

**THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF  
SINCERE WATCH LIMITED.**

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**1. INTRODUCTION**

The board of directors (the "**Board**") of Cortina Holdings Limited (the "**Company**" or "**Purchaser**", and together with its subsidiaries, collectively the "**Group**") wishes to announce that the Company has, on 16 November 2020, entered into a sale and purchase agreement (the "**SPA**") with Be Bright Limited (the "**Vendor**"), for the proposed acquisition by the Company of the total number of shares in the issued share capital of Sincere Watch Limited. (the "**Sale Shares**") (the acquisition, "**Proposed Acquisition**"). By way of the Proposed Acquisition, the Company will be acquiring Sincere Watch Limited. ("**Target**") together with its several subsidiaries and an associated company (collectively, the "**Target Group**" or "**Target Companies**").

The Proposed Acquisition constitutes a major transaction under Rule 1014 of the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") which requires approval of the shareholders of the Company ("**Shareholders**").

**2. INFORMATION ON THE VENDOR**

Vendor

The Vendor is a company limited by shares incorporated in the British Virgin Islands in 2005. The principal activity of the Vendor is that of investment holding. The Vendor has an issued and paid-up share capital of US\$1.00 comprising one (1) ordinary share as at the date of the SPA. The Vendor is wholly-owned by Mrs Chu Yuet Wah, who is a director of the Target.

**3. INFORMATION ON THE TARGET GROUP**

The Target is a company incorporated in Singapore in 1977 with an issued and paid-up share capital of S\$33,408,240.64 comprising 208,081,104 ordinary shares as at the date of the SPA. The Vendor is the legal and beneficial owner of the entire issued and paid-up share capital of the Target.

The Target Group comprises several subsidiaries and an associated company. The Target Group's principal activity is that of retailing and distributing luxury timepieces. At the date of the SPA, the Target Group operates 18 boutiques. The Target Group's portfolio includes A. Lange & Söhne, Audemars Piguet, Franck Muller, IWC, Jaeger-LeCoultre, Panerai, Omega, Vacheron Constantin and Tudor. The Target runs multi-brand retail under the Sincere brand in Singapore and Malaysia and under the Pendulum brand in Thailand. In addition, the Target also operates mono-brand boutiques for Franck Muller in Singapore and Australia; A. Lange & Söhne in Malaysia; and A. Lange & Söhne, Breitling and IWC in Thailand.

The net tangible asset (“**NTA**”) value of the Target Group as at 31 March 2020 was S\$85,937,368. The equity book value of the Target Group as at 31 March 2020 was S\$86,616,368.

#### 4. RATIONALE FOR THE PROPOSED ACQUISITION

The Board believes that the Proposed Acquisition would provide the Company exclusive distributorship rights to the Frank Muller Brand in 12 countries within Asia Pacific. The Proposed Acquisition will also give the Company access to the Target Group’s arsenal of brands that can be distributed across 40 combined outlets and create operational synergies that will increase the Group’s value to both consumers and business partners.

#### 5. SALIENT TERMS OF THE SPA

The terms of the Proposed Acquisition are set out in the SPA. A summary of the principal terms of the Proposed Acquisition is set out in this section.

(a) Consideration

The aggregate consideration payable for the Sale Shares shall be the cash sum of S\$84,500,000 (the “**Consideration**”). The Consideration, subject to the Completion Adjustments (as defined below), shall be payable by the Purchaser to the Vendor, in the following manner:

- (i) a deposit of S\$8,450,000 was paid upon signing of the SPA in accordance with the terms thereof, and shall be refundable in accordance with the SPA;
- (ii) the amount of S\$71,825,000 (the “**Completion Sum**”), subject to the Completion Adjustments (as defined below), less the Receivables (as defined below), and less any amount permitted to be deducted or set off pursuant to the SPA, plus any amount payable to the Vendor pursuant to the SPA, shall be paid upon completion of the Proposed Acquisition (“**Completion**”);
- (iii) the amount of S\$4,225,000, less the amount of S\$1,475,600 or a lower amount determined in accordance with the SPA (“**Balance Retained Sum**”), less any amount permitted to be deducted or set off or withheld pursuant to the SPA, and plus any amount payable to the Vendor pursuant to the SPA, shall be paid to the Vendor on or before the expiry of the period of six (6) months commencing on the date immediately after the Completion date; and
- (iv) the Balance Retained Sum shall be paid to the Vendor on or before the expiry of the period of twelve (12) months commencing on the date immediately after the Completion date in accordance with the terms of the SPA.

At Completion, the Purchaser shall make payment to the Vendor of the difference between the Completion Sum and the Property Receivable (as defined below) and the STWSB Receivable (as defined below) (collectively, the “**Receivables**”). The Receivables are in the amount of S\$3,862,702. Based on the amount of the Completion Sum of S\$71,825,000, and less the Receivables, the resultant amount would be S\$67,962,298, and as at Completion, the Purchaser shall pay or has paid an aggregate of S\$76,412,298, being S\$67,962,298 plus the deposit of S\$8,450,000. The Consideration less the amount of the Receivables is S\$80,637,298.

In respect of the Property Receivable, the Property (as defined below) is a property in Singapore which is used as part of the office of those of the Target Companies which are incorporated in Singapore. In respect of the STWSB Receivable (as defined below), the property in Kuala Lumpur is used as the office of Sincere Watch Sdn Bhd.

The Consideration was based on the Target Group's NTA as at 30 June 2020. The Consideration represents a discount of approximately 0.2% from the Target Group's NTA as at 30 June 2020. The Company intends to satisfy the Consideration through internal resources and bank borrowings, in the proportion of approximately 60% through bank borrowings and the remainder through internal resources.

(b) Completion Adjustments

The Consideration shall be subject to completion adjustments ("**Completion Adjustments**"), being deductions for the total shortfall ("**Total Shortfall**"), as determined based on (i) the Inventory Shortfall (as defined below) determined pursuant to the Joint Stock-Taking and Reconciliation Exercise (as defined below), (ii) the difference between the Agreed Net Asset Value and the Final Net Asset Value and (iii) the Inventory Shortfall shall be deducted from either the Completion Sum or the Retained Sum in accordance with the SPA, but provided that the deductions for the Total Shortfall shall be not more than S\$2,000,000. As such, the amount of the Consideration after the Completion Adjustments shall not be lower than S\$82,500,000.

For the purposes of this paragraph 5(b):

"**Agreed Net Asset Value**" means the amount of net asset value of the Target Group as set out in and calculated in accordance with the relevant schedule of the SPA, and which was determined based on the unaudited *pro forma* consolidated statement of financial position of the Target Companies as at 30 June 2020; and

"**Final Net Asset Value**" means the amount of net asset value of the Target Group as at 31 October 2020 determined with reference to and by the completion accounts.

(c) Preparation of Completion Accounts

The Vendor agrees to provide for the purposes of the preparation of the completion accounts the unaudited *pro forma* consolidated statement of financial position of the Target Group as at 31 October 2020 prepared by the Vendor and the working papers supporting this. The parties hereby agree that the completion accounts shall be prepared in the format set out in the SPA.

(d) Joint Stock-Taking and Reconciliation Exercise

The parties agree to carry out a stock-taking and reconciliation exercise to be conducted by the Purchaser and its respective professional advisors and consultants and the Vendor in respect of the inventory ("**Joint Stock-Taking and Reconciliation Exercise**"), comprising:

- (a) a physical stock-taking exercise to be conducted in respect of the inventory located at all retail outlets and/or other premises used or occupied by the Target Companies where inventory is stored; and
- (b) a reconciliation of inventory and goods, which are located or stored at locations other than those referred to in sub-paragraph (a), based on records and documentation maintained by the Target Companies, against written confirmation(s) obtained from the relevant third party(ies) in whose possession the inventory or goods are in, confirming that such inventory or goods are in the possession of the relevant third party(ies).

The parties shall seek to determine the shortfall of inventory, which shall mean:

- (1) in respect of the physical stock-taking exercise, the absolute numerical value attributed to the inventory which is determined by the parties to be irreparable or fake or missing, and
- (2) in respect of the reconciliation of inventory and goods which are not in the possession of the Target Companies, the absolute numerical value of such inventory and goods for which there is no written confirmation(s) received by the Target Companies from the relevant third party(ies) that the Inventory or goods are in their possession.

(collectively, the "**Inventory Shortfall**").

The parties agree that the aggregate amount of the Inventory Shortfall shall be adjusted from the Consideration in the event that the relevant company(ies) of the Target Group receive (a) any proceeds from the insurance claims for the Inventory Shortfall or (b) a confirmation from a supplier of the amount repayable by the relevant Target Company for the relevant shortfall.

(e) Conditions Precedent under the SPA

Pursuant to the terms of the SPA, Completion is conditional on, *inter alia*, the following matters being satisfied or waived in accordance with the SPA (the "**Conditions**"):

- (i) the completion of the Joint Stock-Taking and Reconciliation Exercise;
- (ii) the approval of the shareholders of the Purchaser for the sale and purchase of the Sale Shares;
- (iii) the receipt of written consents and approvals from certain brand owners and landlords for the Vendor to undertake the acquisition of the Sale Shares;
- (iv) the following having taken place:-
  - (A) the Target having completed the disposal of its entire legal and beneficial interests in Sincere Watch (Hong Kong) Limited ("**SWHK**") to the Vendor, at a purchase price equivalent to the net book value of SWHK and on such other terms to be satisfactory to the parties;
  - (B) the Target having executed a binding agreement for the disposal of a property in Singapore ("**Property**") to the Vendor or an affiliate of the

Vendor, at a purchase price equivalent to the net book value of the Property ("**Property Receivable**"), with completion of such disposal taking place simultaneously with Completion and on such other terms to be satisfactory to the parties; and

- (C) Suntime Watch Pte. Ltd. ("**STWPL**") having executed a binding agreement for the disposal of its entire legal and beneficial interests in Suntime Watch Sdn Bhd ("**STWSB**") to the Vendor or an affiliate of the Vendor, at a purchase price equivalent to the net asset value of STWSB ("**STWSB Receivable**"), with completion of such disposal taking place simultaneously with Completion and on such other terms to be satisfactory to the parties.
- (v) the difference between the Total Shortfall and the amount of S\$2,000,000, is not more than S\$2,000,000;
- (vi) the entry of the following lease agreements on the following terms, and in a form and on such other terms to be reasonably agreed between the Vendor and the Purchaser:-
  - (A) a lease agreement between the Vendor or an affiliate of the Vendor and the Target effective on the Completion date in relation to the lease of the Property at an agreed monthly rent for a term of six (6) months commencing on the day immediately after the Completion date with an option for the Target to extend the term for a further six (6) months at an agreed monthly rent Provided That the option to extend is notified to the Vendor in writing no later than the date falling four (4) months after the Completion date; and
  - (B) a lease agreement between STWSB and Sincere Watch Sdn Bhd effective on the Completion date in relation to the lease of the premises located at a property in Kuala Lumpur at an agreed monthly rent for a term of six (6) months commencing on the day immediately after the Completion date with an option for Sincere Watch Sdn Bhd to extend the term for a further six (6) months at an agreed monthly rent Provided That the option to extend is notified to the Vendor in writing no later than the date falling four (4) months after the Completion date.
- (f) Third Party Acknowledgements / Consents

The Vendor agrees to (i) give notice to and use its reasonable efforts to seek the written consents and approvals from certain Brand Owners and landlords for the Vendor to undertake the Proposed Acquisition (where the agreements with such parties contain change of control provisions), and the Vendor shall use its reasonable efforts to obtain from the Brand Owners and landlords a consent and (ii) further agrees to give notice to certain landlords (where the agreements with such parties do not contain change of control provisions) that the Vendor will be undertaking the Proposed Acquisition and that there will be a change in the ultimate shareholder or shareholder (as the case may be) of the relevant Target Companies and the Vendor shall use its reasonable efforts to obtain from the landlords an acknowledgement of the same.

For the purposes of this paragraph 5(f):

“**Brand Owners**” means the brand owners and suppliers which the Target Companies have entered into agreements or conducted or conduct business with.

(g) Warranty and Indemnity Insurance Policy

The Purchaser shall obtain a warranty and indemnity insurance policy (“**W&I Insurance Policy**”) providing insurance coverage to the Purchaser in respect of claims against the Vendor for breaches of the warranties and representations given by the Vendor as set out in the SPA (“**Purchaser’s Claims – Warranties**”). The sole and exclusive remedy and recourse of the Purchaser in respect of any Purchaser’s Claims – Warranties shall be under the W&I Insurance Policy and the Purchaser acknowledges and agrees that the Vendor shall have no liability for breaches of the warranties and representations given by the Vendor set out in the SPA, save in relation to fraud by the Vendor.

**6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL**

(a) General

Under Chapter 10 of the Listing Manual, a transaction will be classified as a “major transaction” if any of the relative figures calculated on the bases set out in Rule 1006 of the Listing Manual exceeds 20% and if so, must be made conditional upon approval by Shareholders in general meeting.

(b) Relative Figures under Rule 1006 of the Listing Manual

The relative figures computed on the applicable bases set out in Rule 1006 of the Listing Manual in relation to the Proposed Acquisition and based on the unaudited consolidated financial statements of the Group for the financial year ended 31 March 2020 (“**FY2020**”) are set out below.

Rule 1006(a) – the net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable as this transaction does not comprise a disposal.
Rule 1006(b) – the net profits attributable to the assets to be acquired compared with Group’s net profits	-16.3 <sup>(1)</sup> %
Rule 1006(c) – the aggregate value of the consideration given, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	25.0 <sup>(2)</sup> %
Rule 1006(d) – the number of equity securities issued by the Company as consideration for	Not applicable as no equity securities will be issued as consideration for the Proposed Acquisition.

an acquisition, compared with the number of equity securities previously in issue	
Rule 1006(e) – the aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable as the Company is not a mineral, oil and gas company.

Notes:

- (1) Computed based on the Target Company's net loss for FY2020 of S\$6,383,000 and the Group's net profit attributable to the owners of the parent, net of tax for FY2020, of S\$39,297,000.
- (2) Computed based on the Consideration of S\$84,500,000, and the market capitalization of the Company determined based on the total number of issued shares of the Company of 165,578,415 shares and the weighted average price of such shares transacted on 11 November 2020 of S\$2.04 per share. As there was no trading activity on 13 November 2020 and 12 November 2020, the latest market day preceding the date of the sale and purchase agreement would be 11 November 2020. If computed based on the Consideration less the Receivables, the relative figure is 23.8%.
- (c) Major Transaction

As the relative figure computed on the basis set out in Rule 1006(c) above exceeds 20% as at the date of this Announcement, the Proposed Acquisition constitutes a "major transaction" as defined in Chapter 10 of the Listing Manual and is accordingly subject to approval by Shareholders at an extraordinary general meeting ("EGM") of the Company to be convened.

## 7. FINANCIAL EFFECTS

The financial effects of the Proposed Acquisition on the Group set out below are purely for illustrative purposes only and do not reflect the actual future financial performance of the Group after the completion of the Proposed Acquisition.

The *proforma* financial effects have been prepared based on the audited consolidated financial statements of the Group for FY2020, being the end of the most recently completed financial year, and on the following key assumptions:

- (i) The effect on the NTA per share of the Group is based on the assumption that the Proposed Acquisition had been effected at the end of FY2020; and
- (ii) The effect on the EPS (as defined below) of the Group is based on the assumption that the Proposed Acquisition had been effected at the beginning of FY2020.
- (a) NTA per Share – FY2020

The effects of the Proposed Acquisition on the audited consolidated NTA per share of the Group as at 31 March 2020, assuming that the Proposed Acquisition had been effected on 31 March 2020, are summarised below:

<b>For FY20</b>	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
Consolidated NTA (SGD'000)	231,770	233,207
Number of Shares ('000)	165,578	165,578
Consolidated NTA per Share (SGD)	1.3998	1.4084

(b) Earnings per Share ("EPS") – FY2020

The effects of the Proposed Acquisition on the audited consolidated EPS of the Group for FY2020, assuming that the Proposed Acquisition had been effected at the beginning of the financial year, are summarised below:

<b>For FY2020</b>	<b>Before Proposed Acquisition</b>	<b>After Proposed Acquisition</b>
Group profit after tax (SGD'000)	39,297	32,914
Weighted average number of Shares ('000)	165,578	165,578
EPS (SGD cents)	23.73	19.88

**8. VOTING UNDERTAKINGS**

The Company has received an irrevocable undertaking(s) from shareholders representing more than 50% of the voting rights of the Company, to vote in favour of the Proposed Acquisition at an EGM of the Company to be convened to approve the Proposed Acquisition.

**9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS IN THE PROPOSED ACQUISITION**

To the reasonable knowledge of the Directors, save for their shareholding interests in the Company, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

**10. SERVICE CONTRACTS**

No new directors are proposed to be appointed to the Board in connection with the Proposed Acquisition. As such, no service contracts are proposed to be entered into by the Company with any new director in connection with the transaction.



## 11. FURTHER INFORMATION

(a) Documents for inspection

A copy of the SPA is available for inspection during normal business hours at the registered office of the Company at 391B Orchard Road, #18-01, Ngee Ann City, Singapore 238874 for a period of three (3) months from the date of this Announcement.

(b) Circular

A circular setting out, *inter alia*, the details of the Proposed Acquisition and such other information as prescribed under Chapter 10 of the Listing Manual, together with a notice of the EGM to be convened, will be despatched by the Company to its Shareholders in due course. The Proposed Acquisition is conditional, *inter alia*, on the Company obtaining approval of its Shareholders at the EGM to be convened.

## 12. CAUTION IN TRADING

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. When in doubt, Shareholders and potential investors are advised to seek independent advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

### BY ORDER OF THE BOARD

Lim Jit Ming, Raymond  
Deputy Chairman and Deputy CEO

16 November 2020