

November 10, 2016

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Announcement regarding Transfer (Transfer of Shares) of Consolidated Subsidiaries and Dissolution of a Joint Venture Agreement

POLA ORBIS HOLDINGS INC. (the “Company”) hereby announces that its consolidated subsidiary, H2O PLUS, LLC (“H2O PLUS”) has resolved at its Board of Directors’ meeting held on November 10, 2016, to transfer all of its holding shares of C2O Plus Asia Limited (“C2O Plus”), a joint venture for Chinese business, and therefore dissolve the joint venture agreement. The details are outlined below.

1. Reason for the share transfer and dissolution of the joint venture agreement

H2O PLUS is currently taking measures for its brand restage, such as renewal of the brand concept as well as products and revision of distribution channel in the U.S. which is the origin country of the brand. For Chinese business, the brand also strengthened brand management at stores and carried out cost reduction from the previous fiscal year. However from the second quarter of this fiscal year, having the harsh situation under deteriorating market environment at Chinese department stores, the brand decided to centralize its business resource in the U.S. to accelerate the brand restage and hence ceased its business operation in China.

C2O Plus was established in 2013 as a joint venture between H2O PLUS and PEAKSTAR DEVELOPMENT LIMITED (“PEAKSTAR”) who originally worked as a distributor of the brand’s products, for the purpose of business expansion in China.

After having a discussion with PEAKSTAR, H2O PLUS decided to transfer all shares of C2O Plus that H2O PLUS owns (holding ratio: 51%) to PEAKSTAR, and thus amicably dissolve the joint venture agreement. In addition, due to this transfer of shares, indirect ownership of Ningbo Marine Beauty Trading Co., Ltd., (“Ningbo Marine”) a 100% owned subsidiary of C2O Plus will also be transferred to PEAKSTAR.

Going forward, the brand will reconsider its future overseas expansion after the brand restage is completed in the U.S.

2. Outline of the consolidated subsidiaries to be transferred

1) C2O Plus (direct transfer)

(1) Company name	C2O Plus Asia Limited	
(2) Location	Hong Kong	
(3) Name of the representative	Joy Chen	
(4) Description of business	Sales of cosmetic products, health food, etc.	
(5) Capital	USD 10,000 thousand	
(6) Date of foundation	April 2013	
(7) Shareholders and holding ratio	H2O PLUS: 51%, PEAKSTAR: 49%	
(8) Relationship between the listed company and the relevant company	Capital relationship	C2O Plus is a consolidated subsidiary of the Company.
	Personnel relationship	No personnel relationship to be mentioned.
	Transaction relationship	The Company charges H2O PLUS, a parent company of C2O Plus, for management fee pursuant to management

	agreement.
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2) Ningbo Marine (a 100% owned subsidiary of C2O Plus, indirect transfer)

(1)	Company name	Ningbo Marine Beauty Trading Co., Ltd.		
(2)	Location	Ningbo, Zhejiang, China		
(3)	Name of the representative	Joy Chen		
(4)	Description of business	Sales of cosmetic products, health food, etc.		
(5)	Capital	USD 10,000 thousand		
(6)	Date of foundation	April 2013		
(7)	Shareholder and holding ratio	C2O Plus: 100%		
(8)	Relationship between the listed company and the relevant company	Capital relationship	Ningbo Marine is a consolidated subsidiary of the Company.	
		Personnel relationship	No personnel relationship to be mentioned.	
		Transaction relationship	The Company charges H2O PLUS, a parent company of C2O Plus, for management fee pursuant to management agreement.	
(9)	Operating results and financial position of the relevant company for the preceding three financial years (unit: thousand RMB)			
	Financial year	For the year ended December 31, 2013	For the year ended December 31, 2014	For the year ended December 31, 2015
	Net assets	48,347	809	(28,859)
	Total assets	96,373	77,276	51,126
	Net sales	95,005	65,818	32,336
	Operating income	(13,687)	(46,444)	(28,546)
	Ordinary income	(13,687)	(46,444)	(28,546)
	Net income	(13,686)	(47,537)	(29,669)

3. Outline of the transferee

(1)	Company name	PEAKSTAR DEVELOPMENT LIMITED		
(2)	Location	Territory of the British Virgin Islands		
(3)	Name of the representative	Liu Yan Wu		
(4)	Description of business	Import and sales of cosmetic products and fragrances		
(5)	Date of foundation	2007		
(6)	Net assets	HKD 561 thousand (For the year ended December 31, 2015)		
(7)	Total sales	HKD 561 thousand (For the year ended December 31, 2015)		
(8)	Relationship between the listed company and the relevant company	Capital relationship	PEAKSTAR owns shares of C2O Plus, a consolidated subsidiary of the Company. (Holding ratio: 49%)	
		Personnel relationship	No personnel relationship to be mentioned.	
		Transaction relationship	No transaction relationship to be mentioned.	
		Status as a related party	The relevant company is not applicable to a related party of the Company. The related parties and related companies of the relevant company are not applicable to a related party of the Company.	

4. The number of shares to be transferred and shareholding status before and after the transfer

(1)	Number of shares held before the transfer	C2O Plus shares: 51 shares Holding ratio : 51%
(2)	Number of shares to be transferred	C2O Plus shares: 51 shares Holding ratio : 51%
(3)	Transfer price	Transfer price shall not be disclosed in accordance with non-disclosure agreement with the transferee.
(4)	Number of shares held after the transfer	C2O Plus shares: 0 shares Holding ratio : 0%

As a result of this transfer of shares, Ningbo Marine, a 100% owned subsidiary of C2O Plus will also no longer be a consolidated subsidiary of the Company.

5. Schedule of the transfer

(1)	Date of the meeting of the Board of Directors	November 10, 2016
(2)	Date of conclusion of the agreement	November 2016 (tentative)
(3)	Date of the transfer of the shares	After necessary approval processes for the agreement is completed.

6. Impact on business performance

The impact of this share transfer on the Company's consolidated performance is currently under close examination. If any necessity for revising the earnings forecast or matters to be disclosed arise, such matters will be promptly disclosed.