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Issuer: Polaris Ltd.

Security: Polaris Ltd.

Meeting details:

Date: 26 April 2019

Time: 2.00 p.m.

Venue: Orchid Country Club, Emerald Suite, 1 Orchid Club Road, Singapore 769162

Company Description

Polaris Limited is an investment holding company. The Company is engaged in the distribution and retail of smart mobile devices and lifestyle electronics in Asia, with operations in Singapore, as well as in Cambodia, Indonesia, Malaysia, Myanmar, Philippines and Thailand. Its segments include Distribution, Lifestyle and Telecommunication. The Distribution segment engages in the distribution of mobile communication devices, gadgets and accessories throughout Southeast Asia. The Lifestyle segment is engaged in providing a range of product offerings for consumers and operates concept stores for Apple, Lenovo and Sony, among others. The Telecommunication segment focuses on operating a chain of retail outlets for Singtel. Its subsidiaries include Polaris Device Pte. Ltd., a regional mobile handset distributor; Polaris Network Pte. Ltd., a retailer of mobile handset and services and consumer electronics, Polaris Digimedia Pte. Ltd., which is engaged in investment holding and others.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5BI)

Q1. As noted in the chairman’s statement, the disposal of the wholly-owned subsidiary, Polaris Telecom Pte Ltd, was completed on 18 June 2018. The remaining business segments of the group are:

- Distribution: the distribution of consumer electronics, mobile communication devices and accessories for leading brands
- Consumer electronics (retail): the retail sale of IT and related products in Singapore, offering a wide range of electronics products and services from reputable brands

Following a strategic review, the group is reallocating its resources to focus on developing its corporate business-to-business (“B2B”) sales, distribution, customer service, as well as to expand its presence in the growing educational robotics sectors (page 2).

- (i) For the benefit of new and long standing shareholders, would the board clearly articulate its business model and identify the key value drivers for the business segments.**
- (ii) Has the board evaluated if the group has the necessary human resources in place to meet its objectives? Please also help shareholders understand the strength of the management team and the bench depth for the different segments.**
- (iii) In particular, please help shareholders understand the addressable market of the educational robotics sector.**
- (iv) For the Dyson business, would management state its priorities in 2019?**

Q2. As noted in the Letter to shareholders, the group recognised \$46.18 million in net gain on the fair value changes of equity instruments at fair value through other comprehensive income (“FVOCI”) as its 8.22%-owned PT Trikonsel Oke Tbk (“TRIO”) had resumed trading on the Indonesia Stock Exchange in FY2018.

Previously, the group recognised TRIO as an associate but its stake has been diluted since.

The group has also stated that the investment in TRIO is not held for trading and is held mainly for long-term strategic purposes.

- (i) Given the group’s rationalisation, does the board think that it is opportune to review the group’s investment in TRIO?**
- (ii) At the strategic level, what is TRIO’s long term value to the group?**
- (iii) With just a 8.22% stake, what is the level of oversight and influence?**

Q3. In the Corporate Governance report, under Principle 13: Internal audit, the company has made the following disclosure:

13.2	<p>The Company has an in-house internal audit team that primarily reports to the Chairman of AC on a project by project basis. Internal Audit serves as a check and balance function on the Company's operation processes, procedures and new projects, especially in relation to newly established functions and projects within the Company. The in-house team comprises personnel of the Company's HR & Admin team. The AC is of the view that such arrangement would ensure that the internal audit function would have appropriate standing within the Company.</p> <p>The AC ensures that the internal audit function as discharged by the in-house team is adequately resourced.</p>
13.3	<p>The AC ensures that the internal audit function as discharged by the in-house team is staffed with personnel with the relevant qualifications and experience to perform its function whilst still maintaining objective views.</p>
13.4	<p>The internal audit function as discharged by the in-house team is according to the standards set by nationally or internationally recognised professional bodies.</p>

(Source: Company annual report)

The audit committee (AC) comprises Masahiko Yabuki (as chairman), Ong Kok Wah and Sonnerstedt Carl Johan Pontus.

The board had also disclosed the following:

The Board and AC are of the opinion that the internal audit function is not independent, effective and adequately resourced as the inhouse internal audit work was performed by the director of a subsidiary of the Company whose personnel is not independent of the activities he audits. The Board and the AC intend to outsource the internal audit function to a third party professional firm in 2019.

- (i) Would the AC help shareholders understand if the in-house team of HR & Admin is the same as the director of a subsidiary?**
- (ii) On what basis did the AC justify that the in-house internal audit team possesses the relevant qualifications and experience?**
- (iii) How did the AC justify that the in-house team carried out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors?**
- (iv) What is the selection process for a third party internal audit function?**