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

POTENTIAL MATERIAL DILUTION OF EFFECTIVE EQUITY INTEREST IN A PRINCIPAL SUBSIDIARY, MARQUE LUXURY AMERICA LLC

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1. INTRODUCTION

1.1 The Board of Directors (the "**Board**" or "**Directors**") of Polaris Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that Polaris Explorer Pte. Ltd. ("**PEPL**"), a wholly owned subsidiary of the Company, had, on 24 October 2021, entered into a memorandum containing heads of agreement ("**HOA**") with Englory Media Holdings Pte. Ltd. (the "**Investor**") and Marque Luxury LLC ("**MLL**") for a potential US$10,000,000 investment by way of a subscription of equity interests in in the Company's principal subsidiary, Marque Luxury America LLC ("**MLA**") by the Investor ("**Potential Injection**").

1.2 If completed, the Potential Injection will result in a reduction of the Group's effective interest in MLA from 51.0% (prior to the Potential Injection) to not less than 19.99% (after the Potential Injection), representing a maximum reduction in the Company's effective interest in MLA of 31.01% (the "**Potential Dilution**"), and MLA will cease to be a subsidiary of the Group. As the Company considers MLA to be a principal subsidiary of the Company, the Potential Dilution shall be subject to the approval of shareholders of the Company ("**Shareholders**") in accordance with Rule 805(2) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

1.3 The Company will convene an extraordinary general meeting ("**EGM**") in due course to seek its Shareholders' approval for the Potential Dilution. A circular which meets the disclosure requirements of the Catalist Rules, together with a notice of the EGM to be convened, will be despatched to Shareholders in due course.

2. BACKGROUND

2.1 On 5 November 2019, the Company announced that PEPL had entered into a joint venture agreement with MLL and Mr. Quentin Phillip Caruana ("**QPC**") to incorporate a 51:49 joint venture company, Marque Luxury Pte. Ltd. (formerly known as Marque Luxury Asia Pte. Ltd.) ("**JVCo**"), to engage in and to conduct the business of importing, exporting, consigning, selling, distribution and marketing of premium lifestyle products (including pre-owned luxury goods) on a wholesale and/or retail basis (the "**Pre-owned Business**"). In order to increase the Group's business opportunities and with a view to contributing positively to the growth, financial position and long-term prospects of the Group, the Company sought and obtained Shareholders' approval for a diversification into the Pre-owned Business on 28 May 2020 ("**Diversification**").

2.2 The Company thereafter announced on 13 March 2021 that JVCo and MLA had, on 12 March 2021, entered into an asset purchase agreement with MLL, Marque Supply Company LLC and QPC to acquire, *inter alia*, various assets in the Pre-owned Business (including 100% of the entire issued and paid-up share capital of Marque Supply Japan and 85% of the issued and paid-up share capital of Marque Mentor LLC), which resulted in the expansion of the Group's Pre-owned Business and expansion into the United States of America ("**Expansion**").

2.3 Following the Diversification and Expansion, the Group's Pre-owned Business in the United States of America has been conducted through MLA, a wholly-owned subsidiary of the JVCo. With a view to enhancing the long-term prospects of MLA's development of the Pre-owned

Business in the United States of America, the Company and QPC have entered into discussions with the Investor on certain financial commitments, which has culminated in the signing of the HOA on 24 October 2021.

2.4 Pursuant to the HOA, certain financial commitments in the total amount of US$20,000,000 will be made upon the following key terms:

(a) the Potential Injection of US$10,000,000 shall either be in the form of cash or any other forms of goods and/or inventory, provided that the value attributed to all goods and/or inventory must be based on transfer prices in line with established accounting standards and mutually agreed between PEPL and the Investor on an arm's length basis. Outstanding amounts owing by MLA to the Investor (incurred as part of trade financing facilities previously extended by the Investor to MLA) shall be converted into equity and form part of the Potential Injection;

(b) the Investor will hold direct equity interest of up to 60.80% in MLA after the Potential Injection;

(c) the Investor shall procure a reputable financial institution to extend to MLA a line of credit facility of not less than US$10,000,000, to fund the operations of MLA, which shall be on interest rates competitive with those offered by financial institutions in the United States of America for similar credit facilities at the prevailing time ("**Potential Operational Loan**");

(d) MLA shall have a maximum of three (3) directors on its board. The Investor shall have the right to designate one (1) director to the board of MLA and a chief financial officer who shall handle and be in charge of all financial matters of MLA, including but not limited to managing MLA's relationships with financial institutions on financial matters. PEPL and MLL shall each have the right to designate one (1) director to the board of MLA;

(e) MLA shall not make any further new share issuances, including new shares of a different class, without prior approval from the majority of the directors of MLA;

(f) PEPL may continue to provide trade financing and/or other services to MLA as deemed proper and necessary to run the operations of MLA on terms mutually agreed by the parties;

(g) MLA shall clear all of its outstanding liabilities towards the JVCo and/or PEPL upon the receipt of the Potential Injection from the Investor; and

(h) the Potential Injection shall be conditional upon:

(i) the completion of a distribution in specie by way of a capital reduction by JVCo in respect of all of JVCo's equity interests in MLA to PEPL and MLL[1] in accordance with their respective shareholding percentages in JVCo (i.e. 51%:49%);

(ii) prior approval from the Shareholders in a general meeting having been obtained in respect of the Potential Dilution, and such approval not having been revoked or amended and if such approval is subject to any conditions and where such conditions affect any party, such conditions being reasonably acceptable to the party concerned, and if such conditions are required to be

[1] MLL is 100% owned by QPC.

fulfilled on or before the completion of the transactions, they are so fulfilled in all material respects; and

(iii) all necessary consents, approvals and waivers for all transactions contemplated in connection with the Potential Injection or any subsequent definitive agreements having been granted and not revoked by third parties, including without limitation, government bodies, the relevant stock exchange and other relevant authorities having jurisdiction over the Potential Injection or any subsequent definitive agreements, and if such approvals, consents and waivers are obtained subject to any conditions and where such conditions affect any party, such conditions being reasonably acceptable to the party concerned, and if such conditions are required to be fulfilled on or before completion of the transactions, they are so fulfilled in all material aspects.

2.5 It is further intended that following the Potential Injection, MLA is to procure goods and/or inventory globally and generate sales in the global market (on a business-to-business or business-to-business-to-consumer basis), which should include the United States of America.

3. INFORMATION ON THE INVESTOR

The Investor is wholly-owned by Procap Partners Ltd ("**Procap**").

Procap is a company incorporated under the laws of the British Virgin Islands, with investments in various technology-focused companies based in Indonesia and Southeast Asia, including Provident Growth Fund (a private equity growth fund focused on technology investments in Southeast Asia) and the GoTo Group, a “Super App” created from the merger of two prominent Indonesian groups, namely Gojek (Indonesia’s largest on-line ride-hailing, food delivery and digital payments platform) and Tokopedia (Indonesian’s leading e-commerce platform).

Procap’s founders also have various other significant investments in Indonesia including Tower Bersama (a telecommunications tower company) and Merdeka Copper Gold (a world-class Indonesian mining company). The three founding and current shareholders of Procap are Mr. Winato Kartono, Mr. Gavin Arnold Caudle and Mr. Hardi Wijaya Liong.

4. THE POTENTIAL DILUTION

4.1 The Investor will, pursuant to the Potential Injection, hold equity interest of up to 60.80% in MLA after the Potential Injection.

4.2 As the Group does not intend to participate in the Potential Injection, the Group’s effective interest in MLA will be reduced from 51.0% (prior to the Potential Injection) to not less than 19.99% (after the Potential Injection). Accordingly, the Potential Dilution represents a maximum reduction in the Company’s effective interest in MLA of 31.01%.

4.3 Pursuant to Rule 805(2) of the Catalist Rules, an issuer must obtain the prior approval of its shareholders in a general meeting if a principal subsidiary of an issuer issues shares or convertible securities or options that will or may result in: (a) the principal subsidiary ceasing to be a subsidiary of the issuer; or (b) a percentage reduction of 20% or more of the issuer’s equity interest in the principal subsidiary. The Catalist Rules defines a principal subsidiary as “a subsidiary whose latest audited consolidated pre-tax profits (including discontinued operations that have not been disposed and excluding the non-controlling interest relating to that subsidiary) as compared with the latest audited consolidated pre-tax profits of the group (including discontinued operations that have not been disposed and excluding the non-controlling interest relating to that subsidiary) accounts for 20% or more of such pre-tax profits of the group”.

4.4 Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2020 ("**FY2020**"), MLA's pre-tax profits accounted for more than 20.0% of the pre-tax profits of the Group. In addition, the Company considers MLA to be a major revenue contributor to the Group as MLA's pre-tax profits accounted for more than 20.0% of the pre-tax profits of the Group based on the latest unaudited consolidated financial statements of the Group for the half-year period ended 30 June 2021, and given the Group's focus on its Pre-owned Business. Taking into account the above, the Company considers MLA to be a principal subsidiary of the Company. In any event, following the Potential Dilution, MLA will cease to be a subsidiary of the Company and the financial statements of the Company will record a cost method in this regard. In accordance with Rule 805(2) of the Catalist Rules, the Potential Dilution shall be subject to the approval of the Shareholders.

5. RATIONALE FOR THE POTENTIAL DILUTION

5.1 Following the Expansion of the Group's Pre-owned Business into the United States of America on 12 March 2021, the performance and potential of MLA's business in the United States of America has exceeded the Group's expectations, and the JVCo is not able to keep up with the increased capital requirements of MLA to sustain its current trajectory of growth and expansion. The funds from the Potential Injection and the Potential Operational Loan will therefore allow MLA to expand its existing scale and capacity in the United States of America.

5.2 Additionally, with the Investor's substantial investment into MLA, the Group expects to be able to tap on the Investor's expertise and experience to improve the standards of governance, financial management, and operational processes of MLA.

5.3 Following the Potential Dilution, the Group intends to continue its focus on its core businesses set out below:

(a) Consumer electronics segment: The retail and corporate sale of telecom, IT, educational robotics and consumer electronics products in Singapore. This segment offers a wide range of electronic products and services from reputable brands such as Apple and Makeblock.

(b) Customer services segment: The provision of after-market services to end consumers for equipment repairs, refurbishments and technical services in Singapore.

(c) Corporate segment: The provision of Group-level corporate services, treasury functions and investment in marketable securities.

(d) Pre-owned luxury goods segment: The business of importing and exporting pre-owned luxury goods and premium lifestyle products on a wholesale and/or retail basis, particularly in regions outside of the United States of America and particularly in the Asia region.

(e) Distribution segment: The distribution of mobile handsets and accessories for leading brands. This segment is currently dormant following the disposal of the Company's shareholding interest in Polaristitans Philippines Inc. as announced by the Company on 4 June 2021.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

6.1 Save for the respective shareholdings in the Company, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Potential Dilution (other than through their respective shareholdings in the Company, if any).

6.2 For the avoidance of doubt, the Potential Dilution does not involve an allotment and issuance of new shares by the Company and as such, will not result in any changes to the shareholding structure of the Company.

7. SERVICE AGREEMENT

No person is proposed to be appointed as a Director of the Company in connection with the Potential Injection and/or Potential Dilution. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the HOA is available for inspection at the Company's office at 81 Ubi Avenue 4, #03-01 UB. One, Singapore 408830 during normal business hours for three (3) months from the date of this announcement. Shareholders who wish to inspect the HOA should contact the Company at ir@wearepolaris.com to make an appointment so that the relevant arrangements can be made in view of the current COVID-19 situation and related safe distancing measures.

9. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company should exercise caution when trading in the Company's shares. In particular, Shareholders and potential investors of the Company should note that the HOA is non-binding and there is no assurance that the transactions mentioned in this announcement will materialise. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD
POLARIS LTD.

Soennerstedt Carl Johan Pontus
Director and Chief Executive Officer
26 October 2021

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*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.*

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