

POLARIS LTD.

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



UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 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		
	31 Mar 2018 S\$'000	31 Mar 2017 S\$'000	Inc/(Dec) %
Revenue (Note 1)	14,463	22,750	(36)
Cost of Sales	(13,313)	(21,269)	(37)
Gross profit	1,150	1,481	(22)
Other items of income			
Interest income	3	8	(63)
Other income (Note 2)	50	58	(14)
Other items of expense			
Marketing and distribution	(22)	(28)	(21)
Administrative expenses	(1,137)	(1,093)	4
Finance costs	(68)	(83)	(18)
Other expenses (Note 3)	(222)	(161)	38
Share of results of associate	64	-	N.M.
Profit/(Loss) before income tax	(182)	182	N.M.
Income tax	-	-	N.M.
Profit/(Loss) for the period	(182)	182	N.M.
Attributable to:			
Owners of the Company	(177)	187	N.M.
Non-controlling interests	(5)	(5)	-
Profit/(Loss) for the period	(182)	182	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.
Foreign currency translation	(40)	(183)	N.M.
Other comprehensive income for the period, net of tax	(40)	(183)	N.M.
Total comprehensive income for the period	(222)	(1)	N.M.
Attributable to:			
Owners of the Company	(217)	4	N.M.
Non-controlling interests	(5)	(5)	-
Total comprehensive income for the period	(222)	(1)	N.M.

	Three Months Ended		
	31 Mar 2018	31 Mar 2017	Inc/(Dec)
<i>Note 1 - Revenue</i>	S\$'000	S\$'000	%
Distribution sale of mobile handsets & accessories	489	7,305	(93)
Retail sale of mobile handsets & other apparatus	11,181	11,007	2
Retail sale of computer hardware & accessories and computer software	2,793	4,438	(37)
	14,463	22,750	(36)

	Three Months Ended		
	31 Mar 2018	31 Mar 2017	Inc/(Dec)
<i>Note 2 - Other income</i>	S\$'000	S\$'000	%
Net gain on disposal of investment securities	-	-	N.M.
Rental income	23	9	156
Other miscellaneous income*	27	49	(45)
	50	58	(14)

* 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.

	Three Months Ended		
	31 Mar 2018	31 Mar 2017	Inc/(Dec)
<i>Note 3 - Other expenses</i>	S\$'000	S\$'000	%
Amortisation of intangible assets	(45)	(45)	-
Depreciation of property, plant and equipment	(135)	(120)	12
Depreciation of investment property	(23)	(23)	2
Net gain/(loss) on disposal of property, plant and equipment	4	1	(300)
Net foreign exchange gain/(loss)	(23)	26	N.M.
	(222)	(161)	38

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 Sheet

	Group		Company	
	31 Mar 2018 S\$'000	31 Dec 2017 S\$'000	31 Mar 2018 S\$'000	31 Dec 2017 S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	5,251	5,348	4,988	5,065
Investment properties	2,300	2,322	2,300	2,322
Intangible assets	180	225	-	-
Investment in subsidiaries	-	-	6,436	6,436
Investment in associates	784	721	-	-
Other receivables	1,200	1,119	1,082	1,177
	9,715	9,735	14,806	15,000
Current assets				
Trade and other receivables	7,215	11,451	216	7
Inventories	1,729	1,760	-	-
Prepaid operating expenses	179	124	60	85
Cash and cash equivalents	6,600	5,085	389	400
	15,723	18,420	665	492
Total assets	25,438	28,155	15,471	15,492
EQUITY AND LIABILITIES				
Current liabilities				
Loans and borrowings (Note 4)	235	243	235	243
Trade and other payables	6,125	8,432	1,158	1,119
Deferred revenue	48	67	-	-
Other liabilities	366	472	266	261
	6,774	9,214	1,659	1,623
Net current assets/ (liabilities)	8,949	9,206	(994)	(1,131)
Non-current liabilities				
Loans and borrowings (Note 4)	4,480	4,535	4,480	4,535
	4,480	4,535	4,480	4,535
Total liabilities	11,254	13,749	6,139	6,158
Net assets	14,184	14,406	9,332	9,334
Equity attributable to members				
Share capital	402,747	402,747	402,747	402,747
Retained losses	(389,494)	(389,317)	(393,415)	(393,413)
Foreign currency translation reserve	289	329	-	-
	13,542	13,759	9,332	9,334
Non-controlling interests	642	647	-	-
Total equity	14,184	14,406	9,332	9,334
Total equity and liabilities	25,438	28,155	15,471	15,492

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

	As at 31 Mar 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	172	-	180	-
Investment property loans	63	-	63	-
Amount repayable in one year or less, or on demand	235	-	243	-
Non-current:				
Commercial property loan	3,403	-	3,442	-
Investment property loans	1,077	-	1,093	-
Amount repayable after one year	4,480	-	4,535	-
	4,715	-	4,778	-

First commercial properties loan

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

Second commercial properties loan

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

First Investment property loan

This loan is secured by a first mortgage over the Group's investment property and is repayable in 240 instalments, bear interest at 3.22% below Bank's Commercial Financing Rate ("BCFR") for the 1st year, 3.12% below BCFR for the 2nd year, and 2.82% below BCFR for the 3rd year and thereafter 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 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 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	
	31 Mar 2018 S\$'000	31 Mar 2017 S\$'000
OPERATING ACTIVITIES		
Profit/(Loss) before tax	(182)	182
Adjustments for:		
Amortisation of intangible assets	45	45
Depreciation of property, plant and equipment	136	120
Depreciation of investment properties	23	23
Finance costs	68	83
Interest income	(3)	(8)
Net (gain)/loss on disposal of property, plant and equipment	(4)	(1)
Unrealised exchange differences	1	-
Share of result of an associate	(64)	-
Total adjustments	202	262
Operating cash flows before changes in working capital	20	444
Changes in working capital		
(Increase)/ Decrease in:		
Inventories	30	(167)
Trade and other receivables	4,155	(562)
Prepaid operating expenses	(55)	(102)
(Decrease)/ Increase in:		
Trade and other payables	(2,280)	(174)
Other liabilities	(173)	(22)
Total changes in working capital	1,677	(1,027)
Cash flows generated from/(used in) operations	1,697	(583)
Interest received	3	8
Interest paid	(68)	(83)
Income taxes paid	-	-
Net cash flows generated from/(used in) operating activities	1,632	(658)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(17)	1
Proceed from disposal of property, plant and equipment	4	-
Net cash flows generated from/(used in) investing activities	(13)	1
FINANCING ACTIVITIES		
Repayment of loans and borrowings	(63)	(67)
Net cash flows used in financing activities	(63)	(67)
Net increase/(decrease) in cash and cash equivalents	1,556	(724)
Effect of exchange rate changes on cash and cash equivalents	(41)	(184)
Cash and cash equivalents at 1 January	5,085	6,737
Cash and cash equivalents at 31 March	6,600	5,829

- 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

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
Loss 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

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)

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)

- 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 did not have any convertibles and treasury shares as at 31 March 2018 and 31 March 2017.

	Number of issued shares ('000)	Issued and paid-up share capital (S\$'000)
Balance as at 31 December 2017 (excluding treasury shares)	17,053,170	402,747
Balance as at 31 March 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 31 March 2018 ('000)	As at 31 December 2017 ('000)
Total number of issued 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 2018, 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	
	31 Mar 2018 S\$'000	31 Mar 2017 S\$'000
Profit/(loss) for the period attributable to owners of the Company used in the computation of basic earnings per share	(177)	187
	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
(Loss)/Earnings per share attributable to owners of the Company (cents per share)		
Basic	(0.001)	0.001
Diluted	(0.001)	0.001

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 (a) current financial period reported on; and (b) immediately preceding financial year.**

	Group		Company	
	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
Net asset value per ordinary share is calculated based on 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)	0.08	0.08	0.05	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 first quarter of the financial year ending 2018 ("1QFY2018"), the Group recorded a turnover of S\$14.46 million, representing a decrease of 36% over the turnover of the first quarter of the financial year ended 2017 ("1QFY2017") of S\$22.75 million. The decrease was due to lower turnover from the Group's mobile handset and accessories distribution business and retail sale of computer electronics and related product business for 1QFY2018, decreasing by 93% from S\$7.31 million to S\$0.49 million and 37% from S\$4.44 million to S\$2.79 million respectively as compared to 1QFY2017.

The Group's cost of sales decreased by 37% to S\$13.31 million in 1QFY2018 from S\$21.27 million in 1QFY2017, such decrease being in line with the decrease in the Group's turnover from 1QFY2017 to 1QFY2018.

Due to the lower turnover of the Group in 1QFY2018, the Group's gross profit declined 22% from S\$1.48 million to S\$1.15 million as compared to 1QFY2017.

For 1QFY2018, the Group's other income decreased by 14% to S\$0.050 million from S\$0.058 million as compared to 1QFY2017. The decrease was mainly due to lower government grants received and was offset by increase in rental income as the remaining two investment properties were leased out in 1QFY2018. The decrease in interest income was due to the withdrawal of fixed deposit of S\$1.841 million to subscribe for 2.45 million new ordinary shares in the capital of Polaris KKC Holdings Pte Ltd, a subsidiary of the Company, as announced by the Company on 11 April 2017.

The Group's finance cost decreased by 18% to S\$0.063 million for 1QFY2018 from S\$0.083 million for 1QFY2017. This was due to the refinancing of the property loans at a lower interest rate and early redemption of a property loan in 4QFY2017. The 21% decrease in the Group's marketing and distribution expenses of S\$0.022 million for 1QFY2018 as compared to S\$0.028 million for 1QFY2017 was due to lower sales and marketing expense incurred during 1QFY2018.

The Group posted a net loss of S\$0.18 million for 1QFY2018. The net loss was mainly attributable to lower turnover and higher administrative expenses. In addition, the Group recorded a higher amount of other expenses for 1QFY2018, mainly due to the Group recording foreign exchange loss of S\$0.03 million for 1QFY2018 as compared to foreign exchange gain of S\$0.02 million for 1QFY2017 and depreciation of plant, property and equipment of S\$0.14 million for 1QFY2018 as compared to S\$0.12 million for 1QFY2017. The increase in depreciation was due to renovations and other works completed at one of the retail outlet in 3QFY2017.

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

The Group's intangible assets decreased to S\$0.18 million as at 31 March 2018 from S\$0.23 million as at 31 December 2017, mainly due to depreciation and amortisation.

The Group's trade and other receivables of S\$7.22 million as at 31 March 2018 were significantly lowered compared to S\$11.45 million as at 31 December 2017 due to the prompt settlement of trade receivables. The Group's prepaid operating expenses increased by S\$0.06 million to S\$0.18 million as at 31 March 2018 as compared to S\$0.12 million as at 31 December 2017 due mainly to advance payment to a supplier.

The Group's cash and cash equivalents increased by 30% from S\$5.09 million as at 31 December 2017 to S\$6.60 million as at 31 March 2018, mainly due to prompt settlement of trade receivables.

The Group's trade and other payables were significantly lowered to S\$6.13 million as at 31 March 2018 as compared to S\$8.43 million as at 31 December 2017 due to lower credit purchases and prompt settlement of trade payables. The Group's loans and borrowings of S\$4.72 million as at 31 March 2018 decreased by S\$0.06 million as compared to S\$4.78 million as at 31 December 2017 mainly due to repayment of loans. The Group's deferred revenue of S\$0.05 million as at 31 March 2018 and other liabilities of S\$0.37 million as at 31 March 2018 were lowered by S\$0.02 million as compared to S\$0.07 million as at 31 December 2017 and S\$0.11 million as compared to S\$0.47 million as at 31 December 2017 respectively due to recognition of income and payment of accrued operating expenses during the period.

The increase in the Group's net cash flow used in investing activities from S\$0.001 million in 1QFY2017 to S\$0.013 million in 1QFY2018 was due to the purchase of property, plant and equipment. From financing activities, the Group has a net cash outflow of S\$0.063 million in 1QFY2018 as compared to S\$0.067 million in 1QFY2017 due to early redemption of a property loan.

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 devices, [the retail of which] is still the core business of the Company where it has investment 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.

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 their 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: 11 MAY 2018

CARL JOHAN PONTUS SOENNERSTEDT
DIRECTOR/ CHIEF EXECUTIVE OFFICER
Date: 11 MAY 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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