-executive directors.

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The appointment and the removal of the Company Secretary are subject to the Board's approval.

The Board seeks independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. The directors, whether as a Group or individually, may seek and obtain legal and other independent professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their roles and responsibilities as directors.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC, regulated by a set of written terms of reference, comprises three members, a majority of whom, including the Chairman, are independent non-executive directors. The members of the RC are as follows:

1. Mr. Tan Chung Yaw, Richard (Chairman, INED)

2. Mr. Sugiono Wiyono Sugialam (NINED)

3. Mr. Ong Kok Wah (INED)

The principal function of the RC is to ensure that a formal and transparent procedure is in place for fixing the remuneration packages of directors and key management personnel of the Group.

Under its terms of reference, the RC is responsible for reviewing and recommending a remuneration framework for the Board and the Company's key management personnel. The aim is to build capable and committed management teams, through competitive compensation, focused management, and progressive policies which will attract, motivate and retain a pool of talented executives to meet the current and future growth of the Company. In discharging their duties, the members have access to advice from human resources department and external advisors as and when it deems necessary. To ensure that the remuneration package is competitive and sufficient to attract, retain and motivate the key management personnel, the RC also takes into consideration industry practices and norms in the compensation review.

No independent consultant is engaged for advising on the remuneration of all directors. The Company will seek external expert advice should such a need arises.

The RC reviews the service contracts of the Company's executive directors and key executives. Services contracts for executive directors are for a fixed appointment period and may be terminated by not less than three months' notice in writing served by either party or salary in lieu of notice. There are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of the executive directors and key executives.

Corporate Governance Report

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Remuneration policy in respect of executive directors and other key management personnel

The remuneration policy for executive directors and key management personnel is structured to link rewards to corporate and individual performance.

Our executive directors' remuneration consists of a salary, bonuses and other benefits. A proportion of the remuneration for the executive directors is linked to performance in the form of performance bonus. Executive directors do not receive directors' fees.

The remuneration of the Group's key management personnel takes into account the pay and employment conditions within the industry and is performance-related.

The Group has also entered into various letters of employment with all of the executive officers. Their compensation consist of salary, bonus, performance awards that are dependent on the performance of the Group.

The Company does not have any long-term incentive scheme or schemes involving the offer of shares or grant of options.

Policy in respect of non-executive directors' remuneration

Non-executive directors ("NEDs") are remunerated under a framework of fixed fees for serving on the Board and Board Committees. Fees for NEDs are subject to the approval of shareholders at the AGM.

In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individuals.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Level and mix of remuneration of directors and key management personnel (who are not also directors or the CEO) for the year ended 31 December 2015

Due to the size of the Group's operations and the dual role of the CEO and CFO (also as executive directors), the Board has determined that there are three key management personnels (who are not directors or the CEO). The Company discloses the actual remuneration paid to each director and the key management personnel (who are not directors or the CEO) using a narrower band of S$200,000 to improve transparency.

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The compensation structure for the key management personnel (who are not directors or the CEO), of Group subsidiaries consists of three key components – salary, bonus and other benefits.

Regarding the Code's recommendation to fully disclose the remuneration of directors and the top three key management personnels (who are not directors or the CEO), given the highly competitive environment it is operating in and the confidentiality attached to the remuneration matters, the Company believes that disclosing remuneration using a narrower band of $200,000 and disclosing in aggregate the total remuneration paid to the directors and the key management personnel (who are not directors or the CEO) provide sufficient overview of the remuneration of directors and the key management personnel (who are not directors or the CEO).

Table 4 and Table 4A sets out the breakdown of the remuneration of the directors and the three key management personnels (who are not directors or the CEO), respectively, for FY2015.

Remuneration of employees who are immediate family members of a director or the CEO

There is no immediate family member (defined in Section B of the SGX-ST Listing Manual (Rules of Catalist), as the spouse, child, adopted child, step-child, brother, sister and parent) of a director or the CEO in the employment of the Company whose annual remuneration exceeded $50,000 during FY2015.

There is presently no share scheme or option scheme on unissued shares of the Company or its subsidiaries.

Matters which are required to be disclosed in the annual remuneration report have been sufficiently disclosed in this report under Principles 7, 8 and 9 and in the financial statements of the Company and the Group.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Group's performance, position and prospects on a half yearly basis. The Management provides the Board with appropriately detailed management accounts of the Group's performance and prospects on a half yearly basis.

The Board is mindful that it is accountable to the shareholders and strives to ensure that full material information is timely disclosed to shareholders in compliance with the statutory requirements and Section B of the SGX-ST Listing Manual (Rules of Catalist). Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within legally prescribed periods.

The following policies were established:-

a. Directors' Training Policy;

b. Policy on Delegation of Authority;

c. Human Resource Policy;

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d. Financial Risk Management Policy;

e. Code of Conduct and Business Ethics; and

f. Policy on Matters reserved for the Board.

The Management provides the Board and Board Committees with a continual flow of relevant information on a timely basis in order for it to effectively discharge its duties.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board also acknowledges that no cost effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board is satisfied that the system of internal procedures, controls and reviews that the Group has in place provides reasonable assurance against material financial misstatements or loss, safeguarding of assets, the maintenance of proper accounting records, reliability of financial information, compliance with legislation, regulations and best practices and the identification and management of business risks.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and the documentation on the Group's key risks referred to below, reviews performed by Management, the AC and the Board, the Board with the concurrence of AC is of the opinion that the Group's system of internal controls, addressing financial, operational, compliance and information technology controls, as well as risk management policies and systems, were adequate as at 31 December 2015.

The AC and the Board has received assurance from the CEO and the Chief Financial Officer that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and regarding the effectiveness of the Company's risk management and internal control systems.

The Company has not put in place a risk management committee. However, Management have in place a financial risk management policy and regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the directors and AC. The AC provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

Details of the Group's risk management policy are set out in Note 30 "Financial risk management objectives and policies" of the Notes to the Financial Statements.

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Telecommunication Risks

1. Economic and Market Risks

   The Group's businesses are in the sales and distribution of mobile handsets and retail sale of mobile handsets and related products and services.

   For mobile handsets distribution, the industry is a commoditised business with low barriers of entry – our competitors can easily adjust prices downwards and exert margin pressures on us. At the same time, with the rapid advancement of technology, the shelf-life of our products are shortened, resulting in high levels of inventory obsolescence. The Group manages these risks through the close monitoring of competitors' pricing and activities, and stringent management of all purchases to ensure optimum levels of inventory.

   The retail environment is perennially subjected to rising rental and wage costs, and manpower shortages. While these risks can be mitigated through talent retention, increasing productivity and consolidation of retail outlets' resources where feasible, rising business costs will nevertheless put a strain on financial budgets and affect the financial performance of the Group. In addition, retail space rental rates are very much market driven, and it is an area where the Group is unable to exercise full control. Streamlining is an ongoing effort, and cost consciousness must be inculcated in every employee.

2. Competitive Environment

   Due to the commoditised nature of our business, margins may quickly be eroded. Margin discipline is especially important in our retail sales. This is because it is an area whereby we can hedge against our wholesale operation's performance, which traditionally is a low margin one, unless economies of scale can be achieved with consequent revenue expansion. The Group will be adversely affected in the event we are unable to exercise vigilance in our costing methods and continue to upscale our wholesale operations.

3. Dependence on mobile technology

   As smartphone penetration increases in the region, and greater public recognition of the many benefits that mobile technology bring to consumers and businesses alike, the Group will continue to focus on its core business of providing the most entertaining smartphones regionally. However, such products and related services may be inhibited by, among other things, the reluctance of some end users in switching and adopting higher end smartphones equipped with data plans, and concerns with regards to costs, complexity and security in using such services. This is especially so in the less economically developed countries in the region. Of course, the overall economic environment also plays a part in impacting consumer behaviour. Nevertheless, we should be positioned such that if there is a huge uptake in adoption, we would be able to capitalise on such opportunities.

Audit Committee

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC, regulated by a set of written terms of reference, comprises three members, a majority of whom, including the Chairman, are independent non-executive directors. Other directors are invited to attend AC meetings as and when appropriate. The AC meets twice a year. The members of the AC are as follows:

1. Mr. Tan Chung Yaw, Richard (Chairman, INED)
2. Mr. Ong Kok Wah (INED)
3. Mr. Sugiono Wiyono Sugialam (NINED)

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The members of the AC, collectively, have the expertise or experience in financial management and are qualified to discharge the AC's responsibilities.

The AC has full access to and full co-operation of the Management and external auditors. It also has the discretion to invite any director and executive director to attend its meetings. The AC also has the power to conduct or authorise investigations into any matters within its terms of reference.

The AC meets periodically to perform the following functions:

a. review the audit plans of the external auditors of the Company, and review the Auditors' evaluation of the adequacy of the Company's system of internal accounting controls, their letter to Management and the Management's response;

b. review the half yearly and annual financial statements and balance sheet and profit and loss accounts before submission to our Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual Section B of the SGX-ST Listing Manual (Rules of Catalist) and any other relevant statutory or regulatory requirements;

c. review the internal control procedures and the adequacy of the Group's internal controls and ensure co-ordination between the external auditors and our Management, and review the assistance given by our Management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management, where necessary);

d. review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or likely to have a material impact on our Group's operating results or financial position, and our Management's response;

e. review the cost effectiveness and the independence and objectivity of the external auditors;

f. recommends to the Board of Directors the external auditors to be nominated, approve the compensation of the external auditors, and review the scope and results of the audit;

g. review interested person transactions (if any) falling within the scope of Chapter 9 of the Section B of the SGX-ST Listing Manual (Rules of Catalist);

h. review potential conflicts of interest, if any;

i. undertake such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

j. undertake generally such other functions and duties as may be required by the legislation, regulations or the Listing Manual, or by such amendments as may be made thereto from time to time;

k. meet with external auditors, Management and any others considered appropriate in separate executive sessions to discuss any matters that the AC believes should be discussed privately and establish a practice to meet with external auditors without the presence of Management at least once annually;

l. review the nature and extent of all non-audit services provided by the Group's external auditors, if any, and determine if such services would affect the independence of the external auditors; and

m. review and report to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties).

Corporate Governance Report

The AC shall continue to monitor the scope and results of the external audit, its cost effectiveness, as well as the independence and objectivity of the external auditors and give its recommendations to the Board and the Company regarding the appointment, re-appointment or removal of the external auditors.

Ernst & Young LLP, the Company's external auditor, carried out, as part of their statutory audit, a review of the effectiveness of the Company's internal accounting controls on an annual basis. Any material internal accounting control weaknesses noted in the course of the statutory audit were reported by the external auditors to the AC.

The AC meets with the internal auditor and the external auditor separately, at least once a year, without the presence of the Management to review any matter that might be raised.

The AC undertook the review of the independence and objectivity of the external auditor through discussions with the external auditor as well as reviewing the non-audit services provided and the fees paid to them. The amount of audit and non-audit fees paid to the external auditor in FY2015 was $101,000. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of the non-audit services. The external auditors have also provided confirmation of their independence to the AC.

The Company with the assistance of the AC, has put in place a "whistle blowing" process and is working towards formulating the guidelines for a Whistle-Blowing Policy for the Group.

The external auditor, Ernst & Young LLP has indicated to the AC and the Board of their intention not to seek re-appointment as auditor of the Company at the forthcoming AGM. The Board was also of the view that a change of Auditors will benefit the Company from the perspective of good corporate governance. This change will enable the Company to benefit from the fresh perspectives and views of another audit firm and enhance the independence and effectiveness of the independent audit of the Company's accounts.

In view of the foregoing, the Board considered several reputable audit firms in Singapore. After reviewing the credentials, services, proposed fees and their ability to meet the Group's requirements, the Directors, with the concurrence of the Audit Committee, recommended that Moore Stephens LLP be appointed as the new Auditor.

Further details on the proposed change of auditors can be found in the Appendix to the Notice of Annual General Meeting dated 14 April 2016.

Summary of AC's activities in FY2015

For FY2015, the AC met with and reviewed with the external auditor:

a. the half yearly and full year financial statements of the Group and the Company, including announcements relating thereto to shareholders;

b. the audit plan (including, among others, the nature and scope of the audit before the audit commenced and the risk management issues of the Group);

c. their evaluation of the system of internal accounting controls;

d. their audit report;

e. the assistance given to them by the Company's officers; and

f. the consolidated financial statements of the Group, the balance sheet and statement of changes of equity of the Company.

In appointing the audit firms for the Group, the AC and the Board are satisfied that the Group has complied with Rule 712 and Rule 715 of Section B of the SGX-ST Listing Manual (Rules of Catalist).

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Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audit.

The Board recognises that it is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the internal auditor is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas.

The internal audit function is currently outsourced to an external independent firm reporting directly to the AC on a project by project basis. The AC will continue to review specific audit risk areas and ensure that the internal audit function as discharge by the external independent firm is adequate and effective.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company is committed to regular and timely communication with shareholders as part of the organisation's development to build systems and procedures that will enable the Group to compete internationally. The Company places great emphasis on investor relations and strives to maintain a high standard of transparency and to promote better investor communications. It aims to provide investors with clear, balanced and useful information, on a timely basis, about the Group's performance, financial position and prospects.

Management supported the Code's principle to encourage shareholder participation. Shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Notice of the AGM is despatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 days or 21 days, as the case may be, before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM.

The Articles of Association of the Company does not have a provision that allows corporations which provide nominee or custodial services to appoint more than two proxies to vote. At present, only the Central Depository (Pte) Limited is permitted to appoint more than two proxies. The Company, does however, allow non-shareholders to attend the AGM as observers.

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COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company conducts briefings occasionally for the media, analysts, brokers and fund managers, with the presence of key management personnel. Briefings for investors are held in conjunction with the release of the Company's half year and full year financial results, with the presence of the CEO and CFO (also as the executive directors) and the key management personnel to answer the relevant questions which the investors may have.

The Company has not put in place an investor relations policy to promote regular and proactive communication with shareholders. The Company will review such a need going forward.

The Company does not practice selective disclosure. In line with continuous obligations of the Company pursuant to Section B of the SGX-ST Listing Manual (Rules of Catalist) and the Companies Act (Cap 50) of Singapore, the Board's policy is that all shareholders should be equally and timely informed of all major developments that will impact the Company or the Group. Information is communicated to shareholders on a timely basis through the Singapore Exchange Network (the "SGXNET") and the press.

The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis. At AGMs, shareholders are given the opportunity to air their views and to ask the directors and Management questions regarding the Group.

All materials on the half-yearly and full year financial results are available on the Company's website – www.wearepolaris.com. The website also contains various others investor-related information on the Company which serves as an important resource for investors.

As the Company has registered current year and accumulated losses as at 31 December 2015 and its current priority is to achieve long-term capital growth for the benefit of shareholders, its profits shall therefore be retained for investment into the future. The Board continues to monitor the financial position of the Company and will propose dividends at the appropriate time to the best interest of the shareholders.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

In general meetings, shareholders are given the opportunity to communicate their views and direct questions to directors and Management regarding the Company. The Chairpersons of Board Committees are present at the AGM and other general meetings of shareholders, to assist the Board in addressing shareholders' questions. The minutes of AGM are available to Shareholders upon their request.

Shareholders have the opportunity to participate effectively and to vote in the AGM either in person or by proxy.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved and also subjected to legislative amendment to recognise electronic voting.

Corporate Governance Report

Resolutions to be passed at general meetings are always separate and distinct in terms of issue and are consistent with the Code's recommendation that companies avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

The Chairman of the AC, RC and NC will be available at AGM to respond to those questions relating to the work of these Board Committees. The external auditors are also present to address shareholders' queries on the conduct of audit and the preparation and content of the auditors' report.

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the proposed resolutions and/or ask the directors or the Management questions regarding the Company and its operations.

To have greater transparency in the voting process, the Company conducts the voting of all its resolutions by poll at all its AGM and EGM. The detailed voting results of each of the resolutions tabled are announced on the same day after the meetings. The total numbers of votes cast for or against the resolutions are also announced after the meetings via SGXNET.

DEALING IN SECURITIES

The Company has adopted internal practices in relation to dealings in the Company's securities pursuant to Section B of the SGX-ST Listing Manual (Rules of Catalist) that are applicable to all its officers. The Company and its officers are not allowed to deal in the Company's securities on short term considerations; and during the period commencing one month before the announcement of the Company's half year or full financial year financial results and ending on the date of the announcements of the relevant results.

Directors and officers are required to observe insider trading provisions under the Securities and Futures Act Cap. 289 at all times even when dealing in the Company's securities within the permitted trading periods. Directors of the Company are required to report all dealings to the Company Secretary.

MATERIAL CONTRACTS

Save for the service agreement entered into with the executive directors which are still subsisting as at the end of FY2015 , there was no material contract entered into by the Company and its subsidiaries involving the interest of any director or controlling shareholders subsisting at the end of FY2015.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported on in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

During the year under review, there were no material interested person transactions requiring disclosure pursuant to Section B of the SGX-ST Listing Manual (Rules of Catalist).

USE OF PROCEEDS

There were no utilisation of proceeds from the Company and its subsidiaries involving the interests of the Chief Executive Officer, the Director(s) or the controlling shareholder that subsisted at the end of the Year or have been entered into since the end of the previous financial year.

CATALIST SPONSOR

The Company's sponsor, Stamford Corporate Services Pte Ltd had not rendered any non-sponsorship services to the Company for FY2015.

TABLE 1 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS FOR FY2015

Name of director	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	# No. of meetings	Attendance	# No. of meetings	Attendance	# No. of meetings	Attendance	# No. of meetings	Attendance
Tan Chung Yaw, Richard	5	5	2	2	4	4	1	1
Ong Kok Wah	5	4	2	2	4	3	1	1
Sugiono Wiyono Sugialam	5	4	0#	0	4	3	1	1
Juliana Julianti Samudro	5	5	–	–	–	–	–	–
Ang Chuan Hui, Peter	5	5	–	–	–	–	–	–

No. of meetings held whilst a member

TABLE 2 - BOARD AND BOARD COMMITTEES AS AT THE DATE OF THIS REPORT

Name of director	Board membership	Audit Committee	Nominating Committee	Remuneration Committee
Tan Chung Yaw, Richard	Independent / Non-Executive Chairman	Chairman	Member	Chairman
Ong Kok Wah	Independent/ Non-Executive	Member	Chairman	Member
Sugiono Wiyono Sugialam*	Non-Independent/Non-Executive	Member	Member	Member
Juliana Julianti Samudro	Non-Independent/Executive	–	–	–
Ang Chuan Hui, Peter	Non-Independent/Executive	–	–	–

* *Appointed as a member of the Audit Committee with effect from 3 October 2015.*

Corporate Governance Report

TABLE 3 – DATE OF DIRECTOR'S INITIAL APPOINTMENT & LAST RE-ELECTION & THEIR DIRECTORSHIPS

Name of director	Age	Date of initial appointment	Date of last re-election	Present directorships in listed companies	Past directorships in listed companies
Tan Chung Yaw, Richard	51	26/07/2011	30/04/2014	Polaris Ltd. Asia Pay TV Trust (APTT)	–
Ong Kok Wah	70	20/05/2010	30/04/2015	Polaris Ltd. ICP Ltd.	Chuan Hup Holdings Ltd. CH Offshore Ltd.
Sugiono Wiyono Sugialam	53	26/07/2011	30/04/2015	Polaris Ltd. PT Trikomsel Oke Tbk., a company listed in Indonesia PT Skybee Tbk., a company listed in Indonesia	–
Juliana Julianti Samudro	44	26/07/2011	29/04/2013	Polaris Ltd. PT Trikomsel Oke Tbk., a company listed in Indonesia PT Skybee Tbk., a company listed in Indonesia	–
Ang Chuan Hui, Peter	49	01/03/2012	30/04/2014	Polaris Ltd. PT Trikomsel OkeTbk., a company listed in Indonesia	–

TABLE 4 – REMUNERATION OF DIRECTORS

The breakdown of the total remuneration of the directors of the Company for the year ended 31 December 2015 is set out below:

Name of director	Position	Breakdown of remuneration in percentage					Actual total remuneration in compensation bands of $200,000
		Directors' fees	Salary	Bonus	Other benefits	Total	
Tan Chung Yaw, Richard	INED	100%	–	–	–	100%	<$200,000
Ong Kok Wah	INED	100%	–	–	–	100%	<$200,000
Sugiono Wiyono Sugialam	NINED	100%	–	–	–	100%	<$200,000
Benjamin Soemartopo*	NINED	–	–	–	–	–	–
Juliana Julianti Samudro	ED	–	79%	0%	21%	100%	$200,001 - $400,000
Ang Chuan Hui, Peter	ED	–	79%	0%	21%	100%	$400,001 - $600,000

* *Resigned as non-independent and non-executive director with effect from 3 October 2015.*

Notes

ED: Executive director

NINED: Non-Independent, Non-executive director

INED: Independent, Non-executive director

Corporate Governance Report

- *Salary comprises basic salary, payment for leave not taken, Annual Wage Supplement (AWS) and the Company's contribution towards the Singapore Central Provident Fund where applicable.*
- *Variable bonus is paid based on the Company and individual's performance.*
- *Other benefits include transport allowance and personal income tax.*
- *The Company has no employee share option scheme in place.*
- *The director's fees are subject to shareholders' approval at the Annual General Meeting*.

TABLE 4A – REMUNERATION OF KEY MANAGEMENT PERSONNEL

The breakdown of total remuneration of key management personnel of the Group (who are not directors or the CEO) for the year ended 31 December 2015 is set out below:

Name of key management personnel	Position	Breakdown of remuneration in percentage				Actual total remuneration in compensation bands of $200,000
		Salary	Bonus	Other Benefits	Total	
Lim Chee Keong	Head of Operations	85%	7%	8%	100%	<$200,000
Chan Jwee Heng, Kenn	Head of Human Resources & General Affairs	83%	7%	10%	100%	<$200,000
Lim Poh Choo, Janet*	Financial Controller	93%	1%	6%	100%	<$200,000

* *Resigned as Financial Controller with effect from 15 January 2016.*

For the period under review, other than the three persons as listed above, the Company has no other key management personnel who are not also directors or the CEO.

- *Salary comprises basic salary, payment for leave not taken, and the Company's contribution towards the Singapore Central Provident Fund where applicable.*
- *Variable bonus is paid based on the Company and individual's performance.*
- *Other benefits include transport and mobile phone allowances.*
- *The Company has no employee share option scheme in place.*

Directors' Statement

The directors present their report to the members together with the audited consolidated financial statements of Polaris Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2015.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statement of the Group and the balance sheets and statements of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

Tan Chung Yaw, Richard
Ang Chuan Hui, Peter
Juliana Julianti Samudro
Sugiono Wiyono Sugialam
Ong Kok Wah

3. Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' Statement

4. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Tan Chung Yaw, Richard	–	550,000	–	6,181,000
Sugiono Wiyono Sugialam	326,003,652	326,003,652	10,639,721,072	10,469,189,374
Ong Kok Wah	70,000,000	70,000,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

5. Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a Company in which the director has a substantial financial interest.

6. Options

There is presently no option scheme on unissued shares of the Company or its subsidiaries.

Directors' Statement

7. Audit committee

The Audit Committee (AC) carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors

- Reviewed the half yearly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors

- Reviewed effectiveness of the Group and Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor

- Reviewed the nature and extent of non-audit services provided by the external auditor

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate

- Reviewed interested person transactions in accordance with the requirements of the Section B of the SGX-ST Listing Manual (Rules of Catalist)

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Directors' Statement

8. Auditor

The retiring auditors, Ernst & Young LLP, will not be seeking re-appointment at the forthcoming Annual General Meeting.

On behalf of the board of directors:

Juliana Julianti Samudro	Ang Chuan Hui, Peter
Director	Director

Singapore
1 April 2016

Independent Auditor's Report

For the financial year ended 31 December 2015

Independent Auditor's Report to the Members of Polaris Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Polaris Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 44 to 106, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Due to the matter described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Independent Auditor's Report

For the financial year ended 31 December 2015

Independent Auditor's Report to the Members of Polaris Ltd. (continued)

Basis for Disclaimer of Opinion

Investment in associate, PT Trikomsel Oke Tbk

The Group equity accounted for its shares of loss of $16,618,000 of its associate, PT Trikomsel Oke Tbk ("TRIO") for nine months up till 30 September 2015. As at that date, the Group also equity accounted for the post-acquisition loses of $11,652,000 of TRIO. In view of the events faced by TRIO as disclosed in Note 16 to the financial statements, the management has made a full impairment loss of $301,615,000 and $313,267,000 on the Group and Company's investment in TRIO respectively for the financial year ended 31 December 2015.

The financial statements of TRIO for the financial year ended 31 December 2015 were not made available to its auditor and the Company. Accordingly, the financial statements of TRIO for the financial year ended 31 December 2015 were not audited by its auditor.

As at the date of this report, we were unable to obtain sufficient information to determine the appropriateness of the impairment losses and share of results in TRIO for the financial year ended 31 December 2015, as well as the carrying values and recoverability of the Group and Company's investment in TRIO as at 31 December 2015. Any adjustments to these amounts would have a significant consequential effect on the financial position of the Group and Company as at 31 December 2015 and the financial performance of the Group for the financial year ended on that date.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Independent Auditor's Report

For the financial year ended 31 December 2015

Independent Auditor's Report to the Members of Polaris Ltd. (continued)

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2016

Consolidated Income Statement

For the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Revenue	4	156,148	133,096
Cost of sales		(148,431)	(123,053)
Gross profit		7,717	10,043
Other items of income			
Interest income	5	486	177
Other income	6	1,503	536
Other items of expense			
Marketing and distribution		(415)	(593)
Administrative expenses		(7,425)	(7,872)
Finance costs	7	(900)	(587)
Impairment of investment in an associate		(300,990)	–
Other expenses	8	(11,640)	(1,023)
Share of results of associates	16	(16,742)	4,341
(Loss)/profit before tax	9	(328,406)	5,022
Income tax credit/(expense)	10	331	(513)
(Loss)/profit for the year		**(328,075)**	**4,509**
Attributable to:			
Owners of the Company		(325,706)	4,169
Non-controlling interests		(2,369)	340
(Loss)/profit for the year		**(328,075)**	**4,509**
(Loss)/earnings per share attributable to owners of the Company (cents per share)			
Basic	11	(1.91)	0.05
Diluted	11	(1.91)	0.05

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000
(Loss)/profit for the year		**(328,075)**	**4,509**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Share of an associate's other comprehensive income		(625)	625
Foreign currency translation	25 (b)	436	(39)
Other comprehensive income for the year, net of tax		**(189)**	**586**
Total comprehensive income for the year		**(328,264)**	**5,095**
Attributable to:			
Owners of the Company		(325,925)	4,755
Non-controlling interests		(2,339)	340
Total comprehensive income for the year		**(328,264)**	**5,095**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

As at 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Assets					
Non–current assets					
Property, plant and equipment	12	6,102	6,853	5,880	6,296
Investment properties	13	2,501	2,593	2,501	2,593
Intangible assets	14	619	1,605	–	–
Investment in subsidiaries	15	–	–	8,425	8,512
Investment in associates	16	470	318,467	–	313,267
Investment securities	17	–	600	–	–
Other receivables	18	58	4,032	5,713	6,020
		9,750	334,150	22,519	336,688
Current assets					
Trade and other receivables	18	11,867	21,167	774	3,375
Inventories	19	3,814	3,754	–	–
Assets held-for-sale	17	600	–	–	–
Prepaid operating expenses		133	226	32	92
Cash and short–term deposits	20	2,737	3,173	657	252
		19,151	28,320	1,463	3,719
Total assets		**28,901**	**362,470**	**23,982**	**340,407**
Equity and liabilities					
Current liabilities					
Loans and borrowings	21	3,098	7,267	268	273
Trade and other payables	22	6,370	8,687	566	1,153
Deferred revenue		60	657	–	–
Other liabilities	23	812	792	422	555
Income tax payable		116	79	–	–
		10,456	17,482	1,256	1,981
Net current assets		**8,695**	**10,838**	**207**	**1,738**
Non–current liabilities					
Loans and borrowings	21	5,627	5,881	5,627	5,881
Deferred tax liabilities	24	–	434	–	–
Other payables	22	–	66	2,037	2,200
		5,627	6,381	7,664	8,081
Total liabilities		**16,083**	**23,863**	**8,920**	**10,062**
Net assets		**12,818**	**338,607**	**15,062**	**330,345**
Equity attributable to owners of the Company					
Share capital	25 (a)	402,747	402,747	402,747	402,747
Retained losses		(391,227)	(65,521)	(387,685)	(72,402)
Other reserve	25(c)&(d)	–	451	–	–
Foreign currency translation reserve	25 (b)	792	560	–	–
		12,312	338,237	15,062	330,345
Non–controlling interests		506	370	–	–
Total equity		**12,818**	**338,607**	**15,062**	**330,345**
Total equity and liabilities		**28,901**	**362,470**	**23,982**	**340,407**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

2015 Group	Note	Equity, total	Equity attributable to owners of the Company, total	Share capital (Note 25 (a))	Retained losses	Other reserves, total	Employee share option reserve (Note 25 (c))	Equity component of mandatory convertible bonds (Note 25 (d))	Foreign currency translation reserve (Note 25 (b))	Non–controlling interests
			Attributable to owners of the Company							
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2015		**338,607**	**338,237**	**402,747**	**(65,521)**	**451**	**221**	**230**	**560**	**370**
(Loss)/Profit for the year		(328,075)	(325,706)	–	(325,706)	–			–	(2,369)
Other comprehensive income										
Share of associate's other comprehensive income		(625)	(625)	–	–	(451)	(221)	(230)	(174)	–
Foreign currency translation		436	406	–	–	–	–	–	406	30
Other comprehensive income for the year, net of tax		(189)	(219)	–	–	(451)	(221)	(230)	232	30
Total comprehensive income for the year		(328,264)	(325,925)	–	(325,706)	(451)	(221)	(230)	232	(2,339)
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners										
Capital injection by non–controlling interest		2,475	–	–	–	–	–	–	–	2,475
Total contributions by and distributions to owners		2,475	–	–	–	–	–	–	–	2,475
Total transactions with owners in their capacity as owners		2,475								2,475
Closing balance at 31 December 2015		**12,818**	**12,312**	**402,747**	**(391,227)**	**–**	**–**	**–**	**792**	**506**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

			Attributable to owners of the Company							
2014 Group	**Note**	**Equity, total**	**Equity attributable to owners of the Company, total**	**Share capital (Note 25 (a))**	**Retained losses**	**Other reserves, total**	**Employee share option reserve (Note 25 (c))**	**Equity component of mandatory convertible bonds (Note 25 (d))**	**Foreign currency translation reserve (Note 25 (b))**	**Non–controlling interests**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Opening balance at 1 January 2015		**20,534**	**20,504**	**89,769**	**(69,690)**	**–**	**–**	**–**	**425**	**30**
Profit for the year		4,509	4,169	–	4,169	–	–	–	–	340
Other comprehensive income										
Share of associate's other comprehensive income		625	625	–	–	451	221	230	174	–
Foreign currency translation		(39)	(39)	–	–	–	–	–	(39)	–
Other comprehensive income for the year, net of tax		586	586	–	–	451	221	230	135	–
Total comprehensive income for the year		5,095	4,755	–	4,169	451	221	230	135	340
Contributions by and distributions to owners										
Shares issued for acquisition of an associate	25 (a)	313,268	313,268	313,268	–	–	–	–	–	–
Shares issuance expense	25 (a)	(290)	(290)	(290)	–	–	–	–	–	–
Total contributions by and distributions to owners		312,978	312,978	312,978	–	–	–	–	–	–
Total transactions with owners in their capacity as owners		312,978	312,978	312,978	–	–	–	–	–	–
Closing balance at 31 December 2014		**338,607**	**338,237**	**402,747**	**(65,521)**	**451**	**221**	**230**	**560**	**370**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

2015 Company	Note	Equity, total	Share capital (Note 25 (a))	Retained losses
		$'000	$'000	$'000
Opening balance at 1 January 2015		**330,345**	**402,747**	**(72,402)**
Loss for the year, representing total comprehensive income for the year		(315,283)	–	(315,283)
Closing balance at 31 December 2015		**15,062**	**402,747**	**(387,685)**
2014 **Company**				
Opening balance at 1 January 2014		**17,939**	**89,769**	**(71,830)**
Loss for the year, representing total comprehensive income for the year		(572)	–	(572)
Contributions by and distributions to owners				
Shares issued for acquisition of an associate	25 (a)	313,268	313,268	–
Share issuance expense	25 (a)	(290)	(290)	–
Total transactions with owners in their capacity as owners		312,978	312,978	–
Closing balance at 31 December 2014		**330,345**	**402,747**	**(72,402)**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Operating activities			
(Loss)/Profit before tax		(328,406)	5,022
Adjustments for:			
Amortisation of intangible assets	14	318	318
Depreciation of property, plant and equipment	12	778	553
Depreciation of investment properties	13	92	44
Finance costs	7	900	587
Interest income	5	(486)	(177)
Allowance for impairment of goodwill	14	668	–
Allowance for doubtful debts	18	9,278	–
Waiver of amount due to suppliers	6	(943)	–
Inventories written–down	19	220	21
Net gain on disposal of a subsidiary	6	–	(5)
Net gain on waiver of accrued interest expenses	6	–	(87)
Net loss on disposal of property, plant and equipment	8	83	65
Share of results of an associate	16	16,742	(4,341)
Impairment of investment in an associate	8	300,990	–
Unrealised exchange loss		460	–
Total adjustments		329,100	(3,022)
Operating cash flows before changes in working capital		**694**	**2,000**
Changes in working capital			
(Increase)/decrease in inventories		(1,474)	396
Decrease/(increase) in trade and other receivables		7,681	(7,423)
Decrease/(increase) in prepaid operating expenses		93	(164)
(Decrease)/increase in trade and other payables		(843)	1,211
Increase/(decrease) increase in other liabilities		35	(104)
Total changes in working capital		5,492	(6,084)
Cash flows generated used in operations		6,186	(4,084)
Interest received		210	3
Interest paid		(900)	(587)
Income taxes paid		(66)	(11)
Net cash flows generated from /(used in) operating activities		**5,430**	**(4,679)**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Investing activities			
Investment in associates	16	(360)	(150,233)
Investment in securities	17	–	(600)
Loan to an associate	18	(2,196)	–
Loan to franchisee	18	(1,213)	–
Purchase of property, plant and equipment	12	(124)	(3,381)
Purchase of investment property	13	–	(889)
Net cash flows used in investing activities		**(3,893)**	**(155,103)**
Financing activities			
Proceeds from issuance of shares of the Company	16	–	150,000
Proceeds from issuance of shares by subsidiaries to non-controlling shareholders		350	–
Proceeds from loans and borrowings		32,582	18,320
Share issuance expense	25 (a)	–	(290)
Repayment of loans and borrowings		(34,972)	(10,721)
Net cash flows (used in)/from financing activities		**(2,040)**	**157,309**
Net decrease in cash and cash equivalents		**(503)**	**(2,473)**
Effect of exchange rate changes on cash and cash equivalents		67	(40)
Cash and cash equivalents at 1 January		**3,173**	**5,686**
Cash and cash equivalents at 31 December	**20**	**2,737**	**3,173**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2015

1. Corporate information

Polaris Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 81 Ubi Avenue 4, #03-11, Singapore 408830.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "$") and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	***Effective for annual periods beginning on or after***
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2015
Improvements to FRSs (January 2015)	1 July 2015
(a) Amendments to FRS 102 *Share Based Payment*	
(b) Amendments to FRS 103 *Business Combinations*	
(c) Amendments to FRS 108 *Operating Segments*	
(d) Amendments to FRS 113 *Fair Value Measurement*	
(e) Amendments to FRS 16 *Property, Plant and Equipment and FRS 38 Intangible Assets*	
(f) Amendments to FRS 24 *Related Party Disclosures*	

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Description	*Effective for annual periods beginning on or after*
Improvements to FRSs (February 2015)	1 July 2015
(a) Amendments to FRS 103 *Business Combinations*	
(b)Amendments to FRS 113 *Fair Value Measurement*	
Improvements to FRSs (November 2015)	1 January 2016
(a) FRS 105 *Non–current Assets Held for Sale and Discontinued Operations*	
(b) FRS 107 *Financial Instruments: Disclosures*	
(c) FRS 19 *Employee Benefits*	
(d) FRS 34 *Interim Financial Reporting*	
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 & 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 110 & 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to FRS 111 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

Except for FRS 115, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 is described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 was issued in November 2015 and establishes a new five–step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations (continued)

b) Business combinations and goodwill (continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase (or negative goodwill) in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

Notes to the Financial Statements
For the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.6 Foreign currency (continued)

b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Commercial properties: 30 years
- Furniture, fixtures and renovation: 3 - 5 years
- Office equipment and computers: 3 - 5 years
- Motor vehicle: 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method to allocate the depreciable amounts over the estimated useful life as follows:

- Commercial properties: 30 years

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.8 Investment properties (continued)

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment properties, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.9 Intangible assets

a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

The Group's other intangible assets comprises of Customer Relationship and Lease Agreement. Accounting policy for the amortisation of other intangible assets is set out in Note 14.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.12 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.12 Associates (continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses.

2.13 Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.13 Financial instruments (continued)

a) Financial assets (continued)

(ii) Available-for-sale financial assets (continued)

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sales of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.13 Financial instruments (continued)

b) Financial liabilities (continued)

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.14 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.14 Impairment of financial assets (continued)

b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for at purchase costs on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.19 Employee benefits

a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.20 Leases

a) As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21 (d). Contingent rents are recognised as revenue in the period in which they are earned.

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

b) Interest income

Interest income is recognised using the effective interest method.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.21 Revenue (continued)

c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

d) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

e) Franchise fee income

Franchise fee income arises from the Group's franchisee used of its trademarks, service marks and logo and operating systems. Franchise fee income is recognised when earned and when the Group's right to receive payment is established.

2.22 Taxes

a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.22 Taxes (continued)

b) Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.23 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.24 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements.

a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on Management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Notes to the Financial Statements

For the financial year ended 31 December 2015

3. Significant accounting judgments and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

a) Impairment of intangible assets

As disclosed in Note 14 to the financial statements, the recoverable amounts of the cash generating units which goodwill have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 14 to the financial statements.

The carrying amount of the intangible assets as at 31 December 2015 is $619,000 (2014: $1,605,000).

b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows based on expected revenues from existing orders and contracts for the next 10 years.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses. The carrying value of the unrecognised tax losses at 31 December 2015 was $50,214,000 (2014: $40,409,000).

If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $8,536,000 (2014: $6,873,000).

c) Impairment of investment in subsidiaries and associates

The Company follows the guidance of FRS 36 in determining the recoverability of its investment in subsidiaries and associates. This requires assessments as to whether the carrying value of its investment can be supported by the net present values of the future cash flows derived from such investment using cash flow projections which have been discounted at an appropriate rate. This determination requires significant judgment. The Company determines forecasts of future cash flows based on its estimates of future revenues and operating expenses using historical and industry trends, general market conditions, forecasts and other available information. The carrying amount of the Company's investment in subsidiaries and associates at the end of the reporting period is disclosed in Note 15 and Note 16 to the financial statements respectively.

d) Impairment of in loan and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Notes to the Financial Statements

For the financial year ended 31 December 2015

3. Significant accounting judgments and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

d) Impairment of in loan and receivables (continued)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 18 to the financial statements. If the present value of estimated future cash flows decreases by 10% from management's estimates, the Group's allowance for impairment will increase by $251,000 (2014: Nil).

e) Useful lives of commercial and investment properties

The cost of commercial and investment properties is depreciated on a straight-line basis over the commercial and investment properties' estimated economic useful lives. Management estimates the useful lives of these commercial and investment properties to be 30 years. Changes in the expected usage could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's commercial and investment properties at the end of the reporting period are disclosed in Note 12 and 13 to the financial statements respectively. A 5% difference in the expected useful lives of commercial and investment properties from management's estimates would result in approximately S$9,000 and S$4,000 respectively (2014: S$11,000 and S$2,000 respectively) variance in the Group's results for the year.

4. Revenue

	Group	
	2015 $'000	**2014 $'000**
Distribution sale of mobile handsets & accessories	89,671	65,379
Retail sale of mobile handsets, accessories & services	44,823	37,481
Retail sale of consumer electronics and related products	21,444	29,351
Franchise fee	28	287
Other revenue	182	598
	156,148	133,096

5. Interest income

	Group	
	2015 $'000	**2014 $'000**
Interest income from:		
– Loans and receivables	486	174
– Bank deposits	–	3
	486	177

Notes to the Financial Statements

For the financial year ended 31 December 2015

6. Other income

	Group	
	2015 **$'000**	**2014** **$'000**
Net gain on liquidation of a subsidiary	–	5
Net gain on waiver of accrued interest expense	–	87
Rental income	130	125
Waiver of amount due to supplier	943	–
Other miscellaneous income	430	319
	1,503	536

Other miscellaneous income comprises of Productivity Innovation Credit ("PIC") bonus pay-out, Wage Credit Scheme ("WCS") pay-out granted by the Inland Revenue Authority of Singapore ("IRAS") and ITE traineeship grant by the Workforce Dependent Authority ("WDA").

7. Finance costs

	Group	
	2015 **$'000**	**2014** **$'000**
Bank facility fees	383	58
Bank charges	415	419
Interest expense on:		
– Bank loans	102	110
	900	587

8. Other expenses

	Group	
	2015 **$'000**	**2014** **$'000**
Amortisation of intangible assets (Note 14)	318	318
Depreciation of property, plant and equipment (Note 12)	778	553
Depreciation of investment properties (Note 13)	92	44
Net loss on disposal of property, plant and equipment	83	65
Net foreign exchange loss	203	22
Inventories written–down (Note 19)	220	21
Allowance for impairment of goodwill (Note 14)	668	–
Allowance for doubtful debts (Note 18)	9,278	–
	11,640	1,023

Notes to the Financial Statements

For the financial year ended 31 December 2015

9. (Loss)/Profit before tax

The following items have been included in arriving at profit before tax:

	Group	
	2015 $'000	**2014 $'000**
Audit fees:		
– Auditors of the Company	101	101
Non–audit fees:		
– Auditors of the Company	6	10
Directors' fees:		
– Directors of the Company	110	110
Employee benefits expense (Note 26)	4,426	4,554
Lease related expenses	2,210	2,210

10. Income tax expense

<u>Major components of income tax (credit)/expense</u>

The major components of income tax (credit)/expense for the years ended 31 December 2015 and 2014 are:

	Group	
	2015 $'000	**2014 $'000**
Consolidated income statement:		
Current income tax:		
– Current income taxation	57	67
– Under provision in respect of previous years	46	12
	103	79
Deferred income tax:		
– Origination and reversal of temporary differences	(434)	434
	(434)	434
Income tax (credit)/expense recognised in profit or loss	(331)	513

Notes to the Financial Statements

For the financial year ended 31 December 2015

10. Income tax expense (continued)

Relationship between tax (credit)/expense and accounting profit

The reconciliation between the tax (credit)/expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 is as follows:

	Group	
	2015 $'000	**2014 $'000**
(Loss)/Profit before tax	(328,406)	5,022
Tax at the applicable tax rate of 17% (2014: 17%)	(55,829)	853
Adjustments:		
Non–deductible expenses	51,494	139
Income not subject to taxation	(69)	(56)
Effect of partial tax exemption and tax relief	(50)	(125)
Deferred tax assets not recognised, net	1,667	37
Utilisation of Productivity innovative claim ("PIC")	–	(43)
Under provision in respect of previous years	46	12
Share of results of an associate	2,412	(303)
Others	(2)	(1)
Income tax expense recognised in profit or loss	(331)	513

11. Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

There are no dilutive potential ordinary shares.

The following tables reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group	
	2015 $'000	**2014 $'000**
(Loss)/Profit for the year attributable to owners of the Company used in the computation of basic earnings per share	(325,706)	4,169
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic earnings per share computation	17,053,170	8,182,976

There was no other transaction involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2015

12. Property, plant and equipment

Group	Commercial properties $'000	Furniture, fixtures and renovation $'000	Office equipment and computers $'000	Motor vehicle $'000	Total $'000
Cost:					
At 1 January 2014	4,060	1,214	492	6	5,772
Additions	2,667	503	218	–	3,388
Transfer from investment properties (Note 13)	700	–	–	–	700
Disposals	–	(172)	(16)	(6)	(194)
Transfer to investment properties (Note 13)	(1,820)	–	–	–	(1,820)
Exchange differences	–	1	1	–	2
At 31 December 2014 and 1 January 2015	5,607	1,546	695	–	7,848
Additions	–	61	63	–	124
Disposals	–	(188)	(19)	–	(207)
Exchange differences	–	–	2	–	2
At 31 December 2015	5,607	1,419	741	–	7,767

Group	Commercial properties $'000	Furniture, fixtures and renovation $'000	Office equipment and computers $'000	Motor vehicle $'000	Total $'000
Accumulated depreciation:					
At 1 January 2014	127	255	222	6	610
Depreciation charge for the year	183	233	137	–	553
Disposals	–	(58)	(15)	(6)	(79)
Transfer to investment properties (Note 13)	(91)	–	–	–	(91)
Exchange differences	–	1	1	–	2
At 31 December 2014 and 1 January 2015	219	431	345	–	995
Depreciation charge for the year	189	444	145	–	778
Disposals	–	(99)	(10)	–	(109)
Exchange differences	–	–	1	–	1
At 31 December 2015	408	776	481	–	1,665
Net carrying amount:					
At 31 December 2014	5,388	1,115	350	–	6,853
At 31 December 2015	5,199	643	260	–	6,102

Notes to the Financial Statements

For the financial year ended 31 December 2015

12. Property, plant and equipment (continued)

Company	Commercial properties $'000	Furniture, fixtures and renovation $'000	Office equipment and computers $'000	Total $'000
Cost:				
At 1 January 2014	4,060	490	198	4,748
Additions	2,667	438	144	3,249
Transfer from investment properties (Note 13)	700	–	–	700
Transfer to investment properties (Note 13)	(1,820)	–	–	(1,820)
At 31 December 2014 and 1 January 2015	5,607	928	342	6,877
Additions	–	–	8	8
At 31 December 2015	5,607	928	350	6,885
Accumulated depreciation:				
At 1 January 2014	127	102	112	341
Depreciation charge for the year	183	115	33	331
Transfer to investment properties (Note 13)	(91)	–	–	(91)
At 31 December 2014 and 1 January 2015	219	217	145	581
Depreciation charge for the year	189	181	54	424
At 31 December 2015	408	398	199	1,005
Net carrying amount:				
At 31 December 2014	5,388	711	197	6,296
At 31 December 2015	5,199	530	151	5,880

Assets pledged as security

The Group's commercial properties with a carrying amount of $5,199,000 (2014: $5,388,000) are mortgaged to secure the Group's bank loans (Note 21).

Notes to the Financial Statements

For the financial year ended 31 December 2015

13. Investment properties

	Group and Company	
	2015 \$'000	**2014 \$'000**
Balance sheet:		
Cost:		
At 1 January	2,618	748
Additions	–	889
Transfer from property, plant and equipment (Note 12)	–	1,729
Transfer to property, plant and equipment (Note 12)	–	(748)
At 31 December	2,618	2,618
Accumulated depreciation:		
At 1 January	25	29
Charge for the year	92	44
Transfer to property, plant and equipment (Note 12)	–	(48)
At 31 December	117	25
Net carrying amount:		
At 31 December	2,501	2,593

	Group and Company	
	2015 \$'000	**2014 \$'000**
Income statement:		
Rental income from investment properties		
– Minimum lease payment	130	125
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	(27)	(9)

Properties pledged as security

The investment properties amounting to \$2,501,000 (2014: \$2,593,000) are mortgaged to secure bank loans (Note 21).

The investment properties held by the Group as at 31 December is as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
UB.ONE, Unit 03-15	Office	Leasehold	53 years
UB.ONE, Unit 03-21	Office	Leasehold	53 years
UB.ONE, Unit 03-22	Office	Leasehold	53 years

Notes to the Financial Statements

For the financial year ended 31 December 2015

14. Intangible assets

	Group			
	Goodwill	Customer Relationship	Lease Agreements	Total
	$'000	$'000	$'000	$'000
Cost:				
At 31 December 2014 and 1 January 2015 and 31 December 2015	668	1,078	415	2,161
Accumulated amortisation:				
At 1 January 2014	–	134	104	238
Amortisation	–	180	138	318
At 31 December 2014 and 1 January 2015	–	314	242	556
Amortisation	–	180	138	318
Impairment	668	–	–	668
At 31 December 2015	668	494	380	1,542
Net carrying amount:				
At 31 December 2014	668	764	173	1,605
At 31 December 2015	–	584	35	619

Goodwill

Goodwill of $668,000 relate to the Group's acquisition of the businesses and business assets of Juzz1 Holdings Singapore Pte. Ltd., that was completed on 24 June 2014. An impairment loss of $668,000 representing the write-down of goodwill to the recoverable amount was recognized in other expenses (Note 8) line item of the income statement for the year ended 31 December 2015.

Goodwill acquired through business combination has been allocated to cash-generating unit ("CGU") – Consumer electronics segment, which is also the reportable operating segment.

The recoverable amount of the CGU has been determined based on value in use calculation using cash flow projections from financial budgets approved by Management covering a five-year period and terminal value, calculated based on the long term sustainable growth rate for the industry at 2% (2014: 2%), which has been used to determine income for the future years. The pre-tax discount rate applied to the cash flow projections was 13% (2014: 13%) and the forecasted growth rate used to extrapolated cash flows beyond the five-year period is (3%) for 2016, 1% for 2017 and 2% for 2018 onwards. The budgeted gross margin assumed was 7.5% (2014: 8.5%) annually.

Key assumptions used in the value in use calculations

The calculations of value in use for the CGU are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on values achieved in the year preceding the start of the budget period. The Management adopted a flat 7.5% gross margin for the five years period.

Growth rates – The forecasted growth rates used in five-year cash flow projections are based on industry research and the long term sustainable growth rate used for terminal value calculations do not exceed the long-term average growth rate for the industries relevant to the CGU.

Notes to the Financial Statements

For the financial year ended 31 December 2015

14. Intangible assets (continued)

Key assumptions used in the value in use calculations (continued)

Pre-–tax discount rates – Discount rates represent the current market assessment of the risks specific to CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment–specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Market share assumptions – These assumptions are important because, as well as using industry data for growth rates (as noted above), Management assesses how the CGU's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the consumer electronics markets to be stable over the budget period.

Sensitivity to changes in assumptions

Reasonably possible changes to the following key assumptions used in management's assessment of recoverable amount (holding other assumptions unchanged) will result in changes in the difference between recoverable amount and carrying amount ("difference") as follows:

	Discount Rate		Growth Rate		Budgeted gross margin	
	+1%	–1%	+1%	–1%	+1%	–1%
2015	$'000	$'000	$'000	$'000	$'000	$'000
Increase/(Decrease) in the difference	84	(99)	319	(321)	2,714	(2,714)

	Discount Rate		Growth Rate		Budgeted gross margin	
	+1%	–1%	+1%	–1%	+1%	–1%
2014	$'000	$'000	$'000	$'000	$'000	$'000
Increase/(Decrease) in the difference	(107)	173	103	(59)	5,060	(5,060)

Customer relationship and lease agreements

Customer relationship ("CR") and lease agreements ("LA") were acquired in the Group's acquisition of business of Multi-Channel Services Pte. Ltd., that was completed on 1 April 2013. CR and LA have an average remaining amortisation period of three and six years, respectively.

Amortisation expense

The amortisation of intangible assets is included in "Other expenses" line items in profit or loss respectively (Note 8).

15. Investment in subsidiaries

	Company	
	2015 $'000	2014 $'000
Unquoted shares, at cost	12,688	10,512
Less: Allowance for impairment	(4,263)	(2,000)
	8,425	8,512
Movements in allowance account:		
At 1 January	(2,000)	–
Charge for the year	(2,263)	(2,000)
At 31 December	(4,263)	(2,000)

Notes to the Financial Statements

For the financial year ended 31 December 2015

15. Investment in subsidiaries (continued)

Investment in subsidiaries (continued)

On 20 March 2015 and July 2015, the Company has injected additional capital into its subsidiary, Polaris KKC Holdings Ltd ("Polaris KKC") through conversion of outstanding shareholder loan and cash pay-out of $1,840,000 and $336,000 respectively.

On 8 July 2015 and 9 July 2015, the Company set up two new wholly-owned subsidiaries, Polaris Maju Sdn Bhd. ("Polaris Maju") and Polaris TMT. Ltd. ("Polaris TMT") through capital injection of $0.20 and $0.65, respectively.

Polaris Maju and Polaris TMT are set up to undertake the business of distributing telecommunication products in Malaysia and Hong Kong respectively. This is part of management strategy to strengthen its position as a leading retailer and distributor of mobile products in Southeast Asia. As at 31 December 2015, Polaris Maju and Polaris TMT have not yet commenced its business operation.

a. Composition of the Group

The Group has the following investment in subsidiaries.

Name	Principal place of business	Principal activities	Proportion (%) of ownership interest	
			2015	2014
Held by the Company:				
Polaris Device Pte. Ltd.[1]	Singapore	Regional mobile handset distributor	100	100
Polaris Network Pte. Ltd.[1]	Singapore	Retailer of mobile handset and services and consumer electronics	100	100
Polaris Telecom Pte. Ltd.[1]	Singapore	Retailer of mobile handset and services	100	100
Polaris Digimedia Pte. Ltd.[1]	Singapore	Investment holdings company	100	100
Polaris Explorer Pte. Ltd.[1]	Singapore	Investment holdings company	100	100
Polaris TMT Ltd. [2]	Hong Kong SAR, Peoples Republic of China	Dormant	100	–
Polaris KKC Holdings Pte. Ltd.[1]	Singapore	Investment holdings company	70	70
Held through Polaris KKC Holdings Pte. Ltd.:				
CM Polaris Pte. Ltd.[1]	Singapore	Joint venture investment in Myanmar	67	67
Held through Polaris Explorer Pte. Ltd.:				
Polaris Maju Sdn Bhd[2]	Malaysia	Dormant	100	–

(1) Audited by Ernst & Young LLP, Singapore.

(2) The Company was incorporated in 2015 and not audited as the Company is dormant during the year.

Notes to the Financial Statements

For the financial year ended 31 December 2015

15. Investment in subsidiaries (continued)

b. Interest in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
31 December 2015:					
Polaris KKC Holdings Pte. Ltd.	Singapore	30%	(2)	964	–
CM Polaris Pte. Ltd.	Singapore	53%	(2,367)	(458)	–
31 December 2014:					
Polaris KKC Holdings Pte. Ltd.	Singapore	30%	3	32	–
CM Polaris Pte. Ltd.	Singapore	53%	337	338	–

c. Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Polaris KKC Pte. Ltd.		CM Polaris Pte. Ltd.	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current				
Assets	47	1,175	867	828
Liabilities	(4)	(758)	(5)	(1,283)
Net current assets/(liabilities)	43	417	862	(455)
Non-current				
Assets	3,169	1,450	–	3,516
Liabilities	–	(1,760)	–	(2,425)
Net non-current assets/ (liabilities)	3,169	(310)	–	1,091
Net assets	3,212	107	862	636

Notes to the Financial Statements

For the financial year ended 31 December 2015

15. Investment in subsidiaries (continued)

c. Summarised financial information about subsidiaries with material NCI (continued)

Summarised statement of comprehensive income

	Polaris KKC Pte. Ltd.		CM Polaris Pte. Ltd.	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue	–	–	28	612
Profit/(loss) before income tax	(7)	5	(4,417)	562
Income tax expense	–	–	(21)	–
Profit/(loss) after tax	(7)	5	(4,438)	562
Other comprehensive income	3	1	35	26
Total comprehensive income	(4)	6	(4,403)	588

16. Investment in associates

The Group’s material investments in associates are summarised below:

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
PT Trikomsel Oke Tbk. ("TRIO")	–	318,233	–	313,267
Other associates (unquoted)	470	234	–	–
	470	318,467	–	313,267
Fair value of investment in TRIO for which there is a published price quotation	440,169	291,233	440,169	291,233

Notes to the Financial Statements

For the financial year ended 31 December 2015

16. Investment in associates (continued)

The following table below summarised the movement of the investment in associates:

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Investment in associates, at cost:				
– PT Trikomsel Oke Tbk.	313,267	313,267	313,267	313,267
– Other associates	234	234	–	–
Addition: investment in associates				
– Other associates	360	–	–	–
Share of post–acquisition reserves				
– PT Trikomsel Oke Tbk.	(11,652)[1]	4,966	–	–
– Other associates	(124)	–	–	
Provision for impairment of investment				
– PT Trikomsel Oke Tbk.	(301,615)	–	(313,267)	–
	470	318,467	–	313,267

(1) Shares of losses of $16,618,000 of Trio are equity accounted for up till 30 September 2015.

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2015	Proportion (%) of ownership interest 2014
Held by the Company:				
PT Trikomsel Oke Tbk. [1]	Indonesia	Retail and distribution of telecommunication and multimedia products	45	45
Held through Polaris Explorer Pte. Ltd.:				
Polaris Gold (Thailand) Co., Ltd. [2]	Thailand	Retail and distribution of telecommunication products	47	47
Polaristitans Philippines Inc. [3]	Philippines	Engage in, conduct and carry on the business of importing, exporting, manufacturing, selling, distributing and marketing of wholesale telecommunication equipment	40	40
Held through Polaris Device Pte. Ltd.:				
XMI Pte Ltd. [4]	Singapore	Manufacture, distributing and retail of multimedia devices	30	–

(1) The appointed auditor is Crowe Horwath in Indonesia.
(2) Audited by P.K Consulting Co. Ltd.
(3) Audit by Ong Ordonez & Associates
(4) Audit by Paul Wan & Co

Notes to the Financial Statements

For the financial year ended 31 December 2015

16. Investment in associates (continued)

The activities of the associates are strategic to the Group activities.

PT Trikomsel Oke Tbk. ("TRIO")

In 2014, the Company acquired 45% equity interest in an associated company, TRIO. The Group viewed that the acqusition of TRIO is an integral part of the Group's plan to penetrate into the Indonesian market to synergise and complement the Group's existing offerings.

Equity instruments issued as part of consideration transferred

During the prior year, in connection with the acquisition of equity interest in TRIO, Polaris Ltd. issued a total of 13,620,324,000 ordinary shares with a fair value of $0.0230 each. The fair value of these shares is the published price of the shares at the acquisition date. Share issuance of 7,098,585,000 were used as consideration for shares swap transactions on 4 and 7 August 2014 and $150,000,000 was raised through shares placement of 6,521,739,000. The fund raised was used as cash consideration transferred on 16 October 2014.

Transaction costs

Transaction costs related to the acquisition of $397,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2014.

Goodwill arising from acquisition

The purchase price allocation of the acquisition of TRIO in the financial year ended 31 December 2014 was provisional. In FY2015, the purchase price allocation was completed and goodwill was finalised at $180,259,000, an increase of $ 38,666,000 compared to the provisional goodwill at $141,593,000 recognised im FY2014. The change in goodwill amount arises from the finalisation of the valuation of centain intangible assets acquired as part of the acquisition.

The effect of the changes in goodwill and intangible assets was recognised with the carrying amount of the investment in TRIO under the "Investment in associates" line item in the Group balance sheet as at 31 December 2015.

Impairment testing of investment in associates

During the current financial year, Trikomsel made the following announcements pertaining to the following matters:

1) In October and November 2015, TRIO announced that they were not able to service its debt obligations and they are in a debt restructuring exercise with the banks to improve its liquidity position. The debt restructuring negotiation is still outstanding as at the date of this financial statements.
2) On 4 January 2016, TRIO entered into Penundaan Kewajiban Pembayaran Utang ("PKPU") status. PKPU is part of Indonesia's 2004 Bankruptcy Law and provides creditors and debtors with an avenue to avoid liquidation bankruptcy.
3) On 6 January 2016, the Indonesia Stock Exchange ("IDX") has temporary suspended the trading of Trikomsel's shares.

In view of the significance of the above matters, management has recognized a full impairment on its investment in TRIO at the Group and Company amounting to $301,615,000 and $313,267,000 respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2015

16. Investment in associates (continued)

Impairment testing of investment in associates (continued)

Polaris Gold (Thailand) Co., Ltd. ("Polaris Gold")

On 30 December 2014, the Group's subsidiary company, Polaris Explorer Pte. Ltd. ("Polaris Explorer") has invested in 47% equity interests in Polaris Gold, a distributor and retailer of telecommunication products in Thailand through capital injection of $56,000.

Polaristitans Philippines Inc. ("Polaristitans")

On 26 December 2014, the Group's subsidiary company, Polaris Explorer has invested in 40% equity interests in Polaristitans, an importer, exporter, manufacturer and distributor of telecommunication equipments in Philippines through capital injection of $177,000. On 15 July 2015, Polaris Explorer has injected additional capital in the Polaristitans of $360,000.

The Group invested in Polaris Gold and Polaristitans in order to strengthen its position as a leading retailer and distributor of mobile products in Southeast Asia and to improve operating margins and enlarge the Group's regional footprint.

The summarised financial information in respect of PT Trikomsel Oke Tbk. based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet [(1)]

	PT Trikomsel Oke Tbk.	
	As at September 2015 $'000	**As at December 2014 $'000**
Current assets	953,906	928,397
Non–current assets excluding goodwill	97,616	226,385
Goodwill	180,259	141,593
Total assets	1,231,781	1,296,375
Current liabilities	(409,062)	(395,801)
Non–current liabilities	(376,817)	(364,281)
Total liabilities	(785,879)	(760,082)
Net assets	445,902	536,293
Net assets excluding goodwill	265,643	394,700
Proportion of the Group's ownership	44.88%	44.88%
Group's share of net assets	119,220	177,141
Goodwill on acquisition	180,259	141,593
Other adjustments	2,136	(501)
Carrying amount of the investment	301,615	318,233

Notes to the Financial Statements

For the financial year ended 31 December 2015

16. Investment in associates (continued)

Summarised statement of comprehensive income [(1)]

	PT Trikomsel Oke Tbk.	
	For the period ended 30 September 2015 $'000	**For the period ended 31 December 2014 $'000**
Revenue	585,835	1,152,199
(Loss)/Profit after tax from continuing operations	(36,854)	32,549
Other comprehensive income	366	949
Total comprehensive income	(36,488)	33,498

(1) Results of PT Trikomsel Oke Tbk. are equity accounted for up till 30 September 2015

17. Investment securities

	Group	
	2015 $'000	**2014 $'000**
Current:		
Assets held–for–sale		
– Equity securities (unquoted), at cost	600	–
Non-current:		
Available–for–sale financial asset		
– Equity securities (unquoted), at cost	–	600

On 25 July 2014, the Group's subsidiary company, Polaris Digimedia Pte. Ltd. ("Polaris Digimedia") invested in 10.5% equity interest in Shopdeca Pte. Ltd. ("Shopdeca"), a curated e–commerce company, with its initial operations situated in Indonesia and is expanding into the Singapore market. On 7 October 2014, Polaris Digimedia acquired additional 8.5% equity interest. Polaris Digimedia now owns 19.0% of the equity interest in Shopdeca.

The Group has acquired Shopdeca as part of the Group's strategy to expand beyond Telco and IT retailing in Singapore. In addition, the acquisition of Shopdeca allows the Group to have a wider customer outreach and an expanded range of products.

On 18 December 2015, the Group has agreed to dispose fully, and the acquirer has announced its intention to acquire fully the Group's equity interest in Shopdeca Pte. Ltd. ("Shopdeca"). As at 31 December 2015, the available-for-sale financial asset has been presented as assets held-for-sale in the balance sheet.

Notes to the Financial Statements

For the financial year ended 31 December 2015

18. Trade and other receivables

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade and other receivables (current):				
Trade receivables (net of allowance)				
– Third party	6,303	6,527	–	–
– Associate	–	5,856	–	–
Other receivables	4,252	6,720	120	99
Advances to suppliers	751	1,914	644	515
Amounts due from subsidiaries				
– Non–interest bearing	–	–	–	2,746
Loan receivables (net of allowance)	–	–	–	–
Refundable deposits	561	150	10	15
	11,867	21,167	774	3,375
Other receivables (non–current):				
Loan receivables (net of allowance)	–	3,516	–	–
Loan receivable from an associate (net of allowance)	–	–	–	–
Amounts due from subsidiaries				
– Interest bearing	–	–	–	–
– Non–interest bearing	–	–	5,713	6,020
Refundable deposits	58	516	–	–
	58	4,032	5,713	6,020
Total trade and other receivables (current and non–current)	11,925	25,199	6,487	9,395
Add: Cash and short–term deposits (Note 20)	2,737	3,173	657	252
Less: Sales tax receivables	(70)	(157)	–	(8)
Less: Advances to suppliers	(751)	(1,914)	(644)	(515)
Total loans and receivables	13,841	26,301	6,500	9,124

Notes to the Financial Statements

For the financial year ended 31 December 2015

18. Trade and other receivables (continued)

Trade receivables

Trade receivables are non–interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
United States Dollar	2,204	6,222	–	–

Other receivables

Other receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition.

Advances to suppliers

Advances to suppliers are advances made to suppliers for the purchase of goods and services and are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amounts due from subsidiaries and related companies

- Amounts due from subsidiaries (non-interest bearing) are unsecured, non-interest bearing and are to be settled in cash. The amounts are repayable on demand except for an advance to its subsidiaries which are not expected to be repaid within the next 12 months.

- Amounts due from related companies are non-trade related, unsecured, non-interest bearing and are to be settled in cash.

Refundable deposits

Refundable deposits are rental and security deposits paid by the Group for its retail outlets. They do not carry any credit terms and are refundable upon expiry of the lease terms.

Loan receivables

Loans to franchisee are denominated in USD, bear interest at 5.75% p.a. (2014: 5.75%), have an average maturity of 4 years (2014: 4 years), unsecured and are to be settled in cash. These receivables are determined to be impaired at the end of the reporting period as the franchisee is in significant financial difficulties and have defaulted on payments in the prior periods. These receivables are not secured by any collateral or credit enhancement.

Loan receivable from an associate

Loan to associate bears interest at 5% p.a. (2014: NIL), have an maturity of 2 years (2014: NIL), secured by personal guarantees from the Directors of the associate and is to be settled in cash. The receivable determined to be impaired at the end of the reporting period relate to receivables that have recoverability issues.

Notes to the Financial Statements

For the financial year ended 31 December 2015

18. Trade and other receivables (continued)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	2015 $'000	2014 $'000
Trade receivables – nominal amounts	2,513	–
Less: Allowance for impairment	(2,513)	–
	–	–
Movement in allowance accounts:		
At 1 January	–	–
Charge for the year	2,513	–
At 31 December	2,513	–

Loan receivables that are impaired

The Group's loan receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	2015 $'000	2014 $'000
Loan receivables (current)	555	–
Loan receivables (non-current)	4,174	
Loan receivables from an associates	2,196	
Less: Allowance for impairment	(6,925)	–
	–	–
Movement in allowance accounts:		
At 1 January	–	–
Charge for the year	6,765	–
Currency realignment	160	
At 31 December	6,925	–

Notes to the Financial Statements

For the financial year ended 31 December 2015

19. Inventories

	Group	
	2015 $'000	2014 $'000
Balance sheet:		
Finished goods (at cost or net realisable value)	3,814	3,754
Income statement:		
Inventories recognised as an expense in cost of sales	148,431	122,999
Inclusive of the following charge:		
– Inventories written–down	220	21

During the financial year, an allowance of $220,000 (2014: $21,000) was made to provide for loss in the value of inventories held through obsolescence, damages, expired shelf life, and unsaleability. The loss was recognised in profit or loss under the line item of “Other expenses” (Note 8).

The Group has subjected finished goods amounting to $NIL (2014: $1,335,000) to a floating charge as security to secure the Group’s bank loans (Note 21).

20. Cash and short-term deposits

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash at banks and on hand	2,736	3,173	656	252
Short–term deposits	1	–	1	–
Cash and short–term deposits	2,737	3,173	657	252

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for period of three months and earn interests at the short-term deposit rates. The weighted average effective interest rate as at 31 December 2015 for the Group was Nil (2014: Nil).

The Group has subjected cash at bank and on hand amounting to $NIL (2014: $240,000) to a charge as security to secure the Group’s bank loans (Note 21).

Cash and short–term deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
United States Dollar	1,385	186	418	22

Notes to the Financial Statements

For the financial year ended 31 December 2015

21. Loans and borrowings

		Group		Company	
	Maturity	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current:					
Other borrowings	2015	–	2,033	–	–
Commercial properties loan					
– First commercial properties loan	2016	154	151	154	151
– Second commercial properties loan	2016	85	92	85	92
– Investment property loan	2016	29	30	29	30
USD bank loan at Bank's cost of fund + 2% p.a.	2016	2,830	4,961	–	–
		3,098	7,267	268	273
Non–current:					
Commercial properties loan					
– First commercial properties loan	2017–2031	3,143	3,286	3,143	3,286
– Second commercial properties loan	2017–2031	1,862	1,944	1,862	1,944
– Investment property loan	2017–2031	622	651	622	651
		5,627	5,881	5,627	5,881
Total loans and borrowings		8,725	13,148	5,895	6,154

First commercial properties loan

These loans are secured by a first mortgage over the Group's commercial properties and investment properties (Note 12 and Note 13) and are repayable in 240 instalments, bear interest at 3.22% below Bank's Commercial Financing Rate ("BCFR") for the 1st year, 3.12% below BCFR for the 2nd year, and 2.82% below BCFR for the 3rd year and thereafter at BCFR. Currently, BCFR is at 5.10% p.a.

Second commercial properties loan

These loans are secured by a first mortgage over the Group's commercial properties (Note 12) and are repayable in 240 instalments, bear interest at 3.32% below Bank's Commercial Financing Rate ("BCFR") for the 1st year, 3.02% below BCFR for the 2nd year, and 1.85% below BCFR for the 3rd year and thereafter 0.75% over BCFR. Currently, BCFR is at 4.50% p.a.

Investment property loan

This loan is secured by a first mortgage over the Group's investment property (Note 13) and is repayable in 240 instalments, bear interest at 3.40% below Bank's Commercial Variable Rate 2 ("CR2") for the 1st year, 3.08% below CR2 for the 2nd year, and 2.30% below CR2 for the 3rd year and thereafter at CR2. Currently, CR2 is at 4.68% p.a.

Notes to the Financial Statements

For the financial year ended 31 December 2015

21. Loans and borrowings (continued)

Other borrowings

This relates to unsecured loans from non-controlling shareholders to the Company's subsidiaries and bear fixed interest rate at 5.75% p.a. On 19 March 2015, the non-controlling shareholders have converted the outstanding loans to share capital in the Polaris KKC Holdings Pte. Ltd and CM Polaris Pte. Ltd respectively.

USD bank loan at Bank's cost of fund + 2% p.a.

This loan is secured by a charge over certain floating inventories (Note 19) and cash and short-term deposits (Note 20) and repayable on 21 January 2016.

22. Trade and other payables

	Group		Company	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Trade and other payables (current):				
Trade payables	1,600	4,964	–	–
Other payables	4,770	3,723	566	702
Amounts due to subsidiaries	–	–	–	451
	6,370	8,687	566	1,153
Other payables (non–current):				
Other payables	–	66	–	–
Amounts due to subsidiaries	–	–	2,037	2,200
	–	66	2,037	2,200
Total trade and other payables (current and non-current)	6,370	8,753	2,603	3,353
Add:				
– Other liabilities (Note 23)	812	792	422	555
– Loans and borrowings (Note 21)	8,725	13,148	5,895	6,154
Total financial liabilities carried at amortised cost	15,907	22,693	8,920	10,062

Trade payables/other payables (current)

These amounts are non-interest bearing. Trade payables are normally settled on 60-day terms while other payables have an average term of six months.

22. Trade and other payables (continued)

Trade payables denominated in foreign currencies at 31 December are as follow:

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
United States Dollar	16	1,875	–	–

Amounts due to subsidiaries (current)

These amounts are unsecured, non-interest bearing and fully repaid during the year.

Amounts due to subsidiaries (non-current)

These amounts are unsecured, non-interest bearing and are to be settled in cash. The management does not expect to repay the amount within the next 12 months.

23. Other liabilities

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Accrued operating expenses	812	792	422	555

24. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance Sheet	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deferred tax liabilities:						
Undistributed earnings of an associate	–	434	(434)	434	–	–
	–	434			–	–
Deferred tax expense			(434)	434		

Notes to the Financial Statements

For the financial year ended 31 December 2015

24. Deferred tax (continued)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $50,214,000 (2014: $40,409,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The unrecognised tax losses do not have an expiration date.

Relationship between tax credit and accounting loss

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deferred tax assets not recognised at 31 December are as follows:				
Unutilised tax losses	8,536	6,870	8,536	6,870
Other temporary differences	–	3	–	3
	8,536	6,873	8,536	6,873

The realisation of these future income tax benefits will only be obtained if future taxable incomes of sufficient amounts are derived to enable the benefit of the deduction to be realised and in compliance with the conditions for deductibility imposed by the tax legislation.

25. Share capital and other reserves

a) Share capital

	Group and Company			
	2015		2014	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares				
At 1 January	17,053,170	402,747	3,432,846	89,769
Shares issued for acquisition of an associate (Note 16)	–	–	13,620,324	313,268
Shares issuance expense	–	–	–	(290)
At 31 December	17,053,170	402,747	17,053,170	402,747

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

Notes to the Financial Statements

For the financial year ended 31 December 2015

25. Share capital and other reserves (continued)

b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

c) Defined employee benefits reserve; classified as other reserves in balance sheet

Defined employee benefits reserve arises from share of an associate's other comprehensive income, comprising net actuarial gains and losses on defined employee benefits plans, net of tax.

d) Equity component of mandatory convertible bonds; classified as other reserves in balance sheet

Equity component of mandatory convertible bonds arise from share of an associate's other comprehensive income, comprising of the residual amount of mandatory convertible bonds ("MCB") after deducting the fair value of the liability component, net of transaction cost and tax.

26. Employee benefits

	Group	
	2015 $'000	2014 $'000
Employee benefits expense (including directors):		
Salaries and bonuses	3,679	3,820
Central Provident Fund contributions	443	452
Other short–term benefits	304	272
	4,426	4,544

27. Related party transactions

a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions between the Group and related parties took place at terms agreed between the parties during the financial year.

	Group	
	2015 $'000	2014 $'000
Rental income from:		
– Companies related to a Director	46	48
– Associate	37	37
Sales of finished goods to:		
– Associate	8,363	5,856
Trade amount due from:		
- Associate	5,186	5,856
Impairment of trade amount due from:		
- Associate	2,513	–

Notes to the Financial Statements

For the financial year ended 31 December 2015

27. Related party transactions (continued)

b) Compensation of key management personnel

	Group	
	2015 $'000	**2014 $'000**
Short-term employee benefits	1,113	1,010
Central Provident Fund contributions	42	33
Other short-term benefits	214	179
	1,369	1,222
Comprise amounts paid to:		
Directors of the Company	955	930
Other key management personnel	414	292
	1,369	1,222

28. Commitments

a) Operating lease commitments – as lessee

Operating lease commitments represent rentals payable by the Group for its retail outlets. These leases have varying terms, escalation clauses and renewal rights. They are negotiated for an average term of two years and rentals are fixed for an average of two years.

Rental expenses, recognised as an expense in profit or loss for the financial year ended 31 December 2015 amounted to $2,055,000 (2014: $2,065,000). Included in rental expenses is an amount of $161,000 (2014: $77,000) pertaining to contingent rental incurred during the financial year ended 31 December 2015.

Future minimum rental payable under non−cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2015 $'000	**2014 $'000**
Not later than one year	1,123	1,828
Later than one year but not later than five years	523	1,090
	1,646	2,918

b) Operating lease commitments – as lessor

The Group and the Company have entered into commercial lease on its investment property. This non-cancellable lease has remaining lease terms of between one to two years. The lease includes a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

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For the financial year ended 31 December 2015

28. Commitments (continued)

b) Operating lease commitments – as lessor (continued)

Future minimum rental receivable under non-cancellable operating lease at the end of the reporting period is as follows:

	Group	
	2015 $'000	**2014 $'000**
Not later than one year	76	100
Later than one year but not later than five years	–	55
	76	155

29. Fair value of assets and liabilities

a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Notes to the Financial Statements

For the financial year ended 31 December 2015

29. Fair value of assets and liabilities (continued)

b) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of each class of assets and liabilities not measured at fair value at 31 December 2015 but for which fair value is disclosed:

	Group				
	2015 $'000				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying Amount
Assets:					
Investment properties	–	–	2,736	2,736	*2,501*
Investment in associate	440,169	–	–	440,169	–

	Group				
	2014 $'000				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying Amount
Assets:					
Investment properties	–	–	2,743	2,743	2,593
Investment in associates	291,233	–	–	291,233	313,267

Determination of fair value

Commercial investment properties

The valuation of commercial investment properties are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

Notes to the Financial Statements

For the financial year ended 31 December 2015

29. Fair value of assets and liabilities (continued)

c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Trade and other current receivables (Note 18), cash and short-term deposits (Note 20), loans and borrowings (Note 21) and trade and other current payables (Note 22).

The carrying amounts of these financial assets and liabilities are reasonable approximate of fair value due to their short-term nature or are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Set up below is a comparison by category of carrying amounts of the Company's financial instrument that are carried out in the financial statement:

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Loans and receivables				
Trade receivables	6,303	12,383	–	–
Other receivables	5,564	8,784	774	3,375
Cash and cash equivalents	2,737	3,173	657	252
Liabilities at amortised cost				
Trade payables	(1,600)	(4,964)	–	–
Other payables	(4,770)	(3,723)	(566)	(1,153)
Loans and borrowings	(8,725)	(11,115)	(5,895)	(6,154)

Notes to the Financial Statements

For the financial year ended 31 December 2015

29. Fair value of assets and liabilities (continued)

d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

		Group				Company			
	Note	2015 $'000		2014 $'000		2015 $'000		2014 $'000	
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:									
Investment security	17	–	–	600	(1)	–	–	–	–
Refundable deposit (non-current)	18	58	57	516	512	–	–	–	–
Amounts due from subsidiaries (non–current)	18	–	–	–	–	5,713	(2)	6,020	(2)
Financial liabilities:									
Other payable (non–current)	22	–	–	(66)	(65)	–	–	–	–
Amounts due to subsidiaries (non–current)	22	–	–	–	–	(2,037)	(3)	(2,200)	(3)

(1) Investment securities carried at cost

Fair value information has not been disclosed for the Group's investment securities that are carried at cost because fair value cannot be measured reliably. These equity securities represent ordinary shares in a local e-commerce company that is not quoted on any market. The Group does not intend to dispose of this investment in the foreseeable future.

(2) Amount due from subsidiaries

The fair value of the amount due from subsidiary companies is not determinable as timing of the future cash flows arising from these amounts cannot be estimated reliably.

(3) Amount due to subsidiaries

The fair value of the amount due to subsidiary companies is not determinable as timing of the future cash flows arising from these amounts cannot be estimated reliably.

Notes to the Financial Statements

For the financial year ended 31 December 2015

30. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on ongoing basis with the result that the Group's exposure to bad debts is not significant. Cash terms, advance payments, and letters of credit or bank guarantees are required for customers of lower credit standing or new customers with whom the Group does not have any credit history or references.

<u>Excessive risk concentration</u>

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

<u>Exposure to credit risk</u>

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the balance sheet

Notes to the Financial Statements

For the financial year ended 31 December 2015

30. Financial risk management objectives and policies (continued)

a) Credit risk (continued)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2015		2014	
	$'000	% of total	$'000	% of total
By country:				
Indonesia	–	–	5,856	47%
Singapore	3,704	59%	4,670	38%
Hong Kong	2,461	39%	1,073	9%
China	–	–	477	4%
Others	138	2%	307	2%
	6,303	100%	12,383	100%
By industry sector:				
Distribution	2,676	42%	8,389	68%
Retail Consumer Electronics	228	4%	688	6%
Retail Telecommunication	3,399	54%	3,306	26%
	6,303	100%	12,383	100%

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 (Trade and other receivables).

b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Notes to the Financial Statements

For the financial year ended 31 December 2015

30. Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

To manage liquidity risk, the Group monitors its net operating cash flow, maintains a level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these facilities, the Group reviews working capital and capital expenditure requirements continually so as to mitigate the effects of fluctuations in the cash flows. When a potential shortfall in cash is anticipated, the Group will finance the shortfall by way of borrowings, share placements and/or issue of convertible securities in a timely manner. The Group places its surplus funds with reputable banks.

The Group will continue to review, formulate and implement a liquidity risk management policy and to maintain sufficient liquid financial assets and stand-by credit facilities with three different banks. At the end of the reporting period, approximately 36% (2014: 55%) of the Group's loans and borrowings (Note 21) will mature in less than one year based on the carrying amount reflected in the financial statements, excluding discontinued operation.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	2015 $'000				2014 $'000			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Group								
Financial assets:								
Trade and other receivables [1]	11,046	58	–	11,104	19,096	4,032	–	23,128
Cash and short-term deposits	2,737	–	–	2,737	3,173	–	–	3,173
Total undiscounted financial assets	13,783	58	–	13,841	22,269	4,032	–	26,301
Financial liabilities:								
Trade and other payables	6,370	–	–	6,370	8,687	66	–	8,753
Other liabilities	812	–	–	812	792	–	–	792
Loans and borrowings	3,256	2,404	5,834	11,494	7,406	2,449	6,407	16,262
Total undiscounted financial liabilities	10,438	2,404	5,834	18,676	16,885	2,515	6,407	25,807
Total net undiscounted financial assets/ (liabilities)	3,345	(2,346)	(5,834)	(4,835)	5,384	1,517	(6,407)	494

(1) *Amount excludes advances to suppliers and sales tax receivables*

Notes to the Financial Statements

For the financial year ended 31 December 2015

30. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	2015 $'000				2014 $'000			
	One year or less	**One to five years**	**Over five years**	**Total**	**One year or less**	**One to five years**	**Over five years**	**Total**
Company								
Financial assets:								
Trade and other receivables [1]	130	5,713	–	5,843	2,852	6,020	–	8,872
Cash and short-term deposits	657	–	–	657	252	–	–	252
Total undiscounted financial assets	787	5,713	–	6,500	3,104	6,020	–	9,124
Financial liabilities:								
Trade and other Payables	566	2,037	–	2,603	1,153	2,200	–	3,353
Other liabilities	422	–	–	422	555	–	–	555
Loans and borrowings	416	2,404	5,834	8,654	397	2,449	6,407	9,253
Total undiscounted financial liabilities	1404	4,441	5,834	11,679	2,105	4,649	6,407	13,161
Total net undiscounted financial (liabilities) / assets	(617)	1,272	(5,834)	(5,179)	999	1,371	(6,407)	(4,037)

[1] *Amount excludes advances to suppliers and sales tax receivables*

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

As the Group's loans and borrowings are presently on floating rate, the Group will continue to review, formulate and implement policies to manage interest cost for new loans and borrowings using a mix of fixed and floating rate debts.

<u>Sensitivity analysis for interest rate risk</u>

At the end of the reporting period, if the Bank Commercial Financing rate, Bank Commercial Variable rates and Bank's cost of funds had been 10 (2014: 10) basis points lower/higher with all other variables held constant, the Company's profit before tax would have been $9,000 (2014: $6,000) higher/lower, arising as a result of lower/higher interest expenses on floating rate loans and borrowings.

30. Financial risk management objectives and policies (continued)

d) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD. The foreign currencies in which these transactions are denominated are mainly United States Dollars (USD). Approximately 23% (2014: 23%) of the Group's sales and 25% (2014: 25%) of Group's costs are denominated in USD. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2015 $'000	**2014 $'000**
		Profit before tax	***Profit before tax***
USD/SGD	– strengthened 4% (2014: 4%)	−33	−189
	– weakened 4% (2014: 4%)	+33	+189

31. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group will continue to review, formulate and implement policies to keep gearing ratio below 55%. The Group includes within net debt, loans and borrowings, trade and other payables less cash and short-term deposits.

Notes to the Financial Statements

For the financial year ended 31 December 2015

31. Capital management (continued)

	Group	
	2015 $'000	**2014 $'000**
Loans and borrowings (Note 21)	8,725	13,148
Trade and other payables (Note 22)	6,370	8,753
Less: - Cash and short-term deposits (Note 20)	(2,737)	(3,173)
Net debt	12,358	18,728
Equity attributable to the owners of the Company	12,312	338,237
Capital and net debt	24,670	356,965
Gearing ratio	50%	5%

32. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

I. The distribution segment engages in the distribution of mobile communication devices and accessories for leading brands.

II. The retail telecommunication segment engages in the retail sale of mobile communication devices and accessories and provision of broadband and other related telecommunication services in Singapore. It operates a network of strategically located retail stores island-wide. This retail telecommunication segment is further segregated into with franchise (comprising SingTel) and standalone (comprising M1). On 31 January 2015, M1 business segment was disposed of.

III. The retail consumer electronics segment engages in the retail sale of IT and related products in Singapore.

IV. The corporate segment is involved in Group-level corporate services, treasury functions and investment in associates and marketable securities. It also involves in strategic investment and joint venture opportunities in emerging South East Asia markets to synergise and complement the Group's existing offerings.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm length's length basis in a manner similar to transactions with third parties.

32. Segment information (continued)

	Distribution		Retail Consumer Electronics		Retail Telecommunication Standalone (M1) With Franchise (Singtel)				Corporate		Adjustments and eliminations		Note	Per consolidated financial statements	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014		2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:															
External customers	89,852	65,976	21,444	29,351	301	1,346	44,522	36,134	29	289	–	–		156,148	133,096
Inter–segment	397	780	14,348	16,684	86	578	20,986	19,147	–	–	(35,817)	(37,189)	A	–	–
	90,249	66,756	35,792	46,035	387	1,924	65,508	55,281	29	289	(35,817)	(37,189)		156,148	133,096
Results:															
Interest income	280	1	–	1	–	–	–	–	206	175	–	–		486	177
Depreciation and Amortisation	(12)	(8)	(231)	(68)	–	(60)	(429)	(404)	(516)	(375)	–	–		(1,188)	(915)
Share of results of associates	–	–	–	–	–	–	–	–	–	–	(16,742)	4,341		(16,742)	4,341
Other non–cash expenses	(4,996)	(80)	20	(74)	90	(9)	11	(3)	(305,658)	(63)	–	–	B	(310,775)	103
Segment (loss)/ profit	(1,061)	1,031	(877)	499	(178)	(555)	412	205	(8,070)	42	(318,632)	3,800	C	(318,406)	5,022
Assets:															
Investment in associates	–	–	–	–	–	–	–	–	470	318,467	–	–		470	318,467
Investment securities	–	–	–	–	–	–	–	–	–	600	–	–		–	600
Investment securities held for sales	–	–	–	–	–	–	–	–	600	–	–	–		600	–
Additions to non–current assets	3	23	87	5	–	–	8	111	25	6,566	–	–	D	123	6,705
Segment assets	4,560	13,251	2,764	6,352	–	85	9,407	9,130	11,100	14,585	1,070	319,067	E	28,901	362,470
Segment liabilities	168	2,113	675	2,496	–	–	4,343	4,324	2,056	1,269	8,841	13,661	F	16,083	23,863

Notes to the Financial Statements

For the financial year ended 31 December 2015

32. Segment information (continued)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses consist of net foreign exchange gain/(loss), inventories written-down, net loss on disposal of property, plant and equipment and impairment of investment in subsidiary as presented in the respective notes to the financial statements.

C The following items are (deducted from)/added to segment profit / (loss) to arrive at profit before tax from continuing operations" presented in the consolidated income statement:

	2015 $'000	2014 $'000
Finance costs	(900)	(587)
Impairment of investment in an associate	(300,990)	
Share of results of associates	(16,742)	4,341
Profit from inter-segment sales	–	107
Unallocated corporate expenses	–	(61)
	(318,632)	3,800

D Additions to non-current assets consist of additions to property, plant and equipment and intangible assets.

E The following items are deducted from segment assets to arrive at total assets reported in the consolidated balance sheet:

	2015 $'000	2014 $'000
Investment in associates	470	318,467
Investment securities	–	600
Investment securities held for sale	600	–
	1,070	319,067

F The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2015 $'000	2014 $'000
Deferred tax liabilities	–	434
Income tax payable	116	79
Loans and borrowings	8,725	13,148
	8,841	13,661

Notes to the Financial Statements
For the financial year ended 31 December 2015

32. Segment information (continued)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		*Non-current assets*	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Singapore	117,588	119,161	9,280	12,167
Indonesia	7,522	8,523	–	318,233
Hong Kong	29,262	2,406	–	–
Myanmar	131	368	–	3,516
Europe	193	–	–	–
Dubai	–	1,015	–	–
Others	1,452	1,623	470	234
	156,148	133,096	9,750	334,150

Non-current assets information presented above consist of property, plant and equipment, investment property, investment in associates and securities, intangible assets and other receivables as presented in the consolidated balance sheet.

Information about major customers

Revenues from 3 major customers (one of the major customer is an associated company) amount to $45,044,000 (2014: $26,803,000) arising from sales by the distribution segment.

33. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 1 April 2016.

Statistics of Shareholdings

As at 17 March 2016

Issued and fully paid-up capital	:	$407,519,502
No. of shares issued	:	17,053,169,818 Ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

The Company has no treasury shares as at 17 March 2016.

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	313	2.87	4,181	0.00
100 – 1,000	6,958	63.88	2,213,333	0.01
1,001 - 10,000	899	8.25	3,255,148	0.02
10,001 - 1,000,000	2,542	23.34	454,489,222	2.67
1,000,001 and above	181	1.66	16,593,207,934	97.30
Total	10,893	100.00	17,053,169,818	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Raffles Nominees (Pte) Ltd	9,351,317,583	54.84
2	DBSN Services Pte Ltd	6,172,686,769	36.20
3	Ong Kok Wah	70,000,000	0.41
4	Liu Kevin Yi Feng	60,000,000	0.35
5	UOB Kay Hian Pte Ltd	59,458,500	0.35
6	OCBC Securities Private Ltd	55,133,910	0.32
7	CIMB Securities (Singapore) Pte Ltd	54,949,815	0.32
8	Low Woon Ming	51,000,000	0.30
9	Lee Jessie	41,308,170	0.24
10	Citibank Nominees Singapore Pte Ltd	32,818,500	0.19
11	DBS Nominees Pte Ltd	30,556,231	0.18
12	Ang Chin San	28,431,000	0.17
13	United Overseas Bank Nominees Pte Ltd	27,682,990	0.16
14	Phillip Securities Pte Ltd	22,878,263	0.14
15	DB Nominees (S) Pte Ltd	22,516,093	0.13
16	Zeng Hang Cheng	20,868,500	0.12
17	Bank of Singapore Nominees Pte Ltd	18,845,500	0.11
18	Teo Ngee Hua	16,000,443	0.09
19	Lim Woei Ming Michael	15,000,000	0.09
20	OCBC Nominees Singapore Pte Ltd	14,519,010	0.09
	Total	**16,165,971,277**	**94.80**

Statistics of Shareholdings

As at 17 March 2016

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 17 March 2016.

Name of Substantial Shareholder	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Sugiono Wiyono Sugialam	326,003,652	1.91	(1)10,469,189,374	61.39	10,795,193,026	63.3
Tres Maria Capital Ltd	(2)3,867,140,015	22.68	(3) 4,065,786,837	23.84	7,932,926,852	46.52
PT SL Trio	2,536,262,522	14.87	–	–	2,536,262,522	14.87
(4) Standard Chartered Private Equity Limited	4,406,850,233	25.84	(3) 4,065,786,837	23.84	8,472,637,070	49.68
(5) Standard Chartered Asia Limited	–	–	8,472,637,070	49.68	8,472,637,070	49.68
(6) Standard Chartered MB Holdings B.V.	–	–	8,472,637,070	49.68	8,472,637,070	49.68
(7) Standard Chartered Holdings (International) B.V.	–	–	8,472,637,070	49.68	8,472,637,070	49.68
(8) SCMB Overseas Limited	–	–	8,472,637,070	49.68	8,472,637,070	49.68
(9) Standard Chartered Bank	–	–	8,472,637,070	49.68	8,472,637,070	49.68
(10) Standard Chartered Holdings Limited	–	–	8,472,637,070	49.68	8,472,637,070	49.68
(10) Standard Chartered PLC	–	–	8,472,637,070	49.68	8,472,637,070	49.68

Notes:

(1) This represents Mr. Sugiono Wiyono Sugialam's deemed interest of :-

(a) 7,932,926,852 shares held by Tres Maria Capital Ltd. by virtue of his 100% shareholdings in Tres Maria Capital Ltd; and .
(b) 2,536,262,522 shares held by PT SL Trio by virtue of his majority shareholdings in PT SL Trio.

(2) This represents Tres Maria Capital Ltd's direct interest of 3,867,140,015 shares held in the name of the following:-

(a) 556,719,420 shares are registered in the name of Raffles Nominees Pte. Ltd.
(b) 1,025,000,000 shares are registered in the name of DBSN Service Pte. Ltd.
(c) 2,285,420,595 shares are registered in the name of UOB Kay Hian Nominees Pte. Ltd.

(3) On 6 August 2014, Tres Maria Capital Ltd and Standard Chartered Private Equity Limited entered into a security agreement over shares ("the Deed"), whereby, inter alia, Tres Maria Capital Ltd has agreed to charge in favour of Standard Chartered Private Equity Limited by way of first mortgage, 4,236,318,535 shares in the capital of Polaris Ltd.

On 15 October 2014, pursuant to the provisions of the Deed, a notice of the mortgage and assignment has been issued by the relevant parties for the purposes of creating the charge over the shares.

On 27 May 2015, Tres Maria Capital Ltd and Standard Chartered Private Equity Limited entered into a Deed of Partial Release, pursuant to which, inter alia, Standard Chartered Private Equity Limited agreed to release its security over, and reassign, 170,531,698 Shares ("Released Shares"), and Tres Maria Capital Ltd agreed to transfer the Released Shares to Standard Chartered Private Equity Limited immediately following the release and reassignment.

Statistics of Shareholdings

As at 17 March 2016

(4) Standard Chartered Private Equity Limited is a wholly owned subsidiary of Standard Chartered Asia Limited.

(5) Standard Chartered Asia Limited is a 99.9% owned subsidiary of Standard Chartered MB Holdings B.V.

(6) Standard Chartered MB Holdings B.V. is a wholly owned subsidiary of Standard Chartered Holdings (International) B.V.

(7) Standard Chartered Holdings (International) B.V. is a wholly owned subsidiary of SCMB Overseas Limited.

(8) SCMB Overseas Limited is a wholly owned subsidiary of Standard Chartered Bank.

(9) Standard Chartered Bank is a wholly owned subsidiary of Standard Chartered Holdings Limited.

(10) Standard Chartered Holdings Limited is a wholly owned subsidiary of Standard Chartered PLC.

FREE FLOAT

As at 17 March 2016, approximately 10.41% of the issued ordinary shares of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of Section B of the SGX-ST Listing Manual (Rules of Catalist) that an issuer must ensure that at least 10% of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed is at all times held by the public.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Polaris Ltd. will be held at Raffles Town Club, Dunearn Ballroom 3, Level 1, 1 Plymouth Avenue Singapore 297753, on the 29th day of April 2016 at 2.00 p.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2015 together with the Directors' Statement and Auditors' Report thereon. **Resolution 1**

2. To note the voluntary retirement of Mr. Tan Chung Yaw, Richard, who is retiring pursuant to Article 86 of the Company's Articles of Association will not be offering himself for re-election.
[See Explanatory Note]

3. To re-elect Ms. Juliana Julianti Samudro who is retiring pursuant to Article 86 of the Company's Articles of Association.
[See Explanatory Note] **Resolution 2**

4. To note that Ernst & Young LLP has expressed that they will not seek re-appointment as auditors of the Company and to appoint Moore Stephens LLP as auditors of the Company in place of Ernst & Young LLP to hold the office until the conclusion of the Company's next annual general meeting at a remuneration to be agreed between the Directors and Moore Stephens LLP.
[See Appendix A] **Resolution 3**

5. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

6. To approve Directors' fees of S$110,000 for the financial year ended 31 December 2015 (2014: S$110,000). **Resolution 4**

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modification:

7. **Authority to allot and issue shares**

   THAT pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of Section B of the SGX-ST Listing Manual (Rules of Catalist), authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit;

   (b) (notwithstanding that the authority conferred by this Ordinary Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution was in force,

Notice of Annual General Meeting

provided that:

(i) the aggregate number of Shares to be issued pursuant to this Ordinary Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed 100% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with subparagraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below);

(ii) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of issued share capital shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time of passing of this Ordinary Resolution, after adjusting for:

(1) new Shares arising from the conversion or exercise of any convertible securities;

(2) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time which are outstanding or subsisting at the time of passing of this Ordinary Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of Section B of the SGX-ST Listing Manual (Rules of Catalist); and

(3) any subsequent bonus issue, consolidation or subdivision of Shares;

(iii) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of Section B of the SGX-ST Listing Manual (Rules of Catalist) for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") or the Sponsor) and the Articles of Association for the time being of the Company; and

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; and

(c) the Directors be and are hereby authorised to do any and all acts which they deem necessary and expedient in connection with paragraphs (a) and (b) above. **Resolution 5**

8. **The Proposed Adoption of the Polaris Performance Share Plan**

That:

(a) a new scheme to be known as the "Polaris Performance Share Plan", the details and rules whereof are set out in the Circular, under which awards (the "Awards") of fully-paid Shares, their equivalent cash value or combinations thereof will be granted, free of payment, to selected employees of the Company and its subsidiaries (the "Group"), including Directors of the Company, Controlling Shareholders of the Company (the "Controlling Shareholders") and their associates who are eligible to participate, and other selected participants, particulars of which are set out in the Company's Appendix to this Notice to its shareholders dated 14 April 2016, be and is hereby approved and adopted;

(b) the Directors of the Company be and are hereby authorised:

(i) to establish and administer the Polaris Performance Share Plan;

(ii) to modify and/or amend the Polaris Performance Share Plan from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Polaris Performance Share Plan and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Polaris Performance Share Plan; and

(iii) subject to the same being allowed by law, to apply any Shares purchased under any share purchase mandate or Shares held in treasury by the Company, towards the satisfaction of Awards granted under the Polaris Performance Share Plan; and

(c) the Directors of the Company be and are hereby authorised to offer and grant Awards in accordance with the provisions of the Polaris Performance Share Plan and to allot and issue from time to time such number of fully-paid new Shares as may be required to be allotted and issued pursuant to the vesting of the Awards under the Polaris Performance Share Plan provided always that the aggregate number of Shares which may be issued or transferred pursuant to Awards granted under the Polaris Performance Share Plan, when added to (i) the number of Shares issued and issuable and/or transferred and transferable in respect of all Awards granted thereunder; and (ii) all Shares issued and issuable and/or transferred and transferable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company and for the time being in force shall not exceed 15% of the total issued share capital (excluding treasury shares) of the Company on the day preceding the relevant date of Award, and provided also that subject to such adjustments as may be made to the Polaris Performance Share Plan as a result of any variation in the capital structure of the Company.
[See Appendix B]

Resolution 6

BY ORDER OF THE BOARD

ANG CHUAN HUI, PETER
Executive Director & CEO

14 April 2016
Singapore

Notice of Annual General Meeting

Explanatory Note
Items 2, 3, 4 and 8

In relation to Item 2, Mr. Tan Chung Yaw, Richard has given notice to the Company that he is not seeking re-election as Director of the Company and will upon retirement as a Director at the conclusion of the Annual General Meeting, ceases as the Non-Executive Chairman, Chairman of the Audit and Remuneration Committees and member of the Nominating Committee.

In relation to Item 3, Ms. Juliana Julianti Samudro, if re-elected, will remain as the Executive Director of the Company.

There are no relationships (including immediate family relationships) between Ms. Juliana Julianti Samudro and the other Directors, the Company or the 10% shareholder of the Company.

In relation to Items 4 and 8, details of the proposed Change of Auditors and the Proposed Adoption of the Polaris Performance Share Plan are set out in respectively in the Appendix A and Appendix B to this Notice of AGM to be circulated to Shareholders.

Statement Pursuant to Article 57(3) of the Company's Articles of Association

The effect of the resolutions under the heading "Special Business" in this Notice of the Annual General Meeting are:-

(i) The Ordinary Resolution 4 proposed in item 6 above is to approve the payment of Directors' fees for the financial year ended 31 December 2015.

(ii) The Ordinary Resolution 5 proposed in item 7 above is to allow the Directors of the Company from the date of that meeting until the next Annual General Meeting to issue further shares in the Company. The maximum number of shares which the Directors may issue under this resolution shall not exceed the quantum set out in the resolution.

(iii) The Ordinary Resolution 6 proposed in item 8 above is to empower the Directors of the Company to allot and issue shares in accordance with the Polaris Performance Share Plan.

Notes:

i. A proxy need not be a member of the Company.

ii. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), a member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead.

iii. Where a member appoints more than one proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

iv. A member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote at this meeting, but each proxy must be appointed to exercise the rights attached to a different shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

v. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

vi. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time appointed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

Notice of Annual General Meeting

vii. The instrument appointing a proxy must be deposited at the registered office of the Company at 81 Ubi Avenue 4, #03-11 UB. One, Singapore 408830 not less than forty-eight (48) hours before the time for holding the Annual General Meeting.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("AGM") and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

This notice has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Stamford Corporate Services Pte Ltd, for compliance with the relevant rules of the Exchange. The Company's Sponsor has not independently verified the contents of this notice. This notice has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Mr Yap Wai Ming
Tel: 6389 3000
Email: waiming.yap@morganlewis.com

PROXY FORM

(Please see notes overleaf before completing this Form)

Polaris Ltd.
Company Registration No. 198404341D
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

I/We ________________________ *(Name)* NRIC/Passport No. ________________________

of ____ *(Address)*

being a member/members of the above-mentioned Company, hereby appoint:-

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her/them, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Raffles Town Club, Dunearn Ballroom 3, Level 1, 1 Plymouth Avenue Singapore 297753 on the 29th day of April 2016 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided)

No.	Resolutions relating to:	For	Against
1.	**Ordinary Business** Audited Financial Statements, Directors' Statement and Auditors' Report for the year ended 31 December 2015		
2.	Re-election of Ms. Juliana Julianti Samudro as a Director pursuant to Article 86 of the Company's Articles of Association		
3.	Change of Auditors		
4.	**Special Business** Approval of Directors' Fees of $110,000 for the year ended 31 December 2015		
5.	Authority to allot and issue shares		
6.	Proposed Adoption of the Polaris Performance Share Plan		

Dated this .... day of .... 2016.

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

....
Signature(s) of Shareholder(s)
or, Common Seal of Corporate Shareholder

Polaris Ltd.

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "Companies Act") a member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints more than one proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

3. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

4. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediaries is entitled to appoint more than two proxies to attend, speak and vote at the Meeting provided that each proxy is appointed to exercise the rights attached to different shares held by the member. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such a person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

7. The instrument appointing a proxy or proxies, together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof, shall be deposited at the registered office of the Company at 81 Ubi Avenue 4, #03-11 UB. One, Singapore 408830 not less than forty-eight (48) hours before the time appointed for the Meeting.

8. Please indicate with an "√" in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/she/they may think fit, as he/she/they will on any other matter arising at the Meeting.

9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

10. In the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.

11. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("AGM") and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

Designed and Produced by **Rockstar Atelier** polaris

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