Polaris Ltd.
81 Ubi Avenue 4 #03-11 UB.One
Singapore 408830
T +65 6309 9088
F +65 6305 0489
Co. Registration No. 198404341D

POLARIS LTD.

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

RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) AND A SHAREHOLDER ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the "**Board**") of Polaris Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to respond to the questions received from the Securities Investors Association (Singapore) ("**SIAS**") and a shareholder of the Company in relation to the Company's Annual Report for the financial year ended 31 December 2019 ("**AR2019**") released on 11 April 2020. The Company's responses to the questions are set out below:-

Questions from SIAS

Q1. As shown in Note 5 (page 89 – Revenue from contracts with customers), total revenue for the year increased to $54.4 million from $23.0 million. Revenue increased in all segments, namely Distribution sale of mobile handsets and accessories, Trading sale of lifestyle products, Retail sale of consumer electronics and related products and Customer services.

(i) **Can management provide better clarity on its business model and give shareholders a better understanding of the group's operations, its performance, the risks and future prospects?**

Company's response

The Group is primarily involved in four (4) broad business segments (collectively, the "**Existing Core Businesses**"), namely:

(a) Distribution segment: The Group engages in the distribution of smart mobile devices, accessories and lifestyle electronics for leading brands.
(b) Retail consumer electronics segment: The Group engages in the retail sale, corporate sales and public sector sales of telecom, information technology, educational robotics and consumer electronics products in Singapore. It offers a wide range of electronic products and services from reputable brands such as Apple.
(c) Customer service segment: The Group engages in the provision of after-market services to end consumers for equipment repairs and technical services in Singapore.
(d) Corporate segment: The Group is involved in Group-level corporate services, treasury functions and investment in marketable securities.

Polaris Ltd.
81 Ubi Avenue 4 #03-11 UB.One
Singapore 408830
T +65 6309 9088
F +65 6305 0489
Co. Registration No. 198404341D

The above-stated business segments are the main businesses of the Company. A majority of our staff run these operations. The retail consumer electronics segment, customer service and corporate business segments, in particular, are focused on Singapore.

In addition to the Existing Core Businesses, the Group is also involved in the business of importing and exporting premium lifestyle products (including preloved luxury goods) on a wholesale and/or retail basis (the "**Preloved Luxury Goods Business**") through its investments in Marque Luxury Asia Pte. Ltd., a 51% indirect subsidiary of the Company, and seeks to expand its involvement therein. The Company's proposed diversification into the Preloved Luxury goods Business and the proposed business of the purchase and sale of shoes, streetwear and lifestyle products (the "**Apparel and Footwear Business**" and, collectively with the Preloved Luxury Goods Business, the "**Proposed New Businesses**"), further details of which are set out in the Company's circular to shareholders dated 6 May 2020 (the "**Circular**") and which will be subject to shareholders' approval at the at the extraordinary general meeting to be held on 28 May 2020, is meant to increase the Group's business opportunities and thereafter contribute positively to the growth, financial position and long-term prospects of the Group.

In 2019, all the Existing Core Businesses saw improvements in their performances. Still, we believe we need to continually look for higher margin business opportunities, such as the Proposed New Businesses, to be able to deliver profitable growth. The detailed risks we see for the Proposed New Businesses are listed in the Circular. For the retail consumer electronics, distribution, and customer service businesses, our fortunes are closely tied to the brands we work with, as indicated in our letter to shareholders section of our annual report for the financial year ended 31 December 2019 (the "**FY2019 Annual Report**").

The Covid-19 pandemic has resulted in suspension of the APR (Apple Premium Reseller) retail operations. The Company has put in place various safety and cost-control measures since the early days of the pandemic and we are still monitoring the situation as it continues to evolve.

A general slow-down in business due to the pandemic has been cushioned by government salary supports and rent reliefs. While May has seen a continued slow-down, we are hopeful that business will start picking up after the Circuit Breaker period ends, including allowing us to start APR retail operations again.

(ii) **Can the board review and improve its quality of communication with shareholders via the annual report moving forward?**

Company's response

Yes, our ambition is to continually improve how we communicate with shareholders, including the quality of the annual report.

Specifically, in the retail segment, the group achieved revenue of $36.5 million in FY2019, up from $19.4 million in FY2018. What is the size of the group's retail network?

polaris

Polaris Ltd.
81 Ubi Avenue 4 #03-11 UB.One
Singapore 408830
T +65 6309 9088
F +65 6305 0489
Co. Registration No. 198404341D

(iii) Would management disclose the names and the locations of its retail network in the annual report?

Company's response

The Group operates one spacious (1,698 sq ft) APR (Apple Premium Reseller) store at Parkway Parade, favorably situated next to SingTel and opposite Uniqlo. We have one Dyson Service Center at UB.One building and manage the customer service operations at "Dyson Service Centre & Demo Store" in the Capitol Piazza.

(iv) What was the reason for the big increase in revenue from the retail segment?

Company's response

We were positively affected by Apple's strong performance and successful product portfolio which saw increased customer demand throughout the year. As a result, the APR store did well, while corporate sales, which is included under retail accounting, did very well.

Q2. As noted in the Letter of shareholders, equity attributable to owners of the company decreased by 76% from $60.5 million in FY2018 to $14.3 million in FY2019.

This was due to the $46.2 million impairment of the group's 8.22% stake in PT Trikomsel Oke Tbk ("TRIO").

During the financial year ended 31 December 2018, the trading of TRIO shares resumed on the Indonesia Stock Exchange ("IDX") after a prolonged suspension that started on 6 January 2016. As a result, the company recognized $46.18 million in net gain on the fair value changes of equity instruments at fair value through other comprehensive income ("FVOCI") in FY2018.

In July 2019, TRIO's shares were suspended once again by IDX and remained suspended at the reporting date. The company impaired the $46.2 million carrying cost under Level 2 of the Fair Value Hierarchy based on recent off-market transactions.

(i) Has management considered selling its stake in TRIO when the trading suspension was lifted by IDX? What is the strategic value of TRIO to the group?

Company's response

We continually review all of our investments and if the right opportunity presents itself to divest on favorable terms we will consider it.

It is a potential business partner to access the Indonesian market and to explore opportunities for our distribution business.

(ii) What was the underlying reason for the trading of TRIO's shares to be suspended by IDX?

Polaris Ltd.
81 Ubi Avenue 4 #03-11 UB.One
Singapore 408830
T +65 6309 9088
F +65 6305 0489
Co. Registration No. 198404341D

Company's response

According to an article entitled "*Unusual transaction activities, Trikomsel Oke (TRIO) shares are officially suspended*" available on Kontan.co.id, an Indonesian financial journal, dated 15 July 2019 (and accessible at the URL:https://investasi.kontan.co.id/news/aktivitas-transaksi-di-luar-kebiasaan-saham-trikomsel-oke-trio-resmi-disuspensi), the shares of PT Trikomsel Oke ("**TRIO**") were officially suspended by the Indonesia Stock Exchange (BEI) because it was included in the category of unusual market activity (UMA).

The Head of the Transaction Supervision Division of the Indonesia Stock Exchange ("**IDX**"), Lidia M. Panjaitan, stated that in connection with the significant cumulative price increase in TRIO shares, in the context of BEI cooling down, it was deemed necessary to suspend.

The announcement in relation to the suspension of trading of TRIO's shares by the IDX is accessible at the following URL:
https://www.idx.co.id/Portals/0/StaticData/NewsAndAnnouncement/ANNOUNCEMENTSTOCK/Exchange/2019/JUL/20190716-WAS_Suspensi_TRIO.pdf

(iii) **What is the level of influence and control by the group with regard to TRIO? How does management safeguard the group's investment in TRIO? With the impairment, the carrying value of TRIO is zero.**

Company's response

By way of a background, the Group acquired a 45% equity interest in TRIO in 2014. At the point in time, the Group had viewed the acquisition of TRIO as an integral part of the Group's plan to penetrate into the Indonesian market to synergise and complement the Group's existing offerings.

PKPU is part of Indonesia's 2004 Bankrutpcy Law and provides creditors and debtors with an avenue to avoid liquidation bankruptcy. On 6 January 2016, the IDX had temporarily suspended the trading of TRIO's shares. Later, on 3 September 2016, TRIO had announced on IDX that the Indonesian courts had approved the Final Composition Plan (the "**Plan**") and declared that the PKPU process had ended.

The Group's equity interest in TRIO was subsequently diluted as a result of the following:
(a) In April 2017, TRIO had issued new shares pursuant to the mandatory convertible bonds under the Plan, diluting the Group's equity interest in TRIO to 37.45%; and
(b) In October 2017, TRIO had another issuance of new shares in connection with the Plan, further diluting the Group's equity interest in TRIO to 8.22% (i.e. the Group's current equity interest in TRIO).

In connection with the above dilutions in shareholding, which saw the reclassification of the Group's equity interest in TRIO from an associate to an equity investment, the Group no longer has any representation on the board of TRIO. Accordingly, our oversight and influence over TRIO is limited.

Polaris Ltd.
81 Ubi Avenue 4 #03-11 UB.One
Singapore 408830
T +65 6309 9088
F +65 6305 0489
Co. Registration No. 198404341D

Further background information on the Group's investment in TRIO and the subsequent dilution in shareholdings can be found on page 81 of the Company's annual report for the financial year ended 31 December 2015 and on page 79 of the Company's annual report for the financial year ended 31 December 2017.

(iv) What price did management use in the Level 2 of Fair Value Hierarchy when valuing its stake in TRIO? It was stated that management had referenced recent off-market transactions.

Company's response

As announced on the IDX, there were two off-market transactions in January and February 2020, priced at IDR 0.74 and IDR 0.53 per share. Notwithstanding the weighted average of the transactions which management considered, given the low liquidity of the shares, suspension of trading of TRIO shares with no public information of when suspension will be lifted, as well as financial announcements showing continued losses from operations, the management of the Company valued Polaris' s stake in TRIO as nil.

Q3. At the annual general meeting scheduled to be held on 28 May 2020, three directors, namely Mr Masahiko Yabuki, Ms Diana Airin and Ms Evy Soenarjo, will retire pursuant to the company's constitution. All three directors are seeking their re-election.

Ms Diana Airin and Ms Evy Soenarjo were newly appointed to the board on 8 April 2020. Mr Masahiko Yabuki has been on the board since 5 February 2018.

The additional information of the three directors seeking re-election is shown on pages 38 to 43 of the annual report.

Ms Diana Airin and Ms Evy Soenarjo are first time directors. As such, the company has stated that it will arrange for both directors to attend the relevant courses and will further brief them on the roles and responsibilities of a director of a listed company.

(i) Would the nominating committee ("NC") help shareholders understand how it sourced for directors, especially independent directors?

Company's Response

The NC has been actively sourcing for suitable directors who can add value to the Company, particularly as the Company continues to explore new business opportunities.

As more particularly disclosed on page 26 of the FY2019 Annual Report, the NC will consider and review the necessary and desirable competencies of potential candidates, which include:
(a) academic and professional qualifications;
(b) industry experience;
(c) number of other directorships;

polaris

Polaris Ltd.
81 Ubi Avenue 4 #03-11 UB.One
Singapore 408830
T +65 6309 9088
F +65 6305 0489
Co. Registration No. 198404341D

(d) relevant experience as a director; and
(e) ability and adequacy in carrying out required tasks.

Further, the NC's process of appointment includes, *inter alia*:
(a) developing a framework on desired competencies and diversity on the Board;
(b) assessing current competencies and diversity on the Board;
(c) developing desired profiles of new directors;
(d) initiating search for new directors including personal networks and external searches, if necessary; and
(e) shortlisting and interviewing potential director candidates.

Pursuant to the above assessment, the Board has identified that experience and expertise in the areas of lifestyle products (including preloved or second-hand luxury products) and online sales and marketing to millennials, will complement the existing Board.

During the sourcing process for new directors to supplement the Board in view of the growing Preloved Luxury Goods Business, the NC reviewed several candidates and ultimately shortlisted Ms Diana Airin, who was subsequently appointed as our Independent Non-Executive Director, and Ms Evy Soenarjo, who was subsequently appointed as our Non-Executive Non-Independent Director. Ms Diana Airin and Ms Evy Soenarjo were introduced to the Board by business contacts in Jakarta.

With their background in sales (including online retail sales), the NC was satisfied that Ms Diana Airin and Ms Evy Soenarjo would be able to contribute positively to the Board and hence recommended their appointments.

(ii) Would the NC be leveraging on a professional search firm to enable the board to cast its net wider and further improve the diversity and possibly the quality of the candidate pool?

<u>Company's Response</u>

Yes, we have done so in the past and are likely to do so again in the future. With our new appointments we have a more diverse Board – 40% of our Board (or two out of five directors) are female, and the recent appointments of Ms Evy Soenarjo and Ms Diana Airin saw the introduction of younger members to the Board who are experienced in online sales and marketing to millennials.

(iii) Has the NC reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?

<u>Company's Response</u>

Yes, as discussed above in our responses to Queries 3(i) and 3(ii), we sought to address immediate concerns in connection with the proposed Preloved Luxury Goods Business and

Polaris Ltd.
81 Ubi Avenue 4 #03-11 UB.One
Singapore 408830
T +65 6309 9088
F +65 6305 0489
Co. Registration No. 198404341D

identified and appointed directors with the requisite expertise in this new business. We will continue to evaluate the competency matrix and supplement the Board as appropriate.

Ms Evy and Ms Airin will be attending the Listed Entity Director (LED) Programme organised by the Singapore Institute of Directors in July 2020 comprising the following modules:

LED 1 – Listed Entity Director Essentials (16 July 2020)
LED 2 – Board Dynamics (17 July 2020)
LED 3 – Board Performance (17 July 2020)
LED 4 – Stakeholder Engagement (20 July 2020)
LED 5 – Audit Committee Essentials (20 July 2020)
LED 6 – Board Risk Committee Essentials (21 July 2020)

Questions from Shareholder

Q1. As shown in Note 5 (page 89 – Revenue from contracts with customers), total revenue for the year increased to $54.4 million from $23.0 million. Revenue increased in all segments, namely Distribution sale of mobile handsets and accessories, Trading sale of lifestyle products, Retail sale of consumer electronics and related products and Customer services.

(i) **Can management provide better clarity on its business model and give shareholders a better understanding of the group's operations, its performance, the risks and future prospects? And also the impact on each segment amid the COVID-19 pandemic.**

Company's response

Further to our responses to SIAS's queries above, with regard to the retail consumer electronics segment, the APR (Apple Premium Reseller) store had to halt operations in early April 2020 and is expected to open as part of the phase 2 safe transition. The corporate sales team has seen a slow-down in sales due to reduced buying budgets, as well as supply constraints from principals. Our service centres are still operating as they were classified as essential services during the Circuit Breaker period. Customer traffic and repair volumes have, however, seen a reduction following safe distancing measures. We have seen a slow-down in distribution sales in the Philippines due to the pandemic.

(ii) **Will the Management consider to dispose the unprofitable segments like Retail sale of consumer electronics (5 years of losses from 2015 to 2019), distribution sale of mobile handsets and accessories (2 years of losses from 2018 and 2019), and Customers services which suffer losses from 2018 to 2019. If not, how the Management intend to improve the profitability of these segments?**

Company's response

Polaris Ltd.
81 Ubi Avenue 4 #03-11 UB.One
Singapore 408830
T +65 6309 9088
F +65 6305 0489
Co. Registration No. 198404341D

All these business units are profitable at operating level and contribute positively to the Group. We will consider to dispose of business units if the right opportunity arises. There are ongoing cost control measures and efforts to improve profitability by expanding our customer base and product portfolio with more profitable products, as well as to increase sales online.

Specifically, in the retail segment, the group achieved revenue of $36.5 million in FY2019, up from $19.4 million in FY2018.

(iii) **What is the size of the group's retail network? Would management disclose the names and the locations of its retail network in the annual report?**

Company's response

Please refer to the Company's response to SIAS's Question 1(iii).

(iv) **What was the reason for the big increase in revenue from the retail segment?**

Company's response

Please refer to the Company's response to SIAS's Question 1(iv)

Q2. The net operating cash flow for the company has been negative from the past 2 years (year 2018 and 2019), the company has been relying on the cash proceeds from the sale of assets to sustain the business.

How can the Management improve the cash flow of the company? Will the company be able to ride through this pandemic?

Company's response

Operating costs have been continually lowered over the past two years and are being monitored carefully. We are pursuing improved terms including credit terms with some of our suppliers.

Yes, we are confident that we will be able to ride through this pandemic.

By Order of the Board,

Soennerstedt Carl Johan Pontus
Executive Director & CEO

26 May 2020

Polaris Ltd.
81 Ubi Avenue 4 #03-11 UB.One
Singapore 408830
T +65 6309 9088
F +65 6305 0489
Co. Registration No. 198404341D

*This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the **"Sponsor"**). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes 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.*

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