polaris

2014 ANNUAL REPORT

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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 mobiles 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 four main strategic business segments.

Consumer Electronics

Polaris was appointed by Apple Premium Partner, Lenovo Business Partner and Sony Centre Operator, offering consumers a wide range of electronics products and services from some of these global brands.

Corporate

The corporate segment is involved in Group-level corporate services, treasury functions and investment in marketable securities. It also involves in strategic joint venture opportunities in emerging markets withtin Southeast Asia to carry out wholesale of mobile communication and e-commerce lifestyle products.

Distribution

This segment encompasses our distribution of mobile devices and accessories throughout Southeast Asia. It was established strong relationships with many global brands such as Apple, Blackberry, HTC, HP, Huawei, InFocus, LG, Lenovo, Nokia, Samsung, Sony, Xiaomi and ZTE, etc.

Polaris has been appointed as an exclusive distributor for ZTE , as well as a distributor for Huawei in Singapore. It has also been appointed the exclusive distributor of InFocus for distribution into markets such as Cambodia, Indonesia, Malaysia, Myanmar, Philippines and Thailand.

Telecommunication

This segment focuses on operating retail business related to products and services provided by the Singtel Group. Being the platinum status partner of the Singtel Group, Polaris is authorised to operate Singtel Group stores and expand its retail network.

VISION AND MISSION

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 Shareholders,

Developments in FY2014

FY2014 was a year of modest growth as the Singapore economy grew at a moderate rate of 2.9% due to weak productivity gains. However, national incomes continued to rise, which augured well for the Group. Following our injection of major assets in FY2012, our new telecommunication business direction has delivered encouraging results. Despite operating in a challenging environment, the management has consolidated the Group's position in the region by focusing on project execution.

During the year, handset prices hiked due to the strengthening of the US currency, while new entrants into the market like Lenovo and Xiaomi have intensified competition. Additionally, escalating labour cost has also caused operation cost to rise and there was an overall decline in local handset subsidies.

In view of this, we have undertaken several strategic propositions to further strengthen our position, which included the acquisition of 44.88% of PT Trikomsel Oke Tbk. ("Trikomsel") Trikomsel is an Indonesian public listed company dealing in retail and distribution of smart mobile devices. We viewed this partnership as an integral part of our plan to penetrate into the Indonesian market, which we perceived as a huge potential growth component with local smartphone penetration rate at only around 30% currently.

Consequently, we were partnering contemporary smartphone players through retail and distribution channels to give our consumers more options in their smartphone selection. One such partner was ZTE, a leading global handset manufacturer, which has launched three new Android smartphones. Through collaborating with Singtel, we will be acting as the exclusive distributor for ZTE mobile handsets in Singapore. Concurrently, we are distributing Huawei in the Indonesia market. We also garnered the exclusive distribution rights to regionally promote InFocus.

As part of our regional expansion plans, we have formed pivotal joint ventures with TechTitan Technology Inc. and a core group of Thailand investors to foray into Philippines and Thailand respectively in 4Q2014. These are developing markets which present opportunities for the Group to improve operating margins and enlarge our regional footprint.

Notwithstanding the challenging retail environment, we are optimistic that with the formation of an Asean Economic Community to facilitate trade in the region, there will be opportunities for further growth and our strategic partnerships forged will be able to deliver positive results in the near future.

Financial Review

The Group continued to focus on its core areas as per the previous year. As our business integration began to stabilise, we registered a turnaround in our financials that has been encouraging.

We recorded a turnover of $133.096 million for the year ended 31 December 2014, translating to a 32% increase from the previous year. The consumer electronics and telecommunication segment, whose results were consolidated into the Group with effect from April and June 2013, was a significant revenue contributor in FY2014.

In spite of the higher turnover, net profit was affected due to the rise in manpower cost and retail outlets leasing which contributed to escalating operating expenses. The Group reported a net profit for the year of $4.509 million. This includes the share of results of associates of $4.341 million, from the investment in Trikomsel.

The Group is organised into four reportable operating segments based on its products and services. The distribution segment reported a revenue of $66.756 million, an increase of about 25% from the previous year. As for the consumer electronics segment, the Group turned in revenue of $46.035 million, an increase of 127% from the previous year. While the Group's telecommunication segment was further segregated into franchise (comprising Singtel) and standalone (comprising M1). M1 business was disposed of on 31 January 2015. For this segment, the Group reported a revenue of $57.205 million, mainly from Singtel. Singtel business increased by 24% from $44.577 million to $55.281 million.

The Group's financial position was strengthened with its net assets increased significantly from $20.534 million in FY2013 to $338.607 million in FY2014 due to the inclusion of the strategic investment in Indonesia, as well as Philippines and Thailand.

Net Asset Value per share for the Group gained from $0.60 cents in FY2013 to $1.99 in FY2014. Consequently, Earnings per Share is at $0.05 cents.

Corporate Social Responsibility

Continuing on last year's efforts in the corporate social responsibility ("CSR") sphere, we launched our very first CSR programme in partnership with Dignity Kitchen in late 2014, Singapore's inaugural hawker training school for the disabled and disadvantaged people. Organised as part of a team-bonding activity, the Group prepared hawker food under the guidance of Dignity Kitchen trainers to serve a group of visiting old folks for the day.

In addition, we also participated in the sponsorship of the M1 Charity Golf 2014 event, whereby proceeds raised were channelled towards helping the less privileged children and youths-at-risk.

Future Prospects

As the Southeast Asia economy remains cautiously modest, we expect the Group to face several challenges in the year ahead, including retail rental costs and manpower costs. As such, we will seek to enlarge our market share by building on our e-commerce capabilities to capitalise on changing consumer habits, so as to lower our operating cost, while boosting efficiency. This is evident in the fact that there was a year-on-year increase from 0.3% to 4% in the number of handsets sold via e-commerce in Indonesia in 2014.

Incidentally, we will be collaborating with various mobile operators to pander to an increasing market demand for mass market handsets in the range of US$100-200. We foresee a trend towards handset upgrade from 3G to 4G as consumers tap on the progressive network. To further leverage on this trend, we will also explore corporate partnerships to supply handsets to employees directly.

The Group has also conducted a close performance review of 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 better understanding regarding our consumers' preferences and the market trend.

Going forward, the Group will ride on its foundation and continue with our regional retail and distribution expansion plans by further penetrating developing markets such as Malaysia, Myanmar, Philippines and Thailand. By focusing on the established handset brands, we expect to meet sales targets and boost profits. We will continue to exercise financial prudence, while developing our targeted growth areas.

In Appreciation

Firstly, we would like to extend a warm welcome to our Director, Mr. Benjamin Soemartopo, who is a Managing Director of Standard Chartered Private Equity Limited with over 20 years of experience. We believe that Mr. Soemartopo will be able to contribute towards the Group's growth as he brings onboard his valuable insights on business management.

On behalf of the Board, we would like to extend our appreciation to the management, fellow directors and staff for their dedication and commitment towards the Group and contributing relentlessly towards Polaris' success.

We would also like to thank our valued shareholders, business partners and associates who have supported us staunchly throughout the year. We would persist in our endeavour to enhance 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 24 years of working experience in the telecommunications and IT industries. In 2008, Mr. Tan joined PT Smartfren, an IDX listed company that provides Indonesia's leading mobile broadband service. Mr. Tan rejuvenated the CDMA mobile player from a low cost mobile operator to a multi-award winning mobile broadband provider in Indonesia that is noted for its quality and service. Awards won include Frost & Sullivan 2012 Indonesia's Most Promising Mobile Service Provider of the Year. In 2011, he successfully led the company to the acquisition and merger of PT Mobile-8, which had valuable spectrum.

Before PT Smartfren, Mr. Tan spent 8 years in Singtel Ltd. in various senior management positions.

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

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 (Honors) in Electrical and Electronic from Loughborough University of Technology, UK. He was awarded the Overseas Research Student award for his PhD Studies.

BOARD OF DIRECTORS

Mr. Sugiono Wiyono Sugialam | Non-Executive Director

Date of Appointment as Director	:	26 July 2011
Date of last re-election	:	29 April 2013
Nature of Appointment	:	Non Independent Non Executive
Board Committees served on	:	Member of Nominating and Remuneration Committees since 26 July 2011. Stepped down as a member of Audit Committee with effect from 19 December 2014

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.

Ms. Juliana Julianti Samudro | Executive Director and Chief Financial Officer

Date of Appointment as Director	:	26 July 2011
Date of Appointment as Chief Financial Officer	:	1 January 2014
Date of last re-election	:	29 April 2013
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.

BOARD OF DIRECTORS

Mr. Ong Kok Wah | Independent Non-Executive Director

Date of Appointment as Director	:	20 May 2010
Date of last re-election	:	26 April 2012
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.

Mr. Benjamin Sudjar Soemartopo | Non Executive Director

Date of Appointment as Director	:	7 October 2014
Date of last re-election	:	NA
Nature of Appointment	:	Non Independent Non Executive
Board Committees served on	:	Appointed as a member of Audit Committee with effect from 19 December 2014

Mr. Soemartopo is Managing Director of Standard Chartered Private Equity Limited (SCPE) business in Indonesia. SCPE currently has investments in eight companies in Indonesia in the retail, healthcare, food and beverage, energy and agriculture sectors. He is on the Board of Commissioners Trikomsel Tbk. and a Senior Advisor to Apexindo Tbk and Maxpower.

Mr. Soemartopo was previously the Managing Partner of McKinsey & Company's Jakarta office. There he focused on multi-year operational transformation programs for state owned enterprises and private companies, and supported multinational companies with their entry strategy and investments in Indonesia. He led McKinsey's pro bono support to the Aceh reconstruction agency following the tsunami in 2004.

Mr. Soemartopo helped co-found the 2009 Young Leaders for Indonesia foundation, which is focused on developing the next generation of Indonesian leaders. He was selected as a WEF Young Global Leader in 2009 and is a member of the Young Presidents Organization (YPO).

He graduated with a Bachelor of Law (first class honors) and Bachelor of Political economy from Murdoch University in Perth, Western Australia.

KEY MANAGEMENT

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 (Honors) in Management Studies from University of London.

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 (Honors) in Electrical & Electronic, from Loughborough University of Technology, UK.

Ms. Lim Poh Choo, Janet | Financial Controller

Ms. Lim was appointed as Financial Controller on 5 June 2008. Ms. Lim joined the Company as Finance Manager on 8 January 2007, and was subsequently promoted to Financial Controller. She is responsible for the risk management, finance and accounting functions of the Company and its subsidiaries.

Prior to joining the Group, Ms. Lim was with a world leading employment services company listed on the New York Stock Exchange for more than 10 years.

Ms. Lim holds a Master of Professional Accounting from University of Southern Queensland. She is a member of the Institute of Singapore Chartered Accountants (ISCA) and CPA Australia. Ms. Lim is also an Accredited Tax Advisor (ATA) of the Singapore Institute of Accredited Tax Professionals.

CORPORATE INFORMATION

Board of Directors

Tan Chung Yaw, Richard
Chairman

Ang Chuan Hui, Peter
Chief Executive Officer

Juliana Julianti Samudro
Chief Financial Officer

Sugiono Wiyono Sugialam

Benjamin Sudjar Soemartopo

Ong Kok Wah

Audit Committee

Tan Chung Yaw, Richard
Chairman

Benjamin Sudjar Soemartopo

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

Lim Lan Sim, Joanna, ACIS

Registered Office

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Solicitor

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Singapore 049315

Continuing Sponsor

Stamford Corporate Services Pte. Ltd.
10 Collyer Quay
#27-00 Ocean Financial Centre
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Bankers

Australia and New Zealand Banking Group Limited
China Citic Bank International Limited
DBS Bank Limited
JP Morgan International Bank Limited, Brussels
PT Bank Mandiri (Persero) Tbk.
RHB Bank Berhad
Standard Chartered Bank
United Overseas Bank Limited

Share Registrar

M&C Services Private Limited
112 Robinson Road
#05-01
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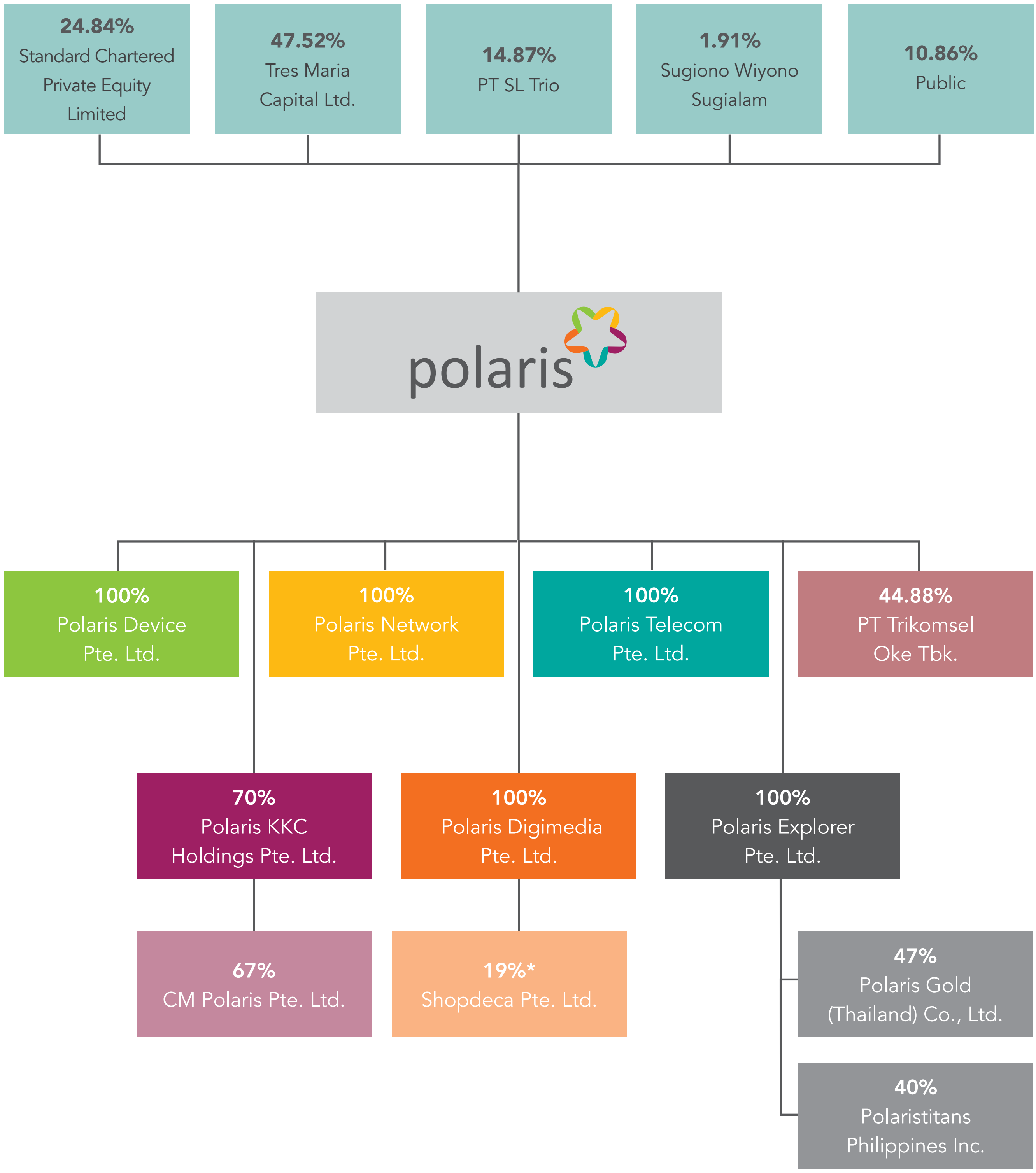
Auditor

Ernst and Young LLP
One Raffles Quay
#18-00 North Tower
Singapore 048583
Partner-in-Charge: Lim Tze Yuen
(Date of appointment since financial year
ended 31 December 2010)

GROUP INFORMATION



* Option to increase up to 33% based on capital call.

OUR COVERAGE

STORE PRESENCE:

CAMBODIA

1 Polaris Store

INDONESIA

584 OkeShop Stores

287 Global Teleshop Stores

MYANMAR

14 e-city Stores

SINGAPORE

1 Apple Premium Reseller Store
2 Lenovo Stores
19 Singtel Stores
2 Sony Centres by Polaris

OPERATIONS AT A GLANCE

The Group delivered a strong performance in FY2014. Continued focus on the core areas laid out from the previous year has helped the Group strategise in the right direction.

The business environment has been competitive and the Group experienced challenges that mainly revolved around rising rental costs and labour crunch. Retail rental rates were holding up and with increasing outlets in operation, rental was expected to contribute to rising operational costs. Ever since the local government tightened their foreign workers policies, it has also become more difficult to employ and retain people, especially in the demanding retail sector which requires long working hours and public holiday commitments.

As such, the Group capitalised on improving productivity to mitigate the manpower issues and costs, as well as harness an increase in profit. We automated our processes as much as possible and streamlined our operations to ease efforts required in corporate governance and auditing. By focusing on critical processes, we increased efficiency and reaped the benefit of economies of scale as our backend staff handled administration for all our retail outlets.

During the year, we also continued with our overseas ventures. The Group forged ahead with the project in Myanmar and expanded into the Philippines and Thailand through the incorporation of two joint ventures namely Polaristitans Philippines Inc. and Polaris Gold (Thailand) Co., Ltd. respectively in end FY2014.

Operating Segments

In FY2014, we consolidated our strengths by segregating our operating units into four different segments for clearer business demarcation, which encompass Consumer Electronics, Corporate, Distribution and Telecommunication.

With relevant knowledge in the electronic and telecommunication industry, expansive network and professional technical expertise in the products, the Group is able to stay nimble and adapt to changes accordingly. The Group stays consistent to our goal by implementing pertinent Group initiatives to address situational issues that arise, such as economic uncertainty and changing labour policies promptly.

Consumer Electronics

Riding on last year's success, the Group has enhanced working relationships with various household brands such as Apple, Lenovo and Sony in the consumer electronics area. The Group operates five concept stores to boost the targeted sales of these electronic products.

These collaborations will enable us to increase our product offering, thereby consolidating our position as a full-spectrum consumer electronics player within the region.

Corporate

The Corporate segment handles Group-level corporate services and investments, exploring opportunities in the emerging Southeast Asia markets to leverage on the Group's existing offerings.

During the year, the Group invested in talents and strategic opportunities as we believe that our success is closely tied to the quality of our people and the partnerships we forged. The acquisition of our recent investment in Indonesia through PT Trikomsel Oke Tbk. has contributed positively to a large part of

our net profits as we realised the gains in FY2014. We are certain that this venture will continue to boost the Group's earnings through giving us access to a growing market.

Polaris invested in ShopDeca Pte. Ltd. ("ShopDeca") as part of the Group's strategy to expand beyond traditional retail stores. Shopdeca is an e-commerce business selling a variety of lifestyle products, including apparel, household-related accessories, lifestyle electronics and related accessories.

Additionally, we have forayed into the Philippines and Thailand markets through establishing strategic joint ventures with TechTitan Technology Inc. and a core group of Thailand investors respectively in late 2014. These investments in developing markets will allow the Group to gain access to a larger target audience that can contribute positively to our operating margins.

Distribution

In this aspect, we are growing from strength to strength with our foray into the emerging Southeast Asia markets in countries like Indonesia and Myanmar. Through strategic alliances with PT Trikomsel Oke Tbk., a leading Indonesian company in mobile devices, retail and distribution, we have gained entry into these markets with huge growth potential.

In line with our strategy to explore new opportunities, we have also fostered new partnerships with other contemporary brands such as ZTE for exclusive distribution in Singapore, InFocus Corporation for exclusive distribution within the region, and Commtiva Technology Limited, which is the global sales arm of Foxconn Technology Group.

We are constantly expanding our distribution network to tap on the potential of our surrounding markets.

Telecommunication

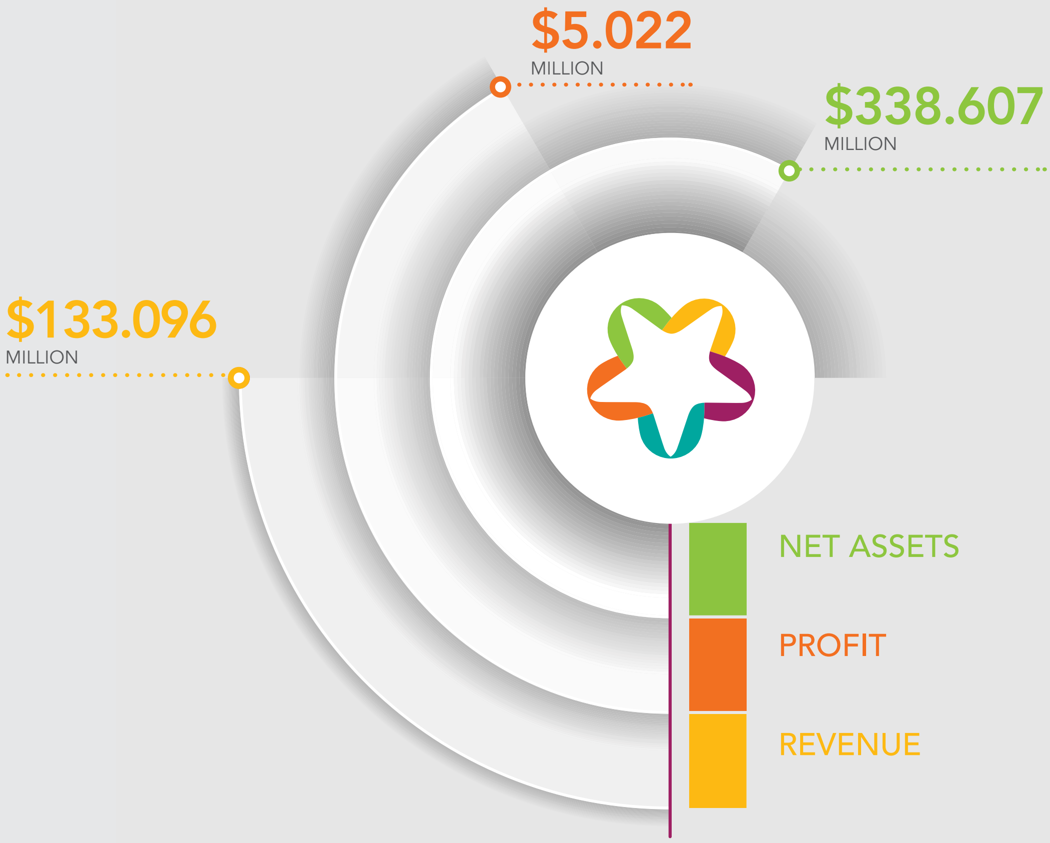
We continued with our focus on the retail sale and provision of mobile communication devices and services through a wide network of strategically located retail stores island-wide.

Prospects

We foresee that the business environment will continue to be challenging with tight labour crunch and escalating business costs. As such, we will continue to recruit talents and enhance our Human Resource policies to create a more attractive working environment to help staff integrate into our culture more easily. We will also continue to streamline our operations to improve productivity.

We are cautiously optimistic about the year ahead as we continue to explore new partnership opportunities locally and within the region. We believe that maintaining strong relationships with brands is very important and will continue to deliver good results to instill confidence in our partners for more future collaborations.

FINANCIAL HIGHLIGHTS



YEAR	2014
Revenue ($'000)	133,096
Profit before tax ($'000)	5,022
Profit attributable to owners ($'000)	4,169
Earning per share ($ cents)	0.05
Total assets ($'000)	362,470
Total liabilities ($'000)	23,863
Net tangible assets ($'000)	337,002
Net asset value ($'000)	338,607
Net asset value per share ($ cents)	1.99
Market capitalisation ($'000)	289,904

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") issued on 2 May 2012. 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 2014 ("FY2014"), as well as frequency of such meetings, is set out on Table 1.

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 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 on 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 six directors of whom two are independent non-executive directors, two non-independent non-executive directors 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 on 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 recognizes 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.

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 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 had 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.

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)
   (Independent and non-executive)

2. Mr. Tan Chung Yaw, Richard
   (Independent and non-executive)

3. Mr. Sugiono Wiyono Sugialam
   (Non-independent and non-executive)

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 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 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 the re-election of the following directors who will be retiring at the forthcoming AGM:

1. Mr. Ong Kok Wah (Article 86)

2. Mr. Sugiono Wiyono Sugialam (Article 86)

3. Mr. Benjamin Soemartopo (Article 93)

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.

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 FY2014 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 has determined that the non-executive director, Mr. Benjamin Soemartopo, is non-independent. Mr. Benjamin Soemartopo is a nominee of Standard Chartered Private Equity Limited, a substantial (24.84%) shareholder 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 on Table 3.

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 adopted a formal system of evaluating the Board as a whole every year. A Board performance evaluation was 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 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 event 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 forecasts 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, independent 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.

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)
   (Independent and non-executive)

2. Mr. Sugiono Wiyono Sugialam
   (Non-independent and non-executive)

3. Mr. Ong Kok Wah
   (Independent and non-executive)

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 need arise.

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.

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.

Mr. Benjamin Soemartopo did not receive any directors' fees during FY2014 as he is a representative director appointed by a substantial shareholder to represent the substantial shareholder on the Board of the Company.

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 2014.

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 determine 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.

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 three key management personnels (who are not directors or the CEO), respectively, for FY2014.

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 FY2014.

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;

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 that it may 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.

CORPORATE GOVERNANCE REPORT

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 2014.

The AC and the Board has received assurance from the CEO and the Chief Financial Officer ("CFO") 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.

<u>Telecommunication Risks</u>

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 distribution of mobile handsets, the industry is subject to price cutting activities of our competitors as well as high levels of inventory obsolescence due to technological changes. The Group manages these risks through close monitoring of competitors pricing and activities and stringent management of all purchases to ensure optimum levels of inventory are maintained.

   The retail environment is subject to rising rental costs, higher wage costs and manpower shortage. Although these risks are mitigated through talent retention, increasing productivity and consolidation of retail outlets' resources when necessary, rising business costs may put a strain on financial budgets and affect the financial performance of the Group.

2. Competitive Environment

   The Group operates its retail business in a highly competitive environment where retail space rental rates are very much market driven. The reasonable margin from its retail sales provide good hedge for its wholesale market which traditionally is a low margin operation unless scale economies are achieved through revenue expansion. In the event that the Group is unable to exercise vigilance in its costing methods and continue to upscale its sales, the financial performance of the Group may be adversely affected.

3. Dependence on mobile technology

   With the increasing adoption of smartphones and public recognition of the many benefits they bring to consumers and businesses alike, the Group will continue to focus on its core business of providing the most entertaining smartphones regionally. However, the ability to sell such products and related services may be inhibited by, among other things, the reluctance of some end users in switching from traditional feature phones to smartphones equipped with data plans, and concerns with the costs, complexity and security in using such services.

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)
   (Independent and non-executive)

2. Mr. Ong Kok Wah
   (Independent and non-executive)

3. Mr. Benjamin Soemartopo
   (Non-independent and non-executive)

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 auditor 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 auditor;

f. recommends to the Board of Directors the external auditor to be nominated, approve the compensation of the external auditor 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 our 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 auditor, 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 auditor 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 auditor, if any, and determine if such services would affect the independence of the external auditor; 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).

The AC had recommended and the Board had approved to table the re-appointment of Ernst & Young LLP as auditor of the Company for shareholders' approval at the forthcoming AGM.

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 auditor and give its recommendations to the Board and the Company regarding the appointment, re-appointment or removal of the external auditor.

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 auditor 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 FY2014 was $101,000 and $10,000, respectively. The AC is satisfied with their independence; hence has recommended the re-appointment of the external auditor at the forthcoming AGM of the Company.

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.

Summary of AC's activities in FY2014

For FY2014, 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).

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 Company's internal audit function is serviced in-house. The internal auditor's functional reporting line is to the Chairman of the AC. Administratively, the internal auditor reports to the CFO.

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 Company has an in-house internal audit team whose members have the relevant qualifications and experience to discharge the internal audit function and they report directly to the AC.

During the year, the in-house internal audit team plans its internal audit schedules in consultation with the AC and reports directly to the AC Chairman on internal audit matters. The AC has also reviewed the adequacy of the in-house internal audit function and is satisfied that the team is adequately resourced and has appropriate standing within the Company.

CORPORATE GOVERNANCE REPORT

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 Memorandum & 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.

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 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 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 2014 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 subject to legislative amendment to recognise electronic voting.

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 FY2014.

During the financial year, the Company has entered into:

(a) On 3 July 2014, the Sale and Purchase Agreement with Mr. Sugiono and SL Trio pursuant to which the Company has agreed to acquire 504,359,000 common shares in the capital of Trikomsel for an aggregate acquisition consideration of S$65,832,122;

(b) On 3 July 2014, the Subscription Agreement with Tres Maria Capital Ltd. (the "Subscriber") pursuant to which the Company has agreed to allot and issue 6,521,739,130 Subscription Shares at an issue price of S$0.023 for each Subscription Share to the Subscriber;

(c) On 6 August 2014, the Sale and Purchase Agreement with Standard Chartered Private Equity Limited pursuant to which the Company has agreed to acquire 642,802,500 common shares in the capital of Trikomsel for a consideration of S$97,435,326; and

(d) On 6 August 2014, the Sale and Purchase Agreement with Canopus Finance Limited pursuant to which the Company has agreed to acquire 989,583,000 common shares in the capital of Trikomsel for an aggregate acquisition consideration of S$149,999,903.

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 have been material interested person transactions requiring disclosure pursuant to Section B of the SGX-ST Listing Manual (Rules of Catalist).

a) Proposed acquisition of 504,359,000 common shares in the capital of PT Trikomsel Oke Tbk. and the proposed allotment and issuance of 2,862,266,174 new ordinary shares in the capital of the Company; and

(b) proposed subscription of 6,521,739,130 new ordinary shares in the capital of the Company by Tres Maria Capital Ltd.

Both transactions are deemed to be an IPT pursuant to Chapter 9 of the Catalist Rules it involves the acquisition of the Sale Shares from Mr. Sugiono (who is a Director and Controlling Shareholder of the Company) and SL Trio (being an Associate of Mr. Sugiono)

USE OF PROCEEDS

The Company has on 3 July 2014 entered into the Subscription Agreement with Tres Maria Capital Ltd. (the "Subscriber") pursuant to which the Company has agreed to allot and issue 6,521,739,130 Subscription Shares at an issue price of S$0.023 for each Subscription Share to the Subscriber.

The following provides a status report on the utilisation of the proceeds from the Proposed Subscription of 6,521,739,130 new ordinary shares as per Circular dated 15 July 2014:

Use of proceeds	$'000	Percentage
Expansion of business of the distribution of mobile communication devices (including purchasing shares in a mobile communication business)	149,000	99.3%
Professional fees and miscellaneous expenses	1,000	0.7%
Total subscription proceeds	**150,000**	**100%**

The aforementioned uses are in accordance with the stated use and percentage allocation of the proceeds stated in the previous announcements/ circular of the Company.

CATALIST SPONSOR

The Company's sponsor, Stamford Corporate Services Pte. Ltd. had not rendered any non-sponsorship services to the Company for FY2014.

TABLE 1 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS FOR FY2014

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	4	3	2	0	1	1	1	0
Ong Kok Wah	4	3	2	2	1	1	1	1
Sugiono Wiyono Sugialam	4	2	2	2	1	0	1	1
Benjamin Soemartopo	2	1	–	–	–	–	–	–
Juliana Julianti Samudro	4	4	–	–	–	–	–	–
Ang Chuan Hui, Peter	4	4	–	–	–	–	–	–

No. of meetings held whilst a member

CORPORATE GOVERNANCE REPORT

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	Non-executive Chairman/ Independent	Chairman	Member	Chairman
Ong Kok Wah	Non-executive/Independent	Member	Chairman	Member
Benjamin Soemartopo [1]	Non-executive/Non-independent	Member	–	–
Sugiono Wiyono Sugialam [2]	Non-executive/Non-independent	–	Member	Member
Juliana Julianti Samudro	Executive/Non-independent	–	–	–
Ang Chuan Hui, Peter	Executive/Non-independent	–	–	–

[1] *Appointed as non-independent and non-executive director and a member of the Audit Committee with effect from 7 October 2014 and 19 December 2014 respectively.*

[2] *Stepped down as a member of the Audit Committee with effect from 19 December 2014.*

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	50	26/07/2011	30/04/2014	Polaris Ltd. Asia Pay TV Trust (APTT)	–
Ong Kok Wah	69	20/05/2010	26/04/2012	Polaris Ltd. ICP Ltd.	Chuan Hup Holdings Ltd. CH Offshore Ltd.
Sugiono Wiyono Sugialam	52	26/07/2011	29/04/2013	Polaris Ltd. PT Trikomsel Oke Tbk., a company listed in Indonesia	–
Benjamin Soemartopo	42	07/10/2014	NA	Polaris Ltd. Commissioner of PT Trikomsel Oke Tbk., a company listed in Indonesia	–
Juliana Julianti Samudro	43	26/07/2011	29/04/2013	Polaris Ltd. PT Trikomsel Oke Tbk., a company listed in Indonesia	–
Ang Chuan Hui, Peter	48	01/03/2012	30/04/2014	Polaris Ltd. President Commissioner of PT Trikomsel Oke Tbk., a company listed in Indonesia	–

CORPORATE GOVERNANCE REPORT

TABLE 4 – REMUNERATION OF DIRECTORS

The breakdown of the total remuneration of the directors of the Company for the year ended 31 December 2014 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	NEID	100%	–	–	–	100%	< $200,000
Ong Kok Wah	NEID	100%	–	–	–	100%	< $200,000
Sugiono Wiyono Sugialam	NED	100%	–	–	–	100%	< $200,000
Benjamin Soematopo *	NED	–	–	–	–	–	–
Juliana Julianti Samudro	ED	–	77%	5%	18%	100%	$200,001 - $400,000
Ang Chuan Hui, Peter	ED	–	56%	24%	20%	100%	$600,001 - $800,000

* Appointed as non-independent and non-executive director and a member of the Audit Committee with effect from 7 October 2014 and 19 December 2014 respectively.

Notes
ED: Executive director
NED: Non-executive director
NEID: Non-executive independent director

- *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.*
- *Bonus is contractual and comprises of a fixed bonus and variable bonus which is based on the Company's performance.*
- *Other benefits include transport & mobile phone 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 2014 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	80%	13%	7%	100%	< $200,000
Chan Jwee Heng, Kenn	Head of Human Resource and General Affairs	83%	8%	9%	100%	< $200,000
Lim Poh Choo, Janet	Financial Controller	91%	3%	6%	100%	< $200,000

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, Annual Wage Supplement (AWS) and the Company's contribution towards the Singapore Central Provident Fund where applicable.*
- *Bonus is paid based on the Company and individual performance.*
- *Other benefits include transport & mobile phone allowance.*
- *The Company has no employee share option scheme in place.*

DIRECTORS' REPORT

The directors are pleased to 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 2014.

1. DIRECTORS

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

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

2. 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.

3. 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				
Sugiono Wiyono Sugialam	–	326,003,652	1,800,000,000	10,639,721,072
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 2015.

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.

4. 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.

5. OPTIONS

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

6. AUDIT COMMITTEE ("AC")

The board of directors and the AC have reviewed the adequacy of the Group's internal controls that address the Group's financial, operational and compliance risks. Based on the review conducted, the board of directors and the AC are of the opinion that, the system of internal controls in place are adequate in meeting the current scope of the Group's business operations.

The AC performed the functions specified in the Act. The functions performed are detailed in the Report on Corporate Governance.

The 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

6. **AUDIT COMMITTEE ("AC") (CONTINUED)**

- 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.

7. **AUDITOR**

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Juliana Julianti Samudro Director	Ang Chuan Hui, Peter Director

Singapore
1 April 2015

STATEMENT BY DIRECTORS

We, Juliana Julianti Samudro and Ang Chuan Hui, Peter, being two of the directors of Polaris Ltd., do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, 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.

On behalf of the board of directors:

Juliana Julianti Samudro Director	Ang Chuan Hui, Peter Director

Singapore
1 April 2015

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2014

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 110, which comprise the balance sheets of the Group and the Company as at 31 December 2014, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
For the financial year ended 31 December 2014

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2015

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Revenue	4	133,096	101,088
Cost of sales		(123,053)	(93,626)
Gross profit		10,043	7,462
Other items of income			
Interest income	5	177	86
Other income	6	536	1,206
Other items of expense			
Marketing and distribution		(593)	(285)
Administrative expenses		(7,872)	(6,477)
Finance costs	7	(168)	(131)
Other expenses	8	(1,442)	(1,073)
Share of results of an associate	17	4,341	–
Profit before tax	9	5,022	788
Income tax expense	10	(513)	(31)
Profit for the year		**4,509**	**757**
Attributable to:			
Owners of the Company		4,169	796
Non-controlling interests		340	(39)
Profit for the year		**4,509**	**757**
Earnings per share attributable to owners of the Company (cents per share)			
Basic	11	0.05	0.03
Diluted	11	0.05	0.03

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 2014

	Note	2014 $'000	2013 $'000
Profit for the year		**4,509**	**757**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Share of an associate's other comprehensive income	17	625	–
Foreign currency translation	26(b)	(39)	208
Other comprehensive income for the year, net of tax		**586**	**208**
Total comprehensive income for the year		**5,095**	**965**
Attributable to:			
Owners of the Company		4,755	1,004
Non-controlling interests		340	(39)
Total comprehensive income for the year		**5,095**	**965**

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

BALANCE SHEETS

As at 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Assets					
Non-current assets					
Property, plant and equipment	12	6,853	5,162	6,296	4,407
Investment properties	13	2,593	719	2,593	719
Intangible assets	14	1,605	1,923	–	–
Investment in subsidiaries	15	–	–	8,512	7,526
Investment in associates	17	318,467	–	313,267	–
Investment securities	18	600	–	–	–
Other receivables	19	4,032	3,554	6,020	7,413
		334,150	11,358	336,688	20,065
Current assets					
Trade and other receivables	19	21,167	14,048	3,375	1,709
Inventories	20	3,754	4,171	–	–
Prepaid operating expenses		226	62	92	21
Cash and short-term deposits	21	3,173	5,686	252	351
		28,320	23,967	3,719	2,081
Total assets		**362,470**	**35,325**	**340,407**	**22,146**
Equity and liabilities					
Current liabilities					
Loans and borrowings	22	7,267	1,242	273	163
Trade and other payables	23	8,687	8,095	1,153	141
Deferred revenue		657	18	–	–
Other liabilities	24	792	939	555	466
Income tax payable		79	11	–	–
		17,482	10,305	1,981	770
Net current assets		**10,838**	**13,662**	**1,738**	**1,311**
Non-current liabilities					
Loans and borrowings	22	5,881	4,394	5,881	3,437
Deferred tax liabilities	25	434	–	–	–
Other payables	23	66	92	2,200	–
		6,381	4,486	8,081	3,437
Total liabilities		**23,863**	**14,791**	**10,062**	**4,207**
Net assets		**338,607**	**20,534**	**330,345**	**17,939**
Equity attributable to owners of the Company					
Share capital	26(a)	402,747	89,769	402,747	89,769
Retained losses		(65,521)	(69,690)	(72,402)	(71,830)
Other reserve	26	451	–	–	–
Foreign currency translation reserve	26(b)	560	425	–	–
		338,237	20,504	330,345	17,939
Non-controlling interests		370	30	–	–
Total equity		**338,607**	**20,534**	**330,345**	**17,939**
Total equity and liabilities		**362,470**	**35,325**	**340,407**	**22,146**

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

2014 Group	Note	Equity, total $'000	Equity attributable to owners of the Company, total $'000	Share capital $'000	Retained losses $'000	Other reserves, total $'000	Employee share option reserve	Equity component of mandatory convertible bonds	Foreign currency translation reserve $'000	Non-controlling interests $'000
			Attributable to owners of the Company							
Opening balance at 1 January 2014		**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 associates – 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	26(a)	313,268	313,268	313,268	–	–	–	–	–	–
Shares issuance expense	26(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.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

2013 Group	Note	Equity, total	Equity attributable to owners of the Company, total	Share capital	Retained losses	Other reserve	Foreign currency translation reserve	Non-controlling interests
			Attributable to owners of the Company					
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2013		**6,216**	**6,225**	**76,494**	**(70,486)**	**–**	**217**	**(9)**
Profit for the year		757	796	–	796	–	–	(39)
Other comprehensive income								
Foreign currency translation		208	208	–	–	–	208	–
Other comprehensive income for the year, net of tax		208	208	–	–	–	208	–
Total comprehensive income for the year		965	1,004	–	796	–	208	(39)
Contributions by and distributions to owners								
Shares issued for acquisition of a business	26(a)	2,000	2,000	2,000	–	–	–	–
Issuance of ordinary shares	26(a)	11,275	11,275	11,275	–	–	–	–
Total contributions by and distributions to owners		13,275	13,275	13,275	–	–	–	–
Changes in ownership interests in subsidiaries								
Issuance of shares by subsidiaries to non-controlling shareholders		78	–	–	–	–	–	78
Total changes in ownership interests in subsidiaries		78	–	–	–	–	–	78
Total transactions with owners in their capacity as owners		13,353	13,275	13,275	–	–	–	78
Closing balance at 31 December 2013		**20,534**	**20,504**	**89,769**	**(69,690)**	**–**	**425**	**30**

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

2014
Company

	Note	Equity, total $'000	Share capital $'000	Retained losses $'000
Opening balance at 1 January 2014		**17,939**	**89,769**	**(71,830)**
Profit 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	26(a)	313,268	313,268	–
Share issuance expense	26(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)**

2013
Company

	Note	Equity, total $'000	Share capital $'000	Retained losses $'000
Opening balance at 1 January 2013		**6,596**	**76,494**	**(69,898)**
Profit for the year, representing total comprehensive income for the year		(1,932)	–	(1,932)
Contributions by and distributions to owners				
Issuance of ordinary shares	26 (a)	11,275	11,275	–
Shares issued for acquisition of a business	26 (a)	2,000	2,000	–
Total transactions with owners in their capacity as owners		13,275	13,275	–
Closing balance at 31 December 2013		**17,939**	**89,769**	**(71,830)**

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 2014

	Note	2014 $'000	2013 $'000
Operating activities			
Profit before tax		5,022	788
Adjustments for:			
Amortisation of intangible assets	14	318	238
Depreciation of property, plant and equipment	12	553	439
Depreciation of investment properties	13	44	25
Finance costs	7	168	131
Interest income	5	(177)	(86)
Inventories written-down	20	21	4
Negative goodwill arising from acquisition of a business	6	–	(1,086)
Net gain on liquidation 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	65	71
Share of results of an associate		(4,341)	–
Total adjustments		(3,441)	(264)
Operating cash flows before changes in working capital		**1,581**	**524**
Changes in working capital			
Decrease/ (increase) in inventories		396	(2,251)
Increase in trade and other receivables		(7,423)	(13,248)
(Increase)/ decrease in prepaid operating expenses		(164)	101
Increase in trade and other payables		1,211	3,443
(Decrease)/ increase in other liabilities		(104)	96
Total changes in working capital		(6,084)	(11,859)
Cash flows used in operations		(4,503)	(11,335)
Interest received		3	2
Interest paid		(168)	(45)
Income taxes paid		(11)	(20)
Net cash flows used in operating activities		(4,679)	(11,398)

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 2014

	Note	2014 $'000	2013 $'000
Investing activities			
Net cash outflow on acquisition of businesses and business assets less assumed liabilities	16	–	(559)
Investment in associates	17	(150,233)	–
Investment in securities	18	(600)	–
Purchase of property, plant and equipment	12	(3,381)	(2,363)
Purchase of investment property	13	(889)	–
Net cash flows used in investing activities		**(155,103)**	**(2,922)**
Financing activities			
Proceeds from issuance of shares of the Company	26(a)	150,000	11,275
Proceeds from issuance of shares by subsidiaries to non-controlling shareholders		–	78
Proceeds from loans and borrowings		18,320	3,366
Share issuance expense	26(a)	(290)	–
Repayment of loans and borrowings		(10,721)	(2,139)
Net cash flows from financing activities		**157,309**	**12,580**
Net decrease in cash and cash equivalents		**(2,473)**	**(1,740)**
Effect of exchange rate changes on cash and cash equivalents		(40)	144
Cash and cash equivalents at 1 January		**5,686**	**7,282**
Cash and cash equivalents at 31 December	21	**3,173**	**5,686**

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 2014

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 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2014
Improvements to FRSs (January 2014)	1 July 2014
(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*	
Improvements to FRSs (February 2014)	1 July 2014
(a) Amendments to FRS 103 *Business Combinations*	
(b) Amendments to FRS 113 *Fair Value Measurement*	
Improvements to FRSs (November 2014)	
(a) FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(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 2017
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.

<u>FRS 115 *Revenue from Contracts with Customers*</u>

FRS 115 was issued in November 2014 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 2017 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency (continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (continued)

a) Financial assets (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets (continued)

a) Financial assets carried at amortised cost (continued)

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.

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. These also include bank overdrafts that form an integral part of the Group's cash management.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (continued)

b) Deferred tax (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Contingencies (continued)

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 2014

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 and brands 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 2014 is $1,605,000 (2013: $1,923,000).

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 2014 was $40,409,000 (2013: $40,290,000).

If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $6,873,000 (2013:$6,850,000).

c) Impairment of investment in subsidiaries

The Company follows the guidance of FRS 36 in determining the recoverability of its investment in subsidiaries. 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 at the end of the reporting period is disclosed in Note 15 to the financial statements.

4. REVENUE

	Group	
	2014 $'000	2013 $'000
Distribution sale of mobile handsets & accessories	65,379	52,914
Retail sale of mobile handsets, accessories & services	37,481	28,019
Retail sale of consumer electronics and related products	29,351	20,037
Other revenue	885	118
	133,096	101,088

5. INTEREST INCOME

	Group	
	2014 $'000	2013 $'000
Interest income from:		
- Loans and receivables	174	84
- Bank deposits	3	2
	177	86

6. OTHER INCOME

	Group	
	2014 $'000	2013 $'000
Negative goodwill arising from acquisition of a business	–	1,086
Net gain on liquidation of a subsidiary	5	–
Net gain on waiver of accrued interest expense	87	–
Rental Income	125	40
Other miscellaneous income	319	80
	536	1,206

In FY2014, other miscellaneous income comprises of Productivity Innovation Credit ("PIC") bonus pay-out and Wage Credit Scheme ("WCS") pay-out granted by the Inland Revenue Authority of Singapore ("IRAS").

In FY2013, other miscellaneous income comprises of an one-off reversal of staff bonus who resigned in 2013.

7. FINANCE COSTS

	Group 2014 $'000	Group 2013 $'000
Interest expense on:		
- Bank loans	168	45
- Loans and receivables	–	86
	168	131

8. OTHER EXPENSES

	Group 2014 $'000	Group 2013 $'000
Amortisation of intangible assets	318	238
Bank charges	419	275
Depreciation of property, plant and equipment	553	439
Depreciation of investment properties	44	25
Net loss on disposal of property, plant and equipment	65	71
Net foreign exchange loss	22	21
Inventories written-down	21	4
	1,442	1,073

9. PROFIT BEFORE TAX

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

	Group 2014 $'000	Group 2013 $'000
Audit fees:		
- Auditors of the Company	101	87
Non-audit fees:		
- Auditors of the Company	10	50
Directors' fees:		
- Directors of the Company	110	155
Employee benefits expense (Note 27)	4,554	3,766
Lease related expenses	2,210	1,599
Legal and other professional fees	651	476
Office expense	247	344

10. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Group	
	2014 $'000	2013 $'000
Consolidated income statement:		
Current income tax:		
- Current income taxation	67	–
- Under provision in respect of previous years	12	31
	79	31
Deferred income tax:		
- Origination and reversal of temporary differences	434	–
	434	–
Income tax expense recognised in profit or loss	513	31

Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 is as follows:

	Group	
	2014 $'000	2013 $'000
Profit before tax	5,022	788
Tax at the applicable tax rate of 17% (2013: 17%)	853	134
Adjustments:		
Non-deductible expenses	139	49
Income not subject to taxation	(56)	(209)
Effect of partial tax exemption and tax relief	(125)	–
Deferred tax assets not recognised	51	62
Benefits from previously unrecognised tax losses	(14)	(36)
Utilisation of Productivity innovative claim ("PIC")	(43)	–
Under provision in respect of previous years	12	31
Share of results of an associate	(303)	–
Others	(1)	–
Income tax expense recognised in profit or loss	513	31

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	
	2014 $'000	2013 $'000
Profit for the year attributable to owners of the Company used in the computation of basic earnings per share	4,169	796
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	8,182,976	3,031,511

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

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 2013	2,240	398	224	–	2,862
Additions	1,820	482	195	6	2,503
Disposals	–	(84)	–	–	(84)
Acquisition of businesses (Note 16)	–	416	72	–	488
Exchange differences	–	2	1	–	3
At 31 December 2013 and 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	5,607	1,546	695	–	7,848
Accumulated depreciation and impairment loss:					
At 1 January 2013	12	61	109	–	182
Depreciation charge for the year	115	205	113	6	439
Disposals	–	(13)	–	–	(13)
Exchange differences	–	2	–	–	2
At 31 December 2013 and 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	219	431	345	–	995
Net carrying amount:					
At 31 December 2013	3,933	959	270	–	5,162
At 31 December 2014	5,388	1,115	350	–	6,853

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 2013	2,240	265	150	2,655
Additions	1,820	225	48	2,093
At 31 December 2013 and 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	5,607	928	342	6,877
Accumulated depreciation and impairment loss:				
At 1 January 2013	12	28	93	133
Depreciation charge for the year	115	74	19	208
At 31 December 2013 and 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	219	217	145	581
Net carrying amount:				
At 31 December 2013	3,933	388	86	4,407
At 31 December 2014	5,388	711	197	6,296

Assets pledged as security

The Group's commercial properties with a carrying amount of $5,388,000 (2013: $3,933,000) are mortgaged to secure the Group's bank loans (Note 22).

13. INVESTMENT PROPERTIES

	Group and Company	
	2014 $'000	2013 $'000
Balance sheet:		
Cost:		
At 1 January	748	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	748
Accumulated depreciation:		
At 1 January	29	4
Charge for the year	44	25
Transfer to property, plant and equipment (Note 12)	(48)	–
At 31 December	25	29
Net carrying amount:		
At 31 December	2,593	719

	Group and Company	
	2014 $'000	2013 $'000
Income statement:		
Rental income from investment properties		
- Minimum lease payment	125	35
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	(9)	(6)

Properties pledged as security

The investment properties amounting to $2,593,000 (2013: $719,000) are mortgaged to secure bank loans (Note 22).

Transfer to property, plant and equipment

On 1 November 2014, the Group transferred one unit that was held as investment property to owner-occupied property. On that date, the Group has commenced using the unit for business operations purposes.

Transfer from property, plant and equipment

On 1 November 2014, the Group transferred two units that was held as owner-occupied properties to investment properties. On that date, the Group has commenced leasing the units to generate rental income.

13. INVESTMENT PROPERTIES (CONTINUED)

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	54 years
UB.ONE, Unit 03-21	Office	Leasehold	54 years
UB.ONE, Unit 03-22	Office	Leasehold	54 years

14. INTANGIBLE ASSETS

	Group			
	Goodwill $'000	Customer Relationship $'000	Lease Agreements $'000	Total $'000
Cost:				
At 1 January 2013	–	–	–	–
Acquisition of businesses (Note 16)	668	1,078	415	2,161
At 31 December 2013 and 1 January 2014 and 31 December 2014	668	1,078	415	2,161
Accumulated amortisation:				
At 1 January 2013	–	–	–	–
Amortisation	–	134	104	238
At 31 December 2013 and 1 January 2014	–	134	104	238
Amortisation	–	180	138	318
At 31 December 2014	–	314	242	556
Net carrying amount:				
At 31 December 2013	668	944	311	1,923
At 31 December 2014	668	764	173	1,605

<u>Goodwill</u>

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 2013.

14. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill

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% (2013: 2%), which has been used to determine income for the future years. The pre-tax discount rate applied to the cash flow projections was 13.0% (2013: 13.11%) and the forecasted growth rate used to extrapolated cash flows beyond the five-year period is 6% for 2015 and 5% for 2016 onwards. The budgeted gross margin assumed was 8.5% (2013: 7%) annually. No impairment loss was recognised as the carrying amount of the CGU was deemed recoverable.

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 8.5% 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.

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.

14. INTANGIBLE ASSETS (CONTINUED)

Sensitivity to changes in assumptions

For the consumer electronics segment, the estimated recoverable amount exceeds its carrying amount by approximately $21,000 (2013: $1,151,000) and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumption for the recoverable amount is discussed below:

Growth rates – Management recognises that the speed of technological change and the possibility of new entrance can have a significant impact on growth rate assumptions. The effect of new entrance is not expected to have an adverse impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but could yield a reasonably possible alternative to be estimated long-term growth rate of 5.0% (2013: 5%). A reduction of 0.3% (2013: 0.8%) in the long-term growth rate would result in a further impairment.

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	
	2014 $'000	2013 $'000
Unquoted shares, at cost	10,512	9,526
Impairment losses	(2,000)	(2,000)
	8,512	7,526

Impairment testing of investment in subsidiaries

During the last financial year, management performed an impairment test for the investment in Polaris Network Pte. Ltd. As this subsidiary had been persistently making losses, an impairment loss of $2,000,000 was recognised for the year ended 31 December 2013 to fully write down the carrying amount of the subsidiary.

15. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Investment in subsidiaries

On 24 March 2014 and 1 July 2014, the Company set up two new wholly-owned subsidiaries, Polaris Digimedia Pte. Ltd. ("Polaris Digimedia") and Polaris Explorer Pte. Ltd. ("Polaris Explorer") through capital injection of $1,000,000 and $100, respectively.

Polaris Digimedia is the holding company for the Group's investment into Shopdeca Pte. Ltd., a regional e-commerce company for lifestyle products. Polaris Explorer is the holding company for the Group's equity interest in Philippines and Thailand and future joint venture opportunities in emerging Southeast Asia markets to synergise and complement the Group's existing offerings.

a) Composition of the Group

The Group has the following investment in subsidiaries.

Name	Principal place of business	Principal activities	Proportion (%) of ownership interest	
			2014	2013
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	–
Polaris Explorer Pte. Ltd.[(1)]	Singapore	Investment holdings company	100	–
Polaris KKC Holdings Pte. Ltd.[(1)]	Singapore	Investment holdings company	70	70
ArianeCorp China Limited [(2)]	People's Republic of China	Dormant	–	100
ArianeCorp Ltd. (Cambodia) [(3)]	Cambodia	Dormant	–	100
Held through Polaris KKC Holdings Pte. Ltd.:				
CM Polaris Pte. Ltd.[(1)]	Singapore	Joint venture investment in Myanmar	67	67

(1) Audited by Ernst & Young LLP, Singapore.
(2) The Company has on 10 January 2014 de-registered ArianeCorp China Limited.
(3) The Company has on 31 December 2014 de-registered ArianeCorp Ltd. (Cambodia).

15. INVESTMENT 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 2014:					
Polaris KKC Holdings Pte. Ltd.	Singapore	30%	3	32	–
CM Polaris Pte. Ltd.	Singapore	53%	337	338	–
31 December 2013:					
Polaris KKC Holdings Pte. Ltd.	Singapore	30%	(5)	29	–
CM Polaris Pte. Ltd.	Singapore	53%	(34)	1	–

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.	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current				
Assets	1,175	120	828	1,725
Liabilities	(758)	(409)	(1,283)	(691)
Net current assets/ (liabilities)	417	(289)	(455)	1,034
Non-current				
Assets	1,450	2,503	3,516	2,053
Liabilities	(1,760)	(2,112)	(2,425)	(3,039)
Net non-current assets/ (liabilities)	(310)	391	1,091	(986)
Net assets	107	102	636	48

15. INVESTMENT 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.	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue	–	–	612	497
Profit/(loss) before income tax	5	(16)	562	(64)
Income tax expense	–	–	–	–
Profit/(loss) after tax	5	(16)	562	(64)
Other comprehensive income	1	1	26	2
Total comprehensive income	6	(15)	588	(62)

16. ACQUISITION OF BUSINESSES

Acquisition of Juzz1 Holdings Singapore Pte. Ltd. ("Juzz1")

On 30 May 2013 (the "acquisition date"), the Group's subsidiary company, Polaris Network Pte. Ltd. ("Polaris Network") acquired the businesses and business assets less assumed liabilities (the "Businesses") of Juzz 1 Holdings Singapore Pte. Ltd. ("Juzz1"), a retail sale of computer hardware & accessories and computer software in Singapore. Upon the acquisition, Juzz1's businesses was transferred to Polaris Network.

The Group has acquired Juzz1 in order to strengthen its position as a leading retailer of consumer electronic products in Singapore and to enlarge the range of products it can offer to its clients. The acqusition is also expected to reduce costs through economies of scale.

<u>Equity instruments issued as part of consideration transferred</u>

In connection with the acquisition of equity interest in Juzz1, Polaris Ltd. issued 81,967,213 ordinary shares with a fair value of $0.0244 each. The fair value of these shares is the published price of the shares at the acquisition date.

16. ACQUISITION OF BUSINESSES (CONTINUED)

Acquisition of Juzz1 Holdings Singapore Pte. Ltd. ("Juzz1") (continued)

Deferred cash settlement arrangement

As part of the sales and purchase agreement with the previous owners of Juzz1 ("warrantors"), a deferred cash settlement has been agreed. $1,500,000 ("Deferred Payment") shall be payable to the previous owners of Juzz1 if the profit after tax of the Businesses as transferred to and operated by Polaris Network ("NPAT") is at least $150,000 ("NPAT Target") for the period commencing 1 July 2013 and ending 31 December 2013, $450,000 for the period commencing 1 January 2014 and ending 31 December 2014, $350,000 for the period commencing 1 January 2015 and ending 31 December 2015 and $250,000 for the period commencing 1 January 2016 and ending 30 June 2016 ("Relevant Period"). If the NPAT Target is not achieved, the Deferred Payment shall be adjusted downwards accordingly as set out below:

a) If the actual NPAT achieved for the Relevant Period is at least 80% of the NPAT Target, the Deferred Payment shall be reduced by 20%;

b) If the actual NPAT achieved for the Relevant Period is at least 60% of the NPAT Target, the Deferred Payment shall be reduced by 40%;

c) If the actual NPAT achieved for the Relevant Period is less than 60% of the NPAT Target or if any of the warrantors ceases employment with or otherwise leave the Group at any time during the Relevant Period, the Deferred Payment shall be reduced by 100%.

As at the acquisition date, the fair value of the deferred cash settlement was estimated at $1,500,000.

As of 31 December 2013, the warrantors ceased employment with the Group. Accordingly, the fair value of the deferred cash settlement has been adjusted to reflect this development and such change has been adjusted in the total consideration transferred.

The consideration transferred as at 31 December 2013 has been decreased by $1,500,000 to $3,500,000.

Transaction costs

Transaction costs related to the acquisition of $85,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2013.

Goodwill arising from acquisition

The purchase price allocation for the acquisition of Juzz1 in the financial year ended 31 December 2013 was provisional. In FY2014, the puchase price allocation was completed and goodwill amount was finalised at $668,000, which is the same as the provisional goodwill amount recognised in FY2013. Goodwill comprises the value of strengenthing the Group's market position in the Singapore retail market, improved resilience to sector specific volatilities, and cost reduction synergies expected to arise from the acquisition. The provisional goodwill is allocated entirely to the consumer electronics segment. None of the provisional goodwill recognised is expected to be deductible for income tax purposes.

16. ACQUISITION OF BUSINESSES (CONTINUED)

Acquisition of Juzz1 Holdings Singapore Pte. Ltd. ("Juzz1") (continued)

Impact of the acquisition on profit or loss

From the acquisition date, Juzz1 has contributed $20,294,000 of revenue and $380,000 of loss to the Group's profit for the year ended 31 December 2013. If the business combination had taken place at the beginning of 2013, the revenue from continuing operations would have been $120,259,000 and the Group's profit from continuing operations, net of tax would have been $628,000.

Acquisition of Multi-Channels Services Pte. Ltd. ("Multi-Channels")

On 1 April 2013 (the "acquisition date"), the Group's subsidiary company, Polaris Telecom Pte. Ltd. ("Polaris Telecom") acquired the businesses and business assets (the "Acquired Business") of Mutli-Channels Services Pte. Ltd. ("Multi-Channels"), an exclusive distributor of Singapore Telecommunications Limited, SingTel Mobile Singapore Pte. Ltd., SingNet Pte. Ltd. and Telecom Equipment Pte. Ltd. (collectively, the "SingTel Group Companies") in Singapore. Upon the acquisition, Multi-Channels's Acquired Business was transferred to Polaris Telecom.

The Group has acquired Multi-Channels in order to strengthen its position as a leading retailer of mobile phones and other telecommunications products in Singapore and to reduce dependency on the distribution business. The acqusition is also expected to reduce costs through economies of scale.

Intangible assets arising from acquisition

The intangible assets of $1,493,000 comprises the value of strengenthing the Group's market position in the Singapore retail market, improved resilience to sector specific volatilities, and cost reduction synergies expected to arise from the acquisition. Intangible assets is allocated entirely to the retail telecommunication, comprising franchise (SingTel) segment. None of the intangible assets recognised is expected to be deductible for income tax purposes.

Impact of the acquisition on profit or loss

From the acquisition date, Multi-Channels has contributed $44,577,000 of revenue and and $1,024,000 of profit to the Group's profit for the year ended 31 December 2013. If the business combination had taken place at the beginning of 2013, the revenue from continuing operations would have been $115,947,000 and the Group's profit from continuing operations, net of tax would have been $1,098,000.

16. ACQUISITION OF BUSINESSES (CONTINUED)

The fair value of the identifiable assets and liabilities of the acquired businesses as at the acquisition date were:

	Fair value recognised on acquisition		
	Juzz1 $'000	Multi-Channels $'000	Total $'000
Property, plant and equipment	353	135	488
Intangible assets recognised	–	1,493	1,493
Trade and other receivables	1,043	–	1,043
Inventories	1,677	–	1,677
Cash and cash equivalents	1,483	–	1,483
	4,556	1,628	6,184
Trade and other payables	(1,724)	–	(1,724)
Total identifiable net assets at fair value	2,832	1,628	4,460
Goodwill/(negative goodwill) arising from acquisition	668	(1,086)	(418)
	3,500	542	4,042
Consideration transferred for the acquisition			
Cash paid	1,500	542	2,042
Equity instruments issued (81,967,213 ordinary shares of Polaris Ltd.)	2,000	–	2,000
Deferred cash settlement	1,500	–	1,500
	5,000	542	5,542
Less: Adjustment to deferred cash settlement	(1,500)	–	(1,500)
Total consideration transferred	3,500	542	4,042

	Fair value recognised on acquisition		
	Juzz1 $'000	Multi-Channels $'000	Total $'000
Effect of the acquisition on cash flows			
Total consideration for equity interest acquired	3,500	542	4,042
Less: non-cash consideration	(2,000)	–	(2,000)
Consideration settled in cash	1,500	542	2,042
Less: Cash and cash equivalents acquired	(1,483)	–	(1,483)
Net cash outflow on acquisition	17	542	559

17. INVESTMENT IN ASSOCIATES

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

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
PT Trikomsel Oke Tbk.	318,233	–	313,267	–
Other associates	234	–	–	–
	318,467	–	313,267	–
Fair value of investment in an associate for which there is a published price quotation	291,233	–	291,233	–

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

	Company	
	2014 $'000	2013 $'000
Investment in associates, at cost:		
- PT Trikomsel Oke Tbk.	313,267	–
- Other associates	234	–
Share of post-acquisition reserves		
- PT Trikomsel Oke Tbk.	4,966	–
	318,467	–

Impairment testing of investment in associates

During the current financial year, management performed an impairment test for the investment in PT Trikomsel Oke Tbk., a quoted investment traded on the Indonesia Stock Exchange, and is satisfied that there is no impairment required.

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2014	2013
Held by the Company:				
PT Trikomsel Oke Tbk. [(1)]	Indonesia	Retail and distribution of telecommunication and multimedia products	45	–
Held through Polaris Explorer Pte. Ltd.:				
Polaris Gold (Thailand) Co., Ltd. [(2)]	Thailand	Retail and distribution of telecommunication products	47	–
Polaristitans Philippines Inc. [(2)]	Philippines	Engage in, conduct and carry on the business of importing, exporting, manufacturing, selling, distributing and marketing of wholesale telecommunication equipment	40	–

(1) Audited by member firm of EY Global in Indonesia.

(2) Company was incorporated in 2014 and not audited as the Company is dormant during the year.

17. INVESTMENT IN ASSOCIATES (CONTINUED)

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

PT Trikomsel Oke Tbk. ("Trikomsel")

On 4 August 2014, the Company acquired 10.59% equity interest in Trikomsel, retailer and distributor of telecommunication products in Indonesia. On 7 August 2014 and 16 October 2014, the Company acquired additional 20.78% and 13.50% equity interest in Trikomsel respectively. Upon the acquisition, Trikomsel became an associate of the Group.

The Group viewed that the acqusition of Trikomsel 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

In connection with the acquisition of equity interest in Trikomsel, 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

Provisional goodwill of $141,593,000 comprises the value of strengenthing the Group's market position in the Southeast Asia retail market, improved resilience to country specific volatilities, and cost reduction synergies expected to arise from the acquisition. None of the provisional goodwill recognised is expected to be deductible for income tax purposes.

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

On 30 December 2014, the Group's subsidiary company, Polaris Explorer Pte. Ltd. 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 Pte. Ltd. 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.

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

As at 31 December 2014, there is no share of profit or other comprehensive income from the individually insignificant associates, namely Polaris Gold and Polaristitans, as these associates remained dormant from incorporation dates until end of the reporting period.

17. INVESTMENT IN ASSOCIATES (CONTINUED)

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 December 2014 $'000
Current assets	928,397
Non-current assets excluding goodwill	226,385
Goodwill	141,593
Total assets	1,296,375
Current liabilities	(395,801)
Non-current liabilities	(364,281)
Total liabilities	(760,082)
Net assets	536,293
Net assets excluding goodwill	394,700
Proportion of the Group's ownership	44.88%
Group's share of net assets	177,141
Goodwill on acquisition	141,593
Other adjustments	(501)
Carrying amount of the investment	318,233

Summarised statement of comprehensive income[1]

	PT Trikomsel Oke Tbk.
	2014 $'000
Revenue	1,152,199
Profit after tax from continuing operations	32,549
Other comprehensive income	949
Total comprehensive income	33,498

(1) The summarised balance sheet and statement of comprehensive income above include provisional purchase price allocation ("PPA") adjustments. These include the fair value adjustments pertaining to the leasehold properties, inventories, bond payables, and related deferred tax liabilities. The Group has 12 months to finalise its PPA from the acquisition date.

18. INVESTMENT SECURITIES

	Group	
	2014 $'000	2013 $'000
Non-current:		
Available-for-sale financial assets		
- 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.

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade and other receivables (current):				
Trade receivables				
- Third party	6,527	9,017	–	–
- Associate	5,856	–	–	–
Other receivables	6720	4,842	99	16
Advances to suppliers	1,914	–	515	–
Amounts due from subsidiaries				
- Interest bearing	–	–	–	948
- Non-interest bearing	–	–	2,746	731
Amounts due from related companies	–	27	–	–
Refundable deposits	150	162	15	14
	21,167	14,048	3,375	1,709
Other receivables (non-current):				
Loan receivables	3,516	2,053	–	–
Amounts due from subsidiaries				
- Interest bearing	–	–	–	813
- Non-interest bearing	–	–	6,020	6,600
Refundable deposits	516	1,501	–	–
	4,032	3,554	6,020	7,413

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Total trade and other receivables (current and non-current)	25,199	17,602	9,395	9,122
Add: Cash and short-term deposits (Note 21)	3,173	5,686	252	351
Less: Sales tax receivables	(157)	(999)	(8)	–
Advances to suppliers	(1,914)	–	(515)	–
Total loans and receivables	26,301	22,289	9,124	9,473

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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
United States Dollar	6,222	3,859	–	–

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.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Loan receivables

Loan receivables are loans to franchisee and are unsecured, bears interest at 5.75% p.a. (2013: 5.75%), have an average maturity of 4 years (2013: 4 years) and is to be settled in cash.

Receivables that are past due but not impaired

The Group has receivables amounting to $1,106,000 (2013: $1,697,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2014 $'000	2013 $'000
Trade receivables past due but not impaired:		
Lesser than 30 days	415	150
30 to 60 days	97	112
61 to 90 days	541	1,435
91 to 120 days	12	–
More than 120 days	41	–
	1,106	1,697

20. INVENTORIES

	Group	
	2014 $'000	2013 $'000
Balance sheet:		
Finished goods (at cost or net realisable value)	3,754	4,171
Income statement:		
Inventories recognised as an expense in cost of sales	122,999	93,614
Inclusive of the following charge:		
- Inventories written-down	21	4

During the financial year, an allowance of $21,000 (2013: $4,000) 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 $1,335,000 (2013: Nil) to a floating charge as security to secure the Group's bank loans (Note 22).

21. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash at banks and on hand	3,173	5,314	252	351
Short-term deposits	–	372	–	–
Cash and short-term deposits	3,173	5,686	252	351

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 2014 for the Group was Nil (2013: 0.38%).

The Group has subjected cash at bank and on hand amounting to $240,000 (2013: Nil) to a charge as security to secure the Group's bank loans (Note 22).

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

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
United States Dollar	186	23	22	23
Renminbi	–	1	–	1

22. LOANS AND BORROWINGS

	Maturity	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Current:					
Other borrowings	2015	2,033	1,079	–	–
Commercial properties loan					
- First commercial properties loan	2015	151	163	151	163
- Second commercial properties loan	2015	92	–	92	–
- Investment property loan	2015	30	–	30	–
2.63% p.a. fixed rate USD bank loan	2015	4,961	–	–	–
		7,267	1,242	273	163
Non-current:					
Other borrowings	2016	–	957	–	–
Commercial properties loan					
- First commercial properties loan	2016-2031	3,286	3,437	3,286	3,437
- Second commercial properties loan	2016-2031	1,944	–	1,944	–
- Investment property loan	2016-2031	651	–	651	–
		5,881	4,394	5,881	3,437
Total loans and borrowings		13,148	5,636	6,154	3,600

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, 2.92% below BCFR for the 2nd year, and 1.82% below BCFR for the 3rd year and thereafter 0.75% below BCFR. Currently, BCFR is at 4.50% 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% below 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.

22. 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 agreed to convert the outstanding loans to share capital in the first quarter of FY2015.

2.63% p.a. fixed rate USD bank loan

This loan is secured by a charge over certain floating inventories (Note 20) and cash and short-term deposits (Note 21) and repayable on 21 January 2015, 4 February 2015 and 5 February 2015 respectively.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade and other payables (current):				
Trade payables	4,964	5,218	–	–
Other payables	3,723	2,877	702	127
Amounts due to subsidiaries	–	–	451	14
	8,687	8,095	1,153	141
Other payables (non-current):				
Other payables	66	92	–	–
Amounts due to subsidiaries	–	–	2,200	–
	66	92	2,200	–
Total trade and other payables (current and non-current)	8,753	8,187	3,353	141
Add:				
- Other liabilities (Note 24)	792	939	555	466
- Loans and borrowings (Note 22)	13,148	5,636	6,154	3,600
Total financial liabilities carried at amortised cost	22,693	14,762	10,062	4,207

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.

23. TRADE AND OTHER PAYABLES (CONTINUED)

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

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
United States Dollar	1,875	–	–	–
	1,875	–	–	–

Amounts due to subsidiaries (current)

These amounts are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

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.

24. OTHER LIABILITIES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Accrued operating expenses	792	939	555	466

25. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance Sheet	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deferred tax liabilities:						
Undistributed earnings of an associate	434	–	434	–	–	–
	434	–			–	–
Deferred tax expense			434	–		

25. DEFERRED TAX (CONTINUED)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $40,409,000 (2013: $40,290,000) 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.

Relationship between tax credit and accounting loss

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deferred tax assets not recognised at 31 December are as follows:				
Unutilised tax losses	6,870	6,849	6,870	6,849
Other temporary differences	3	1	3	1
	6,873	6,850	6,873	6,850

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.

26. SHARE CAPITAL AND OTHER RESERVES

a) Share capital

	Group and Company			
	2014		2013	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares				
At 1 January	3,432,846	89,769	2,325,879	76,494
Issuance of ordinary shares	–	–	1,025,000	11,275
Issued for acquisition of businesses (Note 16)	–	–	81,967	2,000
Shares issued for acquisition of an associate (Note 17)	13,620,324	313,268	–	–
Shares issuance expense	–	(290)	–	–
At 31 December	17,053,170	402,747	3,432,846	89,769

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.

26. 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

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

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.

27. EMPLOYEE BENEFITS

	Group	
	2014 $'000	2013 $'000
Employee benefits expense (including directors):		
Salaries and bonuses	3,820	3,118
Central Provident Fund contributions	452	336
Other short-term benefits	272	312
	4,544	3,766

28. 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	
	2014 $'000	2013 $'000
Rental income from:		
- Companies related to a Director	48	45
- Associate	37	–
Sales of finished goods to:		
- Associate	5,856	–

28. RELATED PARTY TRANSACTIONS (CONTINUED)

b) Compensation of key management personnel

	Group	
	2014 $'000	2013 $'000
Short-term employee benefits	1,010	596
Central Provident Fund contributions	33	26
Other short-term benefits	179	136
	1,222	758
Comprise amounts paid to:		
Directors of the Company	930	557
Other key management personnel	292	201
	1,222	758

29. 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 2014 amounted to $2,412,000 (2013: $1,445,000). Included in rental expenses is an amount of $77,000 (2013: $87,000) pertaining to contingent rental incurred during the financial year ended 31 December 2014.

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

	Group	
	2014 $'000	2013 $'000
Not later than one year	1,828	1,783
Later than one year but not later than five years	1,090	2,193
	2,918	3,976

29. COMMITMENTS (CONTINUED)

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.

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

	Group	
	2014 $'000	2013 $'000
Not later than one year	100	69
Later than one year but not later than five years	55	24
	155	93

30. 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.

30. 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 2014 but for which fair value is disclosed:

	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	313,278

	Group 2013 $'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 property	–	–	868	868	719

<u>Determination of fair value</u>

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.

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 19), cash and short-term deposits (Note 21), loans and borrowings (Note 22) and trade and other current payables (Note 23)

30. 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 (continued)

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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Loans and receivables				
Trade receivables	12,383	9,017	–	–
Other receivables	8,784	5,031	3,375	1,709
Cash and cash equivalents	3,173	5,686	252	351
Liabilities at amortised cost				
Trade payables	(4,964)	(5,218)	–	–
Other payables	(3,723)	(2,877)	(1,153)	(141)
Loans and borrowings	(7,267)	(1,242)	(273)	(163)

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	2014 $'000		2013 $'000		2014 $'000		2013 $'000	
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:									
Investment securities	18	600	*	–	–	–	–	–	–
Refundable deposit	19	516	512	1,501	1,487	–	–	–	–
Amounts due from subsidiaries (non-current)	19	–	–	–	–	6,020	*	6,600	*
Financial liabilities:									
Other payable (non-current)	23	(66)	(65)	(92)	(91)	–	–	–	–
Amounts due to subsidiaries (non-current)	23	–	–	–	–	(2,200)	*	–	–

30. 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 (continued)

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.

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.

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.

31. 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.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

31. 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			
	2014		2013	
	$'000	% of total	$'000	% of total
By country:				
Indonesia	5,856	47%	3,370	37%
Singapore	4,670	38%	4,743	53%
Hong Kong	1,073	9%	–	–
China	477	4%	–	–
Others	307	2%	–	–
Myanmar	–	–	904	10%
	12,383	100%	9,017	100%
By industry sector:				
Distribution	8,389	68%	4,545	50%
Retail Consumer Electronics	688	6%	655	7%
Retail Telecommunication	3,306	26%	3,817	43%
	12,383	100%	9,017	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 19 (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.

31. 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 55% (2013: 50%) of the Group's loans and borrowings (Note 22) 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.

	2014 $'000				2013 $'000			
Group	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Financial assets:								
Trade and other receivables	19,096	4,032	–	23,128	13,049	3,554	–	16,603
Cash and short-term deposits	3,173	–	–	3,173	5,686	–	–	5,686
Total undiscounted financial assets	22,269	4,032	–	26,301	18,735	3,554	–	22,289
Financial liabilities:								
Trade and other payables	8,687	66	–	8,753	8,095	92	–	8,187
Other liabilities	792	–	–	792	939	–	–	939
Loans and borrowings	7,406	2,449	6,407	16,262	1,297	2,352	3,815	7,464
Total undiscounted financial liabilities	16,885	2,515	6,407	25,807	10,331	2,444	3,815	16,590
Total net undiscounted financial assets/ (liabilities)	5,384	1,517	(6,407)	494	8,404	1,110	(3,815)	5,699

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	2014 $'000				2013 $'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	2,852	6,020	–	8,872	1,709	7,413	–	9,122
Cash and short-term deposits	252	–	–	252	351	–	–	351
Total undiscounted financial assets	3,104	6,020	–	9,124	2,060	7,413	–	9,473
Financial liabilities:								
Trade and other Payables	1,153	2,200	–	3,353	141	–	–	141
Other liabilities	555	–	–	555	466	–	–	466
Loans and borrowings	397	2,449	6,407	9,253	218	1,395	3,815	5,428
Total undiscounted financial liabilities	2,105	4,649	6,407	13,161	825	1,395	3,815	6,035
Total net undiscounted financial assets/ (liabilities)	999	1,371	(6,407)	(4,037)	1,235	6,018	(3,815)	3,438

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 and Bank Commercial Variable rate2 had been 10 (2013: 10) basis points lower/higher with all other variables held constant, the Company's profit before tax would have been $6,000 (2013: $4,000) higher/lower, arising as a result of lower/higher interest expenses on floating rate loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. 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% (2013: Nil) of the Group's sales and 25% (2013: Nil) 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	
	2014 $'000	2013 $'000
	Profit before tax	*Profit before tax*
USD/SGD - strengthened 4% (2013: 3%)	–189	–1
- weakened 4% (2013: 3%)	+189	+1

32. 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 2014 and 31 December 2013.

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 between 5% and 30%. The Group includes within net debt, loans and borrowings, trade and other payables less cash and short-term deposits.

32. CAPITAL MANAGEMENT (CONTINUED)

	Group	
	2014 $'000	2013 $'000
Loans and borrowings (Note 22)	13,148	5,636
Trade and other payables (Note 23)	8,753	8,187
Less: - Cash and short-term deposits (Note 21)	(3,173)	(5,686)
Net debt	18,728	8,137
Equity attributable to the owners of the Company	338,237	20,504
Capital and net debt	356,965	28,641
Gearing ratio	5%	28%

33. 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.

33. SEGMENT INFORMATION (CONTINUED)

	Distribution		Retail Consumer Electronics		Retail Telecommunication Standalone (M1)		Retail Telecommunication With Franchise (Singtel)		Corporate		Adjustments and eliminations		Note	Per consolidated financial statements	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000		2014 $'000	2013 $'000
Revenue:															
External customers	65,976	52,618	29,351	20,037	1,346	1,384	36,134	26,635	289	414	–	–		133,096	101,088
Inter-segment	780	586	16,684	257	578	2,485	19,147	17,942	–	–	(37,189)	(21,270)	A	–	–
	66,756	53,204	46,035	20,294	1,924	3,869	55,281	44,577	289	414	(37,189)	(21,270)		133,096	101,088
Results:															
Interest income	1	2	1	–	–	–	–	–	175	84	–	–		177	86
Depreciation and Amortisation	8	3	68	92	60	61	404	312	375	234	–	–		915	702
Share of results of associates	–	–	–	–	–	–	–	–	–	–	4,341	–		4,341	–
Other non-cash expenses	80	54	74	2	9	72	3	–	(63)	1,990	–	(2,023)	B	103	95
Segment profit/ (loss)	995	1,277	194	(380)	(555)	(1,083)	132	1,024	37	(2013)	4,219	1,963	C	5,022	788
Assets:															
Investment in associates	–	–	–	–	–	–	–	–	318,467	–	–	–		318,467	–
Investment securities	–	–	–	–	–	–	–	–	600	–	–	–		600	–
Additions to non-current assets	23	–	5	1,124	–	165	111	1,770	6,566	2,093	–	–	D	6,705	5,152
Segment assets	13,251	8,145	6,352	5,825	85	1,517	9,130	10,412	14,585	9,426	319,067	–	E	362,470	35,325
Segment liabilities	2,113	1,444	2,496	2,773	–	60	4,324	4,252	1,269	616	13,661	5,646	F	23,863	14,791

33. 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 ondisposal 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:

	2014 $'000	2013 $'000
Finance costs	(168)	(131)
Impairment of investment in subsidiary	–	2,000
Share of results of associates	4,341	–
Profit from inter-segment sales	107	63
Unallocated corporate expenses	(61)	31
	4,219	1,963

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:

	2014 $'000	2013 $'000
Investment in associates	318,467	–
Investment securities	600	–
	319,067	–

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

	2014 $'000	2013 $'000
Deferred tax liabilities	434	–
Income tax payable	79	–
Loans and borrowings	13,148	5,646
	13,661	5,646

33. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

	Revenues		*Non-current assets*	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Singapore	119,161	68,227	12,167	9,305
Indonesia	8,523	293	318,233	–
Hong Kong	2,406	28,382	–	–
Myanmar	368	504	3,516	2,053
Europe	–	3,259	–	–
Dubai	1,015	–	–	–
Others	1,623	423	234	–
	133,096	101,088	334,150	11,358

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 amount to $26,803,000 (2013: $20,623,000) arising from sales by the distribution segment.

34. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 31 January 2015, the Group's subsidiary, Polaris Network Pte. Ltd. completed the disposal of one of its operating segment, retail telecommunication standalone (M1). Inventories of $31,000 and property, plant and equipement of $91,000 haven been written off upon the disposal.

35. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 1 April 2015.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2015

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 16 March 2015.

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	314	2.85	4,171	0.00
100 - 1,000	6,987	63.54	2,222,293	0.01
1,001 - 10,000	914	8.31	3,315,148	0.02
10,001 - 1,000,000	2,608	23.72	450,723,412	2.64
1,000,001 and above	174	1.58	16,596,904,794	97.33
Total	**10,997**	**100.00**	**17,053,169,818**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Raffles Nominees (Pte) Ltd	9,317,216,983	54.64
2	UOB Kay Hian Pte Ltd	5,162,212,269	30.27
3	DBSN Services Pte Ltd	1,025,000,000	6.01
4	OCBC Securities Private Limited	72,625,810	0.43
5	Ong Kok Wah	70,000,000	0.41
6	Lee Jessie	67,723,770	0.40
7	Liu Kevin Yi Feng	60,000,000	0.35
8	Citibank Nominees Singapore Pte Ltd	52,421,900	0.31
9	CIMB Securities (Singapore) Pte Ltd	52,049,015	0.30
10	Low Woon Ming	41,600,000	0.24
11	Phillip Securities Pte Ltd	34,903,863	0.20
12	United Overseas Bank Nominees Pte Ltd	32,013,650	0.19
13	Ong Kah Hock	31,000,000	0.18
14	DBS Nominees Pte Ltd	28,596,531	0.17
15	Ang Chin San	27,971,000	0.16
16	DB Nominees (S) Pte Ltd	23,516,093	0.14
17	Phuah Bee Lee	17,000,000	0.10
18	Teo Ngee Hua	16,393,443	0.10
19	Harry Lee Vui Khiun	15,861,000	0.09
20	Lim Woei Ming Michael	15,000,000	0.09
	Total	**16,163,105,327**	**94.78**

STATISTICS OF SHAREHOLDINGS

As at 16 March 2015

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 16 March 2015.

	Direct Interest		Deemed Interest		Total Interest	
Name of Substantial Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Sugiono Wiyono Sugialam	326,003,652	1.91	(1) 10,639,721,072	62.39	10,965,724,724	64.30
Tres Maria Capital Ltd.	3,867,140,015	22.68	(3) 4,236,318,535	24.84	(2) 8,103,458,550	47.52
PT SL Trio	2,536,262,522	14.87	-	-	2,536,262,522	14.87
(4) Standard Chartered Private Equity Limited	4,236,318,535	24.84	(3) 4,236,318,535	24.84	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) 8,103,458,550 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 total interest of 8,103,458,550 shares held in the name of the following:-

(a) 556,719,420 shares are registered in the name of HSBC (Singapore) Nominees Pte. Ltd.

(b) 1,025,000,000 shares are registered in the name of DBSN Service Pte. Ltd.

(c) 6,521,739,130 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.

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

STATISTICS OF SHAREHOLDINGS

As at 16 March 2015

(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 99.924% 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 16 March 2015, 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 the Listing Manual, Section B, Rules of Catalist of the Singapore Exchange Securities Trading Limited.

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 30th day of April 2015 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 2014 together with the Directors' Report and Auditors' Report thereon. **Resolution 1**

2. To re-elect the following directors retiring pursuant to Articles 86 and 93 of the Company's Articles of Association:-

   (a) Mr. Ong Kok Wah (Retiring under Article 86) **Resolution 2**
   (b) Mr. Sugiono Wiyono Sugialam (Retiring under Article 86) **Resolution 3**
   (c) Mr. Benjamin Soemartopo (Retiring under Article 93) **Resolution 4**

   Mr. Ong Kok Wah will, upon re-election as director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(7) of the Listing Manual, Section B, Rules of Catalist of the Singapore Exchange Securities Trading Limited ("Rules of Catalist").

   [See Explanatory Note]

3. To re-appoint Ernst & Young LLP, Certified Public Accountants as auditor of the Company and to authorize the directors to fix their remuneration. **Resolution 5**

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

AS SPECIAL BUSINESS

5. To approve directors' fees of S$110,000 for the financial year ended 31 December 2014 (2013: S$155,000). **Resolution 6**

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

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

   THAT pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the 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,

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 the 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 the 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 7**

BY ORDER OF THE BOARD

ANG CHUAN HUI, PETER
Executive Director & CEO

13 April 2015
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note
Resolutions 2, 3 and 4

In relation to Resolution 2, there are no relationships (including immediate family relationships) between Mr. Ong Kok Wah and the other directors, the Company or the 10% shareholder of the Company.

In relation to Resolution 3, there are no relationships (including immediate family relationships) between Mr. Sugiono Wiyono Sugialam and the other directors or the Company.

In relation to Resolution 4, there are no relationships (including immediate family relationships) between Mr. Benjamin Soemartopo and the other directors or the Company. Mr. Benjamin Soemartopo is a nominee director appointed by a substantial (24.84%) shareholder of the Company, Standard Chartered Private Equity Limited, to represent the substantial shareholder on the Board of the Company.

Please refer to the "Board of Directors" section and Table 3 in the Corporate Governance Report and the "Substantial Shareholders" section on pages 6, 36 and 112 respectively in the Annual Report 2014 for more information on these directors (including information, if any, on the relationships between these directors and the Company or its 10% 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 6 proposed in item 5 above is to approve the payment of directors' fees for the financial year ended 31 December 2014.

(ii) The Ordinary Resolution 7 proposed in item 6 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.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting.

3. 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.

NOTICE OF 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@stamfordlaw.com.sg

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PROXY FORM

(Please see notes overleaf before completing this Form)

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

IMPORTANT:
1. For investors who have used their CPF monies to buy Polaris Ltd.'s shares, this Annual Report is forwarded to them at their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

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 30th day of April 2015 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
	Ordinary Business		
1.	Audited Financial Statements, Directors' Report and Auditors' Report for the year ended 31 December 2014		
2.	Re-election of Mr. Ong Kok Wah as a director under Article 86		
3.	Re-election of Mr. Sugiono Wiyono Sugialam as a director under Article 86		
4.	Re-election of Mr. Benjamin Soemartopo as a director under Article 93		
5.	Re-appointment of Ernst & Young LLP as Auditor		
	Special Business		
6.	Approval of directors' fees of $110,000 for the year ended 31 December 2014		
7.	Authority to allot and issue shares		

Dated this ____________ day of __________________ 2015.

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

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first-named proxy shall be deemed to represent 100 per cent of his/her shareholding and the second named proxy shall be deemed to be an alternate to the first-named.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. 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.

6. 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.

7. 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.

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.

General:

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. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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.

polaris

POLARIS LTD.

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WeArePolaris.com