

POLARIS LTD.

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

**UNAUDITED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018****PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF -YEAR AND FULL YEAR ANNOUNCEMENTS**

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Income Statement and Statement of Comprehensive Income

| | Group | | | | | |
|--|------------------------|------------------------|----------------|------------------------|-------------------------|----------------|
| | Three Months Ended | | | Six Months Ended | | |
| | 30 Jun 2018 S\$'000 | 30 Jun 2017 S\$'000 | Inc/(Dec) % | 30 Jun 2018 S\$'000 | 30 June 2017 S\$'000 | Inc/(Dec) % |
| Revenue (Note 1) | 13,134 | 14,889 | (12) | 27,597 | 37,639 | (27) |
| Cost of Sales | (12,083) | (13,424) | (10) | (25,396) | (34,693) | (27) |
| Gross profit | 1,051 | 1,465 | (28) | 2,201 | 2,946 | (25) |
| Other items of income | | | | | | |
| Interest income | 1 | 5 | (80) | 4 | 13 | (69) |
| Other income (Note 2) | 2,201 | 44 | 4902 | 2,251 | 102 | 2107 |
| Other items of expense | | | | | | |
| Marketing and distribution | (10) | (14) | (29) | (32) | (42) | (24) |
| Administrative expenses | (1,147) | (1,264) | (9) | (2,284) | (2,357) | (3) |
| Finance costs | (58) | (85) | (32) | (126) | (168) | (25) |
| Other expenses (Note 3) | (138) | (111) | 24 | (360) | (272) | 32 |
| Share of results of associate | 152 | - | N.M. | 216 | - | N.M. |
| Profit/(Loss) before income tax | 2,052 | 40 | 5030 | 1,870 | 222 | 741 |
| Income tax | (5) | - | N.M. | (5) | - | N.M. |
| Profit/(Loss) for the period | 2,047 | 40 | N.M. | 1,865 | 222 | N.M. |
| Attributable to: | | | | | | |
| Owners of the Company | 2,050 | 42 | 4782 | 1,873 | 229 | 717 |
| Non-controlling interests | (3) | (2) | 50 | (8) | (7) | 14 |
| Profit/(Loss) for the period | 2,047 | 40 | N.M. | 1,865 | 222 | N.M. |
| Other comprehensive income: | | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | | |
| Share of an associate's other comprehensive income | - | - | N.M. | - | - | N.M. |
| Foreign currency translation | 83 | (99) | N.M. | 43 | (282) | N.M. |
| Other comprehensive income for the period, net of tax | 83 | (99) | N.M. | 43 | (282) | N.M. |
| Total comprehensive income for the period | 2,130 | (59) | N.M. | 1,908 | (60) | N.M. |
| Attributable to: | | | | | | |
| Owners of the Company | 2,133 | (57) | N.M. | 1,916 | (53) | N.M. |
| Non-controlling interests | (3) | (2) | 50 | (8) | (7) | 14 |
| Total comprehensive income for the period | 2,130 | (59) | N.M. | 1,908 | (60) | N.M. |

| | Three Months Ended | | | Six Months Ended | | |
|--|------------------------|------------------------|----------------|------------------------|-----------------|----------------|
| | 30 Jun 2018 S\$'000 | 30 Jun 2017 S\$'000 | Inc/(Dec) % | 30 Jun 2018 S\$'000 | 2017 S\$'000 | Inc/(Dec) % |
| <i>Note 1 - Revenue</i> | | | | | | |
| Distribution sale of mobile handsets & accessories | 924 | 2,301 | (60) | 1,413 | 9,606 | (85) |
| Retail sale of mobile handsets & other apparatus | 9,747 | 10,310 | (5) | 20,928 | 21,317 | (2) |
| Retail sale of computer hardware & accessories and computer software | 2,463 | 2,278 | 8 | 5,256 | 6,716 | (22) |
| | 13,134 | 14,889 | (12) | 27,597 | 37,639 | (27) |

| | Three Months Ended | | | Six Months Ended | | |
|---|------------------------|------------------------|----------------|------------------------|-----------------|----------------|
| | 30 Jun 2018 S\$'000 | 30 Jun 2017 S\$'000 | Inc/(Dec) % | 30 Jun 2018 S\$'000 | 2017 S\$'000 | Inc/(Dec) % |
| <i>Note 2 - Other income</i> | | | | | | |
| Rental income | 29 | 9 | 222 | 52 | 18 | 189 |
| Net (loss)/gain on disposal of subsidiaries** | 2,153 | - | N.M. | 2,153 | - | N.M. |
| Other miscellaneous income* | 19 | 35 | (46) | 46 | 84 | (45) |
| | 2,201 | 44 | 4902 | 2,251 | 102 | 2107 |

* Other miscellaneous income comprises of Productivity Innovation Credit bonus pay-out, Wage Credit Scheme pay-out and Core Executive Programme pay-out by the Inland Revenue Authority of Singapore.

** This gain is related to the disposal of subsidiary that are engaged in retail telecommunication business of the Group. The disposal announcement was posted on SGXNET on 18 June 2018.

| | Three Months Ended | | | Six Months Ended | | |
|--|------------------------|------------------------|----------------|------------------------|-----------------|----------------|
| | 30 Jun 2018 S\$'000 | 30 Jun 2017 S\$'000 | Inc/(Dec) % | 30 Jun 2018 S\$'000 | 2017 S\$'000 | Inc/(Dec) % |
| <i>Note 3 - Other expenses</i> | | | | | | |
| Amortisation of intangible assets | (39) | (45) | (13) | (84) | (90) | (7) |
| Depreciation of property, plant and equipment | (127) | (117) | 8 | (262) | (238) | 10 |
| Depreciation of investment property | (22) | (23) | (4) | (45) | (45) | (0) |
| Net (loss)/gain on disposal of property, plant and equipment | 6 | (5) | N.M. | 10 | (4) | N.M. |
| Net foreign exchange gain/(loss) | 44 | 105 | (58) | 21 | 105 | (80) |
| Inventories written-down | - | (26) | N.M. | - | - | N.M. |
| | (138) | (111) | 24 | (360) | (272) | 32 |

N.M. denotes Not Meaningful

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

Consolidated Balance Sheets

| | Group | | Company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 30 Jun 2018 S\$'000 | 31 Dec 2017 S\$'000 | 30 Jun 2018 S\$'000 | 31 Dec 2017 S\$'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 4,944 | 5,348 | 4,895 | 5,065 |
| Investment properties | 2,277 | 2,322 | 2,277 | 2,322 |
| Intangible assets | - | 225 | - | - |
| Investment in subsidiaries | - | - | 4,436 | 6,436 |
| Investment in associates | 937 | 721 | - | - |
| Other receivables | 1,107 | 1,119 | 471 | 1,177 |
| | 9,265 | 9,735 | 12,079 | 15,000 |
| Current assets | | | | |
| Trade and other receivables | 1,857 | 11,451 | 231 | 7 |
| Inventories | 467 | 1,760 | - | - |
| Prepaid operating expenses | 120 | 124 | 101 | 85 |
| Cash and cash equivalents | 10,553 | 5,085 | 6,658 | 400 |
| | 12,997 | 18,420 | 6,990 | 492 |
| Total assets | 22,262 | 28,155 | 19,069 | 15,492 |
| EQUITY AND LIABILITIES | | | | |
| Current liabilities | | | | |
| Loans and borrowings (Note 4) | 247 | 243 | 247 | 243 |
| Trade and other payables | 1,140 | 8,432 | 1,095 | 1,119 |
| Deferred revenue | - | 67 | - | - |
| Other liabilities | 156 | 472 | 110 | 261 |
| | 1,543 | 9,214 | 1,452 | 1,623 |
| Net current assets/ (liabilities) | 11,454 | 9,206 | 5,538 | (1,131) |
| Non-current liabilities | | | | |
| Loans and borrowings (Note 4) | 4,405 | 4,535 | 4,405 | 4,535 |
| | 4,405 | 4,535 | 4,405 | 4,535 |
| Total liabilities | 5,948 | 13,749 | 5,857 | 6,158 |
| Net assets | 16,314 | 14,406 | 13,212 | 9,334 |
| Equity attributable to members | | | | |
| Share capital | 402,747 | 402,747 | 402,747 | 402,747 |
| Retained losses | (387,444) | (389,317) | (389,535) | (393,413) |
| Foreign currency translation reserve | 372 | 329 | - | - |
| | 15,675 | 13,759 | 13,212 | 9,334 |
| Non-controlling interests | 639 | 647 | - | - |
| Total equity | 16,314 | 14,406 | 13,212 | 9,334 |
| Total equity and liabilities | 22,262 | 28,155 | 19,069 | 15,492 |

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

| | As at 30 Jun 2018 | | As at 31 Dec 2017 | |
|--|--------------------|----------------------|--------------------|----------------------|
| | Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| <i>Note 4 - Loans and borrowings</i> | | | | |
| Current: | | | | |
| Commercial property loans | 184 | - | 180 | - |
| Investment property loans | 63 | - | 63 | - |
| Amount repayable in one year or less, or on demand | 247 | - | 243 | - |
| | | | | |
| Non-current: | | | | |
| Commercial property loans | 3,344 | - | 3,442 | - |
| Investment property loans | 1,061 | - | 1,093 | - |
| Amount repayable after one year | 4,405 | - | 4,535 | - |
| | 4,652 | - | 4,778 | - |

First commercial property loan

This loan is secured by a first mortgage over the Group's commercial property is repayable in 240 instalments, and bears interest at 3.22% below Bank's Commercial Financing Rate ("BCFR") for the 1st year, 3.12% below BCFR for the 2nd year, and 2.82% below BCFR for the 3rd year and thereafter at BCFR. Currently, BCFR is at 5.75% p.a.

Second commercial properties loan

These loans are secured by a first mortgage over the Group's commercial properties, are repayable in 240 instalments, and bears interest at 3.32% below Bank's Commercial Financing Rate ("BCFR") for the 1st year, 3.02% below BCFR for the 2nd year, and 1.85% below BCFR for the 3rd year and thereafter 0.75% over BCFR. Currently, BCFR is at 5.75% p.a.

First Investment properties loan

This loan is secured by a first mortgage over the Group's investment properties are repayable in 240 instalments, and bears interest at 3.22% below Bank's Commercial Financing Rate ("BCFR") for the 1st year, 3.12% below BCFR for the 2nd year, and 2.82% below BCFR for the 3rd year and thereafter 2.43% over BCFR. Currently, BCFR is at 5.75% p.a.

Second Investment property loan

This loan is secured by a first mortgage over the Group's investment property, is repayable in 240 instalments, and bears 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 BCFR for the 3rd year and thereafter at CR2. Currently, CR2 is at 4.68% p.a.

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Cash Flow Statement

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|--------------|------------------|--------------|
| | 30 Jun 2018 | 30 Jun 2017 | 30 Jun 2018 | 30 Jun 2017 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| OPERATING ACTIVITIES | | | | |
| (Loss)/profit before tax | 2,047 | 41 | 1,865 | 223 |
| Adjustments for: | | | | |
| Amortisation of intangible assets | 39 | 45 | 84 | 90 |
| Depreciation of property, plant and equipment | 126 | 118 | 262 | 238 |
| Depreciation of investment properties | 22 | 22 | 45 | 45 |
| Finance costs | 58 | 85 | 126 | 168 |
| Interest income | (1) | (5) | (4) | (13) |
| Net (gain) loss on disposal of subsidiaries | (2,153) | - | (2,153) | - |
| Net (gain) loss on disposal of property, plant and equipment | (6) | 5 | (10) | 4 |
| Share of result of associate | (152) | - | (216) | - |
| Total adjustments | (2,067) | 270 | (1,866) | 532 |
| Operating cash flows before changes in working capital | (20) | 311 | (1) | 755 |
| Changes in working capital | | | | |
| (Increase)/ Decrease in: | | | | |
| Inventories | 15 | (134) | 45 | (301) |
| Trade and other receivables | (588) | (1,089) | 3,567 | (1,651) |
| Prepaid operating expenses | 19 | 112 | (36) | 10 |
| (Decrease)/ Increase in: | | | | |
| Trade and other payables | 109 | 1,575 | (2,171) | 1,401 |
| Other liabilities | (130) | 3 | (303) | (19) |
| Total changes in working capital | (575) | 467 | 1,102 | (560) |
| Cash flows generated from/(used in) operations | (595) | 778 | 1,101 | 195 |
| Interest received | 1 | 5 | 4 | 13 |
| Interest paid | (58) | (85) | (126) | (168) |
| Income taxes paid | - | - | - | - |
| Net cash flows generated from/(used in) from operating activities | (652) | 698 | 979 | 40 |
| INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (38) | (21) | (55) | (20) |
| Proceed from disposal of property, plant and equipment | 12 | 1 | 17 | 1 |
| Net cash inflow from disposal of subsidiary | 4,610 | - | 4,610 | - |
| Net cash flows generated from/(used in) investing activities | 4,584 | (20) | 4,572 | (19) |
| FINANCING ACTIVITIES | | | | |
| Repayment of loans and borrowings | (63) | (63) | (126) | (130) |
| Net cash flows used in financing activities | (63) | (63) | (126) | (130) |
| Net (decrease)/ increase in cash and cash equivalents | 3,869 | 615 | 5,425 | (109) |
| Effect of exchange rate changes on cash and cash equivalents | 84 | (97) | 43 | (281) |
| Cash and cash equivalents at beginning of the period | 6,600 | 5,829 | 5,085 | 6,737 |
| Cash and cash equivalents at end of the period | 10,553 | 6,347 | 10,553 | 6,347 |

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Change in Equity :

| 2018 Group | Equity, total S\$'000 | Share capital S\$'000 | Retained losses S\$'000 | Other Reserve S\$'000 | Foreign currency translation reserve S\$'000 | Non- controlling interests S\$'000 |
|---|--------------------------|--------------------------|----------------------------|-----------------------------|---|---|
| Opening balance at 1 January 2018 | 14,406 | 402,747 | (389,317) | - | 329 | 647 |
| Profit for the period | (182) | - | (177) | - | - | (5) |
| Other comprehensive income | | | | | | |
| Foreign currency translation | (40) | - | - | - | (40) | - |
| Other comprehensive income for the period, net of tax | (40) | - | - | - | (40) | - |
| Total comprehensive income for the period | (222) | - | (177) | - | (40) | (5) |
| Closing balance at 31 March 2018 | 14,184 | 402,747 | (389,494) | - | 289 | 642 |
| Profit for the period | 2,047 | - | 2,050 | - | - | (3) |
| Other comprehensive income | | | | | | |
| Foreign currency translation | 83 | - | - | - | 83 | - |
| Other comprehensive income for the period, net of tax | 83 | - | - | - | 83 | - |
| Total comprehensive income for the period | 2,130 | - | 2,050 | - | 83 | (3) |
| Closing balance at 30 June 2018 | 16,314 | 402,747 | (387,444) | - | 372 | 639 |

| 2017 Group | Equity, total S\$'000 | Share capital S\$'000 | Retained losses S\$'000 | Other Reserve S\$'000 | Foreign currency translation reserve S\$'000 | Non- controlling interests S\$'000 |
|---|--------------------------|--------------------------|----------------------------|-----------------------------|---|---|
| Opening balance at 1 January 2017 | 14,029 | 402,747 | (390,167) | - | 940 | 509 |
| Profit for the period | 182 | - | 187 | - | - | (5) |
| Other comprehensive income | | | | | | |
| Foreign currency translation | (183) | - | - | - | (183) | - |
| Other comprehensive income for the period, net of tax | (183) | - | - | - | (183) | - |
| Total comprehensive income for the period | (1) | - | 187 | - | (183) | (5) |
| Closing balance at 31 March 2017 | 14,028 | 402,747 | (389,980) | - | 757 | 504 |
| Profit for the period | 42 | - | 43 | - | - | (1) |
| Other comprehensive income | | | | | | |
| Foreign currency translation | (99) | - | - | - | (99) | - |
| Other comprehensive income for the period, net of tax | (99) | - | - | - | (99) | - |
| Total comprehensive income for the period | (57) | - | 43 | - | (99) | (1) |
| Closing balance at 30 June 2017 | 13,971 | 402,747 | (389,937) | - | 658 | 503 |

| 2018 Company | Equity, total S\$'000 | Share capital S\$'000 | Retained losses S\$'000 |
|---|--------------------------|--------------------------|-------------------------------|
| Opening balance at 1 January 2018 | 9,334 | 402,747 | (393,413) |
| Profit for the period, representing total comprehensive income for the period | (2) | - | (2) |
| Closing balance at 31 March 2018 | 9,332 | 402,747 | (393,415) |
| Profit for the period, representing total comprehensive income for the period | 3,880 | - | 3,880 |
| Closing balance at 30 June 2018 | 13,212 | 402,747 | (389,535) |

| 2017 Company | Equity, total S\$'000 | Share capital S\$'000 | Retained losses S\$'000 |
|--|--------------------------|--------------------------|-------------------------------|
| Opening balance at 1 January 2017 | 10,617 | 402,747 | (392,130) |
| Profit for the period, representing total comprehensive income for the period | 166 | - | 166 |
| Closing balance at 31 March 2017 | 10,783 | 402,747 | (391,964) |
| (Loss)/profit for the period, representing total comprehensive income for the period | (93) | - | (93) |
| Closing balance at 30 June 2017 | 10,690 | 402,747 | (392,057) |

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Changes in Company's Share Capital :

The Company held no convertible and treasury shares as at 30 June 2018 and 30 June 2017.

| | Number of issued shares ('000) | Number and paid-up share capital (S\$'000) |
|---|--------------------------------|--|
| Balance as at 31 March 2018 (excluding treasury shares) | 17,053,170 | 402,747 |
| Balance as at 30 June 2018 (excluding treasury shares) | 17,053,170 | 402,747 |

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

| | As at 30 June 2018 ('000) | As at 31 December 2017 ('000) |
|--|---------------------------|-------------------------------|
| Total number of issue shares (excluding treasury shares) | 17,053,170 | 17,053,170 |

- 1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable, as the Company held no treasury shares at the beginning and end of the financial period reported.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The financial statements presented above have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not Applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with those used in the audited financial statements for the financial year ended 31 December 2017, except for the adoption of the revised financial reporting standard ("FRS") and interpretations to FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRS") for accounting periods beginning 1 January 2017, where applicable.

The adoption of new / revised FRS and INT FRS does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior period.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

| | Three Months Ended | | Six Months Ended | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 30 Jun 2018 S\$'000 | 30 Jun 2017 S\$'000 | 30 Jun 2018 S\$'000 | 30 Jun 2017 S\$'000 |
| Profit/(loss) for the period attributable to owners of the Company used in the computation of basic earnings per share | 2,050 | 42 | 1,873 | 229 |
| | No. of shares '000 | No. of shares '000 | No. of shares '000 | No. of shares '000 |
| Weighted average number of ordinary shares for basic earnings per share computation | 17,053,170 | 17,053,170 | 17,053,170 | 17,053,170 |
| Earnings/(loss) per share attributable to owners of the Company (cents per share) | | | | |
| Basic | 0.0120 | 0.0002 | 0.0110 | 0.0013 |
| Diluted | 0.0120 | 0.0002 | 0.0110 | 0.0013 |

The basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period.

The diluted earnings per share is calculated on the same basis as basic earnings per share except that the denominator is adjusted to include any dilutive potential ordinary shares deemed exercised at the beginning of each financial period.

7. Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and

(b) immediately preceding financial year.

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 30 Jun 2018 | 31 Dec 2017 | 30 Jun 2018 | 31 Dec 2017 |
| Net asset value per ordinary share is calculated based on 17,053,169,818 (31.12.2017: 17,053,169,818) ordinary shares in issue at the end of the period under review and of the immediate preceding financial year (S\$ cents per share) | 0.10 | 0.08 | 0.08 | 0.05 |

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

(a) Turnover, costs and earnings

For the second quarter of the financial year 2018 ("2QFY2018"), the Group's recorded a turnover of S\$13.13 million, representing a decrease of 12% from the turnover of the second quarter of the financial year ended 2017 ("2QFY2017") of S\$14.89 million. The decrease was due to lower turnover from the Group's mobile handset and accessories distribution business which decreased by 60% from S\$2.30 million in 2QFY2017 to S\$0.92 million in 2QFY2018 and from the Group's retail sale of mobile handsets and other apparatus business which decreased by 5% from S\$10.31 million in 2QFY2017 to S\$9.75 million in 2QFY2018. This decrease was partially offset by the increase in retail sale of computer electronics and related product business, which increased by 8% from S\$2.28 million in 2QFY2017 to S\$2.47 million in 2QFY2018.

The Group's cost of sales decreased by 10% to S\$12.08 million in 2QFY2018 from S\$13.42 million in 2QFY2017, such decrease being in line with the decrease in the Group's turnover from 2QFY2017 to 2QFY2018.

Due to the lower turnover of the Group in 2QFY2018, the Group's gross profit declined 28% from S\$1.47 million in 2QFY2017 to S\$1.05 million in 2QFY2018.

For 2QFY2018, the Group's other income increased by 4902% to S\$2.20 million in 2QFY2018 from S\$0.04 million in 2QFY2017. The increase was mainly due to increase in rental income, which increased by 222% from S\$0.01 million in 2QFY2017 to S\$0.03 million in 2QFY2018 as all the investment properties have been leased out in 1QFY2018 and net gain on disposal of its wholly-owned subsidiary, Polaris Telecom Pte. Ltd. of S\$2.15 million in 2QFY2018 but which was partially offset by lower government grants received, which decreased by 46% from S\$0.04 million in 2QFY2017 to S\$0.02 million in 2QFY2018. The decrease in interest income was due to lower placement of fixed deposit in 2QFY2018 as compared to 2QFY2017.

The Group's finance cost decreased by 32% to S\$0.06 million for 2QFY2018 from S\$0.09 million for 2QFY2017. This decrease was due to the refinancing of the property loans at a lower interest rate.

In 2QFY2018, the Group's other expenses increased by 24% to S\$0.14 million in 2QFY2018 from S\$0.11 million in 2QFY2017. The decrease in amortisation of intangible assets by 13% from S\$0.05 million in 2QFY2017 to S\$0.04 million in 2QFY2018 was due to the apportionment of amortisation up to the date of disposal of the subsidiary. The net gain was partially offset by the increase in depreciation of plant, property and equipment by 8% to S\$0.13 million for 2QFY2018 as compared to S\$0.12 million for 2QFY2017. In addition, the foreign exchange gain decreased by 58% to S\$0.04 million in 2QFY2018 as compared to S\$0.11 million for 2QFY2017.

The Group's net profit increased by 5018% to S\$2.05 million in 2QFY2018 from S\$0.04 million in 2QFY2017. The increase was mainly attributable to the net gain on disposal of its wholly-owned subsidiary, Polaris Telecom Pte. Ltd.

(b) Cash flow, working capital, assets or liabilities

The disposal of the Group's wholly-owned subsidiary, Polaris Telecom Pte. Ltd., resulted in a reduction in the Assets and Liabilities in the Group's balance sheet in 2QFY2017. Total Assets decreased by S\$5.89 million from S\$5.35 million in 2QFY2017 to S\$4.98 million in 2QFY2018, while Total Liabilities decreased by S\$7.81 million from S\$13.75 million in 2QFY2017 to S\$5.95 million in 2QFY2018.

The Group's investment in associate increased by S\$0.22 million was due to the increase in share of profit from associate. The decrease of S\$0.05 million in the investment properties was due to depreciation. The decrease of S\$0.40 million in the Group's property, plant and equipment, S\$0.23 million in intangible assets, \$9.59 million in trade and other receivables and S\$1.29 million in inventories was mainly due to the disposal of the assets of the Group's wholly-owned subsidiary, Polaris Telecom Pte. Ltd., of S\$7.62 million, depreciation of S\$0.35 million and prompt settlement of receivables of S\$3.54 million.

The Group's trade and other payables and deferred revenue decreased by S\$7.29 million and S\$0.07 million respectively in 2QFY2018 compared to 2QFY2017 as a result of the disposal of the liabilities of the Group's wholly-owned subsidiary, Polaris Telecom Pte. Ltd., of S\$5.12 million, and lower credit purchases and prompt settlement of payables of S\$2.24 million. The decrease of S\$0.13 million in loans and borrowings in 2QFY2018 compared to 2QFY2017 due to the repayment of loans. Other liabilities decreased by S\$0.32 in 2QFY2018 compared to 2QFY2017 due to payment of accrued operating expenses.

The net cash flow used in operating activities of S\$0.65 million in 2QFY2018 as compared to net cash flow from operating activities of S\$0.70 million in 2QFY2017 was because of the increase in trade receivable. The increase was due to trade sales to associate and the payment is expected to be received in 3QFY2018.

The Group's net cash flow from investing activities of S\$4.58 million in 2QFY2018 as compared to net cash flow used in investing activities of S\$0.02 million in 2QFY2017 was mainly attributable to net cash inflow from the disposal of the Group's wholly-owned subsidiary, Polaris Telecom Pte. Ltd..

The net increase in cash and cash equivalent of S\$3.87 million in 2QFY2018 as compared to S\$0.61 million in 2QFY2017 was mainly due to the net cash proceeds of S\$4.61 million from the disposal of the Group's wholly-owned subsidiary, Polaris Telecom Pte. Ltd., and offset partly by repayment of liabilities in 2QFY2018.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There was no forecast or prospect statement disclosed by the Group to Shareholders previously.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

A relatively flat growth in retail industry in Singapore and in the other part of the region where the Company operates may be perceived as the biggest challenge of growth for the Company within the next 12 months to come. Additionally, the total dependency on the brand manufacturers where the Company gets the products from are also seen as another risk factor as the Company does not have much leverage when it comes to negotiating commercial and financial terms. The declining of the demand of mobile device, (the distribution and retail of which) is still a core business of the Company where it has investments in the Philippines and Myanmar, due to the slowing down of the regional economy accompanied by the thinning margin of the products sold is also a challenge.

With the completion of asset disposal of Polaris Telecom Pte Ltd, the Company is expected to report lower revenue in the next reporting period.

11. Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?
None.

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?
None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the period under review.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained for the period under review.

14. Status on the use of proceeds raised from IPO and any offerings pursuant to Chapter 8.

No proceeds raised from IPO and any offerings for the period under review.

15. Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results)

The Board of Directors hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board which may render the interim financial results set out above to be false or misleading in any material aspect.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all of its directors and executive officers in the required format.

BY ORDER OF THE BOARD

ONG KOK WAH
DIRECTOR
Date: 13 AUGUST 2018

CARL JOHAN PONTUS SOENNERSTEDT
DIRECTOR/ CHIEF EXECUTIVE OFFICER
Date: 13 AUGUST 2018

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the " **Sponsor** "), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the " **SGX-ST** ") Listing Manual Section B : Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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