

Sarine Technologies Ltd.

(Company Registration No. 511332207)
(Incorporated in Israel)
(the "Company")

CLOSING OF THE ACQUISITION OF THE BUSINESS AND CERTAIN ASSETS OF GEM CERTIFICATION & ASSURANCE LAB INC., A NEW YORK CORPORATION

1. INTRODUCTION

- 1.1. The Board of Directors (the "**Board**") of Sarine Technologies Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce, further to the Company's announcement of 11 January 2023, that its indirect wholly-owned subsidiary, Sarine North America, Inc. (the "**Purchaser**"), has, effective as of 1 May 2023, closed an asset purchase agreement (the "**Agreement**") to acquire the business and certain assets of Gem Certification & Assurance Lab, Inc., a New York Corporation (the "**Seller**" or "**GCAL**"), pursuant to which the Seller has agreed to sell and transfer, and the Purchaser has agreed to purchase, the business (including the Assets, as defined below) of the Seller, comprising the gemological laboratory business of GCAL, (collectively with the Assets, the "**Business**") through GCAL USA LLC, a newly created Delaware, USA entity ("**GCAL USA**") which, following Completion (as defined below), is 70% owned by the Purchaser and 30% owned by the Seller (the "**Transaction**").
- 1.2. Under the Agreement the total purchase price paid by the Purchaser to the Seller was US\$ 5.65 million in cash for a 70% interest in the Business (the "**Consideration**"). Please refer to Paragraph 3 of this Announcement for further details.

2. INFORMATION ON THE BUSINESS AND THE SELLER

- 2.1. The Seller is an S Corporation incorporated and based in New York, USA, and is in the business of providing services for the grading and certification of natural and lab-grown diamonds, coloured diamonds, coloured gemstones, pearls and precious metals.
- 2.2. The Seller and its principals presently operate a gemological lab. Following Completion, GCAL's principals will continue to run the business for a period of at least three years.
- 2.3. The Seller is not related to any of the Company's directors, major shareholders of the Company ("**Shareholders**") or their respective associates. As at the date of this Announcement, the Seller does not hold any shares in the capital of the Company ("**Shares**") directly or indirectly.

3. PRINCIPAL TERMS OF THE AGREEMENT

3.1. Proposed Transaction

3.1.1 Sale of Business and Assets

The Transaction involves the purchase of the Business of the Seller as a going concern, including its gemological lab and related equipment, know how, intellectual property, customers, brand, and goodwill (the "**Assets**"), which were sold to the Purchaser free from encumbrances. The Business of Seller will be incorporated into GCAL USA.

3.1.2 Consideration

The Consideration was arrived at by the Purchaser and the Seller on a willing buyer willing seller basis, and the terms were commercially negotiated.

The Company intends to fund the cash portion of the Consideration by way of the internal cash resources of the Group.

The Company has conducted legal, financial and business due diligence on the Business (comprising the Assets).

3.1.3 Completion

The closing of the sale and purchase of the Business (comprising the Assets) ("**Completion**") was on 9 May, 2023 (with effect as of 1 May, 2023).

3.1.4 Employees

Substantially all of the persons employed by the Seller in the Business prior to Completion have been hired as new employees of GCAL USA as of Completion.

3.1.5 Non-solicitation and Non-competition

Subject to the terms of the Agreement, neither the Seller nor its representative or affiliates will, whether directly or indirectly, for a period of 60 months after Completion, (a) solicit, entice, employ, seek to employ, conclude any contract for services with, offer or procure or facilitate the making of any such offer by any other person, any person who is an employee or consultant of Purchaser or its affiliates or (b) in any capacity advise, engage, perform services or otherwise assist in any business that competes with the business of GCAL USA or found, manage, operate or be involved in or manage any such competing business.

3.1.6 Put/Call Option

The operating agreement for GCAL USA contains two put/call arrangements. The first would be applicable in the event of a change in control of Sarine in the event the proposed acquirer seeks control over 100% of the equity interests in GCAL USA or if Seller seeks to dispose of its interest in GCAL USA to the proposed acquirer (the "Sarine COC Put/Call"). The purchase price for the GCAL USA

equity interests to be acquired or sold under the Sarine COC Put/Call is equivalent to the Sarine Sunset Call Option Exercise Price (as defined below).

The second put/call arrangement is applicable following the third anniversary of the Completion and enables Sarine to acquire all of Seller's equity in GCAL USA or Seller to dispose of its interest in GCAL USA to Sarine (the "Sunset Put/Call"). The purchase price for the Sunset Put/Call, if exercised by Sarine, is the greater of (a) Seller's equity interest in GCAL USA multiplied by \$8.5 million and (b) a multiple of eight times the trailing eight quarters' average annual net income of GCAL USA (the "Sarine Sunset Call Option Exercise Price"). If exercised by Seller, the purchase price is six times the multiple of the trailing eight quarters' average annual net income of GCAL USA.

4. RATIONALE FOR THE PROPOSED TRANSFER

The Seller, Gem Certification & Assurance Lab, Inc. is a highly respected gemological laboratory founded in 2001 by Mr. Don Palmieri, a veteran of over 50 years in the diamond industry, and his wife, Pamela. Prior to Completion, it operated as a family-owned business in New York City, on the city's famous Diamond Way, at the corner of Fifth Avenue and 47th Street, with son Angelo in the role of Chief Operations Officer (COO). To guarantee its impeccable record of consistent quality work, GCAL had always operated out of a single location in New York.

Following the closing of the acquisition, GCAL's principals will continue to run the Business. By implementing Sarine's unique AI-derived cloud-based automated e-Grading system, optionally along with Sarine's diamond traceability Journey™ report, the Business and the Group will be able to concurrently develop its services globally while significantly expanding its services to U.S. retailers and wholesalers, without compromising its renowned stringent levels of consistency. Sarine and GCAL USA will exclusively cooperate on serving North American customers, as well as offering the industry B2B reports for generic non-branded diamonds. The acquisition will provide Sarine with a well-respected channel into the U.S. market and accelerate its penetration thereof.

5. RELATIVE FIGURES UNDER CHAPTER 10 OF LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST")

5.1. Relative Figures under Rule 1006 of the Listing Manual of SGX-ST

The relative figures for the Transaction computed on the bases set out in Rule 1006 are as follows:

| Rule 1006 | Bases | Relative Figures (%) |
|------------------|---|-------------------------------|
| (a) | The net asset value of the assets to be disposed of, compared with the Group's net asset value | Not applicable ⁽¹⁾ |
| (b) | The net profits attributable to the assets acquired or disposed of, compared with the Group's net profit ⁽²⁾ | 7.0% |

| | | |
|-----|--|-------------------------------|
| (c) | The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares in the share capital of the Company (excluding treasury shares) | 4.9% ⁽³⁾ |
| (d) | The aggregate number of consideration shares issued by the Company as consideration for the Proposed Transaction, compared with the number of equity securities previously in the issue | Not applicable |
| (e) | Aggregate volume of proved and probable reserves to be disposed of compared with the Group's proved and probable reserves | Not applicable ⁽⁴⁾ |

Notes:

- (1) This is not applicable as the Company is not disposing of any assets pursuant to the Proposed Transaction.
- (2) "Net profit" means profit before income tax, based on the Group's 2022 audited financial statements, of US\$ 11.335 million and profit before income tax, based on the Seller's unaudited financial statements prorated 70%, of US\$ \$0.788 million.
- (3) Based on 348,937,295 shares outstanding, US\$1 = S\$1.3340 and a closing share price of S\$0.44 on 28.4.2023.
- (4) Rule 1006(e) is not applicable as the Company is not a mineral, oil and gas company.

Since the relative figures computed on the applicable bases as set out in Rule 1006 exceed 5%, the Transaction will be classified as a "Disclosable Transaction."

6. FINANCIAL EFFECTS OF THE TRANSACTION

The unaudited pro forma financial effects of the Transaction on the Group as set out below are purely for illustrative purposes only, and they are neither indicative of, nor do they represent actual financial effects of the Transaction on the net tangible assets ("NTA") per Share or the earnings per Share ("EPS") of the Group, nor do they represent the actual future financial position or financial performance of the Group after Completion of the Transaction.

For illustrative purposes only, the unaudited pro forma financial effects set out below are based on the latest audited accounts of the Group for the financial year ended 31 December 2022, subject to the following bases and assumptions:

- (a) The computations are purely for illustrative purposes only and do not reflect the actual financial result and the financial position of the Company and/or the Group after the Transaction;
- (b) For the purposes of computing the effect of the NTA per Share of the Group, it is assumed that the Transaction was completed on 31 December 2022;
- (c) For the purposes of computing the effect of the Transaction on the EPS, it is assumed that the Transaction was completed on 1 January 2022; and
- (d) The transaction costs incurred for the Transaction are insignificant and ignored for computational purposes.

The pro forma financial effects set out in this Announcement are theoretical in nature and are therefore not necessarily reflective of the results of the Group or the related effects on its financial position that would have been attained had the Proposed Transaction taken place in accordance with the main assumptions set out herein.

6.1. Effect on the NTA per Share

Assuming that the Transaction would have been completed on 31 December 2022, the Group's NTA per share would have been US\$ 16.70 (versus a reported US\$ 18.64 per share, based on the Group's 2022 audited financial statements).

6.2. Effect on the EPS

Assuming that the Transaction had been completed on 1 January 2022, the Group's 2022 EPS would have been US cents 2.62 on a fully diluted basis (as compared to the reported fully diluted EPS of US cents 2.51, based on the Group's audited financial statements).

In addition, the Group believes that the Transaction will provide immediate financial synergies, including immediate cost savings related to marketing and manpower redundancies in the amount of US cents 0.15 per share per-annum and the potential further savings of up to US cents 0.10 per share related to office space redundancies.

6.3. Effect on Share Capital

The Proposed Transaction will not have any impact on the issued and paid-up share capital of the Company.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this Announcement, none of the Directors or Shareholders of the Company has any interest, direct or indirect, in the Transaction other than through their respective shareholding interests, direct or indirect, in the Company.

8. NO SERVICE CONTRACT

As at the date of this Announcement, no person is proposed to be appointed as a director of the Company in connection with the Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement will be made available for inspection during normal business hours at the Company's registered office 4 Haharash Street, Hod Hasharon, Israel for a period of three (3) months from the date of this Announcement.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement, and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about

the Transaction and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

11. FURTHER UPDATES

The Company will update the Shareholders if there are any material developments and will make the necessary announcements on SGXNet in compliance with the Listing Rules of the SGX-ST.

By Order of the Board

Amir Zolty
Company Secretary
9 May 2023

This announcement has not been examined or approved by 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.