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Please see attached the Annual Report of Sarine Technologies Ltd. for the year ended on 31 December 2022.

Additional Details

Period Ended

31/12/2022

Attachments

Sarine AR 2022 full set - for SGX upload.pdf

Total size =4970K MB

SARINE ANNUAL REPORT 2022

SARINE THE DIAMOND INDUSTRY, REIMAGINED™

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CAUTIONARY STATEMENT

This Annual Report may contain "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and typically contain words such as "anticipate", "believe", "expect", "foresee", "hope", "intend", "may", "might", "plan", "seek", "target", "will" or "would". Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as expected revenues, margins, expenses and profits; cash flows, return on capital, capital expenditures, capital allocation or capital structure and dividends. Actual results may differ materially. Particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: changes in law, regulations and regulatory requirements; global economic and financial conditions, including interest and exchange rate volatility, commodity and equity prices and the value of financial assets; diamond industry conditions including rough and polished diamond prices and conditions in the financial and credit markets for the industry in which we operate; the impact of potential information technology or data security breaches and our exposure to counterparties; the impact of investigative and legal proceedings and legal compliance risks; the adequacy of our cash flows and earnings and other conditions which may affect our ability to pay dividends at the planned level or to repurchase shares at planned levels; our capital allocation plans, as such plans may change including with respect to the timing and size of share repurchases, acquisitions, joint ventures, dispositions and other strategic actions; our success in integrating acquired businesses and operating joint ventures; our ability to realise anticipated earnings and savings from announced transactions, acquired businesses and joint ventures; global pandemics, and other factors that are described in "Risk Factors" in this Annual Report for the year ended December 31, 2022. These or other uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements in accordance with actual developments.

CORPORATE PROFILE

Sarine Technologies Ltd. develops, manufactures, markets and sells precision technology products for the processing, grading and trade of diamonds, utilised throughout the diamond industry value chain. Following is a brief profile of our offerings. For a comprehensive description of our products and services, please refer to the Business Review section of this Annual Report.

Rough Stone Evaluation and Source Registration (the "Upstream")

We assist diamond mining companies, also termed "producers", to evaluate and track their inventory of rough stones. Our DiaExpert® family of platforms accurately model a rough diamond's external geometry. The revolutionary Galaxy® family of internal inclusion mapping systems for rough diamonds, based on patented technology, provides high resolution (optionally at microscopic-level), fully automated, fast and comprehensive identification and mapping of a rough stone's internal features – inclusions, cracks, etc. As announced in early 2022, Sarine offers producers the unique capability of utilising these two systems and applying sophisticated software algorithms, which can discern the optimal polished diamonds derivable from the rough stone. These virtual polished stones are then priced in accordance with current price lists, generating the rough stone's realistic potential value in actual dollar terms. Thus, we provide the producer a means to fully assess the intrinsic value of its rough material. The producer can then choose what level of the available comprehensive information pertaining to the stones to provide to prospective customers. Disclosing this information reduces the buyer's risk associated with acquiring rough stones lacking full knowledge of their characteristics, and thus empowers bidders to offer a higher premium for the tendered goods. This directly yields increased profitability for the producer. In addition, the provision of such data in a digital form enables producers to reach a broader scope of potential buyers, without necessitating travel and other expenses. Various producers, as well as leading wholesalers of rough diamonds, which serve as marketing channels for smaller mines as well as conduits of rough stones in the secondary market, such as Bonas in Antwerp, Belgium, and Choron, Gem Auctions, Koin and Star Gems in Dubai, have adopted these technologies to facilitate and empower digital tenders. Additional producers and wholesalers continue to evaluate this paradigm, also due to its seamless integration with the inventory control and traceability solutions discussed in the following paragraph.

In 2022 we also launched a new system – the Sarine AutoScan™. It assists producers and manufacturers alike in the control and analysis of the overall produced/processed rough stones inventory. No less importantly, in today's value chain where the demonstration of sustainable operations is essential, the AutoScan™ provides a high-speed initial data collection point for the rough diamond's source registration for our Sarine Diamond Journey™ traceability paradigm, described in detail in subsequent sections. Capable of scanning rough diamonds of half a carat and up in under 6 seconds per stone, the Sarine AutoScan™ is now in commercial use at our service centre in India, serving as the initial data entry point for our expanding number of retail customers' traceability programmes. It will soon also be installed in Belgium, to enable Bonas to register their various mining customers' inventory's source data into the Sarine Diamond Journey™ traceability database. We expect producers will ultimately acquire the Sarine AutoScan™ system to scan diamonds at the actual mining site, to both address the growing demand by consumers for documentation of a diamond's sourcing, as well as the miner's internal need for tighter inventory control. Today, as the rough output from mines is initially registered only at the producer's central sorting facility, which may be days later following multiple shipping and handling stations, inventory loss is often significant.

Rough Diamond Polishing (the "Midstream")

Our products and services provide industry-leading automated solutions for every stage of the rough diamond polishing process:

- High-precision geometrical modelling and internal inclusion and tension mapping of the rough stone;
- Optimal planning of the cutting and polishing solution so as to derive the best possible polished gems, based on their true dollar value and market trends, or as per criteria specified by the user;
- Efficient laser cutting and shaping with minimal risk and loss of material; and
- Real-time quality control of the actual making and faceting of the polished jewel, so as to minimise and timely correct human errors.

Our aforementioned DiaExpert® family of platforms and the copyrighted Advisor® software are the de-facto worldwide standard for planning the optimal utilisation of rough diamonds, in order to produce polished gems with the highest possible values based on optimisation of the four "C" parameters (Carat, Clarity, Color and Cut) and light performance parameters.

The patented Galaxy® family of internal inclusion mapping systems for rough diamonds facilitates the optimisation of the Clarity grade of the polished diamonds, which could only be roughly estimated prior to this technology's introduction in 2010. To allow the industry to fully benefit from this cutting edge technology, various models (see the Business Review section) offer inclusion mapping of rough stones across the entire spectrum of sizes – from below 10 points (0.10 carats) to over 200 carats. To further support affordability and flexibility, we offer per-use inclusion scanning services at wholly-owned or affiliated service centres in all the major diamond polishing and trading centres – Mumbai and Surat (India), Antwerp (Belgium), Dubai, Gaborone (Botswana), Guangzhou (China), Johannesburg (South Africa), Moscow, New York, Ramat-Gan (Israel) and Windhoek (Namibia). As of 2019, our Galaxy® systems can be upgraded with an add-on hardware kit, which enables the mapping of the internal tension (stress) of the rough stone's crystal structure, reducing the risk of damage or breakage during the cutting and polishing stages.

Our third-generation Quazer® 3 green-laser system, integrated with our planning systems by way of the Strategist® setup station, is the industry's most cost-effective high-end solution for the laser cutting and shaping of rough stones, as well as for the initial cutting ("dicing") of CVD-type Lab-Grown (so called "synthetic") Diamonds ("LGD"). The Quazer® 3's main advantage is its ability to perform complicated non-linear cutting, like pie sawing, with a single setup, providing more accurate results and saving significant time. We also offer rough diamond cutting and shaping services on a per-use basis at our service centres in India.

The Instructor® software assists in the real-time quality control and optimisation of the actual diamond faceting process. It specifies remedial polishing solutions, when deviations from the original planned optimal polishing solution are discerned. By re-analysing the semi-polished stone the Instructor® identifies the corrective actions necessary to re-optimise the polishing process, including application of unique asymmetrical methods, if necessary. Here too, as in planning, conventional 4Cs optimisation can be enhanced by light performance optimisation for ultimate polishing results, if so specified.

The combination of these technologies has redefined the art of diamond polishing into a science. It has raised the optimally achievable yield of the polished stones combined weights from historically around 37.5% of the rough stone's original weight to often over 50%, a benefit nearing 33%. But no less important, it allows the manufacturer to select planning options which best suit actual demand at any given time for any specific geographic market – e.g., trading off between the polished diamond's weight, typically a key criterion in US markets, and its quality, more emphasised in Asia Pacific (APAC) markets. It also facilitates meeting any individual manufacturer's internal criteria, or their end-customer retailer's needs for polished stones sought for setting in specific lines of jewellery, so called "programmes". These technologies are equally effective on natural and lab-grown diamonds (LGD).

Polished Diamond Grading and Trade (the "Downstream")

Grading

Sarine pioneered the technology-derived automated grading of a polished diamond in 1992 with the introduction of the DiaMension® system for the grading of its Cut grade. The current generation DiaMension® HD (High Definition) and the complementing Instructor® software are today the industry's de-facto standard for measuring a polished diamond's proportions and assessing its Cut grade worldwide. The latest derivative, the DiaMension® Axiom 3, based on revolutionary technology with micron level accuracy, was specifically developed to meet (it actually exceeds) Tiffany & Company's ("Tiffany") most stringent requirements for extra-fine diamond quality assessment including Symmetry grading.

We introduced the industry's most accurate technological system for measuring a polished diamond's actual light dispersion ("light performance") in 2013 – the Sarine Light™. The Sarine Light™ has today become the most widely used system for light performance analysis and grading in the Asia Pacific (APAC) market – in Japan it has all but become the fifth "C". We offer light performance grading services independently or as a key element in the Sarine Profile™, detailed below. The Sarine Light™ enables the automatic, accurate, consistent and quantified measurement of a polished diamond's light performance, in order to provide additional criteria by which to appreciate the diamond's quality:

- Brilliance – the intense bright light that shines from the diamond.
- Sparkle – the dramatic flashes that burst out of the diamond.
- Fire – the vivid colours of the rainbow that radiate from within the diamond.
- Light symmetry – the equal distribution of the light that reflects from the diamond.

In 2017 we announced the world's first automated method to derive a polished diamond's Clarity grade, as well as a system for automatically discerning its Color grade, based on two additional cutting-edge platforms, the Sarine Clarity™ and the Sarine Color™, powered by sophisticated artificial intelligence ("AI") based algorithms. The ability to provide technologically-derived automated grading of a polished stone's Clarity is an industry first. Clarity grading is a very complex multi-dimensional classification. It is dictated by the number of inclusions identified in the stone under 10-times magnification, their sizes, types and locations, along with other parameters. Clarity grading has always been a subjective and manual labour-intensive process. Typically two graders manually grade each stone, and it is not unusual for a third expert opinion to be required, if the initial two do not agree. Even so, manual Clarity grading is not consistent. It is not uncommon to have significant disparities between diverse parties' opinions on the prescribed grade, often resulting in it being contested. Our analyses have shown that a statistically significant reference team of proficiently trained graders will often assess a stone's Clarity with variances spread over two or even three different grades. The utilisation of technology enables more accurate, objective and consistent grading, which, as the AI-based algorithms are self-learning, continuously improves over time. We are already providing numerous customers with our automated grading, including luxury brands (e.g., Boucheron, as announced in early 2022), and are working with others to adapt our grading to their specific guidelines and criteria. We have also entered into a joint initiative with China's largest and most important gemmological laboratory, the National Gemstone Testing Center (NGTC), in order to develop automated grading standards for a polished diamond's 4Cs and its light performance (the latter already released in 2022) for the Chinese trade.

In 2020 we announced the next revolution of polished diamond grading – e-Grading™. Currently in commercial rollout in India, our above-mentioned hardware platforms and AI-based software, enhanced by unique in-process inter-system control and verification software, allow on-site grading, replacing the need to send stones offsite to third-party gemmological laboratories. This provides a midstream polisher a number of key benefits:

- Significantly less direct costs, as the grading is executed by less-skilled personnel operating equipment, rather than by highly-skilled gemmologists;
- Virtually no indirect costs – no shipping, insurance, etc.;
- A substantially shorter process – minutes to hours vs. days to weeks; and
- Operational flexibility – a manufacturer can independently prioritise his stones' grading sequence and schedule, as necessary to meet delivery deadlines, etc.

e-Grading™ will also facilitate the significant expansion of the New York based gemological laboratory, the Gem Certification and Assurance Lab, GCAL, with which we are partnering and in which we intend to take a majority stake, as announced. To guarantee its impeccable record of consistent quality work, GCAL has always operated out of a single location in New York. However, by implementing Sarine's unique AI-derived cloud-based automated e-Grading, GCAL will be able to expand its services globally to diamond centres in India, Botswana and Dubai. It will also allow GCAL to significantly develop its services to U.S. retailers and wholesalers, without compromising its renowned stringent levels of quality and consistency and without incurring the additional costs of training and retaining numerous highly qualified gemmologists and accommodating them with expensive work space in the centre of New York City.

e-Grading™ is also uniquely suitable to LGD grading, as its lower cost allows its commercially efficient application to the lower-valued LGD, and what is more natural than grading a stone created by technology using technology!

Ultimately, we intend to facilitate the automated on-site fine-sorting of key parameters of a polished diamond in accordance with industry-accepted criteria e.g., "eye-clean", "no black inclusions", "no inclusions under the table", "no milkiness", issues of tinge, etc., so as to facilitate more accurate matching to the retail customer's needs, reducing rejects and bolstering profitability.

Retail Trade

We provide technologically advanced standard-setting solutions for key aspects of the polished diamond retail trade, whether natural stones or LGD. In today's evolving retail world, channel and product branding and differentiation, as well as providing a captivating digital experience on an online portal, are key to a retailer's success. In the 2022 holiday season online sales grew by just over 3.5%. This continued expansion followed on significant growth by over 25% in 2021 and phenomenal growth of almost 50% in 2020, primarily as a solution to Covid-19 related impediments to traditional retail sales. The ability to create a unique story online showcasing your polished diamond and demonstrating its unique features, distinguishing it from near-commoditised standard cuts and stones, are becoming universal goals amongst high end luxury brands, as well as other retailers and e-tailers alike. Non-intuitive data, as formulated in the historic 4Cs, are no longer sufficient for the younger generation of internet and social media savvy buyers.

CORPORATE PROFILE

Our pioneering Sarine Profile™ addresses the retailers' needs for a compelling online presence, by providing a suite of tools supporting the presentation of engaging imagery and video information pertaining to the offered diamond's appearance, beauty and quality. The Sarine Profile™ allows the wholesaler and retailer to display their inventory according to their own specific branding goals, as best suited to the merchandise being sold and the market in which it is sold. Each user, whether wholesaler or retailer, online or brick and mortar by nature, can create its unique branding message by utilising our various tools:

- Imaging, video or still, as provided by the Sarine Loupe™, at various levels of 3 to 40 times magnification and from various simulated distances and perspectives;
- Light performance video analyses and grading, as provided by the Sarine Light™;
- Other graphic information such as:
    - Hearts and Arrows depictions;
    - Cut proportions in 2D or 3D;
    - Laser inscription viewing; and more.

The Sarine Profile™, of course, also presents the stone's 4Cs and its provenance information, textually and graphically, as generated by our Sarine Diamond Journey™ (see below). More uniquely, the Sarine Profile™ can integrate into all the above the retailer's promotional branding material and even the end-consumer's personalisation message (e.g., proposal) to the ultimate recipient of the jewellery.

The Sarine Profile™ is distinctive in that it caters to the new generation of buyers' engrossment with their mobile devices and their passion for social media, allowing retailers to connect with them and engage them on their media of choice. Doing so enables online transactions with a completely new level of confidence. But it also enhances the in-store buying experience by empowering the consumer to make a truly informed decision.

In today's fastidious, even "activist", marketplace, responsible and sustainable sourcing and manufacturing are also key to a brand's success. The Sarine Diamond Journey™ addresses this need by uniquely providing concrete verifiable documentation of the rough diamond's provenance and its audited journey from rough stone to polished jewel. Critical to its unique proposition as the only provenance solution in the industry based on factual data (and not declaratory by nature), is Sarine's access to the actual data generated during the entire polishing process, enabled by Sarine's uniquely extensive presence in the diamond industry's midstream, wherein the transition from rough stone to polished diamond occurs. In 2022, 35 million rough diamonds were scanned for inclusion mapping using our Galaxy® -family systems (up from 33 million in 2021, notwithstanding the overall reduction in the number of rough diamonds entering the value chain pipeline as a result of Ukraine-related U.S. sanctions on the primary Russian producer, Alrosa). Over 70 million rough diamonds were planned using our online Advisor® cloud-based software (including our older versions of the Advisor® software, which are not online, we estimate over 100 million stones in total were planned on our systems in 2022). These systems can record the actual planning stages for the Sarine Diamond Journey™, thus exclusively providing a comprehensive actual testimonial of the polished stone's derivation, with no need to rely on declaratory information provided by the involved parties.

The rough stone's mined source data is, preferably, provided by the producer, either directly or by its wholesale channel of distribution, using our scanning technologies, e.g., the Sarine AutoScan™. If not, the necessary data pertaining to the rough diamond's weight, form, inclusions, etc., are derived upon receipt at the polishing facility by our scanning technologies integrally utilised for the planning process, and its mined source is manually verified from official data (e.g., customs manifests, Kimberly Process documentation, etc.). Already today various mines collaborate with us directly, or indirectly via their distribution channels, to provide mine/source information for various categories and sizes of their rough stones.

The Sarine Diamond Journey™ verifies for the consumer where their diamond was mined and how and by who it was polished, reinforcing their confidence in the sustainable sourcing of their unique jewel. Beyond that, the Sarine Diamond Journey™ also offers consumers insight into the sophisticated technology and painstaking craftsmanship that went into creating their unique gem in an engaging visual format. The Sarine Diamond Journey™ was adopted in 2022 by leading brands – the Maison Boucheron and the Aura blockchain consortium, a not-for-profit organisation aimed at providing tools to enhance transparency and trust in the luxury industry, for a greater good, comprised of LVMH, Cartier, Prada and OTB. Other high-end luxury brands are also evaluating our solution, including executing actual pilot projects. We expect additional adoptions during 2023.

Upon the polishing process's completion, proprietary technology for "fingerprinting" the polished stone, TruMatch™, can also be engraved on the stone without denigrating from its beauty or value. TruMatch™ can subsequently be used to singularly verify the identity of the polished stone in the retail outlet, whether it is loose or mounted in a setting, and link it to its Sarine Diamond Journey™ record, so as to further bolster the consumer's confidence in his/her stone's provenance. This so-called digital twin, for the authentication of the purchased item, is readily retrievable, and can also be utilised by retailers offering extended warranties, providing cleaning and repair services or proposing "buy-up" exchanges, as well as by financial institutions or insurers in need of reliable unequivocal identification of the item.

Finally, an additional technology we offer for the retail environment is the 3D-Origin™. It is a true-to-form 3D-printed model of the rough diamond, from which the specific polished diamond was fashioned. Typically, it is offered to the consumer provided boxed together with his/her polished gem, creating a unique fascinating conversation piece.

OUR MILESTONES

2022

French High Jewellery Maison Boucheron, owned by the Kering Group (KER.PA), launches a bridal jewellery line, Etoile de Paris, for which it issues Boucheron-branded "powered by Sarine" diamond reports based on Sarine-generated data including Sarine Diamond Journey™ traceability and our AI-derived 4Cs grading.

Advisor® 8.0, the most advanced ever version of our industry-leading Advisor® rough diamond planning software, is launched. Having witnessed a significant trend of applying ever more technology to smaller sized rough diamonds, Advisor® 8.0 is specifically tailored to benefit this very significant segment of the value chain, wherein an estimated 900 million stones are polished annually. Advisor® 8.0 also incorporates more than twenty new features along with the refinement of existing processes, for the beneficiation of all our midstream customers, focused on generating more value, by extracting more polished yield from a given rough stone, and increased productivity (shorter run cycles, augmented automation, offline and overnight autonomous operation and even automatic recovery from system failures).

Sarine and Synova (https://www.synova.ch) execute a Memorandum of Understanding to cooperate on the integration of Sarine's Advisor® rough diamond planning software with Synova's DaVinci high-end total solution diamond sawing, shaping and faceting system.

Sarine introduces a unique rough diamond appraisal and valuation report for trade (online and physical), financing and insurance purposes. The appraisal report is based on the comprehensive analysis of the rough stone's characteristics uniquely augmented by the analysis of possible optimal polishing solutions, with the predicted polished diamonds then priced as per current pricelists to provide a realistically indicative market value.

The Bonas Group, the largest independent global diamond and gemstone tender and auction house, representing direct-from-mine rough productions from twelve mines (Blue Rock Diamonds, Braúna, IMDH, KAO, Lucapa Diamond Company, Lucara Diamond, Mountain Province Diamonds and Stornoway Diamonds) sourced from multiple geographies (Botswana, Brazil, Canada, Lesotho, Namibia and South Africa) adopts the Sarine Diamond Journey™ traceability program to market stones with a guaranteed registered geographical origin.

The Aura Blockchain Consortium, founded by LVMH, the Prada Group, Cartier (a subsidiary of the Richemont Group) and the OTB Group, chooses Sarine's Diamond Journey™ traceability solution as its preferred provenance standard for polished diamonds. Aura, a not-for-profit organisation with the vision that collaboration in providing tools to enhance transparency and trust, driven by common objectives for a greater good, can coexist within a competitive environment, states that Sarine's Diamond Journey™ is the best-in-class solution for traceability from the sourcing of the rough material through to the finished polished diamond, and that it is a one-of-a-kind technological solution with significant added value to both luxury brands and their customers in the luxury sector.

Sarine unveils a Pay Per Value (PPV) option for its Galaxy® family of scanning and inclusion mapping systems. The PPV feature, derived from artificial intelligence (AI) technology, classifies the scanned rough diamond's value range, based on its weight and discerned internal features, and automatically discounts the service pricing to adjust for the stone's realistic value. This empowers the cost effective scanning of lower quality stones, which would otherwise not be scanned, significantly broadening the addressable market for our Galaxy® services.

Sarine announces the commercial rollout of its AI-based e-Grading™ to the midstream manufacturing segment of the diamond supply chain, enabling objective, accurate and consistent automated grading directly on-site, concurrent with the completion of the polishing process. The e-Grading™ paradigm offers polishers significant tangible benefits, including lower direct costs, virtually no indirect costs, substantially shorter process times and operational flexibility – a manufacturer can independently prioritise grading sequence and schedule, as necessary to meet delivery deadlines, etc. Along with its e-Grading™ rollout, Sarine also introduces its second-generation of AI-empowered grading technologies – the Sarine Clarity-II™ (with grading across the entire spectrum of grades, from I to VVS) and an updated version of Sarine Color™, for even more accurate and consistent grading.

The Meteorite™ Plus system is launched, embodying a completely innovative solution to the need to enable cost-effective scanning for the optimised planning of very small rough diamonds. The value proposition of the Meteorite™ Plus is derived by significantly reducing the total cost of ownership (TCO), achieved by two substantial breakthroughs – 50% higher productivity and the implementation of enhanced automation, so that a single operator can control up to five systems simultaneously. The realised reduction in the system's TCO is also a significant development in further curtailing IP piracy in India. When integrated with our Advisor® 8 planning software, our combined solution's value proposition transforms our customers' profitability calculations, lessening the illegitimate competition's appeal.

An Indian court rules that five manufacturers in Surat are guilty of copyright infringement and the illegal use of pirated Advisor® rough planning software. Due to the severity of the issue and the clear-cut evidence presented to the court, it issues a quick and final judgement against the infringers, ordering the immediate removal of the illicit software from the infringing parties' computers. The court decision's wording makes clear to the industry that the use of unlicensed or pirated versions of Advisor® software is illegal and will not be tolerated.

2021

Stargems of Dubai, a leading tender house for rough diamonds in the secondary market, adopts our technological paradigm for digital tenders. Following their lead, additional Dubai-based tender houses also adopt our digital tenders, including Choron, Gem Auctions, Koin and others.

HB Antwerp, a company based in Belgium focused on technology-driven sourcing, analysis, cutting and polishing of diamonds for luxury brands and discerning private customers, and Sarine enter into a partnership agreement. Sarine provides its industry-leading Galaxy® scanning, Advisor® planning, AI-grading and Sarine Diamond Journey™ traceability solutions, against which HB Antwerp remunerates Sarine based on a percentage of the value of the produced polished diamonds.

OUR MILESTONES

Sarine and the Constell Group, a service provider to the diamond industry with operations in India and Southern Africa employing over 4,000 and offering the midstream a broad range of services focused on the sorting and polishing of rough diamonds, announce a strategic collaboration agreement. The collaboration focuses on providing Sarine's leading technological solutions to the rapidly growing segment of lab-grown diamonds (LGD). The business model remunerates Sarine based on the number of diamonds processed by Constell, regardless of the specific technologies applied in the processing.

Grib Diamonds, a Belgian entity with mining operations in Russia, which already sells their rough diamonds utilising Sarine's digital tender technologies, joins the Sarine Diamond Journey™ traceability programme.

Sarine commences its dual listing trading on the Tel-Aviv Stock Exchange (TASE) on 5 July 2021 under the symbol SARN.TA.

In a legal first, the court in Surat India issues an injunction against diamond manufacturer Rudra Diam, prohibiting any use of pirated Sarine Advisor® software and directing Rudra Diam to purchase legal Advisor® workstations.

Sarine's Galaxy® family of scanning and inclusion mapping systems scan 33 million stones in a single year. While significant in itself, this is also significant as an indication of the accelerating adoption of the paradigm, given that in 2019 and 2020 only 18 and 19 million stones were scanned, respectively.

2020

Sarine introduces the concept of e-Grading™ – self-executed polished diamond 4Cs grading by value-chain industry players (manufacturers, wholesalers and even retailers) on-site at their own facilities utilising Sarine's AI-driven cloud-linked technologies. By enhancing our technology-based AI-derived 4Cs grading with additional functionality for process control and intra-process verification, e-Grading™ provides a time-saving, cost-cutting, in-house automated solution for the 4Cs grading of most polished stones, without necessitating the inefficient, time-consuming and costly process of sending goods offsite to a third-party grading facility (lab).

Sarine announces that it has expanded its collaboration with Clara Diamond Solutions Corporation, a subsidiary of mining producer Lucara Diamond Corp., to extend provenance traceability to Clara's diamonds through the Sarine Diamond Journey™.

Due to Covid-19 impediments ALROSA, the world's largest producer by carat volume, expands its digital tenders enabled by Sarine's technologies, a safe and efficient alternative distribution channel, to their "special" rough stones sized 10.8 carats and up, having previously offered only smaller stones through this paradigm (view their Digital Stones video to prospective buyers posted publicly and viewable at https://youtu.be/rEVXGFks8oA).

Sarine expands its comprehensive diamond traceability Sarine Diamond Journey™ solution to diamonds sourced from ALROSA, the world's largest miner of rough diamonds by carat volume. The cooperative solution provides global retailers end to end traceability from mine to consumer, documenting the sustainable supply chain throughout the process from rough to polish for ALROSA sourced diamonds, however traded and polished by multiple midstream entities.

Sarine launches a co-branded light performance report with the National Gemstone Testing Center (NGTC) of China, China's largest gemmological lab, for Yuanyumei (Y & M) Jewelry, a leading high-end Chinese jewellery designer, manufacturer and wholesaler for their Rose D'Amour line.

Following the signing of the peace and normalisation agreements with the United Arab Emirates, Sarine opens a Galaxy® service centre in Dubai, an evolving key trading centre for rough and polished diamonds, in cooperation with TRIGEM DMCC. Dubai, already home to a key trading bourse of rough diamonds, which is forecast, due to geopolitical and cost base evolution, to emerge as the most important global trading hub for rough diamonds second to none, is also expected to further expand to become an important trading centre for polished diamonds.

2019

Sarine launches the 3D-Origin™, a 3D-printed accurate model of the rough diamond from which the polished diamond was derived. The 3D-Origin™ model is identical in its geometrical dimensions and features to the actual rough diamond, scaled for consumer convenience, and is generated as an optional tangible add-on to the Sarine Diamond Journey™ rough-to-polish diamond report.

New Art Ltd. (previously CIMA), a leading bridal diamond jewellery chain in Japan, is the first customer to adopt the Sarine Diamond Journey™, including the 3D-Origin™ option, as a centrepiece of its new marketing campaign and consumer experience.

Sarine launches Verto™, an innovative imaging solution that generates exceptionally high-quality video displays, derived from but a handful of images captured by any common smartphone and enables jewellery manufacturers, wholesalers and retailers to provide their customers with interactive capabilities to view the piece from multiple perspectives and personalise the setting as well as the types, sizes, and colours of stones, etc. All this with no need for capital investment in high-end devices, expensive professional photographers or exhaustive manual finishing. The system's ease of use, its attractive cost and fast delivery creates an offering that is far superior to any currently available market alternatives

Sarine signs a strategic framework with the National Gemstone Testing Center (NGTC) of China, the leading gemmological laboratory in China. The strategic framework aim is to advance diamond grading standards in China to the highest level and to implement the industry's most consistent grading, by combining Sarine's developments in the areas of artificial intelligence (AI) for the grading of a polished diamond's 4Cs with NGTC's extensive gemmological research and diamond testing expertise. The cooperation specifically aims to set new standards for light performance grading, diamond traceability and fingerprinting as well as digital solutions suitable for the retail diamond trade in China.

Sarine announces that it is working with Tiffany & Co. ("Tiffany") to adapt its automated AI based grading technology to Tiffany's discriminating grading standards for Color and Clarity. Sarine's automated grading technology substantially removes subjective human error and bias from the grading process, thus enabling a new level of reliability and consistency. Sarine's and Tiffany's cooperation is aimed at refining Sarine's solution to meet Tiffany's requirements and "enable the Tiffany Gemological Laboratory's graders to continually employ the best technology available in the industry to objectively, consistently and efficiently measure and uphold [Tiffany's] demanding grading standards for Tiffany diamonds".

Sarine announces cooperation with ALROSA, the world's largest diamond miner by carats, implementing Sarine's DiaExpert® 3D-mapping, Galaxy® inclusion scanning and other technology to augment ALROSA's rough Digital Tenders with detailed information pertaining to the offered rough stones. The information is provided in standard Sarine Advisor® diamond planning software input format, readily usable by clients' personnel to evaluate possible polished output solutions, each according to their own needs, preferences and price lists, thus empowering the procurement personnel to leverage the expertise of the companies' specialist planners in order to come up with better informed procurement decisions.

Sarine develops an add-on for its Galaxy® inclusion mapping system to map the internal tension (stress) of a rough diamond – its location, structure/direction and estimated magnitude.

Sarine ends the year with record deliveries of 145 Galaxy® systems, bringing its Galaxy® installed base, as of 31 December 2019, to 555. Our Galaxy® family of inclusion mapping systems scan 17 million stones in aggregate worldwide in 2019 and just over 60 million stones are planned on our cloud-based Advisor® software (several tens of millions of additional stones are also planned during 2019 on our earlier offline versions of the Advisor®, from which no online reporting is directly available to us).

2018

Sarine sets a new standard in rough diamond planning accuracy, efficiency and yield with its introduction of an added-value upgrade for existing or new DiaExpert® platforms – the DiaExpert® Edge. The DiaExpert® Edge, uses advanced LED technology to achieve radically more accurate modelling, capturing even the most minute surface features and texture with incredible precision, allowing for much faster and efficient planning and increasing the yield and beauty of the polished stone with reduced risk.

Sarine's wholly-owned subsidiary, Sarine Polishing Technologies, Ltd., opens the first Sarine Technology Laboratory in Ramat Gan, Israel, utilising Sarine's breakthrough artificial intelligence based technological solutions for the automated, accurate, consistent and objective grading of a polished diamond's Clarity and Color.

Sarine's wholly-owned subsidiary Galatea, Ltd. launches the Meteorite™ system for the cost-effective inclusion mapping of very small rough stones, under 0.40 carats.

Leveraging on its extensive presence in the diamond industry's midstream (with tens of millions of rough stones polished annually utilising its rough planning platforms), Sarine launches the Sarine Diamond Journey™, highlighting the provenance of the diamond. The rough stone is traced through all its stages from unique rough stone to one-of-a-kind jewel.

Dominion Diamond Mines ULC ("Dominion"), Canada's largest independent diamond producer, introduces an enhanced CanadaMark™ website incorporating the new Sarine Diamond Journey™. The CanadaMark™ hallmark programme is Dominion's strategic initiative to assure the integrity of the supply chain of Canadian diamonds from mine to retail. Dominion's new CanadaMark™ documents the polished stone's audited journey from mine to retail and also includes Sarine Profile™ imagery and light performance data.

K-Uno, renowned Japanese retailer of bespoke made-to-order diamond jewellery becomes the first retailer in the world to adopt the new Sarine 4Cs diamond report – the world's first AI-based, technology driven, automated grading report.

Berkshire Hathaway's Borsheims selects the Sarine Profile™ to accompany each of Mr. Warren Buffett's very limited series of Signature Diamonds sold at their flagship store during the annual Berkshire Hathaway Shareholders Meeting in Omaha, Nebraska. Each stone was engraved on-site by Sarine's DiaScribe™ system with Mr. Buffett's signature, its certificate number and a personalised commemoration or message of affection of the buyers' choice.

Sarine's wholly-owned Indian subsidiary, Sarin Technologies India Pvt. Ltd., opens second Sarine Technology Laboratory in Mumbai, India, servicing this key Indian polishing centre. The Sarine Technology Laboratory offers reports on the broadest range of a polished diamond's parameters, including AI–based, technology-driven, automated 4Cs grading, diamond authentication, treatments verification, light performance and the Sarine Diamond Journey™ rough to polish provenance documentation, as well as advanced interactive diamond imaging of various magnifications and perspectives.

Sarine opens a new Galaxy® service centre for the scanning and mapping of internal inclusions in rough diamonds in the Sha Wan Jewellery Park in the Panyu District of Guangzhou, servicing the rough diamond trade and diamond manufacturers there and in China, in general.

Sarine opens a new service centre for the issuing of Sarine Profile™ reports for polished diamonds in Tokyo, servicing retailers and the polished diamond trade in Japan.

Sarine enters into an agreement with Clara Diamond Solutions Corporation ("Clara"), a subsidiary of Lucara Diamond Corp. ("Lucara"), a Vancouver-based diamond mining producer which aims to change the way rough diamonds are sold. Clara proposes to sell diamonds directly to jewellery manufacturers via a digital platform backed by secure blockchain technology developed by Clara. Sarine's Galaxy® inclusion mapping technology and its Advisor® rough diamond planning software will be applied to the rough stone to generate possible cutting and polishing solutions as per polished diamond manufacturers' retail customers' pre-defined orders. Optimisation of the sorting process in this manner will match available rough material with manufacturers' and retailers' current market demand, allowing them to search for the exact stone(s) they need at the price they want, thus optimising the process, to both seller's and buyer's benefit.

2017

Sarine and GGTL Laboratories (Switzerland) sign a cooperation agreement to address the detection of lab-grown diamonds of all sizes.

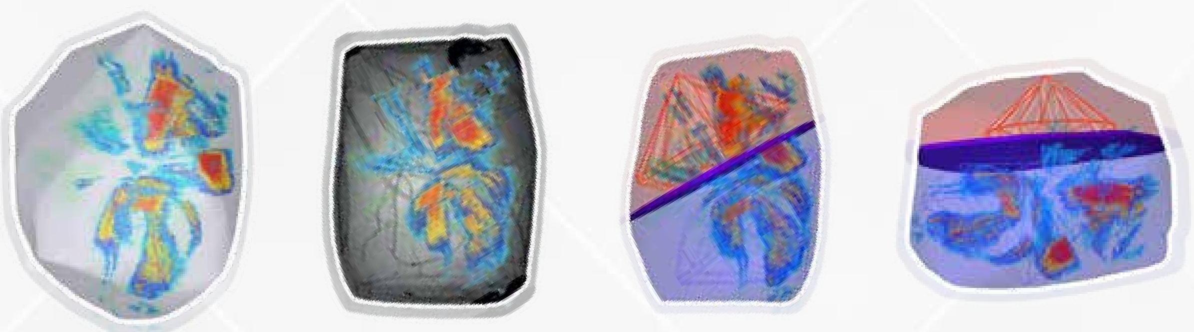
Sarine's wholly-owned Indian subsidiary, Sarin Technologies India Pvt. Ltd., opens a self-owned new facility in Surat, India, "Sarin House", consolidating all the Group's Surat-based activities for the Indian diamond manufacturing industry under one roof. Located in India's primary diamond manufacturing hub, the facility comprises 55,000 square feet (5,100 square meters) over six floors, and houses approximately 400 staff members. Sarin House is the home for our pre- and post-sales Customer Care and Support as well as for the Galaxy®, Quazer® and Sarine Profile™ service centres.

K-Uno, renowned Japanese retailer of bespoke made-to-order diamond jewellery becomes first retailer in Japan to adopt the complete Sarine Profile™ solution.

Aurora Group, an established jewellery chain in Thailand with over 200 retail stores nationwide, becomes the first customer in Thailand to adopt Sarine's light performance report to enhance customers' experience and confidence.

GALAXY® TENSION MAPPING

ROUGH STONE SCANNED AND PLANNED ACCORDING TO INTERNAL TENSION MAPPING DETECTED BY GALAXY® SYSTEM.



OUR MILESTONES

Sarine releases the seventh generation of its industry-leading rough planning software tool. Advisor® 7.0 includes numerous innovations that advance rough planning to further streamline the process and optimise the yield. Advisor® 7.0 includes Centralised Automated Planning (CAP), enabling the definition of automated planning paradigms (by shapes, proportions, cut grades, lab specifications, etc.) set to run in the background, so staff can quickly filter hundreds and even thousands of planning solutions according to market demand. Advisor® 7.0 supports customised pricing, directly integrating with the manufacturer's proprietary criteria, so that pricing of the polished stones adheres to the manufacturer's own internal controls. Another key feature analyses the planned stone using various criteria, including Sarine Light™, Hearts and Arrows and Photo Real, modifiable on a per facet basis, to meet retailers' most stringent demands, beyond the traditional 4C's. Advisor® 7.0 also provides graphic indications of any internal stress in the rough diamond, enabling the planning process to avoid danger during subsequent processes, which could endanger the stone's integrity.

Golden Dew, becomes our South Korean launch customer for the Sarine Profile™ in its 72 stores and adopts the Sarine Connect™ diamond/jewellery search and display app.

Singapore Exchange Mainboard-listed Soo Kee Group Ltd. (42G:SI), extends its adoption of the Sarine Profile™ to China for its Love & Co.'s brand's Lovemarque diamond collection, introducing the first fully digital diamond report entirely in Chinese with a powerful visual and experiential 'story' of the diamond. The brand aims to establish 550 points-of-sale in China and Hong Kong by the end of its fifth year of operation.

Our Galaxy® family of inclusion mapping systems scan 10 million stones in aggregate worldwide, in a single year, in 2017, having previously scanned 10 million stones in aggregate in the 8 years from launch in 2009 through 2016.

2016

Sarine's wholly-owned subsidiary, Sarine Color Technologies Ltd., announces that it acquired the technology and assets of DiaMining Ltd., an established developer of Point of Sale (POS) applications for diamonds, gemstones and jewellery, and renames it Sarine Connect™.

The Soo Kee Group, Singapore's leading established jeweller, also listed on the Singapore Exchange (42G:SI), announces they have adopted the Sarine Profile™ diamond display paradigm, including Sarine's unique light performance grading, for Love & Co., their bridal specialist brand, and will launch the Sarine Profile™ as a cornerstone of their in-store and online customer experience.

Sarine announces that it has developed new and groundbreaking technology that will provide automated, objective and consistent inclusion mapping in polished diamonds and Clarity grading – a first for the diamond industry, as well as a system for automated objective and consistent Color grading.

Sarine ends the year with record deliveries of 84 Galaxy® family inclusion mapping systems, bringing its Galaxy® installed base, as of 31 December 2016, to 299.

2015

Sarine shares held by founding entities are distributed vertically to next level, without effecting any change in beneficial holdings. Similarly, no change in directors' beneficial holdings was affected.

HRD Antwerp, the leading Belgian gemmological laboratory owned and operated by the Antwerp World Diamond Center (AWDC), and Sarine announce plans to facilitate interoperability between Sarine's Advisor® diamond planning software and HRD Antwerp's EOS Fancy bruting and girdling (i.e., shaping) systems.

Gemological Science International (GSI) adopts Sarine's DiaMension® Axiom as a high-end proportion measuring system.

The Gemological Institute of America (GIA) verifies Sarine's DiaMension® Axiom's unmatched accuracy as per announced specifications and adopts Instructor® as a standard software package for polished diamond proportion measuring and Cut grade derivation.

Sarine pioneers the Sarine Profile™, offering succinct image and video information of a diamond's quality and beauty, to enable online transactions with a completely new level of confidence and cost effectiveness, and enhancing the in-store buying experience by empowering the consumer to make a truly informed decision. Sarine Profile™ allows jewellery chains to offer any stone from their entire (virtual) inventory, regardless of its availability in a specific outlet. The Sarine Profile™ is unique in that it allows each retailer, whether online or brick and mortar, to select its preferred imagery from a toolbox of options including the various levels of imagery produced by the Sarine Loupe™, light performance grading and video generated by the Sarine Light™, hearts and arrows graphics, Cut proportions graphics, laser inscription viewing and the like.

Sarine Loupe™ service centres open in Los Angeles and Hong Kong in collaboration with Brink's Global Services.

Sarine celebrates 10 million stones being scanned by its Galaxy® inclusion mapping solution since the system's introduction in 2009.

Sarine releases the Advisor® 6.0 planning software, with additional features and a new level of intellectual property protection based on the utilisation of cloud architecture, constituting an additional layer in the penetration barrier to would-be competition to our industry-leading rough diamond processing solutions.

Sarine launches the Meteor™ small stone inclusion mapping system, for stones ranging from 20 to 89 points, an addressable segment of some 50 million stones annually, capable of almost double the throughput of previously introduced inclusion mapping systems of the Galaxy® family.

2014

The English spelling of the Company's name is corrected to Sarine Technologies Ltd.

Sarine launches the Instructor® 3.0, a new and significantly enhanced version of its polished-diamond quality assurance and polishing process control software. The new software runs on Sarine's rough and polished diamond modeling platforms and significantly improves the accuracy of polished diamond modeling, in particular for fancy-shaped diamonds, and the tools provided for in-process polishing decisions.

Sarine launches the Quazer® 3, offering a completely new control system with unique advantages, including an enhanced fully automated pie cutting feature, facilitating accurate sawing of highly advanced sawing profiles. The Quazer® 3 supersedes the original Quazer® and second generation Quazer® II, introduced in 2005 and 2010 respectively, both based on green laser technology, which themselves pioneered multiple breakthroughs in the sawing, cutting and shaping of rough diamonds and became the de-facto standard high-end market-leading solutions.

Rapaport's RapNet® industry-leading web-based platform selects our subsidiary's Sarine Loupe™ as the first de-facto standard imaging system and provides enhanced seamless integration to the Sarine Loupe™ imagery to empower online trade.

DiaMension® Axiom's accuracy is verified by Tiffany & Co, and selected to formalise Tiffany's new and more robust standards of Symmetry. In 2012 Tiffany challenged Sarine to measure the facet symmetry features of a polished diamond with unprecedented high accuracy, as previously these features could not be determined by any existing device and were manually evaluated by gemmologists using microscopes. Sarine's DiaMension® Axiom thus sets a new bar for polished diamond analysis and grading.

Sarine Color Technologies Ltd. launches Real View, an upgrade to the Sarine Loupe™, adding a stunning rendition of the polished diamond's actual appearance. The enhanced Sarine Loupe™ comprises three complementary layers of imaging. The first provides a dazzling presentation of the diamond's appearance (Real View), the second a table-only view of the diamond, as inspected when using an actual physical loupe (Top Inspection), and the third shows minute details of the diamond's Cut workmanship and internal Clarity characteristics (3-D Inspection).

Sarine North America Inc., Sarine's wholly-owned US subsidiary, opens a Sarine Loupe™ service centre for diamond imaging at its offices in New York's Diamond District on 47th Street.

2013

Sarine launches the DiaExpert® Atom rough planning and marking system for the smallest of rough diamonds – 0.01 through 0.27 carats in size, which offers higher processing speeds and more competitive pricing than the DiaExpert® Nano system, launched in late 2007.

Sarine's wholly-owned US-based subsidiaries close on the purchase of approximately 500 square meters (5,500 square feet) of office in the new International Gem Tower in New York City (on 47th Street - Diamond Way) for the Group's North American base.

Sarine Color Technologies Ltd., a wholly-owned subsidiary of Sarine, launches the Sarine Light™ with launch customer CIMA, one of Japan's leading bridal diamond jewellery chains with nearly 60 outlets nationwide, for certification of the light performance of all its solitaire diamonds measuring one quarter carat and up.

Galatea introduces the Galaxy® Ultra system for the inclusion scanning of a rough diamond at microscope level magnification. The Ultra enables the detection of inclusions with single-micron resolution, including the detection of clouds of inclusions of single micron size, to determine whether a user can achieve an Internally Flawless (IF) Clarity grade.

2012

Sarine launches the Diamond Assay Service (DAS), an online subscription service for diamond wholesalers, retailers and appraisers, to automatically appraise polished diamonds and their potential for re-cutting and re-polishing so as to derive greater value.

Galatea launches the Galaxy® XL system, doubling the size of rough diamonds that can be scanned for internal inclusion mapping purposes to 32mm, allowing rough diamonds weighing up to 200+ (record 220) carats to be processed.

The Gemological Institute of America (GIA) concludes that the DiaMension® HD (High Definition) has the necessary accuracy and repeatability to be used to evaluate symmetry. The GIA found that "[the] DiaMension® HD tested by GIA, demonstrated an apt capacity to deliver accurate and repeatable symmetry results" and that "improvements in the operation and accuracy … now enable us to also measure … symmetry parameters during the grading process".

Sarin Technologies India Private Limited purchases land measuring approximately 2,400 square meters in Surat, Gujarat, India for its new facilities for customer service and technical support and training, as well as its service centres and other logistics infrastructure.

Sarine launches the Advisor® 5.0 version of its best-selling rough-diamond planning software to further improve the value of the polished diamonds derivable from the rough raw material and the software's productivity and ease of operation.

2011

The American Gem Society Laboratory ("AGSL") concludes an evaluation of the DiaMension® HD and, based on the system's superior performance in 3D modeling of polished diamonds, decides to augment its existing DiaMension® systems with the newer HD model.

Sarine Color Technologies Ltd., a wholly-owned subsidiary of Sarine, debuts its light performance system, the Sarine Light™, which quantifies a polished diamond's appearance by accurately measuring its light performance characteristics.

Sarine launches the DiaMark® HD system, equipped with a super-fine laser, complementing the DiaMension® HD and Instructor®.

Sarine Color Technologies Ltd, a wholly-owned subsidiary of Sarine, acquires the D-See technology, a revolutionary imaging method to capture realistic, accurate and objective imagery of a polished diamond, including its internal features. Derived from this technology, the Sarine Loupe™ system enables the electronic transmission of comprehensive imagery from seller to buyer, providing a means to truly assess a polished diamond from a multitude of angles and at various magnifications without having it physically in hand.

2010

The Gemological Institute of America (GIA) concludes an in-depth comparative evaluation between their internal methods of round brilliant diamond Cut grade determination and Sarine's implementation of the Facetware® database in Sarine's measuring systems, which shows highly compatible results between the two methods. Following on this achievement, GIA also concluded an initial evaluation of the DiaMension® HD system and commenced the phased upgrading of their existing DiaMension® systems to the newer HD product.

Sarine launches the DiaExpert® Nano 6.5 for the fast processing of small rough diamonds from 0.15 to 0.70 carats in weight, an enhanced model of the DiaExpert® Nano, introduced in 2007, for slightly larger small stones.

Galatea Ltd., a wholly-owned subsidiary of Sarine, launches the Solaris™ 100 inclusion mapping system for smaller rough diamonds from 0.9 to 2.5 carats in weight, based on the same technology utilised in the Galaxy® 1000 system, to offer customers who specialise in smaller sized rough diamonds the same benefits of the Galaxy® system in a more cost-effective package.

Sarine launches the Strategist® saw-plane planning system, which integrates the rough planning, and, specifically, its saw-plane planning process, and the actual Quazer® sawing process, into a computer controlled and coordinated process, to help avoid sawing perils such as cracks, fissures and bubbles, and allowing for a safer and higher yield laser cutting plan.

Sarine Color Technologies Ltd., a wholly owned subsidiary of Sarine, acquires light performance technology (LPT) from Overseas Diamonds Technology.

2009

Galatea Ltd., a wholly-owned subsidiary of Sarine, launches the Galaxy® 1000 and 2000 systems for the automated inclusion mapping of rough diamonds. These systems revolutionise the planning and production of diamonds by allowing complete optimisation based on Clarity as well as Carat weight and Cut, a leap forward from the DiaExpert® Eye. Service centres are opened in India and Israel, in which the technology is offered for use at a low carat-based fee. An initial system is delivered to a launch customer towards year's end.

OUR MILESTONES

GALAXY® METEORITE™ INCLUSION MAPPING SYSTEM

Sarine launches the Instructor®, a new software package that runs on our polished diamond measuring equipment (DiaMension®, DiaMension® Lab Edition, DiaMension® HD and DiaScan® S+), for improving the yield and assuring the quality manufacturers can attain while polishing diamonds.

Sarine launches the DiaMension® HD, an advanced high-precision system, offering even more accurate 3D modelling for the measurement of polished and semi-polished diamonds. The precise 3D model allows users to evaluate not only the diamond's proportions, but also the stone's symmetry – including "naturals", facet misalignments, facet junctures, extra facets, and other fine cut and symmetry parameters.

2008

Sarine acquires 100% of the issued share capital of Galatea Ltd., which then becomes a wholly-owned subsidiary of the Company. At the time of the acquisition, Galatea was in the final testing stages of an automatic inclusion (Clarity) mapping system for rough diamonds, which is later known as the Galaxy® system.

Sarine acquires 23% of IDEX Online SA, an operator of a B2B polished diamond traders' network, a web portal for news, analyses and polished diamond price indices and publisher of a leading trade magazine. Shortly after the acquisition, IDEX Online launches an attempt to create a polished diamond spot market.

2007

Sarine introduces DiaExpert® Eye for the semi-automated inclusion charting of rough diamonds, supporting the need for considering inclusions (Clarity) in the planning and production of diamonds.

After Sarine evaluates the important market niche of small stone manufacturers, the DiaExpert® Nano, a unique product for the planning and marking of small stones, is launched.

2006

Sarine Color Technologies Limited, a wholly owned subsidiary of Sarine, introduces Colibri™. Colibri™ is a state-of-the-art colour grading product for polished diamonds, which calculates and grades the colour of the diamond as well as its fluorescence.

The Group's subsidiaries, GCI and Romedix, are renamed Sarine Color Technologies Limited and Sarine Polishing Technologies Limited, respectively. New subsidiaries, Sarin Hong Kong Limited and SUSNY LLC, are established.

2005

Sarine launches the Quazer® advanced green-laser system for sawing, cutting and shaping diamonds, establishing a new product line and climbing another rung on the ladder towards being a one-stop shop for the diamond manufacturing industry.

We introduce Facetware®, a software upgrade product for the Company's DiaMension® and DiaExpert® product lines (and installed base), for the analysis of a polished stone's Cut grade, in cooperation with the Gemological Institute of America (GIA).

8 APRIL 2005 Sarine Technologies Ltd is listed on the Mainboard of the Singapore Exchange.

2004

Sarin Technologies India Private Limited is incorporated as a wholly owned subsidiary in India. Sarin India provides pre-sale, post-sale and technical support services to our Group's customers in India, Sri Lanka, and neighbouring countries, supplanting our dependence on a local distributor.

2001

Sarine acquires the entire share capital of Gran Computer Industries (subsequently renamed to Sarine Color Technologies Ltd.), a private company incorporated in Israel. The company develops, manufactures and markets devices for the identification and classification of a diamond's colour.

2000

Sarine introduces the patented DiaMark®. This product allows the DiaExpert® product to automatically inscribe, using laser markings on the rough stone's surface, the optimal sawing plane suggested by the DiaExpert® and accepted by the user, making the utilisation of the planning solution by the actual stone cutting artisans more reliable.

1996

Sarine introduces the use of laser scanning in order to create three-dimensional concave modelling of rough stones. The ability to accurately complement our modelling with the rough stone's concavities provides the user with a complete and accurate model of the rough stone. This feature is complementary to, and increases the effectiveness of, the DiaExpert®.

1995

Sarine develops the DiaExpert®, an automated computerised planning system for the maximum utilisation of rough stones. The diamond manufacturing industry is revolutionised by the introduction of this computer-based technology which substitutes person-based expertise, and thus contributes to the geographic shift of the diamond industry to new centres of manufacture such as India, PRC and Africa.

1994

The Company is renamed Sarin Technologies Ltd.

1992

The DiaMension®, a pioneering grading product for determining the Cut of polished diamonds, is introduced – an automated computerised product for accurately assessing a diamond's proportions, the key parameter in the grading of a diamond's Cut. A significant advancement for the diamond industry, the DiaMension® changed the way polished diamonds are bought and sold by providing the first-ever accurate means of measuring the proportions and deriving the Cut grade.

1989

Our Company changes its name to Sarin Research, Development and Manufacture (1988) Ltd.

1988

Our first product, the Robogem™, an automated production system for producing polished gemstones from rough gemstones, is launched. Robogem™ was sold in limited numbers to semi-precious gemstone manufacturers in Israel, Europe and the Far East (India and Myanmar).

8 NOVEMBER 1988 Our Company is incorporated in Israel as a private company limited by shares under the Companies Ordinance (New Version) 1983 of Israel, under the name of Borimer Limited.

CHAIRMAN'S STATEMENT

"Notwithstanding these significant headwinds, 2022 saw a modest 6% increase in Galaxy® family scans to 35 million stones, again setting a new record. The Group delivered 93 Galaxy® systems in 2022, and, as of 31 December 2022, our installed base was 803 systems."

Dear Fellow Shareholders,

2022 in Review and Looking Forward to 2023

Throughout almost all of 2022, commencing with the outbreak of hostilities in Ukraine, the diamond industry faced significant global political and macroeconomic headwinds. The Ukrainian conflict in Europe affected energy and grain prices, driving inflation to exceptionally high levels in the western economies in general, and particularly in the key U.S. market. As a result, the US Federal Reserve raised interest rates aggressively to levels not seen in over a decade, negatively impacting the equities, housing and other markets and ultimately eroding consumer confidence. Indeed, in the holiday season in the fourth quarter of 2022, retail sales in the U.S. did not meet expectations. In addition, in the second most important market for diamond jewellery, China, ongoing Zero-Covid policy pandemic-related restrictions disrupted retail activity throughout the year.

The diamond industry value chain was further impaired by the U.S. sanctions enacted in early April against Alrosa, the major Russian producer, typically accounting for over 35% of the global rough diamond production. The expected shortage of rough diamonds drove their prices up throughout most of 2022, though seemingly, in retrospect, Alrosa production did, in fact, for the most part, enter the value chain. Concurrent with the increase in rough diamond prices, polished diamond prices actually eroded for most of the year, commencing in the second quarter through to year's end, as the combined headwinds of inflation and interest rates took their toll on the average consumer's appetite, though the demand for high-end luxury brands, mostly bought by the most affluent consumers, showed higher resiliency to the prevailing headwinds. These two divergent trends, increasing rough prices and decreasing polished prices amidst consumer uncertainty, manifested themselves as impaired margins and increased inventories for our midstream customers. Thus, towards year-end, polishing activity slowed and trended towards smaller less expensive rough material.

Notwithstanding these significant headwinds, 2022 saw a modest 6% increase in Galaxy® family scans to 35 million stones, again setting a new record. The Group delivered 93 Galaxy® systems in 2022, and, as of 31 December 2022, our installed base was 803 systems. We expect Galaxy®

usage to hit a new record again in 2023, as both the installed base continues to expand and, more significantly, we broaden our addressable market by introducing business models tailored to as yet minimally-tapped segments of stone types, sizes and qualities. We will be launching the Meteor™ Plus in the second quarter to bring a substantial reduction in the total cost of ownership (TCO) to the segment of 40-90 point rough stones, similar to the benefits embodied in our Meteorite™ Plus for stones in the sub-40 points segment. We will also introduce new business models for Lab Grown Diamonds (LGD) as well as for additional strata of natural diamonds of lower qualities. The launch of our much enhanced Advisor® 8.0 planning software in 2022 also contributed to the expansion of our customer base in the midstream polishing segment of the diamond industry value chain. Continuous upgrades to our Advisor® software will be implemented on an ongoing basis throughout 2023, to incrementally improve the value proposition of our Galaxy®-Advisor® duo.

Sarine Diamond Journey™ and grading were approximately 11% of Group revenue for FY2022, up from 8% in 2021.

Overall recurring revenues, comprised of Galaxy® family scans, rough diamond digital tenders, Quazer® laser cutting and shaping services, rough and polished diamond trade-related services, and annual maintenance contracts, were approximately 50% of the Group's revenues in 2022, up from 46% in 2021. This is noteworthy as our revenues from our rough diamond digital tender services were impaired in 2022 by the U.S. sanctions on our Russian customers, Alrosa and Grib, with whom we did no business from April onwards. Overall rough and polished diamond wholesale and retail related ("Trade") revenues, from digital tenders, the Sarine Profile™, the Sarine Diamond Journey™ and grading, were approximately 11% of Group revenue for FY2022, up from 8% in 2021. We expect Trade revenues to continue growing in FY2023 from new customers, the broadening adoption of our technologies and the in-process acquisition of a majority stake in the New York based Gem Certification and Assurance Lab, GCAL.

Environmental and sustainability issues continue to gain prominence, and even more so in 2022 due to the conflict in Europe and its impact on consumer awareness of ethical issues related to diamond sourcing. We made significant progress in 2022 with the adoption by key luxury global brands of our Sarine Diamond Journey™ as their sustainability solution of choice. Maison Boucheron and the Aura blockchain consortium, a not-for-profit organisation aimed at providing tools to enhance transparency and trust in the luxury industry, comprised of LVMH, Cartier, Prada and OTB, have already implemented or are in various stages of running pilot programmes utilising our diverse technologies, including our AI-derived grading. Additional high-end luxury brands in the key U.S., European and Chinese markets are also evaluating and testing our Sarine Diamond Journey™ provenance paradigm, and we expect expanded adoption of it in 2023. This espousal by leading global brands facilitates our marketing to additional industry leaders, thus further contributing to its accelerated embracing.

A faster version of the Sarine AutoScan™, which will also handle smaller rough stones economically, is already in alpha-testing

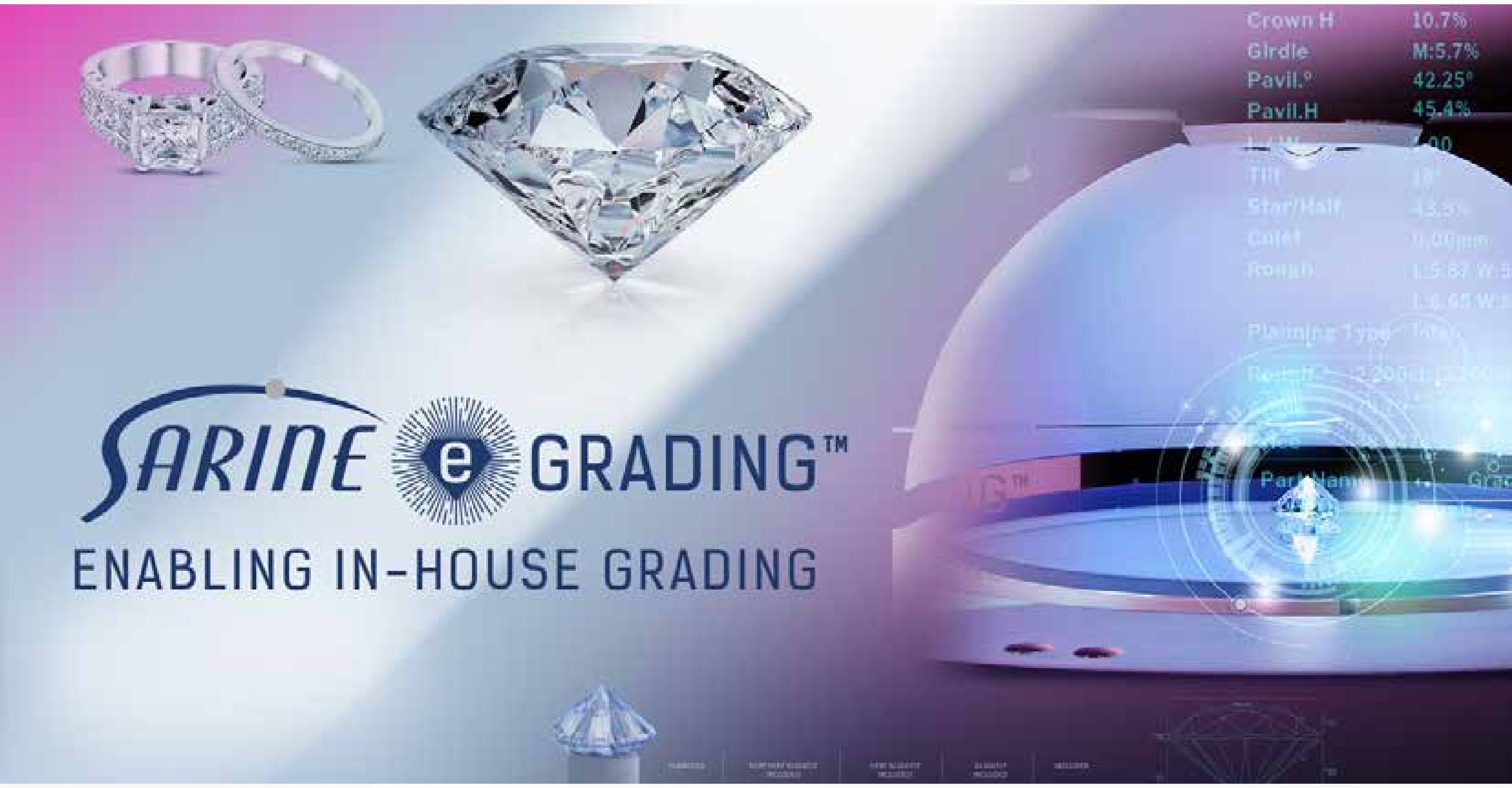
As the conflict in Ukraine enters its second year, the U.S. is reportedly looking to tighten its sanctions on Russian diamonds. It seems that the proviso that allowed the importation into the U.S. of Russian-mined diamonds cut and polished elsewhere (e.g., India) will be eliminated. Apparently, the U.S. and the E.U. are aiming to develop a "'watertight' traceability system" for diamonds as a way to preclude any importation of Russian sourced gems. "The Belgium government has suggested an international traceability requirement," reported Tom Neys, spokesperson for Antwerp World Diamond Centre, a key Belgian industry group. Their proposal would mean that every company who wants access to the U.S., E.U., and other G-7 markets would need to provide definitive ("watertight") provenance information. We believe the Sarine AutoScan™, our robotic system for the high-speed scanning of rough stones, which provides the capability to economically document the extraction of rough diamonds at their mined source, and the rough stones' subsequent traceability by our Sarine Diamond Journey™, can provide the entire value chain with the means with which to fully and transparently comply with these new government requirements with minimal disruption. A faster version of the Sarine AutoScan™, which will also handle smaller rough stones economically, is already in alpha-testing and will make our solution's ability to meet these new government statutes even more robust.

We continued in 2022 with the broader introduction of our revolutionary e-Grading™ initiative to midstream and downstream customers. Concurrently, the in-lab implementation of our AI-based grading paradigm continued to gain traction with leading U.S. and European industry players. The recognition of the value of our consistent and objective grading, along with its seamless integration with our Sarine Diamond Journey™ led Maison Boucheron to adopt our grading along with our traceability initially for their Etoile Paris line of bridal jewellery, and in 2023 it will be expanded to all their centre solitaire stones. Our AI grading is also being evaluated by additional luxury brands, in parallel with their execution of pilot programmes implementing our Sarine Diamond Journey™ traceability paradigm. We intend to broaden the midstream polishing segment's exposure to e-Grading™ dramatically in 2023, leveraging its clear benefits to offer polishers a viable cost-effective solution for the grading of their currently non-graded smaller and lower quality goods, an extensive market, as well as for LGD. E-Grading™ is also the core technology enabling the planned expansion of GCAL. To guarantee its impeccable record of consistent quality work, GCAL has always operated out of a single location in New York. However, by implementing Sarine's unique e-Grading™, GCAL will be able to expand its services globally to diamond centres in India, Botswana and Dubai. It will also allow GCAL to significantly grow its services to U.S. retailers and wholesalers, without compromising its renowned stringent levels of quality and consistency and without incurring the additional costs of training and retaining numerous highly qualified gemmologists and accommodating them with expensive work space in the centre of New York City.

Estimates forecast the market value of LGD may be as high as US$ 40-50 billion by 2030

The market for lab-grown diamonds (LGD) continued to expand in 2022. LGD made up an estimated 10 per cent of total diamond jewellery sales worldwide, and their share of the market is expected to grow with a CAGR of over 9%, outpacing that of the overall diamond jewellery market (estimated by Bain to be under 7%). The U.S. market remains the primary market for LGD, comprising an estimated 80% of the global demand for LGD in 2022, as compared to just over 50% of the overall diamond jewellery market. Over half the U.S. retailers offer LGD products in their stores or online, even as some emphasise that LGD have virtually no resale value and should not be considered as an investment. At least in the U.S. LGD are also becoming acceptable for engagement purchases, with the fiancé spending the same amount of money for a larger and higher quality stone. Estimates forecast the market value of LGD may be as high as US$ 40-50 billion by 2030, out of a much expanded total market, forecast to grow by Bain from US$ 75-80 billion today to US$ 125-130 billion.

The market acceptance of lab-grown diamond (LGD) jewellery has created, as we have in the past forecast, a new opportunity for the Group. All our scanning, planning and polishing technologies are



applicable to LGD. We are introducing this year the Pay-Per-Value paradigm for our Galaxy® inclusion mapping services, which will automatically adjust the pricing of the scans to LGD price points. Our Quazer® 3 laser system continues to be the most cost-effective offering for dicing the LGD wafer into the raw cubes, from which the gems are polished. Our Sarine Diamond Journey™ is also applicable to LGD, as it can document their responsible manufacturing and tell their story to the appropriate segment of the consumer market. Lastly, our AI-based e-Grading™ is especially applicable to LGD grading, as it allows grading of the polished LGD at an affordable charge commensurate with LGD pricing. Our planned cooperation and acquisition of a majority stake in the GCAL lab was also driven by the original stakeholders' perception that our technology will avail their expansion in the flourishing LGD market in the U.S.

Two financing entities, Mazalit and the Delgatto Diamond Finance Fund, have already adopted these reports as the basis for their financing of customers' rough diamonds

In 2022 Sarine introduced an innovative rough diamond appraisal and valuation report for the physical and online trade, as well as the financing and insurance, of rough diamonds. The appraisal report is based on the comprehensive analysis of the rough stone's external geometry and internal characteristics, uniquely augmented by the analysis of possible optimal polishing solutions. The virtually derived polished diamonds are then priced as per current pricelists to provide their realistic market value, thus generating an indicative valuation of the rough diamond. Two financing entities, Mazalit and the Delgatto Diamond Finance Fund, have already adopted these reports as the basis for their financing of customers' rough diamonds. We expect this business to expand in the upcoming years.

For further details on our business, objectives and goals for 2023, please refer to the Business Review section.

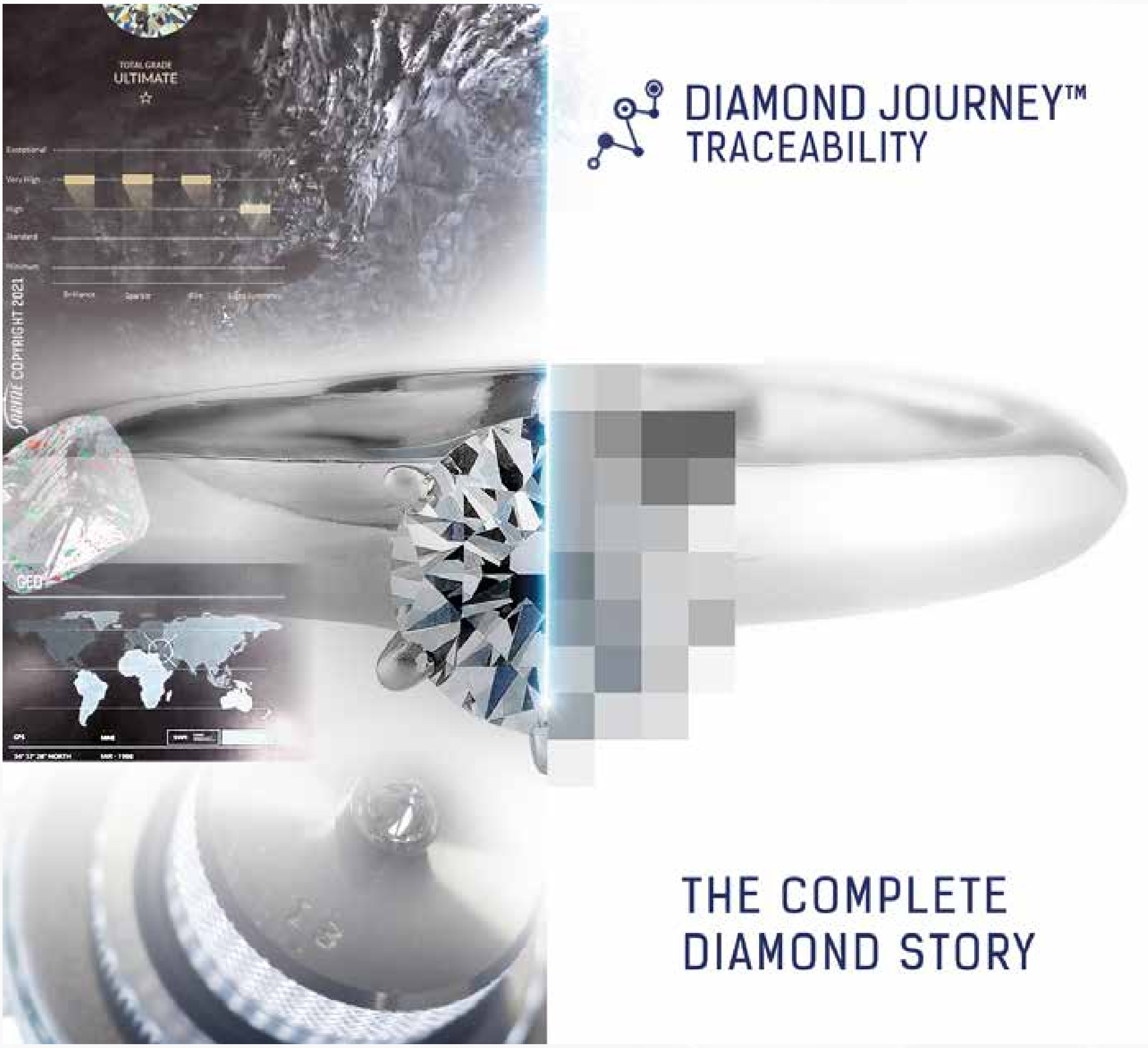
2022 Financial Highlights

Revenues for FY2022 decreased by 5% to US$ 58.8 million as compared to US$ 62.1 million for FY2021. The year-over-year decrease in revenues was due to the global political and macroeconomic headwinds discussed above. Our Gross profit margin was 69% in FY2022 as compared to 74% in FY2021. The decrease in our gross profit margin was primarily due to decreased overall sales and product mix. Profit from operations was US$ 11.0 million for FY2022, as compared to US$ 19.2 million for FY2021. The decline in profitability for FY2022 was due to overall lower sales in FY2022, as detailed above, concurrent with an overall increase in operating expenses, as the Group returned to generally normalised pre-Covid-19 spending levels. For FY2022 the Group's operating margin was 19% as compared to 31% for FY2021. For FY2022 the Group reported a net profit of US$ 8.8 million as compared to US$ 16.5 million for FY2021. The decrease in net profit was mainly due to our lower profit from operations, as noted, and an approximate one-time US$ 0.6 million income tax charge associated with the repatriation of net funds from our wholly owned Indian subsidiary. Our full financials and notes may be reviewed in the Financials section.

Intellectual Property (IP) Infringement

The Company made significant headway in its IP enforcement activities in the Indian courts in 2022. An Indian court ruled against five manufacturers in Surat, finding then guilty of copyright infringement due to the illegal use of pirated Advisor® rough planning software. Due to the gravity of the issue and the clear-cut evidence presented to the court, a swift and final judgement against the infringers was handed down after only seven months, ordering the immediate removal of the illicit software from the infringing parties' computers. The court decision's wording makes clear to the industry that the use of unlicensed or pirated versions of our Advisor® software is illegal and will not be tolerated. Other suits have progressed to the final arguments stage, and we expect rulings to be handed down during the first half of 2023.

CHAIRMAN'S STATEMENT



Dividend
Sarine experienced continued profitability notwithstanding tough macroeconomic conditions in FY2022. The Group earned US$ 8.8 million, equivalent to basic and fully diluted profit per share of US cents 2.51. On February 26, 2023, the Board of Directors recommended that the Annual General Meeting (AGM) approve a final dividend of US 1.0 cents per ordinary share for the financial year ended December 31, 2022. This will bring our total payout for FY2022 to US 3.0 cents, some US$ 10.5 million.

Acknowledgements
On behalf of the Board of Directors, I would like to again thank our management and employees for their ongoing commitment to the Group. We would also like to thank our loyal customers and business partners and especially our conscientious suppliers, who have found ways to meet our schedules during these trying times of supply chain disruption. Lastly, I thank our loyal shareholders for their continued trust in Sarine and its management.

Respectfully Yours,

Daniel Glinert

Daniel Benjamin Glinert
Executive Chairman of the Board

BOARD OF DIRECTORS

DANIEL BENJAMIN GLINERT

Executive Director and Chairman of the Board

Daniel Benjamin Glinert has been an Executive Director and the Chairman of the Board of the Group since 1999 and is a member of the Nomination Committee. He is also a Director in the Group's subsidiaries Galatea, Sarine Color Technologies, Sarine Polishing Technologies, Sarin India, Sarin Hong Kong, Sarine Holdings USA, Sarine North America and Sarine IGT 10H, Sarine IGT 10I and Sarine IGT 10JKL. Mr. Glinert holds a Bachelor's degree in Computer Sciences (cum laude) from the Technion - Israel Institute of Technology. He has 50 years of experience in various high-technology industries (military, semiconductor, medical and industrial applications) in research, development and management positions in Israel and the USA. Mr. Glinert founded Interhightech Ltd. (originally named TICI Software Systems, Ltd.), a founding shareholder of the Sarine Group, in 1982 and was its CEO and then Chairman since its inception. Prior to that, from 1977 through 1982 Mr. Glinert worked for E-Systems Inc. (now a division of Raytheon) in the U.S. on a development programme for the Israel Air Force, which was awarded the prestigious Israel Defence Award. From 1972 to 1977 Mr. Glinert served in the Israel Air Force and attained the rank of Major.

AVRAHAM ESHED

Non-Executive Director

Avraham Eshed is a Non-Executive Director of the Group, having been appointed to the Board in April 2006. Between 2010 and 2014 Mr. Eshed was an Executive Director of the Group. Mr. Eshed has over 50 years of experience in the diamond and gemstone industries. He is the founder of Gemstar Ltd. and Eshed Diam Ltd., and serves as the President of both companies. Mr. Eshed is also a founding member of the International Colored Gemstone Association (ICA), where he served as a Director. He was President of the Israel Emerald Cutters Association and the Vice President of the Israel Diamond Manufacturers Association (IsDMA) as well as a member of its Executive Committee. Mr. Eshed has been recognised as an outstanding exporter by the State of Israel and was presented with awards by President Ephraim Katzir in 1977 and again in 1989 by President Chaim Herzog. In 2011 he was recognised and cited as an outstanding exporter to Asia. In 2019 he was recognised as an Israel Diamond Industry Dignitary by the Israel Diamond Manufacturers Association for his life-long contribution to the industry. In 2022, Mr. Eshed became the owner of the largest uncut single crystal emerald, recognised by the Guinness Book of World Records – this unique high quality rough stone weighs an astounding 7,525cts.

UZI LEVAMI

Non-Executive Director

Uzi Levami is a Non-Executive Director of the Group, as of January 2018, and is a member of the Remuneration Committee. Prior to that he had been an Executive Director since December 2008 and was CEO of the Group from February 2009 through April 2017. He is also a Director in the Group's subsidiary Sarin Hong Kong. Mr. Levami completed his studies towards a Master's degree in Computer Sciences from the Weizmann Institute of Science and holds a Bachelor's degree in Electrical Engineering (cum laude) from the Technion - Israel Institute of Technology. He is one of the original founders of Sarine and has a long history of founding high-tech companies – Compulite Ltd., Shalev Computer Systems Ltd. and EquipNet Ltd., a start-up spin-off of Interhightech (1982) Ltd. Prior to serving as CEO of the Group, Mr. Levami held the position of Director of Business Development at MKS Instruments Inc., a publicly-traded US company supplying in excess of $700M of capital equipment to the semiconductor industry, after the company he founded, EquipNet Ltd., was acquired by MKS. In 1992, while at Shalev Computer Systems, Mr. Levami was personally awarded the prestigious Israel Defence Award by then President Chaim Herzog for his endeavours on a development project for the Israel Defence Forces. From 1973 to 1980 Mr. Levami served in the Israel Army Intelligence Corps and attained the rank of Major.

BOARD OF DIRECTORS

VARDA SHINE

Lead Independent Director

Ms. Varda Shine is an Independent Director of the Group, having been appointed to the Board in April 2017. As of Ms. Shine's reelection to the Board in June 2020, she also serves as the Lead Independent Director and is the Chairperson of the Remuneration Committee and a member of the Audit and Nomination Committees. Ms. Shine has had a career spanning over 30 years in the diamond industry at De Beers, culminating with her serving from 2006 through 2014 as the CEO of De Beers' Diamond Trading Company, De Beers trading arm, responsible for the sale of the majority of its rough diamonds (US$ 5-6 billion annually) through the sightholder paradigm. During her tenure at DeBeers, she attended courses in Advanced Management at Templeton, Oxford, and Marketing Channels at Insead. Ms. Shine currently serves as the Senior Independent Director and the Remuneration Committee chairperson on the Board of Petra Diamonds PLC, as a Non-Executive Director and the Remuneration Committee chairperson on the board of Ecora-Resources PLC, and as the Senior Independent Director at Channel Digital Holding Ltd. She is also an executive mentor at Merryck & Co., working with C-suite executives of listed companies (and holds a Master of Science in Executive Coaching by Hult Business School) and is the CEO of her own company, Sky Ink Ltd., which counsels businesses from concept development through to execution and commercialisation. In addition, Ms. Shine is a Trustee of the Teenage Cancer Trust (UK).

NETA ZRUYA HASHAI

Independent Director

Ms. Hashai was elected to our Board of Directors as an Independent Director and appointed Chairperson of the Audit Committee and Member of the Remuneration Committee in June 2020. Prior to joining our Board, Ms. Hashai served, commencing 2000, as an Audit Partner at Price Waterhouse Coopers (PWC) Israel and audited firms publicly traded on the U.S. and Israeli exchanges, as well as Israeli subsidiaries of international companies and domestic private firms from many varied sectors, including bio-technology and life sciences, industrial manufacturing, retail, finance and holding companies. Ms. Hashai has performed these audits in accordance with IFRS, US GAAP and US/Israel SOX standards. Ms. Hashai has also worked on IPOs of equity and debt issuances. From 2012 through 2018, Ms. Hashai also served as the CEO of PWC Israel's Trust Company. From 2021 through 2022 Ms. Hashai served as the Chief Financial Officer of Raphael Hospitals Ltd., a new private hospital organisation in Israel specialising in surgical procedures in various disciplines. As of January 2023, Ms. Hashai has been appointed the CEO of ESOP Management and Trust Services Ltd., a subsidiary of the Israeli Phoenix Investment House, wholly owned by the Phoenix Group. Ms. Hashai holds a BA in Accounting and Communications and an MBA in Finance Management, both from Tel Aviv University, and is a Certified Public Accountant (Israel).

LIM YONG SHENG

Independent Director

Mr. Lim was elected to our Board of Directors as an Independent Director and appointed a Member of the Audit and Nominating Committees in June 2020. Mr. Lim is Group Chief Executive Officer and an Executive Director of SK Jewellery Group Ltd., a leading Singaporean retail jewellery chain with over 60 branches across Singapore and Malaysia. Mr. Lim Yong Sheng is one of the group's founders, and has been the group's CEO since 2015. Since the group's establishment, Mr. Lim has been a critical contributor to the group's growth and continued success. As group CEO, he is responsible for the overall strategic planning, management, and business development of the group, monitoring the development and performance of the group's operations, driving the operational efficiency of the group's work processes, and identifying new opportunities for the group's expansion. In particular, the group's brand management and marketing strategy are spearheaded by Mr. Lim. He is also a non-executive director of the MoneyMax Financial Group, which is listed on the Catalist Board of the Singapore Exchange. Mr. Lim holds a Bachelor of Science in Electrical Engineering from the National University of Singapore.

SIN BOON ANN

Independent Director

Mr. Sin was elected to our Board of Directors as an Independent Director and appointed Chairperson of the Nominating Committee and Member of the Audit and Remuneration Committees in June 2020. Mr. Sin has had a legal career in Singapore spanning over 30 years. From 1992 through 2018 he was with Drew & Napier, one of Singapore's leading legal firms, becoming a partner in 1994. Prior to his retirement in 2018, he was the Deputy Managing Director of the Corporate & Finance Department and the Co-head of the Capital Markets Practice in Drew & Napier LLC. He was active in handling corporate finance transactions, particularly in the area of initial public offerings in Singapore. He acts as counsel to listed companies on secondary equity offerings and debt offerings and advises companies on regulatory compliance. He also specialises in corporate finance, mergers and acquisitions. Mr. Sin is recognised in industry publications as an industry leader and for his expertise in capital markets. Between 1996 and 2011 Mr. Sin was a member of the Singapore Parliament representing the Tampines GRC. Principle 4 of the Corporate Governance Sections lists all of Mr. Sin's other directorships. Mr. Sin holds a Bachelor of Arts and a Bachelor of Law (Cum Laude) both from the National University in Singapore, and a Masters of Law from the University of London. He is admitted to practice law in Singapore.

KEY MANAGEMENT

DAVID BLOCK is the Group's CEO (as of May 2017). He is a Director in the Group's subsidiaries, Galatea, Sarin India, Sarine Color Technologies, Sarine Polishing Technologies, Sarine Hong Kong, Sarine Holdings USA, Sarine North America, Sarine IGT H, Sarine IGT I and Sarine IGT JKL. Prior to his appointment as CEO, he was Deputy CEO and Chief Operating Officer (COO) since 2012, with responsibility for worldwide operations, worldwide sales, including the network of distributors/resellers, and customer care. Prior to that appointment, from June 2009, Mr. Block was Deputy CEO and VP of Sales responsible for overseeing the Group's worldwide sales, including its network of distributors/resellers and subsidiaries. Beginning January 2006, for a period of three years, Mr. Block was the CEO of Sarin India in charge of the overall management of the operations and business in India, responsible for over 70% of the Group's revenues and the supervision of over 200 employees. Before being assigned to Sarin India, Mr. Block was a Product Manager responsible for all the products aimed at the diamond manufacturing market, commencing 2001. Prior to joining the Group, Mr. Block worked at several major Israeli high technology companies in the management of large-scale development projects, computer programming, quality assurance and technical writing positions. Mr. Block holds a Master of Business Administration (MBA) from the Kellogg-Recanati School of Business, a joint degree from Northwestern University in the USA and Tel Aviv University in Israel, and a Bachelor's degree in Computer Science from the Tel Aviv-Jaffa Academic College in Israel.

RON BEN-ARI is the Group's Deputy CEO (as of 2018) and Vice President of Product Management, responsible for all of the Group's products' definition, marketing and timely development since 2016. From 2013 through 2016 he was first the Director, and then Vice President, of Diamond Manufacturing Activities for the diamond industry midstream, including the Galaxy® family of inclusion scanning solutions, rough diamond planning products, laser sawing and shaping systems, polishing quality aids and polished diamond Cut finishing and grading solutions. From 2005 to 2013 Mr. Ben-Ari acted as the Product Manager of the rough diamond planning group of products (the DiaExpert® and Advisor® product lines). He managed the Galaxy® family of products during their first two years and spearheaded their launch, initial marketing drive and acceptance, ongoing development, etc. Prior to that, since joining Sarine in 2003, Ron Ben-Ari managed the Quality Assurance team in Sarine, responsible for testing all of Sarine's products. Mr. Ben-Ari holds an MBA from the Kellog-Recanati School of Business, a joint degree from Northwestern University in the USA and Tel Aviv University, and a Bachelor's degree in Computer Science from the IDC College in Israel.

WILLIAM KESSLER has served as the Group's Chief Financial Officer (CFO) since May 2009. He is also a Director in the Group's subsidiaries, Galatea, Sarin India, Sarine Color Technologies, Sarine Polishing Technologies, Sarine Holdings USA, Sarine North America, Sarine IGT H, Sarine IGT I and Sarine IGT JKL. He has over 30 years of corporate and Wall Street experience, working with publicly-traded and private companies in Israel and the United States. From 2006 until 2009 Mr. Kessler served as the Principal Finance and Accounting Officer (CFO) of XTL Biopharmaceuticals Ltd. (Nasdaq: XTLB; LSE: XTL and TASE: XTL) and was previously its Director of Finance commencing January 2006, having served as a financial consultant to XTL during 2005, when he spearheaded the process of listing XTL for trading on the Nasdaq. From late 2003 through 2005, he also served as a financial consultant to Keryx Biopharmaceuticals, Inc. (Nasdaq: KERX), following the relocation of its headquarters to New York, after having served as their Controller in Israel from 2001 until September 2003. From 1996 to 2000, Mr. Kessler served as Chief Financial Officer for Interhightech (1982) Ltd. (founded by Mr. Glinert, the Group's current Chairman), one of the founding groups of Sarine. While on Wall Street, he worked as a research analyst at Wertheim Schroder & Co., covering media and entertainment companies. Mr. Kessler holds a Bachelor's degree (magna cum laude) in Economics and Mathematics from Yeshiva University and an MBA from Columbia University, both in NY, USA.

KEY MANAGEMENT

ABRAHAM MEIR KERNER is the Group's Chief Technology Officer (CTO) since 2004. Prior to August 2021, from 2009 through 2021, Mr. Kerner was also the Vice President of Research and Development. He is primarily responsible for developing our technological base, as well as overseeing the development of new solutions. Prior to 2004, Mr. Kerner was our R&D manager for nearly a decade, having joined the Group in 1995. Prior to joining the Group Mr. Kerner worked for companies related to the Group, where he accumulated 15 years of engineering experience and was involved for ten of those years in the development of precision motion control systems and accurate measuring machines for diamonds. Avi has been the inventor behind many of Sarine's patented innovations through the years, including the rough diamond concave mapping and laser marking technologies, key to our automated diamond planning, which essentially revolutionsed diamond production. Between 1989 and 1995 Mr. Kerner worked for Shalev (founded by Mr. Levami, the Group's non-executive director) and then Interhightech (founded by Mr. Glinert, the Group's current Chairman, into which Shalev was merged in 1993) and developed the original DiaMension® the first-ever high-accuracy polished diamond measuring system, which enabled automated Cut grading adopted by most major diamond gemmological institutes, and the first-ever automated computerised centering system for the bruting of rough diamonds. From 1986 through 1989 while at Shalev, Mr. Kerner participated in the Group's original development project – the Robogem™, an automated system for planning and shaping non-diamond gemstones. Before that, from 1980 through 1986 Mr. Kerner worked for another of Mr. Levami's start-ups – Compulite. Mr. Kerner holds a Bachelor's degree in Electrical Engineering from the Technion - Israel Institute of Technology.

ZEEV COPEL joined Sarine in 2021 as Vice President, Research & Development (R&D). His primary responsibility is the development of our future technologies and products. He is also focused on bolstering quality by strengthening the R&D teams in terms of talent, development methodologies and efficiencies, which will underpin continuous improvement and innovation. Prior to joining Sarine, Mr. Copel worked for Philips Medical (Nasdaq:PHG) commencing 2008, initially as a Senior Embedded Software Engineer, progressed to Global R&D Director for advanced imaging products, and culinated leading a large R&D group based in India and Israel. From 2005 through 2008 Zeev was a Senior Software Engineer in the Missile Division of Rafael Advanced Defense Systems and participated in the initiation of the Iron Dome project. From 2003 to 2005, as part of his software engineering studies, Zeev worked at Marvell Semiconductors (Nasdaq:MRVL), an American company that designs and manufactures semiconductors and related technologies for networking and storage. Mr. Copel holds an MBA degree from Haifa University, a Bachelor's degree in Software Engineering from Ort Braude Karmiel, and a degree in Electronics Practical Engineering from the Technion in Haifa.

TZAFRIR YEHUDA ENGELHARD has been the Group's Vice President of Business Development since 2017, responsible for development of new business lines and strategic cooperation with other parties. Tzafrir earlier served as the Group's Vice President of Business Development Polished Diamonds Trade from 2013 through 2016, and the Director of Business Development since 2010. During 2009 (cut short for personal reasons), Mr. Engelhard was the CEO of Sarin India in charge of the overall management of the operations and business in India, and, specifically, the launch of Sarine's first Galaxy® inclusion mapping service centre there. Prior to that, Mr. Engelhard served as a Product Manager, responsible for several of the Group's products. Prior to joining Sarine, from 2007 to 2008, Mr. Engelhard worked at eTouchware, a software company that provides solutions for secure and efficient file transfers over the Internet, and, from 2004 to 2007, at Cognitens Ltd. (later purchased by Hexagon Metrology Inc.), a company that developed and sold high precision non-contact measurement devices to the worldwide automotive market. Mr. Engelhard holds an MBA from the Hebrew University of Jerusalem, with specialisation in marketing strategy, and a Bachelor's degree in Optomechanics Engineering from the Technion – Israel Institute of Technology.

EFI GOREN joined Sarine in 2021 as Vice President, Global Operations and is responsible for Sarine's operational aspects, including procurement, production, information technology (IT) and customer care. Efi's focus is on enhancing Sarine's global operations to support global roll-out of new product and service solutions, including software-as-a-service (SaaS), driven by a holistic customer-centric culture. Prior to joining Sarine, Mr. Goren worked for Philips Medical (Nasdaq:PHG) from 2018 starting as a New Product Introduction (NPI) & Services Director and then as an Operations & Services Manager of a BIU (Business Unit) that sold the company's advanced imaging products in India, Holland, the United States and Israel. From 2010 through 2018, Efi worked for Hewlett Packard (Nasdaq: HPQ) starting as a Regulation Manager ensuring that HP's large format digital printing products meet international regulations such as CE, UL, EMC and overall environmental compliance. In 2014 he led the customer support team in building the support plan, tooling and infrastructure for new machines while continuing to support current products and customer care for the entire installed base. Mr. Goren holds a BSc degree in Electrical Engineering from Ben Gurion University.

WILLIAM WEISEL is the Group's General Counsel, having joined the Company in mid-2016. In his role, Mr. Weisel is responsible for the Group's legal matters, with an emphasis on its core business transactions, new business development, intellectual property protection and employment issues. Prior to his employment by Sarine, Mr. Weisel served in Israel from 2007 to 2014 as VP & General Counsel of Lumenis Ltd. (Nasdaq: LMNS), a global medical device manufacturing company, from 2001 to 2004 as VP & General Counsel of Gilat Satellite Networks Ltd. (Nasdaq: GILT), a global satellite telecommunications company, from 1999 to 2001 as General Counsel of ADC Teledata Israel Ltd., a telecommunications hardware manufacturer and from 1992 to 1999 as General Counsel of Scitex Corporation Ltd. (Nasdaq: SCIX), an innovator and manufacturer of digital printing graphics equipment. From 1982 to 1986 William practiced law as a litigator in Los Angeles, California at the firm of Jeffer, Mangels, Butler & Marmaro. In addition, since 2013 Mr. Weisel has been a lecturer at the Haifa University Graduate School of Management and teaches a course called "Business & Law Convergence" to MBA students. Mr. Weisel is the author of an article entitled "Deal Breaker to Deal Maker" published in 2015 by The Legal 500 in its publication, GC–General Counsel Magazine. Mr. Weisel holds a Bachelor of Arts degree in political science from the University of California, Los Angeles (UCLA) and a Juris Doctor (JD) degree from Loyola University School of Law in Los Angeles. Mr. Weisel is admitted to practice law in California and Israel.

RAN ZISKIND is General Manager of Sarine's subsidiary, Galatea Ltd. acquired in 2008. Ran has been its General Manager since 2004, having been one of its founding entrepreneurs. Mr. Ziskind is in charge of the ongoing development and manufacturing activities at Galatea on the Galaxy® family of inclusion mapping and tension detection systems. Prior to founding Galatea, Ran accumulated 12 years of experience in high-tech industries at various positions, from design engineer to management. Between 2001 and 2003 Mr. Ziskind served as the General Manager of Atomic Hydrogen Technologies Ltd., a company which develops equipment for the semiconductor industry. Prior to that, from 1997 through 2001, Mr. Ziskind worked for Eureka, a company that did subcontracting of mechanical design services. At Eureka he held a plurality of positions, from Design Engineer to Project Manager. Mr. Ziskind is a graduate of the Mechanical Engineering programme from Zur Teffen, an academic institute founded by the world-renowned industrialist, Mr. Stef Wertheimer, and holds a Bachelor's degree in Chemistry and Management from the Open University of Israel.

BEN FINKELSTEIN is a Director of Sarin India, having assumed this role in 2021, and has been designated as the next Managing Director of Sarin India. Prior to this role, Mr. Finkelstein served for four years as a Product Manager, responsible for Sarine's polished diamonds wholesale and retail trade-related solutions and services. During this period, Mr. Finkelstein garnered a wealth of knowledge relating to polished diamonds and their retail branding. Prior to joining Sarine, from 2013 to 2016, Mr. Finkelstein was a Project Manager at Signature-IT, where he defined and managed e-commerce and product-line projects. Mr. Finkelstein also has experience as a professional Olympic coach – from 2009 through 2013 he was part of Israel's team to the London 2012 Olympic Games. During this period the professional athlete he coached in windsurfing won the world championship three times! Mr. Finkelstein holds a Bachelor's degree in Computer Engineering from the Ruppin College in Israel.

BEENITA RITESH CHAURASIA is the Vice President of Sales, Sarin India, having been appointed to this position in 2010. Ms. Chaurasia is responsible for all pre- and post-sale activities relating to the Group's products in India. Prior to this appointment, Ms. Chaurasia had been employed by Sarin India since 2004, initially as a junior sales person and over time with ever increasing managerial responsibilities. Prior to her employment with Sarin India, from 2001 through 2003 she was employed by Pyramid Exports in various positions pertaining to business administration, manufacturing administration and exports of cosmetics, skin care and personal care and perfumery products to international markets. She holds an MBA with distinction, having finished first in her class, from the Jamnalal Bajaj Institute of Management Studies (Mumbai University), with a specialisation in marketing. She also holds a Master's degree in Commerce from Mumbai University, also with distinction. Ms. Chaurasia holds a Bachelor's degree in Commerce from K.P.B Hinduja College in Mumbai.

KEY MANAGEMENT

SUDHIR NARASINGA RAO has been Vice President of Finance, Sarin India, since July 2012. He has over 30 years of corporate finance experience, working with local conglomerates and multinational companies in India. From January 2000 through June 2012, Mr. Rao served as Director of Finance (and on the Board of Directors) of Firmenich Aromatics (India) Private Limited, an Indian subsidiary of a Swiss multinational company in the flavour and fragrance industry, where he led the finance and accounting team. He was part of the core team which set up the first chemical plant in India for the Firmeinch group in the special export zone in the state of Gujarat (where Surat, India's primary diamond manufacturing industry hub, is also located). Prior to that, from 1998 through 1999 he served as General Manager of Finance for Mphasis (India) Limited, a software development company, in which Blackstone Private Equity holds a majority stake, and was part of the core team which set up the start-up company in India. From mid-1987 through 1998 Mr. Rao served as Divisional Manager of Finance for KEC International Limited, a tower manufacturer and transmission line turnkey project contractor, where he began his career as a management trainee. Mr Rao is a qualified Chartered Accountant from the Institute of Chartered Accountants of India and holds a Bachelor's degree in Commerce from Mumbai University.

GILAD HASSID was appointed Vice President Operations of Sarin India in mid-2018. Prior to that Mr. Hassid was Head of Operations of Sarin India commencing 2013. In these roles he is and was responsible for post-sales services provided to our customers in India as well as the operation of Sarin India's Galaxy® and Quazer® service centres. During 2018 Mr. Hassid was responsible for the establishment of the Sarine Technology Lab in India, which became operational in May 2018. From 2015 through 2017 he led the "Sarin House Surat" building project to completion and relocated all the activities in Surat to one location at Sarin House. Prior to joining Sarin India, Mr. Hassid served in several sales and marketing executive/management positions in Europe, India and Israel. From 2011 to 2013, he was the CEO of Yes Imported Solutions India, importing architectural solutions from Italy and Switzerland to India. From 2008 to 2011 he was the CEO of Barkan Mounts Italy and Europe Division Manager, distributing throughout Europe mounting solutions for TV and other consumer electronics. From 2005 till 2008 Mr. Hassid managed the regional sales teams in Israel for Motorola Israel Mirs Communications division. From 1999 through 2005 he held sales and marketing positions in Tnuva Israel. Mr. Hassid holds a Bachelor's degree in Marketing and Economics from the Academic Institute Rishon Le-Zion, Israel.

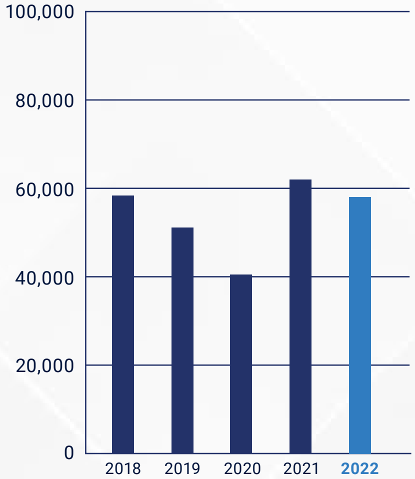
NOY ELRAM is the Managing Director of Sarin Hong Kong as of June 2018, with responsibility for expanding the penetration of Sarine's polished diamond solutions for retailers and suppliers in the Asia-Pacific region excluding India. Mr. Elram has over 20 years of experience in development, integration and providing customer support and service for complex solutions in various industries in various territories globally. Between 2014 and 2018 Noy served as Head of Professional Services for Verint (Nasdaq:VRNT), stationed in Singapore, providing pre- and post-sales support to the Singaporean law enforcement authorities, while building and training the local teams to provide on-site services. Prior to that, from 2012 to 2014, Noy worked in Israel as Lead Software Engineer analysing and implementing security protocols at Verint. From 2006 to 2011 Noy managed the R&D at Marvell Semi-Conductors (Nasdaq: MRVL), developing full system solutions for the mobile cellular industry. Noy started his career at Intel Corporation (Nasdaq: INTC) in 2001, as a real-time, embedded, mobile network protocol developer. Mr. Elram holds a Bachelor's degree in Computer Science from the Academic College of Tel Aviv–Yafo in Israel.

MATTHEW TRATNER joined the Sarine Group as General Manager and Vice President-Sales of Sarine North America in January 2022. Prior to joining Sarine, Mr. Tratner worked for the Gemological Institute of America (GIA) from 2019 to 2021 as Director, Global Business Development, with responsibility for the GIA Diamond Origin Program as well as other projects. From 2015 to 2018, Matthew was Publisher of National Jeweler, a leading U.S. jewelry trade publication, responsible for management and sales of the online version and the successful revival of its print edition, and, concurrently from 2013 through 2019, he worked for Jewelers of America as Director of Membership and Sales, overseeing membership management, revenue generation, development and retention. Prior to that Mr. Tratner was Chief Operating Officer and Partner at GemsAround.com, where he launched a retail jewelry website and was responsible for overseeing relationships with designer brands. From 2003 to 2011 Mr. Tratner was Director of Sales at Maya J, a wholesaler and manufacturer of fine jewelry, responsible for selling to retail stores throughout the United States, Canada and Mexico. Mr. Tratner holds a Bachelor of Arts from the State University of New-York, Empire State College, and an Accredited Jewelry Professional Diploma (AJP) from GIA.

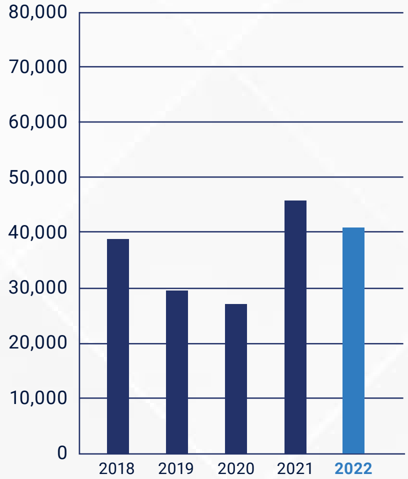
FINANCIAL HIGHLIGHTS

(US$ '000)	2018	2019	2020	2021	2022
Revenues	58,504	51,323	40,968	62,116	58,763
Gross Profit	38,568	29,584	27,070	45,827	40,623
Net Profit	7,602	(1,372)	2,365	16,456	8,798
Gross Profit Margin	65.9%	57.6%	66.1%	73.8%	69.1%
Net Profit Margin	13.0%	-2.7%	5.8%	26.5%	15.0%
Cash and Investments	28,853	29,474	27,555	36,413	35,991
EPS (US cents, fully diluted)	2.17	(0.39)	0.68	4.69	2.51
Dividend Per Share (US cents)	3.00	0.80	0.50	2.50	3.00
EBITDA	13,661	5,496	8,794	22,206	13,571

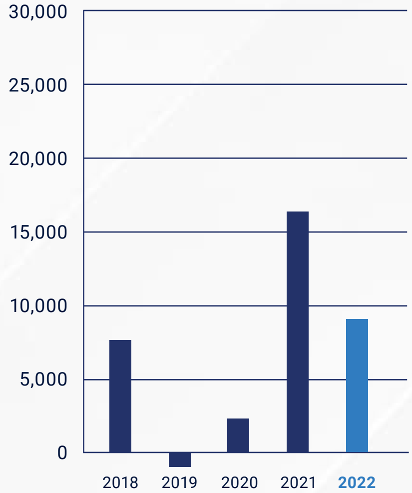
Revenues (US$ '000)



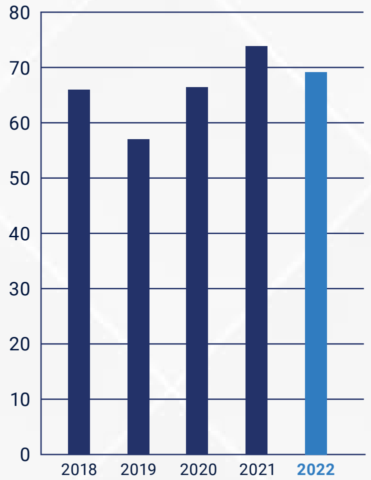
Gross Profit (US$ '000)



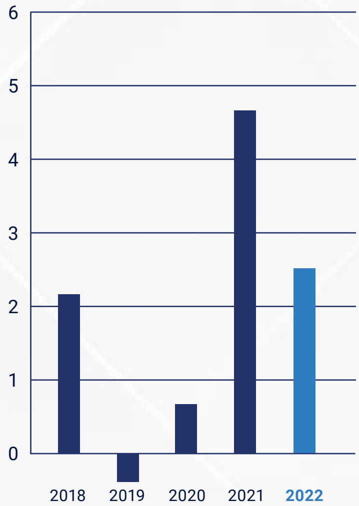
Net Profit (US$ '000)



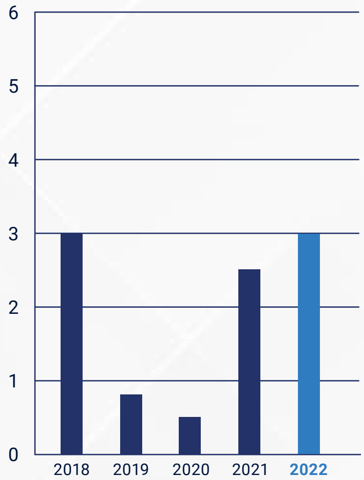
Gross Profit Margin (%)



EPS (US cents)

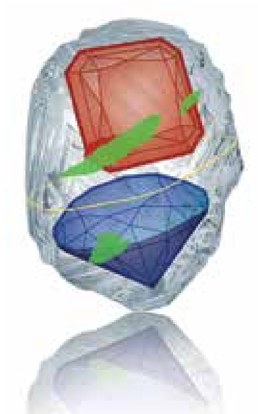


Dividend Per Share (US cents)



ADVANCED AI-POWERED TECHNOLOGIES:

INCLUSION MAPPING

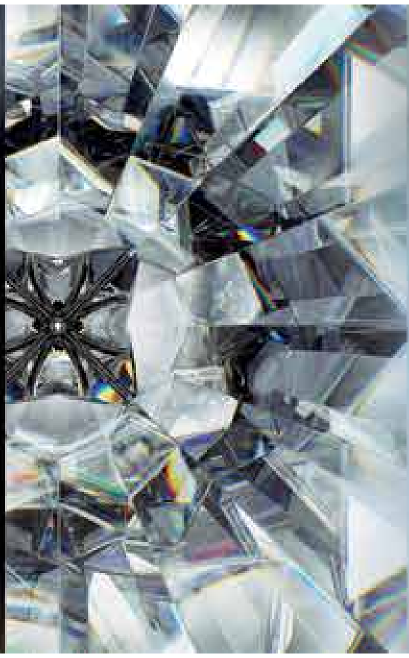


PLANNING

SAWING & SHAPING

POLISHING & FINISHING

For over 30 years, Sarine has developed and supplied breakthrough technologies covering the entire diamond pipeline. Sarine products are known and used worldwide in leading diamond manufacturing plants, wholesalers' offices, gem labs, and jewelry retail stores.




FROM ROUGH STONE TO POLISHED DIAMOND

LASER INSCRIBING & FINGERPRINTING

GRADING & IMAGING

CUSTOMER ENGAGEMENT

DIAMOND REPORTS

Sarine is leading the next technological era with the World's First AI-powered Automated Diamond Grading Lab. Through Sarine reports, Sarine Labs provide the world's most accurate and reliable diamond grading information, together with an interactive digital display that is redefining the retail industry and the consumer experience.

MANAGEMENT'S BUSINESS, OPERATION & FINANCIAL REVIEW

The Diamond Industry

Diamonds have long been entwined in culture as symbols of love, commitment and eternity. Advertising campaigns by key diamond industry players have consistently reinforced these notions among consumers. The resultant consumer demand drives an extensive industry of mining, polishing, grading and wholesale and retail trading, on which our Group capitalises.

Rough Stone Evaluation and Source Registration (the "Upstream")

Rough diamonds are extracted from the earth in extremely varied qualities and sizes. Of the average 120-140 million carats mined annually, only 25-30% are considered gem quality and are polished for gem-set jewellery purposes. Within the gem quality rough diamonds segment, qualities further differ significantly as discerned by the stones' actual shapes (e.g., cubes, octahedrons or dodecahedrons as symmetrical forms are worth more than amorphous stones), their internal characteristics, if visibly discernable (e.g., internal grain direction, internal strain ["tension"], internal imperfections ["inclusions"], etc.) and their assessed colour. Sizes of the mined rough diamonds can range from fractions of a carat up to hundreds and even thousands of carats (the Cullinan Diamond was the largest gem-quality rough diamond ever found, weighing 3,106.75 carats - 621.35 gr). Typically, 5% or so of a mine's output is over 2 carats (0.4 gr.) in weight, a further 7-8% is between 1.5 and 2 carats and nearly 90% of a mine's output is stones below 1.5 carats in weight.

We assist the so-called "upstream" diamond mining companies, also termed "producers", to track, evaluate and market their rough stones as per their varied qualities.

Our DiaExpert® family of platforms, accurately model a rough diamond's external geometry. The revolutionary Galaxy® family of internal inclusion mapping systems for rough diamonds, based on patented technology, provides high resolution (optionally at microscopic-level), fully automated, fast and comprehensive identification and mapping of a rough stone's internal inclusions and tension. As announced in early 2022, Sarine offers producers the unique capability of utilising these two systems and applying sophisticated software algorithms, which can discern the optimal polished diamonds derivable from the rough stone. These virtual polished stones are then priced in accordance with current price lists, generating the rough stone's realistic potential value in actual dollar terms. Thus, we provide the producer a means to fully assess the intrinsic value of its rough material. The producer can then choose what level of the available comprehensive information pertaining to the stones to provide to prospective customers. Disclosing this information reduces the buyer's risk associated with acquiring rough stones lacking full knowledge of their characteristics, and thus empowers bidders to offer a higher premium for the tendered goods. This directly yields increased profitability for the producer. In addition, the provision of such data in a digital form enables producers to reach a broader scope of potential buyers, without necessitating travel and other expenses. Various producers, as well as leading wholesalers of rough diamonds, which serve as marketing channels for smaller mines as well as conduits of rough stones in the secondary market, such as Bonas in Antwerp, Belgium, and Choron, Gem Auctions, Koin and Star Gems in Dubai, have adopted these technologies to facilitate and empower digital tenders. Additional producers and wholesalers continue to evaluate this paradigm, also due to its seamless integration with the inventory control and traceability solutions discussed in the following paragraph.

In 2022 we also launched a new system – the Sarine AutoScan™. It assists producers and manufacturers alike in the control and analysis of the overall produced/processed rough stones inventory. No less importantly, in today's value chain where the demonstration of sustainable operations is essential, the AutoScan™ provides a high-speed initial data collection point for the rough diamond's source registration for our Sarine Diamond Journey™ traceability paradigm, described in detail in the Polished Diamond Trade section. Capable of scanning rough diamonds of half a carat and up in under 6 seconds per stone, the Sarine AutoScan™ is now in commercial use at our service centre in India, serving as the initial data entry point for our expanding number of retail customers' traceability programmes. To facilitate broader adoption, we are aiming to significantly accelerate (double) the AutoScan™'s throughput in 2023, adapt it to process smaller stones and make it more readily usable at office-like facilities, so as to broaden its addressable market, especially in light of recent developments pertaining to the need for the diamond industry to provide verifiable proof of a diamond's provenance (see below in Market Driven Opportunities). Bonas, the industry's largest independent sorter and wholesales as an example, has expressed interest to register their various mining customers' inventory's source data into the Sarine Diamond Journey™ traceability database. We expect producers will acquire the Sarine AutoScan™ system to scan diamonds at the actual mining site, to both address the growing demand by consumers and governments for documentation of a diamond's sourcing, as well as the miner's internal need for tighter inventory control. Today, as the rough output from mines is initially registered only at the producer's central sorting facility, which may be days later following multiple shipping and handling stations, inventory loss is often significant.

Rough Stone Polishing (the "Midstream")

Rough diamonds go through a meticulously prescribed series of processes, commencing with their evaluation, as discerned from their external and internal inspections, through planning, sawing (colloquially referred to as "cutting"), shaping (sometimes, if round, referred to technically as "bruting"), polishing (faceting) and fine-polishing, to turn them into retail-ready polished gems. Traditionally, an elite group of artisans, mostly within families, executed these processes manually.

Over the past 30 years Sarine has revolutionised the diamond polishing/manufacturing industry, referred to as the "midstream", by introducing computer-centric technologies to automate many of the processes of this highly specialised expertise.

The cost of rough diamonds is high. They are typically paid for upon receipt. Yet it often takes six to twelve months to sell the resultant polished gems, often even then on credit terms. The cost of financing this cycle adds to the direct expense incurred by the complexity of the process and the errors and accidents suffered along the way. Thus, polishers normally realise only single digit margins. Any yield increases, cost savings, cycle shortening or risk reduction benefits are critical and have significant impact on the manufacturers' profits. The diamond industry's midstream's turnover was valued at approximately US$ 20.6 billion in 2021 (the latest full year for which data are available), with added value of some US$ 5.1 billion.

Sustained by these basic industry value-chain economics, our Group has been successful over the years in introducing innovative, reliable and efficient yield-increasing, cost-cutting, time-saving and risk-reducing technologies. The global diamond industry has readily adopted these technologies, many of which have become de-facto industry standards. The combination of these technologies, as described below, has redefined the art of polishing diamonds. They have pushed the optimally achieved yield of the polished stone(s) weight from historically around 37.5% of the rough stone's original weight to often over 50%, a benefit nearing 33%. Our solutions also allow the manufacturer to produce goods which best suit actual market trends at any given time, e.g., trading off between the polished diamond's weight, typically a key criterion in US markets, and its quality, more emphasised in Asia Pacific (APAC) markets. Notably, our technologies are applicable to both natural and lab-grown diamonds (LGD).

Historically, the Group has introduced the following products and services for the analysis, assessment, optimal planning, sawing, shaping and polishing of rough diamonds for the midstream manufacturing segment of the diamond industry:

- The Galaxy® family of internal inclusion identification and mapping of rough diamonds, with the various models, the Meteorite™, Meteorite™ Plus, Meteor™, Solaris™, Galaxy® and Galaxy® XL systems, covering a broad range of sizes of rough diamonds from below 10 points (0.1 carat) to over 200 carats in weight. In addition, the Galaxy® Ultra offers high resolution microscopic-level inspection for very high quality stones. The Galaxy® systems can also be equipped with optional hardware allowing the mapping of the internal stress ("tension") of a rough diamond, allowing for its safer planning, cutting and polishing. The Galaxy® family of products generate a significant recurring revenue stream (around 39% of overall Group sales in 2022), due to the unique business model we have implemented – in addition to the price charged for the machine itself, we collect an ongoing use fee based on the actual carat weight of each rough stone scanned (for the Meteor™, Meteorite™ and Meteorite™ Plus models, which process very small stones, the per-carat use fee may be replaced by an alternative flat monthly charge for machine utilisation).

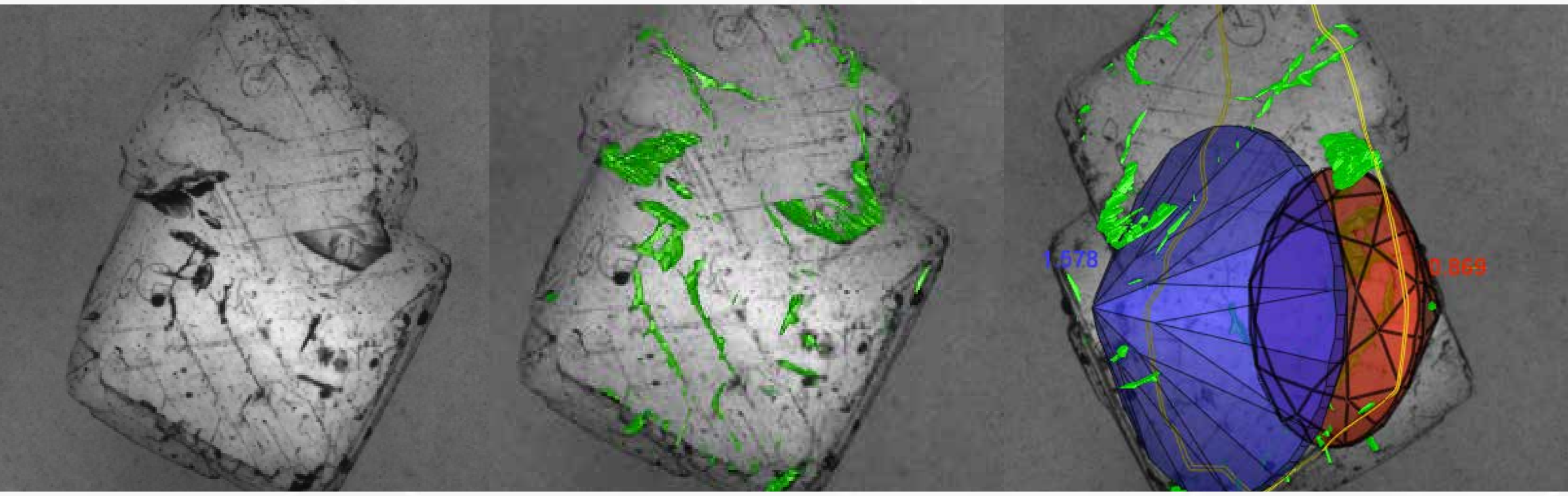
- The Advisor® software and the DiaExpert® family of platforms for planning the optimal utilisation of rough diamonds – DiaExpert®, DiaExpert® Atom, DiaExpert® Nano, DiaExpert® XL, DiaExpert® Eye, DiaExpert® Edge, DiaScan® S+, DiaMobile® XL/XXL and DiaMark® Z for varying sizes and qualities of rough stones from hundreds of carats down to several points;

- The third-generation Quazer® 3 green-laser system and its Strategist® setup station – the industry's most cost-effective high-end solution for the laser cutting and shaping of rough diamonds; and

- Our Instructor® software and DiaMension® family of platforms, which assist in the real-time quality control and optimisation of the actual diamond faceting. These also provide for corrective polishing, when deviations from the original planned optimal polishing solution are discerned, by re-analysing the semi-polished stone and proposing remedial solutions, including utilisation of last-resort asymmetrical resolutions.

We believe that our introduction of technology to the diamond polishing industry has transformed it from an artisan-based industry to a technology-driven one. Today, the diamond industry midstream is concentrated in India. Though polishing facilities can also be found in China, Vietnam and the southern African countries (primarily Botswana, the second most important polishing centre globally, and also Angola, Namibia and South Africa), India is by far the leading diamond manufacturing centre, accounting for some 90% of all stones polished worldwide by stone count and some 80% by value.

Sarine has a market presence in both established and emerging diamond manufacturing centres. A key strategic decision was the establishment in 2004 of Sarin Technologies India Private Limited, our wholly-owned Indian subsidiary. Having taken direct responsibility for the pre- and post-sales operations in the key diamond industry centres of Mumbai and Surat, we now have better feedback from and more direct support of the marketing of our products in the strategically crucial Indian market. In 2009, we opened a service centre in Surat, India, which provides our customers in India with Galaxy® inclusion mapping and Quazer® laser cutting services. In the beginning of 2012 we opened a second service centre in India – in Mumbai. In 2017 we opened "Sarin House", a wholly-owned state-of-the-art new facility in Surat, India, consolidating all the Group's Surat-based activities for the Indian diamond industry under one roof. Located in India's diamond manufacturing hub, the facility comprises 55,000 square feet (5,100 square metres) over 6 floors, and houses over 350 staff members.



Rough Diamond Scanning and Planning Sequence

Sarine has also taken the requisite steps to strengthen its presence in the Southern African markets. The appointment of an agent in South Africa in 2005 was followed by expansion in 2008 into the strategic Botswana market (whose importance has grown markedly since DeBeers relocated its activities there from London) and the appointment of a dedicated agent in Namibia in early 2012. During 2011 and 2012 service centres for automated inclusion mapping and planning services were opened in all these countries, as well.

Diamond Grading

Because of the high value of polished diamonds, adhering to the established standards of quality, as measured by a diamond's 4Cs (Carat, Clarity, Color and Cut) is important. The results obtained from the typically manual grading inspection of a diamond often vary, depending on the level of expertise of the gemmologist conducting the evaluation. As a result of the subjectivity inherent in manual inspections, technology has evolved as a major contributor to the standardisation of a diamond's grading. The Group has been at the forefront of developing and introducing polished diamond grading technologies for thirty years.

Sarine pioneered the technology-derived automated grading of a polished diamond in 1992 with the introduction of the DiaMension® system for the grading of its Cut grade. The current generation DiaMension® HD (High Definition) and the complementing Instructor® software are today the industry's de-facto standard for measuring a polished diamond's proportions and assessing its Cut grade worldwide. The latest derivative, the DiaMension® Axiom 3, based on revolutionary technology with micron level accuracy, was specifically developed to meet (it actually exceeds) Tiffany & Company's ("Tiffany") most stringent requirements for extra-fine diamond quality assessment including Symmetry grading.

We introduced the industry's most accurate technological system for measuring a polished diamond's actual light dispersion ("light performance") in 2013 – the Sarine Light™, which has today become the most widely used system for light performance analysis and grading in the Asia Pacific (APAC) market – it has all but become the fifth "C" in Japan. We offer light performance grading services independently or as a key element in the Sarine Profile™, detailed below. The Sarine Light™ enables the automatic, accurate, consistent and quantified measurement of a polished diamond's light performance, in order to provide additional criteria by which to appreciate the diamond's quality:

- Brilliance – the intense bright light that shines from the diamond.
- Sparkle – the dramatic flashes that burst out of the diamond.
- Fire – the vivid colours of the rainbow that radiate from within the diamond.
- Light symmetry – the equal distribution of the light that reflects from the diamond.

In 2017 we announced the world's first automated method to derive a polished diamond's Clarity grade, as well as a system for automatically discerning its Color grade, based on two additional cutting-edge platforms, the Sarine Clarity™ and the Sarine Color™, powered by sophisticated artificial intelligence ("AI") based algorithms. The ability to provide technologically-derived automated grading of a polished stone's Clarity is an industry first. Clarity grading is a very complex multi-dimensional classification. It is dictated by the number of inclusions identified in the stone under 10-times magnification, their sizes, types and locations, along with other parameters. Clarity grading has always been a subjective and manual labour-intensive process. Typically two graders manually grade each stone, and it is not unusual for a third expert opinion to be required, if the initial two do not agree. Even so, manual Clarity grading is not consistent. It is not uncommon to have significant disparities between diverse parties' opinions on the prescribed grade, often resulting in it being contested. Our analyses have shown that a statistically significant reference team of proficiently trained graders will often assess a stone's Clarity with variances spread over two or even three different grades. The utilisation of technology enables more accurate, objective and consistent grading, which, as the AI-based algorithms are self-learning, continuously improves over time. We are already providing numerous customers with our automated grading, including luxury brands (e.g., Boucheron, as announced in early 2022), and are working with others to adapt our grading to their specific guidelines and criteria. We have also entered into a joint initiative with China's largest and most important gemmological laboratory, the National Gemstone Testing Center (NGTC), in order to develop automated grading standards for a polished diamond's 4Cs and its light performance (the latter already released in 2022) for the Chinese trade.

In 2020 we announced the next revolution of polished diamond grading – e-Grading™. Currently in commercial rollout in India, our above-mentioned hardware platforms and AI-based software, enhanced by unique in-process inter-system control and verification software, allow on-site grading, replacing the need to send stones offsite to third-party gemmological laboratories. This provides a midstream polisher a number of key benefits:

- Significantly less direct costs, as the grading is executed by less-skilled personnel operating equipment, rather than by highly-skilled gemmologists;
- Virtually no indirect costs – no shipping, insurance, etc.;
- A substantially shorter process – minutes to hours vs. days to weeks; and
- Operational flexibility – a manufacturer can independently prioritise his stones' grading sequence and schedule, as necessary to meet delivery deadlines, etc.

e-Grading™ will also facilitate the significant expansion of the New York based gemological laboratory, the Gem Certification and Assurance Lab, GCAL, in which we are acquiring a majority stake. To guarantee its impeccable record of consistent quality work, GCAL has always operated out of a single location in New York. However, by implementing Sarine's unique AI-derived cloud-based automated e-Grading, GCAL will be able to expand its services globally to diamond centres in India, Botswana and Dubai. It will also allow GCAL to significantly develop its services to U.S. retailers and wholesalers, without compromising its renowned stringent levels of quality and consistency and without incurring the additional costs of training and retaining numerous highly qualified gemmologists and accommodating them with expensive work space in the centre of New York City.

e-Grading™ is also uniquely suitable to LGD grading, as its lower cost allows its commercially efficient application to the lower-valued LGD, and what is more natural than grading a stone created by technology using technology!

Ultimately, we intend to facilitate the automated on-site fine-sorting of key parameters of a polished diamond in accordance with industry-accepted criteria e.g., "eye-clean", "no black inclusions", "no inclusions under the table", "no milkiness", issues of tinge, etc., so as to facilitate more accurate matching to the retail customer's needs, reducing rejects and bolstering profitability.

e-Grading™ also seamlessly connects with our diamond provenance traceability offering, the Sarine Diamond Journey™, the only provenance solution offered today based on verifiable data collected by technological means throughout the diamond's path from mine to retail (with no necessity for declaratory input).

Polished Diamond Trade (the "Downstream")

A key decision taken in 2010 was to expand our product and service offerings into the wholesale and retail trade of polished diamonds, the "downstream", targeting this industry segment as our primary market for strategic expansion and growth. While as the midstream typically creates US$ 4-5 billion in added value, the downstream's added-value is more than ten times that figure – over US$ 63.5 billion in 2021. And, whereas the average profit margin in the midstream is single-digit percentages, the margins realised by retailers start in the low double-digits and are often substantially higher for high-end exclusive jewelers and luxury brands. The downstream overall generates over half of the profits realised in the entire industry value-chain. As the downstream portion of the industry comprises much more volume in absolute dollar terms and with notably higher profitability, it embodies a market with considerable growth potential for the Group. The international diamond retail jewellery trade in 2021 amounted to over US$ 85 billion, with North America and China being the two key markets, roughly 60% and 12.5%, respectively, of global sales. It should be noted that the market share of China was reduced by its implementation of the Zero Covid policy, which severely limited retail activity. In more regular years, the North American market accounts for 40+% and the Chinese market for some 20% of global diamond jewellery consumption.

The 21st edition of Bain & Company's Luxury Study, dated 15 November 2022, relating to the luxury goods market, reports that the global personal luxury goods retail trade continued its expansion in 2022 with growth of 22%, this even though the market for luxury goods in China actually contracted in 2022, due to the ongoing Zero Covid policy. Bain expects the market for luxury goods in China to recover in 2023, as the Zero Covid policies are eased, and estimates 2023 global growth of the luxury goods market at 3-5% or 6-8%, depending on the extent and duration of a possible recession in the U.S.. The report finds that the luxury market is more resilient to economic turbulence. Bain estimates that the global luxury market will now continue to expand through 2030, and forecasts that by the end of the decade, the total expenditure on luxury goods will be over 60% higher than last year.

Luxury brands continue to be a key factor in the expansion of the market for personal luxury items, with 95% of the high-end brands showing continued growth in 2022. The top end of the luxury goods market continues to expand more rapidly than the overall market, and accounted for 40% of the market in 2022, up from 35% in 2021. Federica Levato, a Bain partner and leader of the firm's EMEA Luxury Goods and Fashion practice, commented, "In their path to 2030, luxury brands will need to leverage their position and insurgent excellence to overcome the challenges ahead… they must now deal with new priorities: ESG, creativity tech and data. These domains are rich with opportunities for luxury brands, but investments for future growth are crucial."

The study also notes that, after a dramatic jump of nearly 50% in the online sales of luxury items in 2020, also due to pandemic-related retail restrictions, and 27% in 2021, 2022 saw a normalisation in their growth with physical stores winning back their role. The luxury market's consumer base of some 400 million continues to broaden with Gen Z consumers starting to buy luxury items 3-5 years earlier than their Millennial predecessors – at 15 years of age compared to 18-20, and it is estimated it will be 500 million by 2030. However, consumers are becoming more knowledgeable and more choosy, with intensified competition for loyalty and advocacy. These consumers are hungry for unique products and experiences and expect Very Important Customer (VIC) treatment.

Clearly, branding has become, and is expected to continue to be, a key factor to success in the luxury market, in general, and in the jewellery market as well. Luxury brands will have to continue to differentiate themselves from other retailers through creativity and excellence and, no less important, through social engagement and advocacy and environmental responsibility, as noted in Bain's latest report. For other players in the retail diamond market, lacking the name recognition of the luxury brands, branding can be manifested through introducing non-standard cuts and shapes or otherwise creating an engaging story around the offered gems, e.g., by noting their responsible mining and manufacture or showcasing the jewellery's renowned designer. Notably, tracing the diamonds from mine to consumer, with both informative data and visuals, is evolving as a key to addressing both the "E" and the "S" of ESG, and will increasingly be key to successful marketing for established luxury brands, and even more so for other players, keen on addressing younger consumers' concerns.

Today's consumers of luxury goods are getting younger and younger, as noted in the Bain report quoted above. They are internet-savvy media-engrossed and socially-connected consumers. With their age dropping significantly to a phase in their lives, where these issues play an even more important role, they surf the internet and query social media before deciding to buy. Thus, again, as Ms. Levato of Bain notes, technology and data are also key to brands seeking a growing market share of the luxury goods market. By using sophisticated technologies, retailers can create a more exciting experience both on their website and in their stores. Digitally enhanced experiences based on imaging and video technologies are already being adopted by e-tailers and retailers alike as essential marketing and sales tools, as a means of branding and of generating the necessary attention, engagement and passion necessary for inducing today's consumer to buy.

To support this ongoing adoption of the retail environment to the online ecosystem, we launched the Sarine Profile™ in 2015. Utilising an assortment of various technologies the Sarine Profile™ provides an expansive toolkit for the presentation of image and video information pertaining to the offered diamond's origin, manufacture, quality, beauty and other characteristics. Sarine Profile™ enables significantly more informative online searches, whether B2B or B2C, with a higher level of transparency. The Sarine Profile™ also enhances the in-store buying experience, as the salesperson can present the requisite information in an intuitive and engaging visual format, enabling the consumer to make a truly informed decision. Sarine Profile™ is specifically designed to cater to the "millennial mindset", their engrossment with their mobile devices and their enthusiasm for social media, allowing retailers to connect with them and engage them on their media of choice.

The Sarine Profile™ is tailorable to each retailer's preferred positioning, whether online or brick and mortar. The retailers can select their preferred data/imagery/video presentations from a toolbox of options including:

- Imagery at 3 to 40 times magnification produced by the Sarine Loupe™, the higher magnifications primarily utilised in the B2B trade by expert traders to assess the diamond's beauty and internal features, without having the polished diamond physically in hand.
- Light performance grading and video generated by the Sarine Light™:
    - Brilliance – the intense bright light that is reflected from the diamond;
    - Sparkle – the dramatic flashes that burst out of the diamond as it moves;
    - Fire – the vivid colours of the rainbow that radiate from within the diamond due to its prismatic effect;
    - Light symmetry – the equal distribution of the light that reflects from the diamond.
- Hearts and Arrows graphics, Cut proportions graphics, laser inscription viewing, etc., all derived from our DiaMension® HD/Axiom 3™ proportion and symmetry measuring systems;

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- Sarine Journey traceability information in textual and/or video format;
- The polished diamond's 4Cs – whether from our e-Grading paradigm, in which case the data can be formatted as per the retailer's preferred formatting, or from any other gemological lab (text only);
- Retailer promotional material; and
- The customer's own personalisation message to the intended recipient of the diamond, e.g., his proposal.

To address the growing demand for ESG-related data pertaining to the jewellery offered for sale, as per Bain's enumeration of the important trends retailers need to address, Sarine offers its unique Sarine Diamond Journey™. The Sarine Diamond Journey is unique in that it is the only offering in the diamond industry that can provide the retailer with actual documentary data pertaining to the diamond's source and manufacture. No declaratory information is necessary. Competing offerings are either simple blockchain implementations comprised fully of declaratory information (at best periodically audited as is the GIA's solution), or hybrid solutions with source data verified but the manufacturing stage is declaratory (as is DeBeers Tracr®). The Sarine Diamond Journey™ is based on our emerging relationships with producers, either directly (e.g., Lucara, etc.) or by way of their distribution channels (e.g., Bonas), from whom we attain source information, along with our extensive presence in the diamond industry's midstream, where our industry-leading technology drives the transition from rough to polished stone.

To allow producers to economically scan a broader range of their mined output, and provide us that information as the anchor to our traceability database, our Sarine AutoScan™, in commercial use as of 2022, enables automated bulk scanning of rough stones over half a carat in weight in under 6 seconds each. It is to be noted, that if the rough stone's source data is not provided by the producer directly or indirectly to our cloud, the information can be derived and entered manually into the Sarine Journey™ database from import/export and Kimberly Process documentation.

In 2022 35 million stones were scanned for inclusion mapping using our installed base of 803 Galaxy® family systems, 6% more than in 2021, notwithstanding the overall reduction in the number of rough diamonds entering the value chain pipeline, as a result of U.S. sanctions on the main Russian producer, Alrosa. Annually, an estimated hundred million rough stones are modelled and planned using our DiaExpert® family of platforms. Of these, over 70 million stones were planned using our online versions of the Advisor® software, which, optionally, record on our cloud infrastructure the actual original rough and the subsequent planned, cut and shaped forms of the processed diamond. These data allow us to provide uniquely factual comprehensive traceability of the stone's transition from rough to polished gem. The necessary information is collated with virtually no disruption to the normal workflow and no meaningful overhead or cost, making it uniquely scalable to a polishers' overall inventory.

Our Sarine Diamond Journey™ offers consumers, concurrently with its certification of the stone's sustainable and socially responsible sourcing and manufacture, insight, in an engaging visual format, into the sophisticated technology and painstaking craftsmanship that went into creating their unique gem.

The Sarine Diamond Journey™ was recognised in 2022 as the leading traceability solution by a growing number of the industry's leading luxury brands – the Maison Boucheron and the Aura blockchain consortium, a not-for-profit organisation aimed at providing tools to enhance transparency and trust in the luxury industry, for a greater good, comprised of LVMH, Cartier, Prada and OTB. Other high-end luxury brands are also evaluating our solution, including executing actual pilot projects.

To complement the Sarine Diamond Journey™, we offer the 3D-Origin™ – a unique true 3D-printed model of the original rough diamond from which the polished gem was derived. This novelty, boxed along with the polished diamond jewellery, further enhances the consumer's experience and bolsters his/her wonder with the purchased item.

TruMatch™ Diamond Verification System

Finally, TruMatch™, our proprietary technology for "fingerprinting" a polished stone, may be used to augment the Sarine Diamond Journey™ report and unambiguously mark on the polished stone an encryption of its identity. This allows subsequent unequivocal identification of the polished stone at subsequent value-chain entities, including at the retail outlet for the consumer, whether it is still loose or already mounted. A so-called digital twin for the authentication of the purchased item is readily retrievable, which can be utilised by retailers offering extended warranties, providing cleaning and repair services or proposing "buy-up" exchanges, as well as by financial institutions or insurers for unequivocal identification.

The commercialisation of the Sarine Profile™ and the Sarine Diamond Journey™, along with the optional 3D-Origin™ and TruMatch™, is on recurrent revenue models, based on the size of the stone profiled and the scope of the services provided (e.g., grading, provenance, imagery, digital inventory control, fingerprinting, etc.) as is the norm in the industry.

To facilitate the marketing and sales of our polished diamond trade offerings, we have offices in key wholesale and retail trading hubs. Our U.S. office is on New York's so-called Diamond Way (47th St. between 5th and 6th Avenues), the heart of polished diamond trade in the U.S. Our office in Hong Kong serves as our regional hub for the polished diamond trade in the APAC market, augmented by sales staff in Shenzen, Beijing and Shanghai in China, Japan and Singapore, as a regional sub-hub for neighbouring countries. Our Indian wholly-owned subsidiary supports our trade-related offerings in the Indian downstream segment of the market, along with its support of our key midstream customers.

Sarine Products by Application and Customer Type

ACTIVITY	TARGET CUSTOMER	SARINE PRODUCTS
Rough diamond scanning for traceability and Inventory control	Producer	Sarine AutoScan™
Rough diamond evaluation	Producer and Wholesaler	Galaxy®, Galaxy® XL, Galaxy® Tension, DiaExpert®, DiaExpert® XL, DiaScan® S+, DiaMobile® XL/XXL and Advisor®
Planning optimal cutting of rough diamonds into polished ones	Manufacturer	Galaxy®, Galaxy® Ultra, Galaxy® XL, Galaxy® Tension , Solaris™, Meteor™, Meteorite™, Meteorite™ Plus, DiaExpert®, DiaExpert® Atom, DiaExpert® Nano, DiaExpert® XL, DiaExpert® Eye, DiaExpert® Edge, DiaScan® S+,DiaMark® Z and Advisor®
Cutting rough diamonds	Manufacturer	Quazer® 3 and Strategist®
Shaping rough diamonds	Manufacturer	Quazer® 3
Optimal polishing of diamonds for best Carat/ Cut trade-offs	Manufacturer	DiaMension® HD, DiaMension® Axiom 3, DiaMark® HD and Instructor®
Diamond finishing optimisation	Manufacturer	DiaMension® HD, DiaMension® Axiom 3, DiaScan® S+ and Instructor®
Polished diamond grading according to the 4 Cs and light performance	Manufacturer/ Gemmological Laboratory/Polished Wholesaler and Retailer	DiaMension® HD, DiaMension® Axiom 3, DiaScan® S+, Sarine Light™, Sarine Clarity™, Sarine Clarity™ II, Sarine Color™ and Instructor™
Polished diamond branding and wholesale /retail trade online and in-store	Manufacturer/ Gemmological Laboratory/Polished Wholesaler and Retailer	DiaScribe®, Sarine Light™, Sarine Loupe™, Sarine Profile™, Sarine Diamond Journey™, 3D-Origin™ and TruMatch™

Intellectual Property

The products we develop are proprietary in nature. Hence, our ability to remain competitive in the market is also dependent on our ability to protect our intellectual property (IP), both hardware and software. To facilitate the protection of our IP rights, we have registered numerous patents and trademarks in countries key to our business, and additional patent and trademark applications are pending in various phases in various countries. As is normal, several of our patents and trademarks have been disputed by competing players in the industry, just as we dispute patent applications filed by our competitors. The Company continued in 2022 its ongoing efforts to strengthen and expand its valuable IP portfolio by filing new and provisional patent applications in various countries, relating to our latest advances in both new and established technologies, and a number of pending patent applications were granted during this period as well.

We have through the years initiated litigation in India against certain competitors, who we allege have infringed on or otherwise fraudulently made use of our Galaxy® inclusion mapping technology and Advisor® planning software. The Company also made significant headway in its IP enforcement activities in the Indian courts in 2022. An Indian court ruled against five manufacturers in Surat, finding then guilty of copyright infringement due to the illegal use of pirated Advisor® rough planning software. Due to the gravity of the issue and the clear-cut evidence presented to the court, a swift and final judgement against the infringers was handed down after only seven months, ordering the immediate removal of the illicit software from the infringing parties' computers. The court decision's wording makes clear to the industry that the use of unlicensed or pirated versions of Advisor® software is illegal and will not be tolerated. Other suits have progressed to the final arguments stage, and we expect rulings to be handed down during the first half of 2023.

In addition to our IP copyright and patent applications and legal enforcement actions, we have designed and are continuing to design protective technological features into our systems, based on cloud computing technology. The image processing software of our Galaxy® family of inclusion scanning systems and components of our newer Advisor® rough planning software releases (Advisor® 6.0 and up), our Sarine Light™, Sarine Loupe™, Sarine Profile™, Sarine Clarity™ and Sarine Color™, 4Cs e-Grading™ and the Sarine Diamond Journey™ are all protected from non-authorised use by having key components remotely located on cloud servers. Using proprietary in-house developed cyber protection also creates a higher level of defence than that provided by using off-the-shelf commercially available protection, which is targeted per se by professional hackers. Due to this approach, though attempts have been ongoing for over five years to hack our Advisor® 6.0 and 7.0 releases, breeches to date has been very limited with no discernible impact on our business. The Advisor® 8.0 release (2022) has even further reinforced IP protection, through even more sophisticated application of cloud-based and other technologies.

We are also leveraging our technological advantages, as manifested, for example, in the significant added value offered by the adoption of our Meteorite™ Plus for inclusion scanning of very small rough diamonds along with our newest Advisor® 8.0 release for their planning, to incentivise customers to prefer our technologies over infringing offerings. Very significantly, the implementation of our Sarine Diamond Journey™ and AI-derived 4Cs grading by leading retail luxury brands in their programmes, creates a tangible incentive for midstream manufacturers' loyalty to our solutions, as these programmes generate guaranteed, often premium, revenues.

MANAGEMENT'S BUSINESS, OPERATION & FINANCIAL REVIEW

Objectives

The Group's main objectives for 2023 are:

- Expand our presence to additional producers in the upstream segment of the diamond industry with our relevant offerings – the AutoScan™, as a solution for better inventory control and as an anchor for our Sarine Diamond Journey™, and our digital tenders;
- Explore additional applications of our technology to ancillary aspects of rough diamond trading, such as the recently announced cooperation with the Delgatto Diamond Finance Fund for evaluating rough diamonds as collateral;
- Continue maintaining our dominant position in the midstream of the diamond industry and minimise the impact of illicit competition, by implementing aggressive steps against infringement including legal means, technological innovation and commercial opportunities;
- Continue expansion of our installed base of Galaxy® family of inclusion mapping systems, with emphasis on the extensive market for systems to process smaller and the smallest rough diamonds;
- Accelerate the market adoption of our unique polished diamond retail oriented products – the Sarine Diamond Journey™ and AI-based 4Cs grading.

    - Expand traceability programmes with existing and new luxury brands and other retailers.
    - Roll out our e-Grading™ offering to additional midstream manufacturers of both natural and lab-grown diamonds.
    - Establish a significant presence in the retail market with our AI-derived 4Cs grading, leveraging our planned acquisition of a majority stake in the U.S. based Gem Certification and Assurance Lab (GCAL).

- Continue our efforts to establish a parallel presence in the lab-grown diamond segment of the diamond industry.

These objectives will both increase our recurrent revenue stream and balance our business more evenly between the midstream manufacturing segment, mostly in India, and the upstream producing and downstream retail segments, in the other geographical segments, e.g., Africa, the U.S. and APAC regions. The current macroeconomic headwinds will definitely have some impact on our ability to accomplish all our goals for 2023. However, as many of our goals are ongoing efforts, which are based on long-term relationships already initiated in 2022 and even 2021, we are confident of achieving significant progress in 2023 towards expanding our market share in all segments of the diamond industry value chain.

Strategy

To realise the aforementioned objectives, the Group plans to execute these strategies:

Focus the Group's research and development initiatives as follows:

- Upstream products:

    - Explore technology for next-generation solutions improving on our Sarine AutoScan™ for the even higher speed scanning of rough stones at the mine or wholesale dealer.

- Midstream products:

    - Implement additional innovative features in our Advisor® 8.0 software to further enhance our technological edge and value proposition.
    - Seek additional means in order to further reduce the total cost of ownership (TOC) of our inclusion scanning systems for smaller rough diamonds.
    - Develop and introduce additional automated "Pay-Per-Value" algorithms to adapt Galaxy® use charges automatically for additional strata of quality of rough natural diamonds and for LGD.
    - Further refine our e-Grading™ AI-based technology and implement initial fine-sorting capabilities of Clarity and Color.

- Downstream products and services:

    - Implement the necessary internal infrastructure so as to enable the scaling up of our traceability and grading services to a broader segment of the retail trade.

Focus the Group's marketing efforts on:

- Reinforcing the midstream awareness of the overall technological and TOC benefits afforded by the refinements implemented in our inclusion scanning systems and planning software.
- The continued adoption of our Sarine Diamond Journey™ traceability:

    - Accelerating cooperation with the upstream to enable a broader based application of true non-declaratory traceability, especially in light of the possible enacting of tougher sanctions on Russian diamonds.
    - Engaging with additional luxury brands and leveraging the evolving successes, with special focus on the high-end luxury and U.S. markets.
    - Leveraging our successes with our traceability offering to expose the luxury brands and other retailers to the unique benefits of our AI-based 4Cs grading.

- The rollout of our e-Grading™ innovation by implementing a four-pronged strategy:

    - Broadening the exposure of the midstream polishing segment to the evident value-added benefits of the proposition.
    - Addressing the market of non-graded goods, an extensive market, as the direct and indirect cost benefits we offer facilitate the grading of smaller and lower quality polished diamonds.

   - o Engaging with additional retailers, with a continued focus on luxury brands, higher-end national and regional chains and high-end independent retailers, primarily in the U.S., leveraging our association with GCAL.
   - o Seeking strategic relationships similar to that established with GCAL with additional established gemmological labs in strategic markets, such as China (e.g., our ongoing cooperation with NGTC), Japan, etc.

- The direct targeting of consumers through targeted social media initiatives, enhancing the Sarine brand recognition (exposing consumers to the inherent advantages of our automated consistent grading and the enhanced sustainability guaranteed by our Sarine Diamond Journey™).

Performance Indicators

Non-financial Indicators

We use the following non-financial indicators to assess our Group's performance year-on-year and against our competition's performance:

Technological Leadership

Our technological leadership, as measured by the innovation embodied in our new and enhanced products and services, as well as by our existing and pending patents worldwide, remains strong. No other company in our field holds a broader portfolio of products and intellectual property for the rough and polished diamond industries.

Estimated Market Share*

We have clear indications that we have further bolstered our presence in the diamond industry, across all segments of the value chain.

In the upstream, we gained additional traction with our Sarine Diamond Journey™ traceability as manifested by its adoption by the Bonas Group, the largest independent global diamond and gemstone tender and auction house, representing direct-from-mine inventory from twelve mines – Blue Rock Diamonds, Braúna, IMDH, KAO, Lucapa Diamond Company, Lucara Diamond, Mountain Province Diamonds and Stornoway Diamonds (sourced from multiple geographies - Botswana, Brazil, Canada, Lesotho, Namibia and South Africa). We are continuing talks with additional producers regarding the value propositions our various technologies can offer them.

In the midstream manufacturing segment in 2022 we scanned 35 million stones with our inclusion mapping Galaxy® family of systems, 6% more than in 2021, notwithstanding the decrease in the number of rough diamonds, which entered the value chain (primarily as a result of U.S. sanctions on Russia's largest producer, Alrosa, which typically accounts for over 35% of the global production but also reflecting a decrease in the carat volume of DeBeers sales in 2022). Likewise, the 100 million rough stones planned on our planning systems in 2021, of which some 70 million were planned on our online Advisor® 6.0/7.0 installations, grossly remained the same or increased, following the introduction of our Advisor® 8.0 release (Note: we no longer closely track stones planned, as we have succeeded in our planned conversion of our customer base to the online systems, with the remaining holdouts doing so mostly for illegitimate reasons). Our launch of the Meteorite™ Plus, along with the Advisor® 8.0, significantly bolstered our value proposition for polishers of smaller stones, as evidenced by the surge in system sales following its launch late in Q3 2022.

In the downstream retail segment, our Sarine Light™ has become the most widely accepted light performance analysis and grading system in use in the APAC market, and the largest gemmological laboratory in China, NGTC (the National Gemstone Testing Centre), has launched their light performance standard based on it. We are seeing extensive interest in our Sarine Diamond Journey™ provenance/traceability offering, which has now been adopted by Maison Boucheron and the Aura blockchain consortium, comprised of LVMH, Cartier, Prada and OTB. Other high-end luxury brands are also evaluating our solution, including executing actual pilot projects. We have increased the market's awareness of our AI-derived 4Cs grading, and have leading commercial customers (e.g., Antwerp's HB, Japan's QVC, Maison Boucheron and others). Luxury brands assessing our traceability offering (e.g., with the Aura consortium) are also being exposed to the potential benefits of our AI-based grading. We have restarted our talks with Tiffany & Co., following the disruption caused by the Covid pandemic and their acquisition by LVMH, and are continuing our aforementioned collaboration with NGTC to derive new technology-based standards for them. We are in the process of acquiring a majority stake in GCAL, which will allow us to further our penetration of the key U.S. market with our grading technology.

* **Note**: The fact that all other players in our industry are privately-held companies hampers our ability to collect and collate accurate sales data; additionally, no well-known international analysts regularly cover our market for technological tools for the diamond industry, making accurate assessments hard to substantiate.

Product and Service Offerings

During the year in review we continued research and development of new products and services and enhancements to existing ones across all our product lines. We will continue this strategy into 2023 and beyond. We will enhance the Sarine AutoScan™ for higher-speed scanning. The main thrust in the midstream will be the continued enhancement of the value proposition, along with the reduction of the TOC, of the Group's integrated rough diamond inclusion scanning and planning processes. We will continue our ongoing R&D to enhance and refine the capabilities of our unique AI-based grading solutions, along with initial fine-sorting capabilities.

Brand Strength

Our brand strength allows us to leverage our distribution channels to market and sell complementary products to our existing customers, as well as to seek out new customers. We believe our brand continued to strengthen during the year in review, especially gaining recognition in the upstream mining and the downstream wholesale/retail industry sectors. We intend to continue strengthening our brand in 2023 with additional initiatives with producers and high-end global or regional leading retail brands, as well as in social media and by other means to boost consumer recognition of our brand.

Financial Indicators

During 2022 the diamond industry faced significant macroeconomic headwinds. The Ukrainian conflict in Europe affected energy and grain prices, driving inflation to exceptionally high levels in the western economies in general, and particularly in the key U.S. market. As a result, the U.S. Fed raised interest rates aggressively to levels not seen in over a decade, negatively impacting the equities and housing markets. All these factors combined to erode consumer confidence and, indeed, in the critical holiday season in the fourth quarter of 2022, retail sales flagged, dropping by some 5% year over year (y-o-y). In addition, in the second most important market for diamond jewellery, China, ongoing Zero-Covid pandemic-related restriction disrupted retail activity throughout the year. The diamond industry value chain was specifically further impaired by the U.S. sanctions enacted in early April against Alrosa, the key Russian producer, typically accounting for over 35% of the global rough diamond production. The expected shortage of rough diamonds drove their prices up throughout most of 2022, even though it is apparent, in retrospect, that Alrosa production did, in fact, partially enter the value chain by way of Indian manufacturers, who were ostensibly not subject to the U.S. sanctions. Concurrent with the increase in rough diamond prices, polished diamond prices actually eroded for most of the year, commencing in the second quarter through to year's end, as the aforementioned combined headwinds of inflation and interest rates took their toll on the average consumer's appetite (the demand for high-end luxury brands, mostly bought by the most affluent consumers, showed higher resiliency to the prevailing headwinds). These two diverging trends, increasing rough prices and decreasing polished prices, again manifested themselves as impaired margins for our midstream customers, dampening polishing activity significantly towards year-end.

In numbers, DeBeers rough diamond sales increased y-o-y in dollar terms by 23% in 2022, while as the number of carats sold decreased by 7%, testimony to the sharp increase in rough diamond prices throughout the year (DeBeers reported an increase in their average selling price per carat of 35%!). There are no formal data available pertaining to Alrosa's sales, due to the sanctions enacted against them, however it stands to reason that their sales decreased somewhat due to the sanctions having had some impact. All the same, Galaxy® family scans increased by some 6% to 35 million stones. Polished prices continued their year-end 2021 upwards trend into the first quarter of 2022, but as the crisis in the Ukraine evolved, the trend reversed and remained negative throughout the year, culminating with an average 9% decrease for the year. As a result of this divergence of trends in rough and polished diamond prices and the resulting pressures on the midstream manufacturers' margins, along with the overall macro-economic uncertainties, polishing activity was more subdued in the second half of 2022, and particularly so at year's end and going into 2023. In fact, the DeBeers sight in January 2023, even with significant reductions in the prices of rough diamonds (-10% for larger stones), was only US$ 450 million, down 32% from the same sight a year ago. We expect these headwinds to continue into 2023, at least until the degree of the possible recession in the U.S., if in fact one develops, becomes clear.

We use the following financial indicators to assess our Group’s performance year-on-year (the Notes to our Financial Statements provide additional detail):

Revenues

Revenues for FY2022 decreased by 5% to US$58.8 million from US$ 62.1 million in FY2021 due to the macroeconomic headwinds noted above, as well as due to FY2021 having had an exceptionally strong first half, driven by the consumer demand rebound following the Covid pandemic in FY2020. Capital equipment sales (including Galaxy®-family systems) decreased in FY2022 by approximately 11%. Galaxy® family related per-carat usage revenues decreased by approximately 5%, primarily due to the slowing of polishing activities in the fourth quarter brought on by the divergence of rough and polished diamond prices. In FY2022 we delivered 93 Galaxy® family systems to customers. Deliveries were somewhat impaired by the overall macroeconomic conditions, especially in the first half of the year with the advent of the Ukraine crisis and the sanctions enacted on Alrosa, which created uncertainties as to the supply of rough diamonds. The delivered systems were mostly Meteorite™ Plus (46), Meteorite™ (13) and Meteor™ (14) models for smaller stones, but also 1 Solaris™, 15 Galaxy®, and 4 Galaxy® Ultra systems (the latter two categories mostly in Africa as polishing activities expand there). As of 31 December 2022, the Group had an installed base of 803 Galaxy® family systems. Overall recurring revenues, including Galaxy® family related per-carat usage, Quazer® services, annual maintenance contracts and the polished-diamond retail-related offerings (i.e., our Sarine Profile™, Sarine Diamond Journey™ and grading), constituted approximately 50% of overall FY2022 revenues (up from 46% in FY2021). Sarine wholesale and retail trade related revenues grew by 30% to approximately 11% of our sales as compared to just over 8% and 5% in FY2021 and FY2020, respectively, primarily due to the continuing adoption of our trade related offerings, offset by a reduction in revenues from our digital tenders related services, as revenues from Alrosa ceased.

Gross Profit

Gross profit for FY2022 decreased by 11% to US$ 40.6 million, as compared to US$ 45.8 million for FY2021, primarily due to our decreased revenues and product mix. For FY2022 the Group recorded a gross profit margin of 69%, down from the 74% realised in FY2021, due mainly to decreased overall sales and product mix (and also as FY2021's gross margin was aided by the sale of inventory written-off in prior periods).

Profit from Operations

Due to our lower gross profit, and with operating expenses, for the most part, being back to pre-pandemic levels, our profit from operations for FY2022 decreased by 43% to US$ 11.0 million, as compared to US$ 19.2 million in FY2021. For the same reasons, the Group’s operating margin in FY2022 was down to 19% as compared to 31% for FY2021,.

Net Profit

For FY2022 the Group reported a net profit of US$ 8.8 million, 47% less than the net profit of US$ 16.5 million realised in FY2021. This was mainly due to our lower operational profitability, as noted above. Our net profit margin for FY2022 was 15%, as compared to 26% for FY2021.

Operating Review

Market-driven Opportunities:

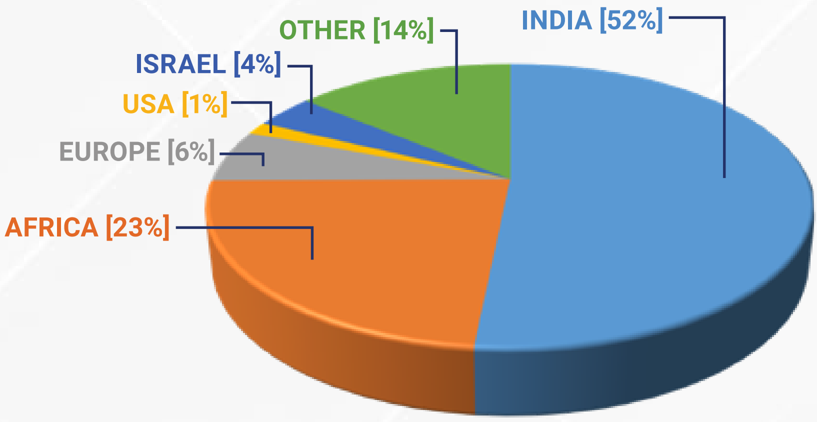
The global personal luxury goods retail trade continued to expand in 2022, showing marked resiliency to the macroeconomic headwinds of inflation and interest rate increases, by 21%, as per Bain's estimate in its annual Luxury Study dated 15 November 2022. Bain continues to forecast, as it did in its 2021 study, sustained robust annual growth in luxury goods spending of between 6-8% through 2030, with a possible hiccup in 2023 due to possible recessionary conditions. Due to changes in our lifestyles, especially common to younger consumers, both before the pandemic and accelerated by it, online sales of luxury items continued to expand in 2022 by some 7.7%. Online sales account today for just under 15% of all personal luxury spending. In addition, Bain notes, ESG (environmental and sustainability) issues have become core priorities.

Our polished diamond retail trade oriented solutions, the Sarine Profile™ and Sarine Diamond Journey™, as well as the ability of our AI-derived 4Cs grading to generate digital-only reports, specifically address both these evolving needs – the growing prominence of digital online trade and the luxury brands' recognition of the consumers' concerns with sustainability, environmental and social responsibility issues. This was demonstrated by Maison Boucheron's launch of their Etoile Paris jewellery in January 2022, showcasing sustainability utilising our Sarine Diamond Journey™, as well as by its adoption by the Aura blockchain consortium (LVMH, Cartier, Prada and OTB) in April of last year. Maison Boucheron have followed through with an announcement that all their solitaire diamonds will be documented for sustainability, based on our Sarine Diamond Journey™ data, by year-end 2023. All our technologies generate cloud-based data for immediate anytime anywhere accessibility on mobile devices, a key factor in today's retail environment. We intend to leverage these capabilities throughout the upcoming years to accelerate our market penetration and broaden our market share. We continue to focus on additional high-end luxury brands this year, as well as on the key U.S. market. To this end we are acquiring a majority stake in the New York based, highly regarded, GCAL gem lab, as announced in January 2023. We also continue to focus on end-market retailer and consumer recognition of our Sarine brand in the key U.S., China and APAC markets.

As the conflict in Ukraine enters its second year, the U.S. is reportedly looking to tighten its sanctions on Russian diamonds. It is expected that the proviso that allowed the importation into the U.S. of Russian-mined diamonds cut and polished elsewhere (e.g., India) will be eliminated. It is apparent that the E.U. and the U.S. are aiming to develop a "'watertight' traceability system" for diamonds as a way to preclude any importation of Russian gems. "The Belgium government has suggested an international traceability requirement," reported Tom Neys, spokesperson for Antwerp World Diamond Centre, a key Belgian industry group. Their proposal would mean that every company who wants access to the U.S., E.U., and other G-7 markets would need to provide definitive ("watertight") provenance information. We are confident that the Sarine AutoScan™, our robotic system for the high-speed scanning of rough stones, which provides the capability to economically document the extraction of rough diamonds at their mined source, and the rough stones' subsequent traceability by our Sarine Diamond Journey™, can provide the entire value chain with the means with which to fully and transparently comply with these new government requirements with minimal disruption. A faster version of the Sarine AutoScan™, which will also handle smaller rough stones economically, is already in alpha-testing and will make our solution's ability to meet these new government statutes even more robust.

The market for lab-grown diamonds (LGD) continued to expand in 2022. LGD made up an estimated 10 per cent of total diamond sales worldwide, and their share of the market is expected to grow going forward, with a CAGR of over 9%, outpacing that of the overall diamond jewellery market (estimated by Bain to be just under 7%). The U.S. market remains the primary market for LGD, comprising an estimated 80% of the global demand for LGD in 2022, as compared to just over 50% of the overall diamond jewellery market. It is estimated that more or less half of U.S. retailers offer LGD products in their stores or online. Also in the U.S. LGD are becoming acceptable as bridal jewellery, with fiancés spending the same amount of money for a larger (and often higher quality) stone. Many retailers state that they emphasise that LGD have virtually no resale value and should not be considered as an investment, as they are being mass-produced in larger and larger numbers. Already today the B2B market for LGD has seen a dramatic drop in prices with wholesale prices significantly lower than those of natural diamonds. Retail prices have not followed suit, and, indeed, retailers are currently benefiting from high margins. It is highly doubtful these margins will be sustainable, as LGD production continues to ramp up. We expect the share of LGD vs. natural stones will find an equilibrium point within the next 3-5 years. Some estimates forecast the market share of LGD may be as high as 40% (US$ 40B) of a much expanded market domain (to over US$ 100B) by 2030. The market acceptance of lab-grown diamond (LGD) jewellery has created, as we have in the past forecast, a new opportunity for the Group. Virtually all our technologies are applicable to LGD. We are introducing this year the Pay-Per-Value paradigm for our Galaxy® inclusion mapping services, which will automatically adjust the pricing of the scans to LGD price points. Our Quazer® 3 laser system continues to be the most cost-effective offering for dicing the LGD wafer into the raw cubes, from which the gems are polished. Our Sarine Diamond Journey™ is also applicable to LGD, as it can document their responsible manufacturing and tell their story to that segment of the consumer market. Lastly, our AI-based e-Grading™ is especially applicable to LGD grading, as it allows grading of the polished LGD at an affordable charge commensurate with LGD pricing. Our planned acquisition of a majority stake in the GCAL lab is also being driven by the original stakeholders' perception that our technology will avail the acceleration of their business in the flourishing LGD market in the U.S. Incidentally, e-Grading™ also lends itself conceptually to LGD grading – stones created by technology should, naturally, be graded by technology.

Revenue by Geographic Segment



Company-driven Opportunities:
In the upstream segment of the diamond value chain, we have launched our new Sarine AutoScan™ system for the high speed scanning of rough stones over half a carat in weight at the mine. We will offer this new system to the upstream industry segment of producers to both avail the provenance documentation of their stones, to meet the growing demand for proof of sustainable and responsible mining, as well as to help resolve acute inventory control issues. We will also explore additional implementation of our various technologies to support the secondary rough diamond trade market, wherein over half of the annual production is traded, often more than once, such as the newly announced cooperation with the Delgatto Diamond Finance Fund.

MANAGEMENT'S BUSINESS, OPERATION & FINANCIAL REVIEW

In 2023 we intend to further bolster our already leading market position in the midstream industry segment:

- We will offer additional business models to correlate with the economics of scanning and planning small stones, expanding the benefits of the reduced TCO of the Meteorite™ Plus to additional market segments.
- We will introduce additional automated "Pay-Per-Value" algorithms to reduce Galaxy® use charges automatically for lower quality rough natural diamonds in additional size and value strata, as well as for LGD raw material, so as to significantly expand our total addressable market (TAM) to additional extensive types of material, currently below the threshold of economically viable scanning.
- We will continue to enhance our Advisor® planning software to further differentiate our offering from our competition's.
- We will continue leveraging the growing adoption of our best-in-class provenance/traceability solution, the Sarine Diamond Journey™, by high-end luxury brands and other retailers, as well as by producers, to convince midstream players to abandon their use of illicit, IP infringing, offerings.
- We will accelerate our roll-out of our e-Grading™ paradigm to demonstrate to additional midstream manufacturers its inherent significant tangible benefits.

Our Sarine Diamond Journey™ and e-Grading™ offerings are generating new channels of penetration into the downstream retail markets. In 2023 we aim to further expand our recognition and accelerate adoption by key downstream players – luxury brands and U.S. wholesalers and retailers. We believe our planned acquisition of a majority stake in the U.S. GCAL lab will significantly accelerate our penetration of the key U.S. market.

Risk Factors

The sanctions enacted by the U.S., the E.U. and additional countries on Alrosa, and those that are reportedly being considered, as a consequence of the ongoing conflict in the Ukraine, may, in the short term, disrupt, at least to some degree, the normal supply of rough diamonds.

The combination of ongoing higher than normal inflation and the subsequent increases in interest rates by central banks worldwide will continue weakening consumer demand for polished diamonds, as was already experienced in the holiday season of 2022. The probability of a recession of some degree in 2023 is not to be dismissed.

Though China has eased its Zero-Covid policy, it is undergoing a significant outbreak of the virus which is still impairing retail activity in the country. The world as a whole is still experiencing periodic outbreaks of Covid. The possibility of new mutant strains of the virus emerging is a factor to be considered.

Our success and ability to compete are substantially dependent on our intellectual property (IP), proprietary patented technology and copyrighted software. In addition to ongoing legal proceedings, as noted above under Intellectual Property, we may in the future be involved in additional proceedings, initiated either by us or in response to claims by third parties. The steps that we have taken and are taking to protect our IP rights may not be adequate, and we might not prevail and be able to prevent others from using what we regard as our proprietary technology. We already have significant legal expenditures in this regard, and, if we have to resort to more extensive legal proceedings to enforce our IP rights, for instance in the U.S., the proceedings could be even more costly, and we may not be able to recover our expenses. We may be subject to claims by others regarding infringement of their proprietary technology.

We provide retailers with reports and depictions of certain diamond qualities and parameters, including, but not limited to, light performance, the diamond's provenance, its 4Cs, Hearts and Arrows, etc. If a retailer's end customer, or another third party, even if we are not contractually bound to such end customer or third party, alleges that our report is incorrect, or it is improperly relied upon, and we are held responsible, we could be subject to monetary damages. Upon completion of our acquisition of a majority stake in the U.S. CGAL lab, we may face a certain increase in our exposure to these issues due to the lab’s industry unique money-back guarantee issued on the certificates. We will mitigate the risk by acquiring reasonable insurance coverage.

We are and may continue to be subject to product liability and/or other claims, if people are harmed or their stones or other properties damaged by the products we sell or the services we offer.

Disruptions, failures or breaches of our information technology and cloud computing infrastructure could have a negative impact on our operations and sales.

As part of our business plan, we are developing new initiatives for new industry segments and new products and services in our existing product lines. We are also expanding our marketing and sales efforts in new and existing market segments and geographical areas. There is no assurance that such expansion plans will be commercially successful. If we fail to achieve a sufficient level of revenue, or if we fail to manage our costs effectively, we may not be able to recover our expenditures, and our future financial position and performance may be materially and adversely affected.

The location of the Company in Israel, and the concentration of its management, research and development and manufacturing activities here is a geopolitical risk factor. Furthermore, of late, the government of Israel is promoting a broad legislative campaign towards strengthening the executive branch by restraining judicial review, while also granting the executive branch increased control over the appointment of judges. It has been suggested by some that such legislation, if enacted, may damage Israel's credit rating and deter current and future foreign investment activity into Israel. While it is yet too early to ascertain whether the legislative campaign will be fully or partially enacted, we note that at this point the New Israel Shekel (NIS) has recently weakened to a three year low against the US$. While we do not foresee any immediate negative impact on the Group (as, for instance, our balance sheet is debt free, many of our expenses are in NIS and our revenues are in US$), we cannot ascertain what if any impact this legislation will have on our business longer-term.

Risk Management & Internal Control

The Audit Committee and Management have, through the years, analysed these and many other risk factors and have compiled a matrix of risks pertaining to the Group’s business and performance, financial management, information technology (IT) and regulatory compliance issues, delineating the severity of their potential negative impact on the Company and their probability of happening. An updated comprehensive weighted prioritised risk factor matrix was derived in 2021 with the help of our Internal Auditor.

The Audit Committee has periodically reviewed the Group's internal controls and their adequacy at addressing the aforementioned risks in general, and has engaged the services of our third-party Internal Auditor for in-depth analyses of key issues on a routine basis. In 2021, the Internal Auditor completed, as noted, a comprehensive risk assessment of the Group's activities, which is the basis for ongoing internal audits and assessments. The primary areas that were audited in 2022, and the internal controls fine-tuned appropriately as per the findings of said audits, were Cyber and IT security, inventory management, Sarin India – purchasing, payments, revenue cycle and controls at Indian Galaxy service centre, and inventory and customer service (started late 2022 going into 2023). In previous years the areas audited were purchasing, the sales cycle, quality control, billing, collection of receivables, inventory management and purchasing, payment to vendors, payroll, customer service, facilities security, work place safety, IP protection and information security in Israel. In India audits covered the Surat building project, the Sarine Technology Lab and Galaxy® service centre procedures, process, recurring revenue billing cycle, customer credits control and security, pre- and post-sale standard operating procedures, attendance and payroll, collection of receivables, payment to vendors, spare parts inventory, information security and the implementation of the Group-wide ERP system. The Internal Auditor has also reviewed information control and integration between Sarin India and Sarine Israel. The Audit Committee of the Board, and the Board in its entirety, when applicable, has reviewed the findings of all these audits, with appropriate enhancements to the internal controls agreed upon with Management. In many instances (e.g., service centres operations, purchasing, inventory, attendance and payroll and IT information security and integration), repeat audits have been executed to verify the necessary corrective actions' due implementation.

The Board of Directors of the Company, with the concurrence of the Audit Committee, is of the opinion that the current internal controls and risk management system are adequate and effective in addressing the financial, operational, compliance and IT risks, while noting that no system of internal control can provide absolute assurance against the occurrence of errors, cyber-attacks, fraud or other irregularities, in accordance with the Internal Auditor's revised assessment of these issues. The Audit Committee reviewed the results of this revised assessment, and the necessary adjustments to the internal controls and risk management system were presented to and adopted by the Board.

The Board of Directors has engaged KPMG to analyse issues pertaining to ESG (environment, social and governance) facets of our business. The Group's most recent Sustainability Report pertaining to 2021 was published on 17 May 2022. A further update and enhancement pertaining to 2022 will be issued and posted by 30 April 2023, as required by the SGX Listing Rules.

<u>Financial Review</u>

Cash Flow

As at 31 December 2022, cash, cash equivalents, short-term investments (bank deposits) ("Cash Balances") was US$ 36.0 million as compared to US$ 36.4 million as of December 31, 2021. The Cash Balances were primarily affected by the payment of US$ 10.5 million in dividends (an interim US$ 1.7 million dividend in December 2022, an interim US$ 5.3 million in September 2022 and a US$ 3.5 million final FY2021 dividend in May 2022) and the repurchase of US$ 0.9 million of Sarine shares in the open market, offset by the Group's lower profitability in FY2022 and a slight decrease in trade receivables to US$ 22.5 million as at December 31, 2022 (US$23.8 million as at December 31, 2021).

Cash Management and Liquidity

Throughout 2022 the Group maintained cash reserves higher than needed for the financing of ongoing operating activities. The policy dictated by the Board of Directors for the management of these cash surpluses is to invest them in low-risk short-term interest-bearing accounts and instruments with high liquidity, in our working currencies- primarily US Dollars, but also New Israeli Shekels and Indian Rupees. Financial instruments held are classified as current assets. When the cash and investment (short-term deposits) balances are analysed and compared to the annual cash requirements needed for the financing of the ongoing business activities of the Group, it is apparent that the Group has strong liquidity.

Accounting Policies

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards – IFRS. The preparation of financial statements, in conformity with the IFRS, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The financial statements are presented in United States Dollars, which is the Company's functional currency, rounded to the nearest thousand. The accounting policies set out in our yearly financial reports have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently to all Group entities.

For more detailed information on our accounting policies and related explanations, please refer to our Consolidated Financial Statements.

<u>Shareholder Return</u>

Sarine experienced solid profitability in FY2022, recording a net profit margin of 15%. The Group earned US$ 8.8 million (compared to US$ 16.5 million in FY2021, which, as detailed above, was an exceptional year, driven in the first half by post-Covid pent up consumer demand), equivalent to basic profit per share of US cents 2.51 (US cents 4.70 profit per share in FY2021) and fully diluted earnings per share of US cents 2.51 (US cents 4.69 profit per share in FY2021).

Going into 2022 the Group's dividend policy provided for the distribution of US cents 1.0 on a semi-annual basis as a dividend to its shareholders. Mid-year, the policy was adjusted to the distribution of 80% of the Group's net profits. We paid an interim dividend of US cents 1.5 in September 2022, and another interim dividend of US cents 0.5 in December 2022 and will pay (subject to approval at the Annual General Meeting on 24 April 2023) a final dividend of US cents 1.0 per share in May 2023, an estimated total US$ 10.5 million for the year.

As per the Board of Directors' decision of 26 February 2023, the dividend policy for 2023 will remain 80% of our net profit, subject to market conditions and at the Board of Directors' discretion.

CORPORATE SOCIAL RESPONSIBILITY

SARIN INDIA EMPLOYEES AT BRITISH CEMETARY IN KATARGAM FOR CLEANING AND PLANTING

Being a global leader in our field, Sarine is committed to excellence and leadership in research and development, in quality manufacturing, in sales ethics and in customer service and support. It is our sincerest belief that we can and do contribute to the entire industry value chain: the upstream producers, the midstream manufacturers and the downstream retail customers as well as to the consumer public, by conceiving and producing systems and services that optimise the value chain and inspire confidence in the quality and value of the polished diamonds produced and offered for sale.

As a responsible member of the modern business environment, we have adopted a Code of Ethics to guarantee that we create and maintain appropriate relationships with our business partners, customers and employees, based on all relevant legal statutes, mutual respect, fair play, transparency and sustainable long-term business practises.

Following are the key tenets of our Code of Ethics on which we base our everyday business execution:

- We treat our business partners, customers and employees with fairness and dignity.

- To the best of our ability, we create a safe and protective work environment for our employees, and we offer our customers safe products, with which to similarly create a safe work environment for their employees.

- In order to ensure operator safety, our products and services undergo strict inspections, which are constantly revisited by our own engineers and by third-party experts. Operating instructions and/or training are provided, as applicable, with regard to the proper and safe use of our products and, where necessary, built-in safeguards are provided to prevent inadvertent unsafe operation.

- Wherever applicable, we ourselves employ, and we instruct our customers as to how to similarly take, all necessary measures for the safe and environmentally friendly use and disposal of even marginally hazardous materials, as per directions from appropriately authorised expert consultants.

- We believe our business does not impact the ecological balance of our environment and does not have any influence on the sustainability of the industry or the human/natural fabric in which we operate.

- Our human resources policies protect the rights and interests of the Group's employees, as dictated by all applicable laws in all the jurisdictions in which we have a permanent established presence. Moreover, we go beyond statutory requirements to ensure a beneficial employment environment for our employees. In India, for example, the Group's Indian subsidiary actively ensures that all its employees and their immediate families receive an annual expanded medical checkup, on the company's premises and at its expense, during working hours, with a view to promote their healthcare. Additionally, since the Covid-19 outbreak, the Group has taken every necessary measure and precaution to ensure the employees' health and welfare by enabling employees to work from home or by providing a safe and healthy working environment at the office, adhering to all applicable government mandates and guidelines, in all relevant jurisdictions.

- We maintain strict policies with regard to equality in the workplace, regardless of sex, age, religion, ethnicity, disability or other personal traits or beliefs, including the strict and swift treatment of any sexual harassment incidents, so as to provide a fair, safe and amicable workplace.
    - o We actively seek to employ individuals living with various disabilities in order to promote equal opportunity in the workplace.
    - o We strive to offer our employees engaging career paths, advancing them professionally with appropriate training.
    - o We maintain open communication lines between all our employees and the various levels of management, encouraging our employees to comment on, improve, and critique the Company's activities. We have put in place a formal whistleblower policy, encouraging employees and business partners to report on any illegal, improper or unfair practices they may encounter in their dealings with Sarine.

- We reward our employees for their contribution to the Group's success, either with cash bonuses, grants of stock options or otherwise.

- The Group organises multiple annual sports and leisure activities for the employees and their families, so as to enhance the team spirit of our employees and reward them for their performance.

SARIN INDIA DONATION OF ENGLISH PRIMERS TO KATARGAM SCHOOL

The Group and its employees see great importance in giving back to the community. As in recent years, in 2022 we continued to participate in local, national and international programmes for the support of the disadvantaged and less privileged segments of our society.

Sarin India, established in our most significant market, has an active Corporate Social Responsibility Committee comprised of 6 members ("CSR Committee"), which has adopted and implemented an active CSR policy. On Environment Day, the members of the CSR Committee together with approximately 50 Sarin India employees visited the British Cemetery in Katargam, cleaned the cemetery and planted 50 trees.

The CSR Committee actively focuses on different initiatives and ultimately helps children gain a better education. In 2022 we 'adopted' three new government primary schools in the heart of the diamond manufacturing centre in Katargam, Surat. Over the past year, Sarin India paid the salaries of three computer teachers and carried out IT infrastructure works in order to enable remote schooling. Additionally, we supported the "Children Home For Girls", an orphanage in Surat, and provided them with essential equipment as needed.

In 2022 Sarin India began supporting children from the Dang District, an economically distressed tribal district in the southeast part of Gujarat. The CSR Committee carried out a survey in a number of schools in the Dang District. It met with the principals and teachers of these schools in order to better identify the students' basic needs. After a careful evaluation, the CSR Committee chose two schools in the Dang District and donated notebooks, drawing books, school bags, clipboards and other school supplies to 600 students from these two schools.

In Israel during 2022 we coached a young person with learning and emotional disabilities. We hosted him at our offices on a weekly basis and we helped him learn life skills, taught him computer programming, helped him develop technical skills and introduced him to a working environment.

SARIN INDIA CSR TEAM AT CHILDREN HOME FOR GIRLS ORPHANGE WITH DONATED CABINETS

GROUP STRUCTURE

The following chart accurately depicts the Group's structure at the time of this report.

1. **Galatea Ltd.** – The developer of proprietary technology for the automated detecting and mapping of internal inclusions and tension in rough diamonds (the Galaxy®, Galaxy® Ultra, Galaxy® XL, Solaris™, Meteor™, Meteorite™ and Meteorite™ Plus products).

2. **Sarin Technologies India Private Ltd.** – The provision of pre- and post-sales and technical support for our Group's products in India and Sri Lanka and such other territories as may be agreed by our Company and Sarin India from time to time. The operation of the service centres in India providing customers with inclusion and tension detection and mapping and laser sawing/cutting services for rough diamonds, and the grading of the 4Cs and light performance, along with various methods of visualisation, of polished diamonds.

3. **Sarine Color Technologies Ltd.** – The development, manufacture and marketing of instruments for assessing and grading the light performance, Clarity and Color (based on artificial intelligence algorithms) and for various methods of visualisation of polished diamonds.

4. **Sarine Polishing Technologies Ltd.** – The operation of service centres in Israel providing customers with inclusion and tension detection and mapping for rough diamonds, and the grading of the 4Cs and light performance, along with various methods of visualisation, of polished diamonds.

5. **Sarin Hong Kong Ltd.** – The provision of pre- and post-sales and technical support for our Group's products in the Asia Pacific region, including Australia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan and Thailand.

6. **Sarine Holdings USA Ltd.** – An Israeli holding company for the Group's North American subsidiaries.

7. **Sarine North America Inc.** – The Group's operating company for Sarine's North American operations.

8. **Sarine IGT 10H Inc.** – A real estate holding company for one of the three office units in the International Gem Tower.

9. **Sarine IGT 10I Inc.** – A real estate holding company for one of the three office units in the International Gem Tower.

10. **Sarine IGT 10JKL Inc.** – A real estate holding company for one of the three office units in the International Gem Tower.

11. **IDEX Online SA.** – A publisher of a leading trade magazine and an operator of a web portal for news, analyses and polished diamond price indexes, including a business-to-business (B2B) polished diamond trading e-commerce platform and a business-to-consumer (B2C) polished diamond web site.

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

Sarine's shares were listed for trade on the SGX-ST on the 8th of April 2005 and on the Tel-Aviv Stock Exchange (TASE) on 5th of July 2021.

The Company's corporate governance practices are described with specific reference to the Code. The Company has exercised its best efforts to adhere to the principles and guidelines of the Code. In the few cases where the Company did not do so, the Company has explicitly specified the respective background, circumstances and reasons.

BOARD OF DIRECTORS

Principle 1: Board's Conduct of its Affairs

The Board of Directors of the Company (the "**Board**") is entrusted with the responsibility for the overall management of our Company. The Board's primary roles are: to (i) provide entrepreneurial leadership and set strategic objectives, which should include appropriate focus on value creation, innovation and sustainability; (ii) ensure that the necessary resources are in place for the Company to meet its strategic objectives; (iii) establish and maintain a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and Company performance; (iv) constructively challenge the management of the Company (the "**Management**") and review its performance; (v) instill an ethical corporate culture and ensure that the Company's values, standards, policies and practices are consistent with the culture; and (vi) ensure transparency and accountability to key stakeholder groups.

All directors are well aware of their professional and fiduciary duties and responsibilities as officers of the Company (including their duties of care and duties of trust). In particular, and in accordance with applicable law, directors who may be deemed as having a personal interest in any matter related to the Company, disclose such (actual or deemed) conflict of interest and recuse themselves from discussions and decisions involving such matters.

The Board is authorised to delegate some of its authorities to permanent or ad-hoc Board committees. The Board has thus established the Audit Committee, the Remuneration Committee, the Nominating Committee, the Executive Committee and, as of 2023, the ESG Committee. The tasks, powers and authorities of each of these committees have been set forth in each committee's charter. The terms of reference play an important role in ensuring good corporate governance in the Company and within the Group and will be reviewed by the respective Board committees on a regular basis to enhance the effectiveness of these Board committees. The Board has also authorised its senior officers to issue shares upon the exercise of options under the Company's share option plans. Notwithstanding any delegation of powers as aforesaid, the Board remains responsible, at all times, for any acts or omissions of any of the Board committees.

In line with applicable law, the Board is entrusted with all matters related to the Company's share capital, assumes the responsibility for the approval of the Company's financial statements and sets the Company's goals and policies. The Board also appoints the CEO and oversees the performance of his duties.

Within this framework, the Board discusses and resolves any matters, which require the Board's approval under any applicable law (including, without limitation, interested persons' transactions) and/or any activities conducted pursuant to the guidelines set by the Board. In general, any material issue concerning Sarine (e.g. strategic planning, material research and development milestones, risk assessment and risk management, material market and/or business development issues, potential material transactions, substantial capital investments, etc.) is brought to the attention of the Board.

The Nominating Committee and the Board also consider multiple board representations of members of the Board, so to ascertain that Board members have sufficient time and attention necessary for the exercise of their duties as directors (the Nominating Committee and the Board have considered the directorship positions of Mr. Lim, Ms. Shine, Mr. Sin and Ms. Zruya-Hashai and are of the opinion that such do not interfere with their service as independent directors of the Company).

Please see below further discussion of the powers, authorities and activities of the Nominating Committee, the Remuneration Committee, and the Audit Committee also in Sections 4, 6 and 10 below.

The Board meets regularly and in any event no less frequently than five times every calendar year. The Company's Articles of Association (the "**Articles**") and the Israeli Companies law allow the convening of meetings of the Board using conference calls or any other device allowing each director participating in such meeting to hear all the other directors participating in such meeting. Board materials and Committees' materials are disseminated to the members of the Board and to the members of the respective Board Committees in a timely manner, prior to each meeting.

The attendance (in person or remotely) of the directors in the Board meetings held in 2022 was as follows (in addition, a written resolution was passed on one occasion):

	Board of Directors – 2022	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Daniel Benjamin Glinert	7	7
Mr. Avraham Eshed	7	6
Mr. Uzi Levami	7	7
Mr. Lim Yong	7	6
Ms. Varda Shine	7	7
Mr. Sin Boon Ann	7	7
Ms. Neta Zruya-Hashai	7	7

The attendance (in person or remotely) of the directors in the Board committees' meetings held in 2022 was as follows (in addition, a written resolution was passed by the Audit Committee on one occasion):

	Audit Committee – 2022	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Lim Yong Sheng	5	5
Ms. Varda Shine	5	5
Mr. Sin Boon Ann	5	5
Ms. Neta Zruya-Hashai	5	5

	Remuneration Committee – 2022	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Uzi Levami	3	3
Mr. Lim Yong Sheng	3	3
Ms. Varda Shine	3	3
Mr. Sin Boon Ann	3	3
Ms. Neta Zruya-Hashai	3	3

	Nominating Committee – 2022	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Daniel Benjamin Glinert	2	2
Mr. Lim Yong Sheng	2	2
Ms. Varda Shine	2	2
Mr. Sin Boon Ann	2	2
Ms. Neta Zruya-Hashai	2	2

As a rule, the Board has delegated to Management the authority to approve transactions within certain thresholds, as set forth in the Board's respective written resolutions. Notwithstanding the above: (a) all strategic matters are brought before the Board; and (b) the Board committees and Management remain accountable to and report back to the Board. Minutes of meetings of all Board Committees in FY2022 were made available to the Board, and the Chair of each Board Committee provided updates at Board meetings in FY2022 on matters discussed in Board Committee meetings.

The Management of the Company provides the Board with interim and periodical (quarterly/annual) financial reports (in line with the SGX RegCo's announcement of 9 January 2020, the Company publishes semi-annual and annual financial statements, but the Board discusses the Company's performance at least on a quarterly basis), budget control reports and additional financial and operational information. The Board has separate and independent access to senior Management of the Company. Requests for information from the Board are dealt with promptly. The Board is informed on all material events and transactions as and when they occur. Professional advisors (e.g. with regard to securities-related matters, compliance, insurance, cyber-security, audit, etc.) may be appointed to advise the Board, or (in special circumstances – as provided by Israeli law) any of its members, if the Board or any individual member thereof needs independent professional advice (under Israeli law, the retention of an independent counsel by a director is subject to the Board or the court's approval, as applicable; when considering a director's request in this regard, the court will consider the adequacy of the advice rendered by the Board's counsel(s) and the fees charged by an independent counsel, in view of the matter in question and the Company's financial situation).

The Board is involved in the appointment and removal of the Company secretary. The Company secretary (who also serves as an external legal counsel to the Company) attends all Board and Board committees' meetings and is responsible for ensuring that Board procedures are followed and for the recording of the minutes. Together with the Chairman and the Management, the Company secretary is responsible for compliance with the applicable laws, rules and regulations in this regard.

All Board members are instructed and advised, on an ongoing basis, with regard to their roles, responsibilities, powers and duties. Such direction includes dissemination of written materials, prepared by the Company and its counsels, periodical updates with regard to legal and corporate governance developments affecting the Board and the directors, personal communication with the Company's secretary and ongoing discussions at Board meetings.

Principle 2: Board Composition and Guidance

The Nominating Committee of the Board, in its meeting of 5 January 2020, opined that the following general criteria should be applied to the Board of Directors composition:

- The Board should comprise 7 to 9 directors. The current structure (7 directors) is sufficient and effective. The Board may consider adding additional directors, on a case-by-case basis, giving proper weight to the potential contribution of the additional member/s vis-à-vis the effects on the effectiveness of the Board.
- The majority of the Board should be comprised of independent directors.
- The Board should be comprised of directors having appropriate expertise and experience in areas related to the operations of the Group. Specifically, if 7 directors, preferably three from the diamond industry, preferably from the various segments thereof (upstream production (mining), midstream polishing and wholesale trade, and downstream retail trade), preferably two with relevant technological background, at least one with accounting / financial review and reporting expertise and at least one with corporate governance expertise. If 9 directors, an additional one from the diamond industry and an additional one with relevant technological background.
- The Board should be gender diversified.

The Board has ratified the above guidelines in 2021 and again in 2023 and incorporated them into the Board's diversity policy, and based on such the Board is of the opinion that its structure and composition, as proposed for election in the upcoming Annual General Meeting in April 24 2023 (the "**2023 AGM**"), are in line with such policy and duly address the Company's needs and plans.

As of the date of this report, the Board comprises seven directors, the majority of who are independent (two of those directors, namely Ms. Neta Zruya-Hashai and Mr. Sin Boon Ann also qualify as "External Directors", under Israeli law) and six directors out of the seven are Non-Executive Directors. Thus, the Board is able to exercise objective judgment, independently from Management and no individual or small group of individuals can dominate the decisions of the Board.

The Board is of the opinion that its current size is adequate. However, the Board may consider the addition of up to two additional directors in the future, optimally with strong technological and/or business development record, taking into account the optimal Board's size on the one hand, and the benefits of diversity and complementary expertise on the Board on the other hand.

The Board committees reflect an appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender, nationality and age, so as to avoid groupthink and foster constructive debate. In accordance with the criteria noted above, Ms. Shine has vast experience in the upstream production segment of the diamond industry, having had an extensive career at DeBeers culminating in being CEO of its rough diamond selling arm, Mr. Eshed has over 50 years' experience in the midstream polishing segment, and Mr. Lim has extensive ongoing experience in the downstream retail segment, being the CEO of a chain of retail outlets throughout the APAC market. Mr. Glinert and Mr. Levami have together close to a century of experience in various high-tech endeavors in assorted fields. Ms. Zruya-Hashai has broad accounting and financial review knowledge, having been a partner in a big four accounting firm for many years, and Mr. Sin has many years of experience on corporate governance issues, having served in senior positions in the legal practice in Singapore, focused on capital markets, public listings, etc. Clearly, the Board draws from a broad spectrum of backgrounds, ages, genders, competencies and disciplines: from the diamond and gemstones industry (including "upstream", "midstream" and "downstream" segments of the industry) the high-tech industry, the business community, accounting, legal practice and management. As noted above, the Company is also considering seeking additional directors who will enrich and diversify the Board.

More information with regard to the directors' experience may be found in the Board of Directors section of this Annual Report.

Ms. Varda Shine has been appointed by the 2020 Annual General Meeting as the Lead Independent Director and it is proposed to re-appoint her for such position.

The Nominating Committee and the Board have reviewed the independence of each of the Company's independent directors and applied the Code's definition (as well as the definitions of Israeli law) of independent director qualifications in its review.

As noted below (under the discussion re Principle 4), according to the Articles, each director shall serve, unless the Annual General Meeting appointing him or her provides otherwise, until the third Annual General Meeting following the Annual General Meeting at which such director was appointed, or his or her earlier resignation or removal pursuant to the provisions of the Articles. The current directors were elected in 2020 and thus will step down from their position in the 2023 AGM.

The Nominating Committee and the Board have considered the optimal composition of the Board on one hand and the performance of the Board as a whole and of each of its members on the other hand and recommend that the current members of the Board be put for re-election, taking into account the Company's best interests.

The directors of the Company in office at the date of this report are:

Executive	Non-Executive	Independent
Mr. Daniel Benjamin Glinert (Chairman)	Mr. Avraham Eshed	Ms. Varda Shine (Lead)
	Mr. Uzi Levami	Mr. Lim Yong Sheng
		Mr. Sin Boon Ann
		Ms. Neta Zruya-Hashai

There are no permanent alternate directors (in the past alternate directors have been appointed in very few cases and only for specific meetings; during 2022 no alternate director was appointed).

The Non-Executive Directors participate actively in developing strategy and in reviewing the performance of the Company.

The independent directors also meet without the presence of the Management of the Company, to the extent necessary or advisable.

Principle 3: Chairman and Chief Executive Officer

The Executive Chairman and the CEO of the Company are separate individuals. They are not related.

According to the resolution of the Board:

"The Company is of the view that a distinct separation of responsibilities between the Chairman and the CEO will indeed ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

As the most senior executive in the Company, the CEO bears executive responsibility for the Company's day-to-day business according to the policies set by the Board and subject to the Board's directives, and works with the Board on strategic planning, business development and generally charting the growth of the Company.

The CEO shall report to the Board on a periodic basis and shall seek the Board's advice and consent.

The Chairman bears responsibility for the proper functioning of the Board and the Board's committees (and of the Non-Executive Directors in particular), maintains on-going supervision over the Management of the Company and over the flow of information from the Company's Management to the Board, and assists in promoting high standards of corporate governance and ensuring compliance with the Company's guidelines of corporate governance.

The Chairman ensures that Board meetings are held when necessary and sets the Board meetings agenda in consultation with the CEO.

The Chairman ensures effective communication between the Board and the Company's shareholders."

Ms. Varda Shine is the Lead Independent Director. As Lead Independent Director, she is the principal liaison on Board issues between the Independent Directors and the Chairman. She is available to shareholders where they have concerns in which contact through the normal channels of the Executive Chairman and Executive Directors has failed to resolve or is inappropriate.

The Board's Executive Committee (comprised of Messrs. Glinert and Levami and Ms. Shine) meets regularly with the CEO to discuss strategic matters. As noted above, the Executive Committee serves as an advisory committee only and as an interface between the CEO and the Board. All members of the Executive Committee have broad experience in the Group's spheres of endeavour along with extensive expertise in technological development and/or the diamond industry.

Principle 4: Board Membership

According to the Articles, each director shall serve, unless the Annual General Meeting appointing him or her provides otherwise, until the third Annual General Meeting following the Annual General Meeting at which such director was appointed, or his or her earlier resignation or removal pursuant to the provisions of the Articles. A director who has completed his or her term of service or has been removed as aforesaid shall be eligible for re-election. The directors who qualify as "External Directors" may be removed from office only if they no longer qualify to serve as such.

The Nominating Committee comprises four directors, the majority of whom, including the Chairman, is independent. As at the date of this Report, the Nominating Committee members are:

Mr. Sin Boon Ann	(Chairman and Independent Director)
Mr. Daniel Benjamin Glinert	(Executive Chairman of the Board)
Mr. Lim Yong Sheng	(Independent Director)
Ms. Varda Shine	(Lead Independent Director)

Our Nominating Committee is responsible for:

(a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
(b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;
(c) the review of training and professional development programmes for the Board and its directors; and
(d) the appointment and re-appointment of directors (including alternate directors, if any).

In performing its duties, the Nominating Committee considers the considerations set forth in Principles 1 & 2.

The Nominating Committee determined, based on information provided to it by all independent directors, that all directors designated as Independent Directors are indeed independent.

The Nominating Committee has also evaluated the performance of the Board as a whole and the performance of each member of the Board in particular (based, among others, on questionnaires filled by each director) and determined that all directors have been adequately carrying out their duties as directors of the Company.

Based on the information provided to the Company by the members of the Board, the following directors hold the following directorship positions in publicly traded companies and/or other commitments:

Daniel Benjamin Glinert	**Uzi Levami**	**Avraham Eshed**	
Interhightech (1982) Ltd., a founding shareholder of the Group (currently a holding company)	Interhightech (1982) Ltd., a founding shareholder of the Group (currently a holding company); Ayin Lev Ami (2000) Ltd., a family-owned asset holding company; Yummi Food Ltd., an e-commerce platform	Eshed Diam Ltd.; Eshed Diam Inc.; Eshed Diam (HK) Ltd.; Eshed Designs Ltd.; Gemstar Ltd.; Bilbao Trade & Investments Ltd.; AV 1141 LLC; AV 1 Real Estate Ltd.; N.A. Collins 6515 LLC; and Newark AV 4 BLD LLC All the above are family-owned private businesses relating to Mr. Eshed's diamond and gem trading business and real estate and other investments.	
Lim Yong Sheng	**Varda Shine**	**Sin Boon Ann**	**Neta Zruya-Hashai**
MoneyMax Financial Services Ltd.*	Petra Diamonds Ltd.*; Ecora Resources PLC* (a non-diamond commodities investment firm); Channel Capital LLP., an asset management firm; and Teenage cancer Trust (charity)	The Trendlines Group Ltd.*; Healthway Medical Corporation Limited*; TIH Limited*; Rex International Holding Limited*; OUE Limited*; CSE Global Limited*; Balkan Holdings Pte. Ltd.; W Capital Markets Pte. Ltd.; The Farrer Park Company Pte. Ltd.; At-Sunrice (Holdings) Pte. Ltd.; Esseplore Pte. Ltd.; Singapore Centre for Social Enterprise Ltd.; Tampines Central Community Foundation Limited.	Chairman of the Audit committee of two non-profit organisations: • The Association for the Advancement of Education in Israel – "One of Ours" • The Big Brother Association for Lone Soldiers

*** Listed company**

The Nominating Committee is of the view that all directors are able to and have adequately carried out their duties as directors of the Company, notwithstanding such other directorships and/or principal commitments. With reference to Mr. Sin Boon Ann, the Company noted that Mr. Sin retired from his former full-time positions as a Deputy Managing Director of the Corporate & Finance Department and the Co-head of the Capital Markets Practice in Drew & Napier LLC. and as member of the Singapore Parliament. Hence, given Mr. Sin's professional record, after having considered all aspects of Mr. Sin's directorship, e.g., his experience and expertise, his other positions in other corporations, the fact that the Company may even benefit from Mr. Sin's directorship in other corporations, given Mr. Sin's exposure to additional schools of thought and management, and his ability to share such any general insights gained from such positions (without sharing any non-public information, of course) with the Company, the Nominating Committee and the Board are of the opinion that Mr. Sin is able to diligently discharge his duties as a member of the Board in general and as an independent director in particular.

Principle 5: Board Performance

Our Nominating Committee decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the approval of the Board, which are used to assess the degree to which the Board enhances long-term shareholder value.

Each member of the Board evaluated the performance of the Board as a whole. The Board assessment was conducted by way of a questionnaire ("**Questionnaire**"). The assessment examined the Board's role, composition, and its performance against a number of defined criteria. Feedback and comments received from the directors were reviewed by the Nominating Committee. The Questionnaire covered areas such as Board composition, information management, Board processes, accountability, succession planning, top management, investor relations, managing the Company's performance, standard of conduct, directors' development and management and risk assessment. If the score for a particular section or question in the Questionnaire was consistently low, the Board proactively addressed the area of concern, with a view to strengthen processes around it and improve the scoring in the future.

The aggregate (and anonymised) results were submitted to our Nominating Committee, who conducted a discussion based on same. The Lead Independent Director has also discussed with other members of the Board the performance of the Board as whole and the performance of the Chairman of the Board in particular. No external facilitators were used in the assessment of the Board, its Board Committees and the individual Directors (it should be noted that given the Company's unique position as an Israeli company, incorporated under Israeli law and traded in Singapore, with directors from three jurisdictions, it is doubtful whether there are any external consulting firms which may fully address such complexity).

Principle 6: Procedures for Developing Remuneration Policies

The Remuneration Committee comprises 5 directors, the majority of whom is independent. As at the date of this report, the Remuneration Committee members are:

Mr. Varda Shine	(Chairperson and Lead Independent Director)
Mr. Uzi Levami	(Non-Executive Director)
Mr. Lim Yon Sheng	(Independent Director)
Mr. Sin Boon Ann	(Independent Director)
Ms. Neta Zruya Hashai	(Independent Director)

Our Remuneration Committee recommends to our Board of Directors a framework of remuneration for our directors and key executives and recommends specific remuneration packages for each Executive Director and the CEO. All aspects of directors' and key executives' remuneration, including but not limited to directors' fees, salaries, allowances and bonuses, options and benefits in kind are dealt with by our Remuneration Committee. The Remuneration Committee and the Board rely, among other things, on periodical remuneration surveys conducted by independent Israeli remuneration experts (such as Zviran Compensation and Benefits Solutions), and on general insights with regard to the competitive environment in which the Company operates, and the current trends regarding employees' recruitment and retention. Each member of our Remuneration Committee abstains from voting on any resolutions in respect of his/her remuneration package. The remuneration of our independent directors, who are deemed also as "External Directors" according to the provisions of the Israeli Companies, is also subject to the limitations set by Israeli law.

The Company's overall remuneration policy and specific remuneration packages for the directors and key executives were presented to the General Meeting and approved by it at the Annual General Meeting held on 27 April 2021. Further adjustments of specific remuneration packages were approved at the Annual General Meeting held on 26 April 2022.

Principle 7: Level and Mix of Remuneration

The Company's remuneration policy is tailored to the specific role and circumstances of each of the directors and key management personnel, so as to ensure an appropriate remuneration level and mix that recognises the performance, involvement, potential and responsibilities of these individuals.

A certain portion of the officers' and the executive directors' remuneration is performance-related and takes account of the Company's medium-term and long-term Key Performance Indicators (KPIs).

The Company has in place an Employee Share Option Plan (which was approved by the Company's General Meeting, held on 20 April 2015 - the "**2015 Plan**") that serves to provide a longer-term incentive better aligned with long-term performance of the Company and of the directors, officers and employees. Details of such plan may be found in the Company's Annual Report for the year ended on December 31, 2014.

As set forth in the Company's Remuneration Policy, the Board has set guidelines concerning, among other things, eligibility to receive share options (based on performance and time of service with the Company), vesting periods (typically over one-to-four years from the date of grant) and the minimum and maximum amounts of share options to be granted (based on seniority and expertise). Executive Directors, senior officers and key employees are also granted performance-based options, to be vested over one-to-four years, based upon the achievement of business goals.

The Company's performance-based equity grants include contractual provisions allowing the reclaiming of incentive components of remuneration from executive directors and from officers in cases of misstatement of financial results.

The Executive Directors' remuneration package and the key Management personnel's remuneration framework are structured in a way that links rewards to corporate and individual performance. Cash bonuses and share options are linked, to a great extent, to the achievement of the Company's strategic goals.

The review of remuneration packages also takes into consideration the pay and employment conditions within the industry (in this context – the Israeli high-tech industry, which is highly competitive) and the long-term interests of the Group. The review covers all aspects of remuneration including salaries, fees, allowances, cash bonuses and share options.

The Remuneration Committee's recommendations are submitted for endorsement by the entire Board, and, where required under law, are also brought to the shareholders' approval.

Remuneration of independent directors is set according to the applicable laws and regulations and at a level commensurate with their prior experience and level of responsibility, after taking into account industry benchmarks.

The Company believes that the current remuneration of independent directors is at a level that will not compromise the independence of such directors.

It should be noted, that the two Non-Executive Directors are also shareholders of the Company (holding between 3% to 4% of the Company's shares each).

Further information about the Company's current remuneration policy may be found in the Company's 2020 Annual Report.

Principle 8: Disclosure of Remuneration

The remuneration (including performance cash-based incentives and non-cash option compensation) paid and accrued by us and our subsidiaries to each of our directors, our CEO and our top five (in terms of amount of remuneration) employees (not being directors) for services rendered to us in all capacities during 2022, were as follows:

Directors and the CEO:

Name	Position	Remuneration (in S$'000)	Breakdown between Fixed Income and Performance Based Incentives		
			Fixed Income	Cash Performance Based Incentives	Options (Non-Cash, Based on Fair Value)
Mr. Daniel Benjamin Glinert	Executive Director and Chairman	630	46%	47%	7%
Ms. Varda Shine	Lead Independent Director	94	95%	--	5%
Mr. Avraham Eshed	Non- Executive Director	52	82%	--	18%
Mr. Uzi Levami	Non-Executive Director	69	86%	--	14%
Mr. Lim Yong Sheng	Non- Executive Director	57	92%	--	8%
Mr. Sin Boon Ann	Non- Executive Director	57	92%	--	8%
Ms. Neta Zruya Hashai	Non- Executive Director	66	93%	--	7%
Mr. David Block	CEO	952	50%	40%	10%

Top Five Key Management Personnel (Corporate Vice Presidents):

Name	Position	Remuneration (in Bands)	Breakdown between Fixed Income and Performance Based Incentives		
			Fixed Income	Cash Performance Based Incentives	Options (Non-Cash, Based on Fair Value)
Mr. Roni Ben Ari	Deputy CEO and Executive VP Product Management	3	69%	25%	6%
Mr. William Kessler	CFO	3	68%	26%	6%
Mr. Tzafrir Engelhard	VP New Business Development	2	80%	15%	5%
Mr. Abraham Kerner	CTO	2	80%	15%	5%
Mr. Zeev Copel	VP Research & Development	2	82%	13%	2%

Notes:
Band 1: remuneration of up to S$ 250,000 per annum.
Band 2: remuneration of between S$ 250,001 to S$ 500,000 per annum.
Band 3: remuneration of between S$ 500,001 to S$ 750,000 per annum.

The aggregate remuneration paid to the top five key Management personnel (who are not directors or the CEO) for the year ended 31 December 2022 was S$ 2,371,000 (including the aggregate fair value of non-cash option compensation).

The Company's General Meeting, scheduled for 24 April 2023, will be requested to approve the remuneration of our directors (if re-elected) and CEO for the year 2023 (the remuneration of the two directors designated as external directors under Israeli law shall be set for a three-year period).

Any future arrangements concerning the remuneration of our key executives shall be brought to the review of the Remuneration Committee and Board of Directors.

Incentive-based compensation which is linked to the Company's business results is based on audited financial results and may be corrected after the fact (and duly reimbursed by the beneficiary), if subsequent audits find errors which call for restatements of results.

During 2022, all share options granted under the 2015 Plan were granted at the Market Price (as such term is defined in the 2015 Plan). Further details with regard to the options granted by the Company may be found in the "Directors Report" section of the annual report.

During 2022 the Company had no employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeded S$100,000 during the year.

None of the Company's agreements with its Executive Directors and/or key employees include any overly generous termination-related clauses. Except as required by law, the Company does not grant long termination notice periods and/or any other termination-related benefits.

No directors participate in decisions on their own remuneration.

Principle 9: Accountability and Audit, Risk Management and Internal Controls

The Board is accountable to the Company's shareholders. The Board provides the shareholders with periodical, and to the extent necessary and/or required – immediate, reports with regard to the business, financial and other aspects of the Company's activities.
The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework but recognises that no cost-effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against the occurrence of material errors or poor judgement in decision making.

As the Company does not have a Risk Management Committee, the Board, Audit Committee and Management assume the responsibility of the risk management function. Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the Audit Committee.

The Company also invests substantial efforts in maintaining and securing sustainable growth and operations, while serving the interests of its Shareholders. The Company integrates sustainability considerations into its strategy and its operations by actively engaging with the local communities in which it operates, taking responsibility for the life cycle of the Company's products and putting its people at the heart of its priorities.

The Audit Committee and Management have mapped and analysed the Group's risks and have compiled a matrix of risks pertaining to the Group's business and performance, financial management, information technology (IT) cyber-security and regulatory compliance issues, delineating the severity of their potential negative impairment to the Group and their probability of being realised. Thus, a comprehensive weighted prioritised risk factor list has been derived. The Audit Committee has reviewed the Company's internal controls and their adequacy at addressing the aforementioned risks in general. The Audit Committee has engaged the services of the Internal Auditor for in-depth analyses of key issues on a routine basis.

Since 13 November 2018 the Company has commenced releasing annual Sustainability Reports. The Company's most recent Sustainability Report was released on 10 May 2022 and the current Sustainability Report will be released prior to 30 April 2023. A summary of the current Sustainability Report may be found in an appendix to this Annual Report.

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange.

The Management provides the Board with management accounts regarding the Company's performance. Such accounts are provided on a periodical basis (and when needed - as warranted by the circumstances), to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

The Board, with the assistance of the Audit Committee, reviews, on an ongoing basis and at least annually, the adequacy and effectiveness of the Company's risk management and internal control systems.

The Audit Committee and Board are of the opinion, upon consultation with the Company's CEO, the Company's CFO, the Company's External Auditors and the Internal Auditor of the Company and after receiving assurance from the Company's CEO and the Company's CFO, that:

(a) the Company's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
(b) the internal control procedures and risk management of the Group are adequate (in this regard the Audit Committee and the Board have also received assurances form key management personnel and other service providers).

The Board has received assurance from: (a) the CEO and the Chief Financial Officer **("CFO")** that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

The Company has also adopted a Whistleblower Policy, according to which:

- Allegations of suspected fraudulent, wrong or improper conduct by the Company's personnel are to be reported to the Company's CEO and/or to the Chairperson of the Audit Committee and/or to the Lead Independent Director and/or the Chairperson of the Board, as applicable.

- Confidentiality of the whistleblower's identity, the nature of the report, and the suspected person's identity is to be strictly maintained by all parties investigating such complaints, unless: (i) the CEO, or the Chairperson of the Audit Committee and/or the Lead Director and/or the Chairperson of the Board, or such other entity actually handling the investigation, is of the opinion that the identity of the whistleblower is material to the conduct of any investigation; or (ii) it is required by law, by the order or directive of a court of law or other regulatory authority that the identity of the whistleblower shall be revealed.

- No adverse personal action will be taken against a whistleblower (especially against an employee of the Company, including management members), nor will retaliation against such person be tolerated, for the disclosure of information the whistleblower made in good faith.

- No director, manager, or any other employee with authority to make or materially influence significant personnel decisions shall take any adverse personal action against an employee for disclosing in good faith alleged wrongful conduct or improprieties. Any employee found to have so violated this procedure shall be disciplined, up to and including termination of employment. For the avoidance of any doubt, an adverse personal action shall include, inter alia, demotion, denial and/or suspension of promotion, organisation of and/or solicitation to participate in a boycott against the employee, prevention of any benefit and/or improvement in employment terms generally granted to the Company's employees, suspension, forced vacation and termination of employment.

- The terms of the Whistleblowers' Policy do not derogate in any way from the provisions of the Israeli Protection on Employees (uncovering of offences unethical conduct and improper administration) Law, 1997.

- The Audit Committee has the responsibility to oversee, document and investigate all Whistleblower allegations reported to the Committee or its Chairperson.

- At the conclusion of an investigation initiated based on a whistleblower's complaint, a written report shall be presented to the Audit Committee, or to the Board of Directors in the event that the suspected party(ies) is the CEO or a member of the Audit Committee.

Principles 10: Audit Committee

The Audit Committee comprises four directors, all of whom are independent. As at the date of this Report, the Audit Committee members are:

Ms. Neta Zruya-Hahsai	(Chairperson, Independent Director)
Mr. Lim Yong Sheng	(Independent Director)
Ms. Varda Shine	(Lead Independent Director)
Mr. Sin Boon Ann	(Independent Director)

The members of our Audit Committee possess vast and diverse accounting, financial, commercial and legal expertise and experience. The Chairperson of the Audit Committee, Ms. Neta Zruya-Hashai served as an Audit Partner at Price Waterhouse Coopers (PWC) Israel, commencing from 2000 through 2020, of which over 7 years as a partner, and audited firms from various sectors (biotech and life sciences, industrial, retail, finance and holding companies) in accordance with IFRS, US GAAP and US / Israel SOX standards (Price Waterhouse Coopers (PWC) Israel did not provide any audit services to the Company since its listing). She holds a BA in Accounting and Communications and an MBA in Finance Management, both from Tel Aviv University, and is a Certified Public Accountant (Israel). Mr. Lim Yong Sheng is the Group Chief Executive Officer of SK Jewellery Group Ltd., a leading Singaporean retail jewellery chain with over 60 branches across Singapore, China, Malaysia and Thailand (SK Jewellery Group Ltd. was listed on the SGX Main Board until 2020). Ms. Varda Shine has over 30 years of experience in the production and wholesale trade of rough diamonds, as well as in the retail trade of polished diamonds and has been an Independent Director of the Group since 2017 and Mr. Sin Boon Ann retired in 2018 from Drew & Napier LLC, after more than 25 years. Prior to his retirement in 2018, he was the Deputy Managing Director of the Corporate & Finance Department and the Co-head of the Capital Markets Practice in Drew & Napier LLC.

Further details with regard to expertise and experience of the members of our Audit Committee may be found in the "Board of Directors" section of the Annual Report.

Our Audit Committee assists our Board in discharging its responsibility to safeguard our assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that our Management creates and maintains an effective control environment in our Company, in consultation with the Internal Auditor. Under its terms of reference, our Audit Committee may seek any information it requires from any employee, and all employees are directed to co-operate with any requests made by our Audit Committee. Our Audit Committee also provides a channel of communications between our Board, our Management and our Internal and External Auditors on matters relating to audit.

The Audit Committee meets periodically and performs the following functions:

(a) reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance.
(b) reviews at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;
(c) reviews the assurance from the CEO and the CFO on the financial records and financial statements;
(d) makes recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
(e) reviews the adequacy, effectiveness, independence, scope and results of the external audit and the Company’s internal audit function; and
(f) reviews the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

Based on the review of the External Auditors’ credentials and their registration with and reporting to the Public Company Accounting Oversight Board (PCAOB), a member of the International Forum of Independent Audit Regulators, independent of the accounting profession and directly responsible for the system of recurring inspection of accounting firms, the Board and the Audit Committee have confirmed the External Auditors’ suitability and their ability to meet their audit obligations. The Board and the Audit Committee further satisfied themselves that the external audit firms possess the adequate resources, experience and expertise and that the audit engagement partners and the supervisory and professional staff assigned to the particular audit possess the necessary skills and experience required for such task.

Apart from the duties listed above, our Audit Committee communicates and reviews the findings of internal investigation into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has, or is likely to have, a material impact on our Company's operating units and/or financial position.

The Audit Committee has the authority to investigate any matters within its terms of reference and the discretion to invite any director to attend its meetings. The Management fully cooperates with the Audit Committee and provides it with resources to enable it to discharge its functions properly.

The Audit Committee meets with the Internal and External Auditors several times annually to review the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audits, and the independence and objectivity of the Internal and External Auditors. Where necessary, the Audit Committee meets with the External and/or the Internal Auditors without the presence of Management.

The Company supports whistle blowing. Employees may raise concerns about possible improprieties in financial reporting or other matters. Upon receipt of a concern, independent investigation and appropriate follow up action will be taken. So far no matters were raised by whistle blowers.

Based on the recommendations of the Audit Committee, the Board of Directors appointed, in August 2009, Mr. Doron Cohen, CPA, CIA, of Fahn Kanne Control Management, Ltd., subsidiary of Fahn Kanne and Co., Certified Public Accountants (Isr.) (member firm of Grant Thornton International) – a reputable auditing firm, as the Internal Auditor of the Company. The Internal Auditor carries out his functions according to the standards set by internationally recognised professional bodies. The role of the Internal Auditor is to independently examine, among other things, whether our activities comply with the law and orderly business procedures. Our Internal Auditor submits his work plans to the prior approval of the Audit Committee and presents his findings to the Audit Committee and to the Board of Directors. The Internal Auditor reports to the Chairman of the Audit Committee and the Chief Executive Officer of the Company. According to Israeli law, the Board appoints and removes the Internal Auditor, based on the Audit Committee's recommendations. The Internal Auditor's compensation is set by the Audit Committee. The Company cooperates fully with the Internal Auditor in terms of allowing access to documents and information and the Internal Auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee.

The Audit Committee reviews annually the adequacy and effectiveness of the internal audit function and is of the opinion that the internal audit function is independent, effective and adequately resourced.

The External Auditors of the Group are Somekh Chaikin Certified Public Accountants (Isr.), member firm of KPMG International (partner in charge, Guy Anavi, appointed with effect 1 January 2019) and Chaikin, Cohen, Rubin and Company (partner in charge, Ilan Chaikin, appointed with effect 1 January 2022). The Group engages a suitable auditing firm, BSR & Co. LLP, member firm of the KPMG network of independent member firms affiliated with KPMG International, for the statutory audit of its significant foreign-incorporated subsidiary, namely Sarin Technologies India Private Limited.

The Audit Committee is updated periodically (and at least annually) on any changes in accounting standards by the External Auditor.

No former partner or director of the Company’s auditing firm has acted as a member of the Company’s Audit Committee.

The Company has complied with Rule 712 and Rules 715/716 of the Listing Manual.

The Company has paid to its External Auditors an aggregate amount of US$ 348,000 for services rendered in 2022, out of which amount, US$ 231,000 (approximately 66%) were paid as audit fees, US$ 35,000 (approximately 10%) were paid for other audit related services, US$ 81,000 (approximately 23%) were paid as tax fees and US$ 1,000 (1%) were paid for travel expense reimbursement.

The Audit Committee confirms that it has undertaken a review of all non-audit services provided by the External Auditors and is satisfied that given the scope and nature of the non-audit related services, such services should not, in the Audit Committee’s opinion, affect the independence of the External Auditors.

Principles 11, 12 & 13: Shareholder Rights and Engagement; Shareholder Rights and Conduct of General Meetings; Engagement with Shareholders and Stakeholders

The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

All shareholders of the Company are provided with the Annual Report and notice of the convening of the Annual General Meeting. At the Annual General Meeting shareholders are given the opportunity to air their views and ask directors or Management questions regarding the Company. The Company's announcements and policies ensure that shareholders are informed of the rules, including voting procedures, that govern general meetings of shareholders and have the opportunity to participate effectively in and vote at general meetings of shareholders.

The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are “bundled”, the Company explains the reasons and material implications in the notice of meeting.

The Company provides avenues for communication between the Board, the Chairman of the Board and the Lead Independent Director and all shareholders.

The Company has in place an Investor Relations policy which governs and promotes regular, effective and fair disclosure and communication with shareholders.

The Company’s Investor Relations policy sets out, among other things, the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions.

The Company’s results are published through the SGXNET and news releases. The Company does not practice selective disclosure. Price-sensitive information is first publicly released, before the Company meets with any group of analysts. Results and annual reports are announced or issued within the mandatory period.

The Company's Chairman and senior Management meet and discuss results, business conditions, prospects, etc., periodically with analysts and investors, and presentations made by the Company in such events are generally shared with the public at large.

The Company has a dedicated investor relations team, composed of an in-house team in Israel and of consultants and service providers in Singapore.

The Company’s dividend policy is communicated to the shareholders in the Company’s Annual Reports.

The Articles were amended in 2015, so as to allow a member of the Company to appoint more than two proxies to attend and vote instead of such member. Voting in absentia is also allowed.

Through its meetings with investors, analysts and shareholders, the Company gathers information, views and inputs and addresses shareholders' concerns.

The Company’s website offers the Company’s shareholders an abundance of information and means of communication with the Company.

The Company’s Lead Independent Director is accessible to shareholders, who may also contact her directly (and not through the Company).

The Board and the Management periodically map and identify the Group’s material stakeholders, as part of the Group’s overall responsibility. Such matters are also discussed in the Company’s Annual Report and Sustainability Report.

Dealings In Securities

The Company has complied with the following best practices on dealings in securities: (a) The Company has adopted its own internal compliance code to provide guidance to its officers with regard to dealing by the Company and its officers in its securities; (b) According to such code an officer of the Company should not deal in the Company's securities on short-term considerations; and (c) According to such code the Company and its officers and employees do not deal in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ACTIVITY SUMMARY

The global influence of ESG with respect to business conduct and performance has grown over the past few years, and disclosures and regulation requirements related to ESG have advanced in various countries where ESG policies and reporting standards have been adopted. Sarine identified this trend at an early stage, released its first ESG report for the year ending 31 December 2017, and has since published annual ESG reports in accordance with the Global Reporting Initiative (GRI). Our full ESG report for 2022 will be released by 30 April 2023, as required. In 2022 we conducted our most recent validation of internal material issues in preparation for our annual ESG report. Sarine's Board of Directors discusses and approves the annual ESG report prior to each publication.

Sarine Technologies is a high-technology company which offers comprehensive technology-based solutions to the diamond industry, with an international presence in the polishing and trading hubs in Israel, India, Dubai, Hong Kong and New York. We continually work to advance our technologies in order to contribute to the industry as a responsible and ethical company.

Our environmental footprint is limited to the typical office-space facilities occupied by high-technology companies, including our facilities in which we assemble our hardware systems. We further strive to minimize our footprint by continuing the paradigm initiated during the Covid-19 outbreak of conducting our international meetings primarily by Zoom or similar technologies in lieu of physical travel. This is true of our Board meetings, Annual General Meetings, Extraordinary General Meetings, sales and marketing meetings, intracompany meetings with our subsidiaries etc. Our travel is limited only to those occasions where inter-personal physical interaction is necessary, such as trade shows, legal testimony (we even set precedents in this area in India), etc.

Importantly, our solutions have, over the years, significantly improved the utilisation of the rough diamond material mined, by some 33%, thus helping to reduce the waste and the environmental impact of the mining and polishing segments of the diamond industry value chain. Furthermore, Sarine offers comprehensive solutions that provide end-to-end diamond traceability from mine to consumer, for the documentation of the sustainability of the supply chain from rough stones to polished gems. These solutions provide the diamond industry with the means with which to improve and promote its awareness of Environmental, Social and Governance (ESG) values and principles, and enhance transparency throughout the diamond industry.

Within the company, Sarine instills an ethical corporate culture to ensure that the Company's standards, policies, and practices support the values of responsible governance, as detailed in the preceding Corporate Governance section. In addition, as part of our social mission, we invest in the local communities in which we operate, including the recruiting of management personnel and employees from such local communities and by participating in social activities and programmes therein. We donate both monetary and physical resources to various organisations and associations within our operational geographies and strive to have a positive impact on the fabric of local communities. Our emphasis is on supporting educational activities with infrastructure, means and even educational personnel as well as organisations actively supporting the less gifted members of society, the disabled and physically/mentally challenged. The Corporate Social Responsibility section of this Annual Report provides a glimpse into our activities of this nature during the past year.

Internally to the Group, our business conduct emphasises the importance of employee wellbeing and work-life balance. We adhere to and promote all aspects of diversity and equality, including that related to gender, religious practice and people with disabilities. We specifically focus our efforts to recruit and employ female employees at all levels of our corporate structure globally, and especially in India, where it is not generally common for women to be part of the workforce at all, let alone in managerial positions. We, needless to say, provide our employees with a safe, congenial and comfortable work environment, whether it be in our office facilities or our assembly floors. We also provide our customers with all the necessary information so as to provide their employees utilising our systems with a likewise safe environment.

Directors' Report

We are pleased to submit this annual report to the shareholders of the Company together with the audited statements for the financial year ended 31 December 2022.

The Directors in office at the date of this report are as follows:

Daniel Benjamin Glinert,	Chairman of the Board and Executive Director
Avraham Eshed,	Non-Executive Director
Uzi Levami,	Non-Executive Director
Varda Shine,	Lead Independent Director
Neta Zruya Hashai,	Independent Director
Lim Yong Sheng,	Independent Director
Sin Boon Ann,	Independent Director

Directors' Interests

According to the share register kept by the Company for the purposes of Sections 127 and 128 of the Israeli Companies Law, 5759-1999 (the **"Law")**, and according to the information provided to the Company by our directors, particulars of interests of directors who held office at the end of the financial year 2021 (the **"Year"**) in shares in the Company are as detailed below. Except as listed hereunder, none of our directors who held office at the end of the Year had any direct interest in the Company's shares – neither at the beginning of the Year, nor at the end of the Year, nor as at 21 January 2023.

Ordinary Shares of the Company of no par value each	**As at 1 Jan. 2022**	**As at 31 Dec. 2022**	**As at 21 Jan. 2023**
Daniel Benjamin Glinert[1]	12,754,156	12,754,156	12,754,156
Avraham Eshed[2]	15,126,922	15,126,922	15,126,922
Uzi Levami[3]	12,335,406	12,335,406	12,335,406
Varda Shine[4]	125,000	225,000	225,000
Lim Yong Sheng[5]	125,000	225,000	225,000

Note:

1 Daniel Benjamin Glinert is deemed a shareholder of the Company by virtue of his and his wife's (Michal Haya Glinert) indirect ownership through Glinert Projects Initiation and Execution, Ltd. of 633,953 shares held on their behalf by Bank Hapoalim (Israel) through HSBC Singapore custodians, by virtue of his and his wife's indirect ownership through Glinert Projects Initiation and Execution, Ltd. of 10,423,953 shares held on their behalf by UOB Kay Hian Pte. Ltd., by virtue of his indirect ownership of 675,500 shares held on his behalf by Eyal Khayat, Option Plans trustee, through UOB Kay Hian Pte. Ltd., pursuant to the Plans, and by virtue of the indirect ownership of 1,000,750 shares held on his wife's behalf by UOB Kay Hian Pte. Ltd. [Note: The above number excludes shares held in trust by his wife, through UOB Kay Hian Pte. Ltd., for his son (an adult, who maintains a separate household, who bought such shares with his own resources)].

2 Avraham Eshed is deemed a shareholder of the Company by virtue of his indirect ownership through Gemstar, Ltd. of 14,335,672 shares held on his behalf by the Israel Discount Bank through Citibank N.A. Singapore custodians, 562,500 shares held on his behalf by Eyal Khayat, Option Plans trustee, through UOB Kay Hian Pte. Ltd., pursuant to the Plans, and by virtue of his indirect ownership of 228,750 shares held on his behalf by Union Bank of Israel Ltd.

3 Uzi Levami is deemed a shareholder of the Company by virtue of his indirect ownership through U. Levami Holdings, Ltd. of 11,622,906 shares held on his behalf by Bank Hapoalim (Israel) through HSBC Singapore custodians and by virtue of his indirect ownership of 712,500 shares held on his behalf by Eyal Khayat, Option Plans trustee, through UOB Kay Hain Pte. Ltd., pursuant to the Plans.

4 Varda Shine is deemed a shareholder of the Company by virtue of her indirect ownership of 225,000 shares held on her behalf by Eyal Khayat, Option Plans trustee, through UOB Kay Hian Pte. Ltd., pursuant to the Plans.

5 Lim Yong Sheng is deemed a shareholder of the Company by virtue of his indirect ownership of 225,000 shares.

Outstanding options granted to directors under the Company's 2015 Option Plan

Name of Director	Options outstanding	Options vested	2022 share-based payment expenses	Years granted
Daniel Benjamin Glinert	975,000	237,500	US$33,000	2019, 2021 and 2022
Uzi Levami	150,000	0	US$7,000	2022
Avraham Eshed	150,000	0	US$7,000	2022
Varda Shine[1]	475,000	350,000	US$3,000	2017 and 2020
Neta Zruya Hashai	350,000	225,000	US$3,000	2020
Lim Yong Sheng	125,000	0	US$3,000	2020
Sin Boon Ann	350,000	225,000	US$3,000	2020

Note:
1 Ms. Shine has 350,000 outstanding and vested options expiring on April 25, 2023

Except as disclosed in this report, no director who held office at the end of the Year had interests in shares or debentures of the Company or of related corporations, either at the later of the beginning of the Year or the commencement of his service as a director or at the end of the Year.

Except as disclosed in this report, the Company was not a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in or debentures of the Company or any other body corporate.

Since the end of the last financial year (2022), and except as disclosed in the Company's audited financial statements for the Year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial interest.

The Directors are of the opinion, in concurrence with and based on Audit Committee review that the internal control procedures addressing financial, operational and compliance risks of the Group are adequate.

Share options

In 2015 the Company adopted a new share option plan (the "2015 Plan") and since then granted options to employees and directors at no consideration. As of 31 December 2022, a total of 37,289,320 options were granted under the 2015 Plan, with each option being exercisable into one ordinary share each (of no par value) in the capital of the Company. The options under the 2015 Plan were granted at an exercise price ranging between S$0.221 to S$1.878 per option (according to the date of grant). As of 31 December 2022, there were 15,529,930 options outstanding under the 2015 Plan with 2,775,769 options having been exercised under the 2015 Plan (the balance, 18,983,621, were forfeited). The exercise period for options granted under 2015 Plan is six years from the date of grant, with a vesting period of up to four years.

SGXNET announcements have been made on the dates of the various grants including details of the grant in accordance with the Listing Manual.

Audit Committee

The Audit Committee of the Company comprises four independent directors. The members of the Audit Committee are Ms. Neta Zruya Hashai (Chairperson), Mr. Lim Yong Sheng, Ms. Varda Shine and Mr. Sin Boon Ann. The Audit Committee assists the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records- and develop and maintain effective systems of internal control, with the overall objective of ensuring that the management creates and maintains an effective control environment in the Group, in consultation with the internal and external auditors.

Auditors

The auditors, Somekh Chaikin, an Israeli partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee, and Chaikin, Cohen, Rubin & Co., Certified Public Accountants (Isr.), have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Daniel Benjamin Glinert
Executive Director, Chairman of the Board

Israel
31 March 2023

In the opinion of the Directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 57 to 94 are drawn up so as to give a true and fair view of the Company and of the Group as at 31 December 2022 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) as at the date of this statement, there are reasonable grounds to assume that the Group will be able to pay its debts as and when they fall due.

On behalf of the Directors

Daniel Benjamin Glinert
Executive Director, Chairman

Israel
31 March 2023

AUDITORS' REPORT
TO THE SHAREHOLDERS OF SARINE TECHNOLOGIES LTD.

We have audited the accompanying statements of financial position of Sarine Technologies Ltd. (hereinafter the "Company") and subsidiaries (the Company and subsidiaries together referred to hereinafter as the "Group") as at December 31, 2022 and 2021 and the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group, for each of the years ended on such dates. These financial statements are the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance) - 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors and by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group and the Company as at December 31, 2022 and 2021 and the Group's results of operations, changes in its equity and cash flows, for each of the years ended on such dates, in accordance with International Financial Reporting Standards (IFRS).

Somekh Chaikin
Certified Public Accountants (Isr.)
Member firm of KPMG International

Tel-Aviv, Israel
March 23, 2023

Chaikin, Cohen, Rubin and Co.
Certified Public Accountants

Tel-Aviv, Israel
March 23, 2023

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31

	Note	Group		Company	
		2022	2021	2022	2021
		US$ thousands			
Assets					
Property, plant and equipment	10	**10,431**	11,348	**1,395**	1,199
Right-of-use assets	24	**3,918**	4,719	**3,751**	4,450
Intangible assets	11	**2,051**	2,244	**70**	138
Long-term trade receivables	13	**1,006**	700	**653**	89
Investment in subsidiaries	28	**--**	--	**36,022**	46,308
Long-term income tax receivable	9	**500**	500	**--**	--
Deferred tax assets	9	**499**	573	**--**	--
Total non-current assets		**18,405**	20,084	**41,891**	52,184
Inventories	12	**6,859**	7,280	**4,388**	3,544
Trade receivables	13	**21,476**	23,061	**6,733**	7,154
Other current assets	14	**2,496**	1,601	**1,553**	669
Short-term investments (bank deposits)	15	**10,684**	9,055	**9,627**	7,017
Cash and cash equivalents	16	**25,307**	27,358	**17,216**	13,128
Total current assets		**66,822**	68,355	**39,517**	31,512
Total assets		**85,227**	88,439	**81,408**	83,696
Equity					
Share capital*	17	**--**	--	**--**	--
Share premium and reserves		**34,490**	34,014	**34,490**	34,014
Translation reserve		**(4,217)**	(2,896)	**(4,217)**	(2,896)
Dormant shares, at cost	17	**(4,829)**	(3,935)	**(4,829)**	(3,935)
Retained earnings		**41,652**	43,368	**41,652**	43,368
Total equity		**67,096**	70,551	**67,096**	70,551
Liabilities					
Long-term lease liabilities	24	**3,557**	4,743	**3,524**	4,625
Employee benefits	20	**194**	275	**184**	264
Total non-current liabilities		**3,751**	5,018	**3,708**	4,889
Trade payables		**3,220**	2,324	**2,544**	1,892
Other payables	19	**8,220**	7,735	**7,139**	5,408
Current lease liabilities	24	**812**	974	**682**	722
Current tax payable		**1,769**	1,504	**--**	--
Warranty provision	22	**359**	333	**239**	234
Total current liabilities		**14,380**	12,870	**10,604**	8,256
Total liabilities		**18,131**	17,888	**14,312**	13,145
Total equity and liabilities		**85,227**	88,439	**81,408**	83,696

* No par value

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31

	Note	Group 2022	Group 2021
		US$ thousands	
Revenue	6,7	**58,763**	62,116
Cost of sales	29	**(18,140)**	(16,289)
Gross profit		**40,623**	45,827
Research and development expenses	29	**(8,675)**	(8,099)
Sales and marketing expenses	29	**(12,425)**	(11,038)
General and administrative expenses	29	**(8,525)**	(7,754)
Other income from lease termination	24	**--**	267
Profit from operations		**10,998**	19,203
Finance income		**1,011**	80
Finance expense		**(674)**	(346)
Net finance income (expense)	8	**337**	(266)
Profit before income tax		**11,335**	18,937
Income tax expense	9	**(2,537)**	(2,481)
Profit for the year		**8,798**	16,456
Other comprehensive income (loss)			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plan		**50**	24
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(1,321)**	(197)
Total comprehensive income for the year		**7,527**	16,283
Earnings per share			
Basic earnings per share (US cents)	18	**2.51**	4.70
Diluted earnings per share (US cents)	18	**2.51**	4.69

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

Group and Company	Share capital*	Share premium and reserves	Translation reserve	Retained earnings	Dormant shares	Total
	US$ thousands					
Balance at January 1, 2021	--	33,149	(2,699)	33,930	(3,689)	60,691
Profit for the year ended December 31, 2021	--	--	--	16,456	--	16,456
Other comprehensive loss for the year ended December 31, 2021	--	24	(197)	--	--	(173)
Dormant shares, acquired at cost (550,000 shares)	--	--	--	--	(246)	(246)
Share-based payment expenses	--	382	--	--	--	382
Exercise of options	--	459	--	--	--	459
Dividend paid	--	--	--	(7,018)	--	(7,018)
Balance at December 31, 2021	--	34,014	(2,896)	43,368	(3,935)	70,551
Profit for the year ended December 31, 2022	**--**	**--**	**--**	**8,798**	**--**	**8,798**
Other comprehensive loss for the year ended December 31, 2022	**--**	**50**	**(1,321)**	**--**	**--**	**(1,271)**
Dormant shares, acquired at cost (3,119,500 shares)	**--**	**--**	**--**	**--**	**(894)**	**(894)**
Share-based payment expenses	**--**	**264**	**--**	**--**	**--**	**264**
Exercise of options	**--**	**162**	**--**	**--**	**--**	**162**
Dividend paid	**--**	**--**	**--**	**(10,514)**	**--**	**(10,514)**
Balance at December 31, 2022	**--**	**34,490**	**(4,217)**	**41,652**	**(4,829)**	**67,096**

* No par value

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	Group	
	2022	**2021**
	US$ thousands	
Cash flows from operating activities		
Profit for the year	**8,798**	16,456
Adjustments for:		
Share-based payment expenses	**264**	382
Income tax expense	**2,537**	2,481
Depreciation of property, plant & equipment and right-of-use assets	**2,380**	2,684
Amortisation of intangible assets	**193**	319
Net finance expense	**169**	127
Revaluation of lease liabilities from exchange rate differences	**(630)**	40
Revaluation of bank financing liabilities from exchange rate differences	**--**	(32)
Changes in working capital		
Inventories	**421**	(1,033)
Trade receivables	**1,279**	(952)
Other current assets	**(895)**	(10)
Trade payables	**896**	456
Other liabilities	**(235)**	1,540
Employee benefits	**(81)**	32
Income tax paid	**(2,198)**	(1,361)
Net cash from operating activities	**12,898**	21,129
Cash flows used in investing activities		
Acquisition of property, plant and equipment	**(986)**	(895)
Proceeds from realisation of property, plant and equipment	**51**	138
Short-terms investments	**(1,629)**	(2,752)
Restricted short-term investments (bank deposits)	**--**	171
Interest received	**388**	80
Net cash used in investing activities	**(2,176)**	(3,258)
Cash flows used in financing activities		
Proceeds from exercise of share options	**162**	459
Purchase of Company's shares by the Company	**(894)**	(246)
Repayment of bank financing	**--**	(3,389)
Dividends paid	**(10,514)**	(7,018)
Payment of lease liabilities	**(970)**	(1,193)
Interest paid	**(150)**	(218)
Net cash used in financing activities	**(12,366)**	(11,605)
Net increase in cash and cash equivalents	**(1,644)**	6,266
Cash and cash equivalents at beginning of year	**27,358**	21,081
Effect of exchange rate fluctuations on cash and cash equivalents	**(407)**	11
Cash and cash equivalents at end of year	**25,307**	27,358

The accompanying notes are an integral part of the financial statements.

Note 1 - General

A. Reporting entity

Sarine Technologies Ltd. (hereinafter "Sarine" or the "Company") is a company domiciled in Israel. The address of the Company's registered office is 4 Haharash Street, Hod Hasharon 4524075, Israel. The consolidated financial statements of the Company, as at, and for the year ended December 31, 2022, comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") (see Note 28). The Company was incorporated on November 8, 1988. On April 8, 2005, the Company was admitted to the Main Board list of the Singapore Exchange Securities Trading Ltd., and on July 5, 2021, the Company's shares were listed on the Tel Aviv Stock Exchange (secondary listing).

B. Introduction

The Group is a worldwide leader in the development and manufacturing of advanced evaluation, planning, processing, and finishing systems for diamond and gemstone production. Sarine products include the Galaxy® family of inclusion mapping systems, rough diamond planning optimisation systems, laser cutting and shaping systems, laser-marking and inscription machines and polished diamond Clarity, Color, Cut and light performance grading tools and visualisation systems. Sarine systems have become standard tools in every modern manufacturing plant, properly equipped gemmology lab and diamond appraisal business, and are essential aids for diamond polishers, dealers and retailers. At the heart of these systems is computer software that implements three-dimensional modeling and volume / value optimisation using advanced mathematical algorithms, and overall system control (motion, image capture, laser functionality, etc.) paired with various proprietary hardware technologies, including electro-optics, electronics, precision mechanics and lasers.

C. Material events in the reporting period

During 2021 the diamond industry recovered significantly from the Covid-19 pandemic disruption of 2020. Though some pandemic-related disruptions continued throughout 2021 (e.g., international travel restrictions), for the most part the diamond industry value chain activity returned to normal, and then some. 2021 saw midstream activity and the rough stone pipeline rebound by over 70%, and even exceed 2019 figures by some 20%. This rebound was driven by pent-up consumer demand, as personal luxury spending focused on goods rather than experiences, still limited by lingering Covid-19 effects. Following the rebound in revenues in 2021, the Group's expenses generally returned to more normalised pre-Covid-19 levels.

During 2022 the diamond industry faced significant macroeconomic headwinds. The Ukrainian conflict in Europe affected energy and grain prices, further driving inflation to exceptionally high levels in the western economies in general, and particularly in the key U.S. market. As a result, the US Federal Reserve raised interest rates aggressively to levels not seen in over a decade, negatively impacting the equities, housing and other markets thereby eroding consumer confidence and, indeed, in the critical holiday season in the fourth quarter of 2022, retail sales dropped by some 5% year over year. In addition, Covid-related restrictions in China, the second most important market for diamond jewellery, caused serious disruptions in the retail segment there throughout the year. In addition, in the second most important market for diamond jewellery, China, ongoing Zero-Covid pandemic-related restriction disrupted retail activity throughout the year. The diamond industry value chain was further impaired by the U.S. sanctions enacted in early April against Alrosa, the Russian producer, typically accounting for over 35% of the global rough diamond production. The expected shortage of rough diamonds drove their prices up throughout most of 2022 (though it is apparent, in retrospect, that Alrosa production did, in fact, partially enter the value chain). Concurrent with the increase in rough diamond prices, polished diamond prices in fact eroded for most of the year, commencing in the second quarter through to year's end, as the combined headwinds of inflation and interest rates took their toll on the average consumer's appetite (the demand for high-end luxury brands, mostly bought by the most affluent consumers, showed higher resiliency to the prevailing headwinds). These two divergent trends, increasing rough prices and decreasing polished prices, again manifested themselves as impaired margins for our midstream customers.

See also Note 17 – Share Capital – The Company, Note 29 – Government Grants.

Note 2 - Basis of Preparation

A. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter – IFRS).

The consolidated financial statements were authorised for issue by the Company's Board of Directors on March 23, 2023.

B. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- assets and liabilities relating to employee benefits;
- deferred tax assets and liabilities; and
- provisions.

For further information regarding the measurement of these assets and liabilities see Note 3 regarding significant accounting policies.

Note 2 - Basis of Preparation (cont'd)

C. Functional and presentation currency

These financial statements are presented in United States (US) dollars, or US$, which is the Company's functional currency. The US dollar is the currency that represents the principal economic environment in which the Company and most Group entities operate. All financial information presented in US dollars has been rounded to the nearest thousand, except where otherwise indicated.

D. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Certain accounting estimates used in the preparation of the Group's financial statements may require management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management prepares these estimates on the basis of past experience, known facts, external circumstances, and reasonable assumptions. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 9 – Income Tax (deferred tax assets) – determination of profit forecast which will be offset by carry forward losses;
- Note 21 – Share-Based Payments (measurement of share-based payments) – assumptions used in valuation model;
- Note 24 – Leases – determination of lease term and discount rate of lease liability; and
- Note 26 – Contingent Liabilities – probability of claims to have a material impact on the Group.

E. Changes in accounting policies
Initial application of new standards, amendments to standards and interpretations

1. Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets – Costs of Fulfilling a Contract

   According to the Amendment, when assessing whether a contract is onerous, the costs of fulfilling a contract that should be taken into consideration are costs that relate directly to the contract, which include a) incremental costs and b) an allocation of other costs that relate directly to fulfilling a contract (such as depreciation expenses for fixed assets used in fulfilling that contract and other contracts). The Amendment was effective retrospectively for annual periods beginning on or after January 1, 2022, in respect of contracts where the entity has not yet fulfilled all its obligations. Application of the Amendment did not have a material effect on the financial statements.

2. Amendment to IAS 16, Property, Plant and Equipment

   The Amendment annuls the requirement by which in the calculation of costs directly attributable to fixed assets, the net proceeds from selling certain items that were produced while the Company tested the functioning of the asset should be deducted (such as samples that were produced when testing the equipment). Instead, such proceeds shall be recognised in profit or loss according to the relevant standards and the cost of the sold items will be measured according to the measurement requirements of IAS 2, Inventories. The Amendment is applied retrospectively, including an amendment of comparative data, only with respect to fixed asset items that have been brought to the location and condition required for them to operate in the manner intended by management subsequent to the earliest reporting period presented at the date of initial application of the Amendment. Application of the Amendment did not have a material effect on the financial statements.

F. Company Statements of Financial Position

The Company's statements of financial position for the years ended December 31, 2022 and 2021 have been prepared on the same basis as the consolidated financial statements.

Note 3 - Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

A. Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the reporting entity's separate financial statements, an investment in subsidiaries is accounted for on an equity basis. Impairment loss recognised in profit or loss for subsidiaries are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

ii. Business combinations

The Group implements the acquisition method to all business combinations. The acquisition date is the date on which the acquirer obtains control over the acquiree. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Group and others are taken into account when assessing control. The Group recognises goodwill at acquisition according to the fair value of the consideration transferred less the net amount of the identifiable assets acquired and the liabilities assumed. On the acquisition date the Group recognises a contingent liability assumed in a business combination, if there is a present obligation resulting from past events and its fair value can be reliably measured. In addition, the consideration transferred includes the fair value of any contingent consideration. After the acquisition date, the Group recognises changes in fair value of the contingent consideration classified as a financial liability in profit or loss. Changes in liabilities for contingent consideration in business combinations that occurred before January 1, 2010 will continue to be recognised in goodwill and will not be recognised in profit or loss.

iii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

B. Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates as at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss.

ii. Foreign operations

The assets and liabilities of foreign operations are translated to US dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US dollars at the average exchange rate for the period. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve.

C. Financial instruments

i. Non-derivative financial assets

Initial recognition and measurement of financial assets

The Group initially recognises trade receivables issued on the date that they are created. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. A financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price.

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

i. Non-derivative financial assets (cont'd)

Derecognition of financial assets

Financial assets are derecognised when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. When the Group retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognise the financial asset.

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: amortised cost; fair value through other comprehensive income or fair value through profit or loss.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss. On initial recognition, the Group designates financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has balances of trade and other receivables and deposits that are held within a business model whose objective is collecting contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortised cost.

Subsequent measurement and gains and losses

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

ii. Non-derivative financial liabilities

Initial recognition of financial liabilities

Financial liabilities include trade, other short-term liabilities and loans and borrowings from banks. These liabilities are recognised initially at fair value less any directly attributable transaction costs on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled. Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Group currently has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

iii. Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dormant shares
When share capital recognised as equity is repurchased by the Group, the amount of the consideration paid is recognised as a deduction from equity. Repurchased shares are classified as dormant shares. When dormant shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus on the transaction is carried to share premium, whereas a deficit on the transaction is deducted from retained earnings.

Note 3 - Significant Accounting Policies (cont'd)

D. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within operating expenses in profit or loss.

ii. Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset less its residual value.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Machinery and office equipment	6%-20%
Motor vehicles	15%
Demonstration equipment	20%-33%
Computers and computer equipment	15%-33%
Leasehold improvements	Lower of estimated useful lives and the lease term
Buildings	2.5% - 10%

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

E. Intangible assets

i. Know-how and intellectual property

Acquired know-how and intellectual property are stated at cost less accumulated amortisation and impairment losses.

ii. Goodwill

Goodwill that arises upon the acquisition of subsidiaries or activities is included in intangible assets. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Subsequently, goodwill is measured at cost less accumulated impairment losses. The Group examines the useful life of an intangible asset that is not periodically amortised (goodwill) at least once a year in order to determine whether events and circumstances continue to support the decision that the intangible asset has an indefinite useful life and it is not impaired.

iii. Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has the intention and sufficient resources to complete development and to use or sell the asset. Expenditures capitalised include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognised in profit or loss as incurred.

Capitalised development expenditures are measured at cost less accumulated amortisation and accumulated impairment losses, during the respective reporting periods.

Note 3 - Significant Accounting Policies (cont'd)

E. Intangible assets (cont'd)

iv. Other intangible assets

Other intangible assets, including in respect of trade names and customer relationships that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

v. Subsequent expenditure

Subsequent expenditures are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognised in profit or loss as incurred.

vi. Amortisation

Amortisation is a systematic allocation of the amortisable amount of an asset over its useful life. The amortisable amount is the cost of the asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date they are available for use, since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Goodwill is not systematically amortised but is tested for impairment at least once a year.

Internally generated intangible assets are not systematically amortised until they are available for use, meaning are brought to the working condition for their intended use. Accordingly, these intangible assets, such as development costs, are tested for impairment at least once a year, until such date as they are available for use.

The estimated useful lives for the current and comparative periods are approximately as follows:

- Acquired know-how and intellectual property 6-8 years
- Capitalised development costs 6 years
- Trade names 5 years
- Customer relationships 8 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate. The Group examines the useful life of an intangible asset that is not periodically amortised at least once a year in order to determine whether events and circumstances continue to support the decision that the intangible asset has an indefinite useful life.

F. Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is calculated based on the moving average costing method and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and conditions. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overhead based on normal operating capacity. Inventories are written-down for estimated obsolescence, based on assumptions about future demand and market conditions.

G. Impairment

i. Non-derivative financial assets

Financial assets, contract assets and lease receivables

The Group recognises a provision for expected credit losses in respect of financial assets at amortised cost. The Group has elected to measure the provision for expected credit losses in respect of trade receivables at an amount equal to the full lifetime credit losses of the instrument.

With respect to other debt assets, the Group measures the provision for expected credit losses at an amount equal to the full lifetime expected credit losses, other than the provisions hereunder that are measured at an amount equal to the 12-month expected credit losses:

- debt instruments that are determined to have low credit risk at the reporting date; and
- other debt instruments and deposits, for which credit risk has not increased significantly since initial recognition.

Note 3 - Significant Accounting Policies (cont'd)

G. Impairment (cont'd)

i. Non-derivative financial assets (cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available with no undue cost or effort. Such information includes quantitative and qualitative information, and an analysis, based on the Group's past experience and informed credit assessment, and it includes forward looking information. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. Expected credit losses are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following events:

- significant financial difficulty of the issuer or borrower;
- a breach of contract such as a default or payments being past due;
- the restructuring of a loan or payment due to the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of provision for expected credit losses in the statement of financial position

Provisions for expected credit losses of financial assets measured at amortised cost are deducted from the gross carrying amount of the financial assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group does not have reasonable expectations of recovering a financial asset at its entirety or a portion thereof. This is usually the case when the Group determines that the debtor does not have assets or sources of income that may generate sufficient cash flows for paying the amounts being written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Write-off constitutes a de-recognition event.

ii. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The Group estimates the recoverable amount of a CGU that contains goodwill and other intangible assets that are not yet available for use, on an annual basis, or more frequently if there are indications of impairment.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects of the assessment of market participants regarding the time value of money and the risks specific to the asset or cash generating unit, for which the estimated future cash flows from the asset or cash generating unit were not adjusted.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Note 3 - Significant Accounting Policies (cont'd)

G. Impairment (cont'd)

ii. Non-financial assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs that included goodwill are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

H. Employee benefits

i. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension and savings plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

ii. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset).

The discount rate is the yield at the reporting date on high quality New Israeli Shekels (NIS) denominated corporate debentures that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a net asset for the Group, an asset is recognised up to the net present value of economic benefits available in the form of a refund from the plan or a reduction in future contributions to the plan.

An economic benefit in the form of refunds or reductions in future contributions is considered available when it can be realised over the life of the plan or after settlement of the obligation. This calculation will take into consideration any minimum funding requirements that apply to any plan. Furthermore, when as part of a minimum funding requirement, there is an obligation to pay additional amounts for services that were provided in the past, the Group recognises an additional obligation (increases the net liability or decreases the net asset), if such amounts are not available as an economic benefit in the form of a refund from the plan or the reduction of future contributions.

Remeasurements of the net defined benefit liability (asset) comprise actuarial gains and losses and the return on plan assets (excluding interest). Remeasurements are recognised directly in retained earnings through other comprehensive income. Interest costs on a defined benefit obligation and interest income on plan assets that were recognised in profit or loss are presented under financing income and expenses, respectively.

iii. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The Group recognises a liability and an expense for bonuses, which are based on agreements with employees and according to management decisions based on Group performance goals and on individual employee performance. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

iv. Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees and directors are recognised as an expense, with a corresponding increase in equity, over the period that the grantee unconditionally become entitled to the awards. The amount recognised as an expense in respect of share-based payment awards that are conditional upon meeting service and non-market performance conditions is adjusted to reflect the number of awards that are expected to vest, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market performance vesting conditions, the grant date fair value of the share-based payment awards is measured to reflect such conditions, and therefore the Group recognises an expense in respect of the awards whether or not the conditions have been met.

Note 3 - Significant Accounting Policies (cont'd)

I. Provisions

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability (without taking into consideration the Group's credit risk). The unwinding of the discount is recognised as a finance expense.

i. Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

ii. Legal claims

A provision for claims is recognised if, as a result of a past event, the Group has a present legal or constructive obligation and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of obligation can be estimated reliably. When the value of time is material, the provision is measured at its present value.

J. Dividends

Dividends are recognised as a liability in the period in which they are declared and approved.

K. Revenue

Initial recognition and measurement of financial assets

The Group recognises revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

Identifying the contract

The Group accounts for a contract with a customer only when the following conditions are met:

- the parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them;
- the Group can identify the rights of each party in relation to the goods or services that will be transferred;
- the Group can identify the payment terms for the goods or services that will be transferred;
- the contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and
- it is probable that the consideration, to which the Group is entitled to in exchange for the goods or services transferred to the customer, will be collected.

If a contract with a customer does not meet all of the above criteria, consideration received from the customer is recognised as a liability until the criteria are met or when one of the following events occurs: the Group has no remaining obligations to transfer goods or services to the customer and any consideration promised by the customer has been received and cannot be returned; or the contract has been terminated and the consideration received from the customer cannot be refunded.

Identifying performance obligations

On the contract's inception date the Group assesses the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer one of the following:

- goods or services (or a bundle of goods or services) that are distinct; or
- a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

The Group identifies goods or services promised to the customer as being distinct when the customer can benefit from the goods or services on their own or in conjunction with other readily available resources and the Group's promise to transfer the goods or services to the customer is separately identifiable from other promises in the contract. In order to examine whether a promise to transfer goods or services is separately identifiable, the Group examines whether it is providing a significant service of integrating the goods or services with other goods or services promised in the contract into one integrated outcome that is the purpose of the contract.

Note 3 - Significant Accounting Policies (cont'd)

K. Revenue (cont'd)

Determining the transaction price

The transaction price is the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties. The Group takes into account the effects of all the following elements when determining the transaction price: variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the customer.

Satisfaction of performance obligations

Revenue is recognised when the Group satisfies a performance obligation by transferring control over promised goods or services to the customer.

L. Government grants

i. Grants from the Israeli Innovation Authority ("IIA") in respect of research and development projects are accounted for as forgivable loans according to IAS 20. Grants received from the IIA are recognised as a liability according to their fair value on the date of their receipt, unless on that date it is reasonably certain that the amount received will not be refunded. The amount of the liability is reexamined each period, and any changes in the present value of the cash flows discounted at the original interest rate of the grant are recognised in profit or loss. The difference between the amount received and the fair value on the date of receiving the grant is recognised as a deduction of research and development expenses.

ii. Government grants are recognised initially at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Unconditional government grants are recognised when the Group is entitled to receive them. Grants that compensate the Group for expenses incurred are presented as a deduction from the corresponding expense.

M. Leases

Determining whether an arrangement contains a lease

On the inception date of the lease, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

- the right to obtain substantially all the economic benefits from use of the identified asset; and
- the right to direct the identified asset's use.

For lease contracts that contain non-lease components, such as services or maintenance, that are related to a lease component, the Group elected to account for the contract as a single lease component without separating the components.

Leased assets and lease liabilities

Contracts that award the Group control over the use of a leased asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Group recognises a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments), and concurrently recognises a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease.

Since the interest rate implicit in the Group's leases is not readily determinable, the incremental borrowing rate of the lessee is used. Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model, and depreciated over the shorter of the lease term or useful life of the asset.

The Group has elected to apply the practical expedient by which short-term leases of up to one year and/or leases in which the underlying asset has a low value, are accounted for such that lease payments are recognised in profit or loss on a straight-line basis, over the lease term, without recognising an asset and/or liability in the statement of financial position.

The lease term

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively.

Note 3 - Significant Accounting Policies (cont'd)

M. Leases (cont'd)

Depreciation of right-of-use asset

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows:

• Office facilities	2-8 years
• Motor vehicles	3 years

Reassessment of lease liability

Upon the occurrence of a significant event or a significant change in circumstances that is under the control of the Group and had an effect on the decision whether it is reasonably certain that the Group will exercise an option, which was not included before in the lease term, or will not exercise an option, which was previously included in the lease term, the Group re-measures the lease liability according to the revised leased payments using a new discount rate. The change in the carrying amount of the liability is recognised against the right-of-use asset, or recognised in profit or loss if the carrying amount of the right-of-use asset was reduced to zero.

Lease modifications

When a lease modification increases the scope of the lease by adding a right to use one or more underlying assets, and the consideration for the lease increased by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the contract's circumstances, the Group accounts for the modification as a separate lease.

In all other cases, on the initial date of the lease modification, the Group allocates the consideration in the modified contract to the contract components, determines the revised lease term and measures the lease liability by discounting the revised lease payments using a revised discount rate.

For lease modifications that decrease the scope of the lease, the Group recognises a decrease in the carrying amount of the right-of-use asset in order to reflect the partial or full cancellation of the lease, and recognises in profit or loss a profit (or loss) that equals the difference between the decrease in the right-of-use asset and re-measurement of the lease liability.

For other lease modifications, the Group re-measures the lease liability against the right-of-use asset.

N. Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Interest income on bank deposits is accrued on a time apportioned basis on the principal outstanding and at the rate applicable.

Finance expenses comprise interest expense on contingent consideration from a business combination, interest expense on tax liabilities and bank fees recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expenses depending on whether the foreign currency movement was in a net gain or net loss position. In the statements of cash flows, interest received and dividends received are presented as part of cash flows from investing activities. Interest paid and dividends paid are presented as part of cash flows used in financing activities.

O. Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted as at the reporting date, and any adjustment to tax payable in respect of prior years.

Current tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and there is intent to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

A provision for uncertain tax positions, including additional tax and interest expenses, is recognised when it is more probable than not that the Group will have to use its economic resources to pay the obligation.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent they will probably not reverse in the foreseeable future.

Note 3 - Significant Accounting Policies (cont'd)

O. Income tax (cont'd)

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Deferred tax assets that were not recognised are reevaluated at each reporting date and recognised if it has become probable that future taxable profits will be available against which they can be utilised.

The Group may be required to pay additional tax if a dividend is distributed by companies within the Group. This additional tax was not included in the financial statements, since it is the current practice of the Group companies not to distribute a dividend which creates an additional tax liability for the recipient in the foreseeable future.

P. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for dormant shares. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding (after adjustment for dormant shares) for the effects of all potentially dilutive ordinary shares, which comprise share options granted to employees, directors or other eligible parties.

Q. New standards, amendments to standards and interpretations not yet adopted

There are a number of new standards, amendments to standards and interpretations which are not yet effective for the year ended December 31, 2022, and have not been applied in preparing these financial statements.

1. Amendment to IAS 1, Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and subsequent amendment: Non-Current Liabilities with Covenants

   The Amendment, together with the subsequent amendment to IAS 1 (see hereunder) replaces certain requirements for classifying liabilities as current or non-current. According to the Amendment, a liability will be classified as non-current when the entity has the right to defer settlement for at least 12 months after the reporting period, and it "has substance" and is in existence at the end of the reporting period. According to the subsequent amendment, as published in October 2022, covenants with which the entity must comply after the reporting date, do not affect classification of the liability as current or non-current. Additionally, the subsequent amendment adds disclosure requirements for liabilities subject to covenants within 12 months after the reporting date, such as disclosure regarding the nature of the covenants, the date they need to be complied with and facts and circumstances that indicate the entity may have difficulty complying with the covenants. Furthermore, the Amendment clarifies that the conversion option of a liability will affect its classification as current or non-current, other than when the conversion option is recognised as equity. The Amendment and subsequent amendment are effective for reporting periods beginning on or after January 1, 2024 with earlier application being permitted. The Amendment and subsequent amendment are applicable retrospectively, including an amendment to comparative data. The Group is examining the effects of the Amendment on the financial statements with no plans for early adoption.

2. Amendment to IAS 1, Presentation of Financial Statements: "Disclosure of Accounting Policies."

   According to the amendment companies must provide disclosure of their material accounting policies rather than their significant accounting policies. Pursuant to the amendment, accounting policy information is material if, when considered with other information disclosed in the financial statements, it can be reasonably be expected to influence decisions that the users of the financial statements make on the basis of those financial statements. The amendment to IAS 1 also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment also clarifies that immaterial accounting policy information need not be disclosed. The amendment is applicable for reporting periods beginning on or after January 1, 2023. Earlier application is permitted The Group is examining the effects of the amendment on the financial statements with no plans for early adoption.

Note 3 - Significant Accounting Policies (cont'd)

Q. New standards, amendments to standards and interpretations not yet adopted (cont'd)

3. Amendment to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

   The Amendment narrows the scope of the exemption from recognizing deferred taxes as a result of temporary differences created at the initial recognition of assets and/or liabilities, so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset or a deferred tax liability for these temporary differences at the initial recognition of transactions that give rise to equal and offsetting temporary differences, such as lease transactions and provisions for decommissioning and restoration. The Amendment is effective for annual periods beginning on or after January 1, 2023, by amending the opening balance of the retained earnings or adjusting a different component of equity in the period the Amendment was first adopted. Earlier application is permitted. The Group is examining the effects of the amendment on the financial statements with no plans for early adoption.

4. Amendment to IFRS 16, Leases: Lease Liability in a Sale and Leaseback

   The amendment clarifies the accounting treatment of variable payments of a seller-lessee in a sale and leaseback transaction. According to the amendment, a seller-lessee shall include estimates of variable lease payments upon the initial measurement of the lease liability, and subsequent to initial recognition, it shall apply the subsequent measurement requirements to the lease liability, in a way that it does not recognize any gain or loss that relates to the right-of-use it retains. The amendment is applicable for reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The amendment is applicable retrospectively, for sale and leaseback transactions that occurred after the adoption of IFRS 16, including an amendment to comparative data. The Group is examining the effects of the amendment on the financial statements with no plans for early adoption.

Note 4 - Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

Information about assumptions made by the Group with respect to the future and other reasons for uncertainty with respect to estimates that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in the next financial year are included in the following notes:

A. Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of property, plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

B. Intangible assets

The fair value used in impairment tests of development activities which were capitalised is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

C. Trade receivables and other current assets

The fair value of trade receivables and certain other current assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Trade receivables and certain other current assets with no stated interest are measured at their original amount as the effect of discounting is immaterial.

Note 4 - Determination of Fair Values (cont'd)

D. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

E. Share-based payment transactions

The fair value of the options granted is measured using a lattice-based valuation, taking into account the terms and conditions upon which the options were granted. Measurement inputs include share price on measurement date, expected volatility, expected employee turnover rate, employee exercise behavior, risk free interest rate and expected dividend. Services and non-market performance conditions are not taken into account in determining fair value.

Note 5 - Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board's policy is to maintain a strong capital base, so to maintain investor and market confidence and to sustain future development of the business. The Group has exposure to credit risk and market risk from its use of financial instruments. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management complies with the Group's risk management policies and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers (see also Note 23).

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not require collateral in respect of financial assets. The Group has established credit limits for customers and monitors their balances regularly. Cash and deposits are placed with banks and financial institutions, which are regulated.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in deteriorating economic circumstances.

At the date of the statement of financial position, cash and cash equivalents and short-term investments were mainly held with two banks in Israel, thereby exposing the Group to significant concentrations of credit risk. However, management considers that the credit rating of the banks reduces the risk to the Group to an acceptable level.

In addition, the Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At December 31, 2022 and 2021, no guarantees were outstanding.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. This is achieved by not investing in equities and by investing in either US dollars, New Israeli Shekels (NIS) and Indian Rupees quoted financial assets only, in ratios which reflect the exposure of the Group to these currencies.

The Group is exposed to currency risk on sales and expenses that are denominated in a currency other than the respective functional currencies of Group entities. The Group is mainly exposed to movement in exchange rates of the US dollar in relation to the NIS with regard to salaries paid in NIS and to movement in exchange rates of the US dollar in relation to the Indian Rupee with respect to services provided in India by Sarin India. See Note 23.

Note 6 - Operating Segments

The Group is a worldwide leader in the development, manufacturing, marketing and sale of precision technology products for the planning, processing, evaluation and measurement of diamonds and gems. India is the principal market for these products. In accordance with IFRS 8, the Group determines and presents operating segments based on the information that is provided internally to the CEO, who is the Group's chief operating decision maker. The measurement of operating segment results is generally consistent with the presentation of the Group's Consolidated Statements of Profit or Loss and Other Comprehensive Income. The Group operates in only one operating segment. Presented below are revenues broken out by geographic distribution (India, Africa, Europe, USA, Israel and Other).

	Group Revenues						
	India	Africa	Europe	USA	Israel	Other[1]	Consolidated
	US$ thousands						
2022	**30,309**	**13,692**	**3,502**	**842**	**2,227**	**8,191**	**58,763**
2021	40,540	8,171	1,858	1,115	2,653	7,779	62,116

For the year ended December 31, 2022, no customer accounted for over 10% of Group revenue. For the year ended December 31, 2021, one customer accounted for approximately 16% of Group revenue.

Information on the assets of each geographical region is detailed below. The information includes non-current assets data, of which the depreciated cost of property, plant and equipment is allocated to each of the geographical regions. All of the Group's intangible assets are located in Israel.

	Group Property, plant and equipment						
	India	Africa	Europe	USA	Israel	Other[1]	Consolidated
	US$ thousands						
December 31, 2022	**4,704**	**6**	**--**	**4,400**	**1,279**	**42**	**10,431**
December 31, 2021	5,235	19	1	4,603	1,435	55	11,348

[1] Other territories represent sales to the rest of the world, primarily Asia, excluding India.

Note 7 - Revenue

Composition

	Group	
	Year ended December 31	
	2022	2021
	US$ thousands	
Revenue from sale of products[1]	**50,785**	52,649
Revenue from maintenance and services[2.]	**7,978**	9,467
	58,763	62,116

[1] Includes Galaxy™ family revenues associated with customer-owned machines.
[2.] Includes annual maintenance contracts and service center revenues

Note 8 - Net Finance Income (Expense)

	Group	
	Year ended December 31	
	2022	2021
	US$ thousands	
Interest income on financial assets and bank deposits	**381**	72
Net interest (expense) income - income taxes*	**(27)**	8
Interest expense on lease liabilities	**(117)**	(218)
Bank charges	**(124)**	(99)
Revaluation of lease liabilities from exchange rate differences	**630**	(40)
Other net foreign exchange gain (loss)	**(406)**	11
	337	(266)

* See also Note 9A.

Note 9 - Income Tax

A. Details regarding the tax environment of the Group

i. Israeli tax rates applicable to income not derived from approved enterprises

The statutory corporate tax rate in Israel in 2022 and 2021 was 23%. Current taxes for the reported periods are calculated according to the tax rates presented above. Deferred taxes were calculated at the tax rate expected to apply on the date of reversal.

ii. Tax benefits under the Law for the Encouragement of Industry (Taxes), 1969

The Company qualifies as an "Industrial Company" under the above law. As such, it is entitled to certain tax benefits, mainly the right to deduct share issuance costs for tax purposes in the event of a public offering, and to amortise know-how acquired from third parties.

iii. Amendment to the Law for the Encouragement of Capital Investments – 1959

The Company is subject to Amendment No. 68 to the Law for the Encouragement of Capital Investments – 1959 (hereinafter – "the Amendment to the Law"). The Amendment to the Law's provisions apply to Preferred Income derived or accrued in 2011 and thereafter by a Preferred Enterprise, per the definition of these terms in the Amendment to the Law.

The Amendment to the Law provides that only companies in Development Area A will be entitled to the grants track and that they will be entitled to receive benefits under this track and under the tax benefits track at the same time.

In addition, a Preferred Enterprise was introduced which mainly provides a uniform and reduced tax rate for all the company's income entitled to benefits. As part of the Law for Changes in National Priorities, as from the 2017 tax year the tax rate on preferred income was set to 7.5% for Development Area A and 16% for the rest of the country. The Amendment to the Law also provides that no tax will apply to a dividend distributed out of Preferred Income to a shareholder that is an Israeli company. A tax rate of 20% shall apply to a dividend distributed out of Preferred Income to an individual shareholder or foreign resident, subject to double taxation prevention treaties. The Company and one of its wholly owned subsidiaries met the conditions provided in the Amendment to the Law for inclusion in the scope of the tax benefits track. The Company and its subsidiary implemented the Amendment to the Law as from the 2011 tax year.

The benefits will be awarded to a "preferred company" that has a "preferred technological enterprise" or a "special preferred technological enterprise" with respect to taxable "preferred technological income" per its definition in the Encouragement Law.

Preferred technological income that meets the conditions required in the law, will be subject to a reduced corporate tax rate of 12%, and if the preferred technological enterprise is located in Development Area A to a tax rate of 7.5%. The Amendment was effective as from January 1, 2017. Deferred taxes were computed accordingly.

Note 9 - Income Tax (cont'd)

A. Details regarding the tax environment of the Group (cont'd)

iv. Final tax assessments

The Company has received final tax assessments (including assessments which are considered final under the tax laws) for all tax years up to December 31, 2017. Galatea Ltd. ("Galatea"), an Israeli subsidiary of the Company, has final tax assessments (including assessments which are considered final under the tax laws) for all tax years up to December 31, 2020. The Company's other wholly owned Israeli consolidated subsidiaries have received final tax assessments (including assessments which are considered final under the tax laws) for all tax years up to December 31, 2017.

v. Foreign tax

1) The foreign subsidiaries are taxed according to tax rules in their jurisdictions.
2) Sarin India received final tax assessments for all fiscal tax years through March 31, 2019. Sarin Hong Kong Ltd. received final tax assessments for all fiscal tax years through December 31, 2021. Other foreign subsidiaries have not been assessed since their incorporation.
3) Tax assessments related to Galatea in India:

A dispute has arisen between Galatea and the Indian tax authorities, over Galatea's classification of certain payments received from its Indian customers as being not liable for tax in India.

In 2015, the Indian tax authorities passed the assessment orders for the years ended March 31, 2011 and March 31, 2012, thus creating an aggregate net tax liability (net of tax deducted at source) of approximately US$ 0.6 million.

Following the order of earlier years, in 2016, the Indian tax authorities passed a similar assessment order for the year ended March 2013 raising a tax demand (net of tax deducted at source) of approximately US$ 2 thousand and an additional interest liability of approximately US$ 7 thousand. Galatea had appealed against all these decisions to the Tribunal, a higher Indian tax authority. In 2016 and 2019, respectively, the assessment orders for all the said years were deleted by the Tribunal, and the issue of non-taxability of business income in India was decided in Galatea's favor. The Indian tax authorities have filed an appeal against the order of the Tribunal before the Bombay High Court for the respective years.

In the years 2018-2022, the Indian tax authorities passed assessment orders for the Indian tax years ended March 31, 2014-2020 raising an aggregate tax demand (net of tax deducted at source) of approximately US$ 0.44 million and an additional interest liability of approximately US$ 0.47 million. Galatea has appealed against these assessment orders before the next level of appellate authority. Based on the Tribunal's prior decisions for the financial years ended March 31, 2011, 2012 and 2013, respectively, the Group believes that it is probable that the demands made in the assessment orders will be reversed.

Galatea's legal tax counsel in Israel has opined that any tax payments made or withheld in India may be offset in Galatea's Israeli tax returns for a period of five years from the date of payment. Therefore, Galatea has not made a provision for the net tax liability and interest of financial years ended March 31, 2013 to March 31, 2020.

B. Composition of income tax expense

	Group	
	Year ended December 31	
	2022	2021
	US$ thousands	
Current tax expense	**2,518**	2,261
Taxes in respect of previous years	**(22)**	194
Deferred tax expense	**41**	26
Total income tax expense	**2,537**	2,481

Note 9 - Income Tax (cont'd)

C. Reconciliation between the theoretical tax on the profit before income tax and the tax expenses

	Group	
	Year ended December 31	
	2022	2021
	US$ thousands	
Profit before income tax expense	**11,335**	18,937
Income tax using Israel tax rate of 23%	**2,607**	4,356
Effects of lower tax rates arising from "Approved and Beneficiary Enterprise" status	**(2,908)**	(3,537)
Current year tax losses and benefits for which deferred taxes were not created	**2,234**	1,380
Taxes in respect of previous years	**(22)**	194
Reassessment of utilisation of deferred asset	**100**	--
Tax on dividend from foreign subsidiaries	**586**	--
Other differences	**(60)**	88
	2,537	2,481

D. Deferred tax assets and liabilities

Deferred taxes are calculated according to the tax rate anticipated to be in effect on the date of reversal. Recognised deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2022	2021	2022	2021
	US$ thousands			
Other payables and employee benefits	**160**	152	**--**	--
Allowance for expected credit losses	**36**	35	**--**	--
Know-how	**7**	35	**--**	--
Research and development expenses	**94**	78	**--**	--
Tax losses	**--**	100	**--**	--
Fixed assets	**202**	173	**--**	--
	499	573	**--**	--

The deferred tax balances as at December 31, 2022 and 2021 were calculated at the tax rate expected to apply on the date of reversal.

Unrecognised deferred tax assets

For the years ended December 31, 2022 and 2021, Group deferred tax assets in respect of tax losses in the amount of US$ 97.2 million and US$ 87.8 million, respectively, have not been recognised. Deferred tax assets are only recognised once it has become probable that future taxable profits will be available against which they can be utilised (see also Note 30). Those tax losses are available for offsetting against future taxable income of the applicable Company's Israeli subsidiaries subject to compliance with the relevant tax regulations.

Unrecognised deferred tax liabilities

As at December 31, 2022 a deferred tax liability for temporary differences in the amount of US$ 20.4 million (2021 – US$ 27.5 million) related to an investment in a subsidiary was not recognised because the Group controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Changes in deferred taxes from prior years were all recognised in profit or loss.

Note 10 - Property, Plant and Equipment

	Group					
	Computers and equipment	Demonstration equipment	Motor vehicles	Machinery and office equipment	Building, land, and leasehold improvements*	Total
	US$ thousands					
Cost						
Balance at January 1, 2021	3,071	3,142	101	7,128	14,139	27,581
Additions	239	405	--	77	174	895
Disposals	(63)	(251)	--	(208)	(145)	(667)
Effect of changes in exchange rates	(10)	--	(1)	(74)	(107)	(192)
Balance at December 31, 2021	3,237	3,296	100	6,923	14,061	27,617
Additions	**339**	**535**	--	**107**	**5**	**986**
Disposals	**(83)**	**(173)**	**(13)**	**(22)**	**--**	**(291)**
Effect of changes in exchange rates	**(64)**	**--**	**(6)**	**(454)**	**(648)**	**(1,172)**
Balance at December 31, 2022	**3,429**	**3,658**	**81**	**6,554**	**13,418**	**27,140**
Depreciation						
Balance at January 1, 2021	2,775	2,695	60	6,120	3,652	15,302
Depreciation	223	333	8	369	654	1,587
Disposals	(60)	(170)	--	(205)	(94)	(529)
Effect of changes in exchange rates	(10)	--	(1)	(56)	(24)	(91)
Balance at December 31, 2021	2,928	2,858	67	6,228	4,188	16,269
Depreciation	**238**	**319**	**7**	**184**	**579**	**1,327**
Disposals	**(79)**	**(125)**	**(12)**	**(22)**	**(2)**	**(240)**
Effect of changes in exchange rates	**(60)**	**--**	**(6)**	**(419)**	**(162)**	**(647)**
Balance at December 31, 2022	**3,027**	**3,052**	**56**	**5,971**	**4,603**	**16,709**
Carrying amounts						
At December 31, 2021	309	438	33	695	9,873	11,348
At December 31, 2022	**402**	**606**	**25**	**583**	**8,815**	**10,431**

* Includes Group's wholly owned facilities in New York, United States and in Surat, India.

Note 10 - Property, Plant and Equipment (cont'd)

	Company					
	Computers and equipment	Demonstration equipment	Motor vehicles	Machinery and office equipment	Building, land, and leasehold improvements	Total
	US$ thousands					
Cost						
Balance at January 1, 2021	1,746	2,252	31	869	775	5,673
Additions	193	287	--	22	140	642
Disposals	(30)	(203)	--	(170)	(118)	(521)
Balance at December 31, 2021	1,909	2,336	31	721	797	5,794
Additions	**255**	**474**	**--**	**20**	**--**	**749**
Disposals	**(55)**	**(127)**	**--**	**(13)**	**--**	**(195)**
Balance at December 31, 2022	**2,109**	**2,683**	**31**	**728**	**797**	**6,348**
Depreciation						
Balance at January 1, 2021	1,569	1,897	6	638	355	4,465
Depreciation	132	245	5	46	82	510
Disposals	(30)	(125)	--	(159)	(66)	(380)
Balance at December 31, 2021	1,671	2,017	11	525	371	4,595
Depreciation	**169**	**229**	**5**	**42**	**83**	**528**
Disposals	**(51)**	**(106)**	**--**	**(13)**	**--**	**(170)**
Balance at December 31, 2022	**1,789**	**2,140**	**16**	**554**	**454**	**4,953**
Carrying amounts						
At December 31, 2021	238	319	20	196	426	1,199
At December 31, 2022	**320**	**543**	**15**	**174**	**343**	**1,395**

Note 11 - Intangible Assets

	Group			
	Goodwill	Development costs	Know-how, intellectual property and other	Total
	US$ thousands			
Cost				
Balance at January 1, 2021	1,868	6,979	17,736	26,583
Balance at December 31, 2021	1,868	6,979	17,736	26,583
Balance at December 31, 2022	**1,868**	**6,979**	**17,736**	**26,583**
Amortisation				
Balance at January 1, 2021	--	6,548	17,472	24,020
Amortisation for the year	--	126	193	319
Balance at December 31, 2021	--	6,674	17,665	24,339
Amortisation for the year	**--**	**126**	**67**	**193**
Balance at December 31, 2022	**--**	**6,800**	**17,732**	**24,532**
Carrying amount				
At December 31, 2021	1,868	305	71	2,244
At December 31, 2022	**1,868**	**179**	**4**	**2,051**

	Company			
	Goodwill	Development costs	Know-how, intellectual property and other	Total
	US$ thousands			
Cost				
Balance at January 1, 2021	--	411	--	411
Balance at December 31, 2021	--	411	--	411
Balance at December 31, 2022	**--**	**411**	**--**	**411**
Amortisation				
Balance at January 1, 2021	--	205	--	205
Amortisation for the year	--	68	--	68
Balance at December 31, 2021	--	273	--	273
Amortisation for the year	**--**	**68**	**--**	**68**
Balance at December 31, 2022	**--**	**341**	**--**	**341**
Carrying amount				
At December 31, 2021	--	138	--	138
At December 31, 2022	**--**	**70**	**--**	**70**

The amortisation of know-how, intellectual property, development costs and other intangible assets is recognised in cost of sales (see also Note 3E). The cash-generating unit's recoverable amount was based on fair value less costs of disposal. The fair value less costs of disposal was estimated using the discounted cash flow method.

Note 12 – Inventories

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$ thousands			
Raw materials and consumables	**5,322**	5,409	**3,325**	2,506
Work in progress	**1,204**	1,323	**773**	809
Finished goods	**333**	548	**290**	229
	6,859	7,280	**4,388**	3,544

In 2022 the write-down of Group inventories to net realisable value amounted to US$ nil (2021 – US$ nil). In 2022 the write-down of Company inventories to net realisable value amounted to US$ nil (2021 – US$ nil) (see also Note 3F).

Note 13 - Trade Receivables

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$ thousands			
Short-term				
Trade receivables	**22,498**	23,921	**7,130**	7,399
Allowance for doubtful receivables	**(1,022)**	(860)	**(397)**	(245)
	21,476	23,061	**6,733**	7,154
Long-term				
Trade receivables	**1,006**	700	**653**	89
Allowance for doubtful receivables	**--**	--	**--**	--
	1,006	700	**653**	89

The Group's and Company's exposure to credit and currency risks and impairment losses related to trade receivables is disclosed in Note 23.

Note 14 - Other Current Assets

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$ thousands			
Government institutions	**861**	267	**373**	166
Advances to suppliers	**657**	54	**548**	35
Prepaid expenses	**836**	979	**615**	468
Other	**142**	301	**17**	--
	2,496	1,601	**1,553**	669

The Group's and Company's exposure to credit and currency risks is disclosed in Note 23.

Note 15 - Short-Term Investments

Group short-term investments are comprised of bank deposits having weighted average interest rates of 4.60% at December 31, 2022 (December 31, 2021 – 0.54%). Company short-term investments are comprised of bank deposits having weighted average interest rates of 4.67% at December 31, 2022 (December 31, 2021 – 0.52%)(see also Note 23).

Note 16 - Cash and Cash Equivalents

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$ thousands			
Bank balances	**14,412**	25,809	**8,868**	11,617
Bank deposits	**10,895**	1,549	**8,348**	1,511
	25,307	27,358	**17,216**	13,128

Group bank deposits denominated in US dollars have weighted average interest rates of 4.11% at December 31, 2022 (December 31, 2021 – 0.23%) Company bank deposits denominated in US dollars have weighted average interest rates of 4.00% at December 31, 2022 (December 31, 2021 – 0.07%). The Group's and the Company's exposure to interest rate risk is disclosed in Note 23.

Note 17 – Share Capital – The Company

	As at December 31	
	2022	**2021**
	Number of shares	
Authorised:		
Ordinary shares of no par value	**2,000,000,000**	2,000,000,000
Issued and fully paid:		
Ordinary shares of no par value	**356,447,895**	355,480,480
Dormant shares (out of the issued and fully paid share capital):		
Ordinary shares of no par value	**(7,509,700)**	(4,390,200)
Total number of issued shares:		
(excluding dormant shares)	**348,938,195**	351,090,280

The following are the changes in the issued shares of the Company for the years ended December 31, 2022 and 2021:

	2022	**2021**
	Number of shares	
Issued ordinary shares at January 1	**351,090,280**	349,831,926
Share options exercised	**967,415**	1,808,354
Dormant shares purchased	**(3,119,500)**	(550,000)
Issued ordinary shares at December 31	**348,938,195**	351,090,280

On April 26, 2022 and on April 27, 2021, the Company's shareholders renewed the share buyback mandate of up to 5% of the Company's then issued and fully paid up shares, respectively. Under the share buyback mandate, share buybacks may be made, at any time and from time to time up to the earliest of: (a) the date on which the next annual general meeting of the Company is held or required by law to be held; (b) the date on which the authority conferred by the share buyback mandate is revoked or varied by the Company in general meeting; or (c) the date on which share buybacks are carried out to the full extent mandated.

For the year ended December 31, 2022, the Company purchased 3,119,500 ordinary shares, at a cost of US$ 894 thousand. For the year ended December 31, 2021, the Company purchased 550,000 ordinary shares, at a cost of US$ 246 thousand. In accordance with Israeli Companies Law, Company shares that have been acquired and are held by the Company are dormant shares as long as they are held by the Company, and as such they do not bear any rights until they are transferred to a third party.

For the year ended December 31, 2022 967,415 shares were issued upon the exercise of options for cash. For the years ended December 31, 2021 1,808,354 shares were issued upon the exercise of options for cash (see also Note 21).

For the years ended December 31, 2022 and 2021, the Company declared and paid dividends in the amount of US$ 10.5 million and US$ 7.0 million per year, respectively, amounting to US cents 3.0 and US cents 2.0 per year, respectively.

Note 18 – Earnings Per Share

Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2022 was based on the profit attributable to ordinary shareholders of US$ 8,798 thousand (versus the profit in 2021 attributable to ordinary shareholders of US$ – US$ 16,456 thousand) and a weighted average number of ordinary shares outstanding of 350,518,378 (2021 –350,373,322), calculated as follows:

	2022	2021
Issued ordinary shares at January 1	**351,090,280**	349,831,926
Effect of share options exercised	**400,081**	732,903
Effect dormant shares purchased	**(971,983)**	(191,507)
Weighted average number of ordinary shares at December 31	**350,518,378**	350,373,322

Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2022 was based on the profit attributable to ordinary shareholders of US$ 8,798 thousand (versus the profit in 2021 attributable to ordinary shareholders of US$ – US$ 16,456 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 350,799,554 (2021 -350,867,499), calculated as follows:

	2022	2021
Weighted average number of ordinary shares (basic)	**350,518,378**	350,373,322
Effect of share options on issue	**281,176**	494,177
Weighted average number of ordinary shares (diluted) at December 31	**350,799,554**	350,867,499

The average market value of the Company's ordinary shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

Note 19 – Other Payables

	Group		Company	
	2022	2021	2022	2021
	US$ thousands			
Employees and institutions	**3,913**	4,195	**2,434**	2,364
Deferred revenue	**1,175**	1,318	**79**	84
Advances from customers	**1,629**	688	**1,250**	618
Accrued expenses	**1,274**	1,229	**904**	695
Subsidiaries	**--**	--	**2,251**	1,349
Related parties	**216**	292	**216**	292
Other	**13**	13	**5**	6
	8,220	7,735	**7,139**	5,408

The Group's and the Company's exposure to currency risk related to other payables are disclosed in Note 23. See also Note 27 – Related Parties.

Note 20 – Employee Benefits

A. Defined benefit plan

Israeli labour laws and agreements require the Company and its Israeli subsidiaries to pay severance pay to dismissed or retiring employees (and those leaving their employment under certain other circumstances). The calculation of the severance pay liability was made in accordance with labour agreements in force and based on salary components, which, in management's opinion, create entitlement to severance pay.

The Group's severance pay liabilities to its Israeli employees are funded partially by regular deposits with recognised pension and severance pay funds in the employees' names and by purchase of insurance policies.

Employee benefits consist of the following:

	Group	
	As at December 31	
	2022	2021
	US$ thousands	
Present value of the obligation	**905**	1,095
Less fair value of assets	**711**	820
Recognised liability for defined benefit obligation	**194**	275

The Group makes contributions to defined benefit plans that provide pension benefits for employees upon retirement or post-employment. Most of the above assets and obligations relate to the employees of the Company.

Movement in net defined benefit liabilities (assets) and in their components:

	Defined benefit obligation		Less Fair value of plan assets		Net defined benefit liability	
	2022	2021	2022	2021	2022	2021
	US$ thousands					
Balance as at January 1	**1,095**	1,226	**820**	983	**275**	243
Included in profit or loss	**(109)**	61	**22**	34	**(131)**	27
Included in other comprehensive income	**(81)**	38	**(131)**	14	**50**	24
Benefits paid	**--**	(230)	**--**	(211)	**--**	(19)
Balance as at December 31	**905**	1,095	**711**	820	**194**	275

Principal actuarial assumptions:

	2022	2021
Discount rate (1)	**2.37%**	0.03%
Future salary nominal increases (2)	**3.00%**	3.00%

Assumptions regarding future mortality are based on published statistics and mortality tables.

(1) The discount rate used in 2022 and 2021 is based on the yield of fixed-interest NIS high quality corporate bonds with duration approximating the duration of the gross liabilities.
(2) Based on management assessment.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	As at December 31, 2022	
	One percentage point increase	One percentage point decrease
	US$ thousands	
Future salary growth	**32**	**(28)**
Discount rate	**(25)**	**30**

Note 20 – Employee Benefits (cont'd)

B. Defined contribution plan

The Group has a defined contribution plan in respect of its liability to pay the savings component of provident funds and in respect of those of its employees who are subject to Section 14 of the Severance Pay Law – 1963.

	2022	2021
	US$ thousands	
Amount recognised as expense in respect of defined contribution plan	**1,402**	1,298

Note 21 - Share-Based Payments

In April 2015, the Company adopted a share option plan to allot options to directors and employees of the Company and its subsidiaries (the "2015 Plan"). The aggregate number of ordinary shares which may be granted as options on any date, when added to the number of shares issued and issuable in respect of all options granted under all of the Company's Plans then in force shall not exceed 15% of the issued share capital of the Company on the date preceding the date of the relevant grant. As at December 31, 2022, 37,289,320 options have been granted under the 2015 Plan, of which 15,529,930 options are currently outstanding, and 2,775,769 options have been exercised to date (with the balance having been forfeited). The vesting periods of the options granted under the 2015 Plan range from one year following the date of grant (as such term is defined in the 2015 Plan) and up to four years following the date of grant.

Under the terms of the 2015 Plan, options shall expire at the end of six years commencing on the date of grant (or any earlier date, if such was mentioned in the grant instrument) or on cessation of employment, at the earlier of the two. Unexercised vested options can generally be exercised within 90 days of cessation of employment.

The Income Tax Authorities have recognised the 2015 Plan as a "share allotment through a trustee" plan according to Section 102 to the Tax Ordinance using the "capital gain track." As a result, the benefit to the Israeli employee from the option plan shall be either classified as ordinary income or capital gain, all in accordance with the provisions of Section 102(b)(3) to the Tax Ordinance.

Ordinary shares which shall be issued by the Company pursuant to exercise of options granted under the Plans, entitle their holders with any and all rights attached to the Company's ordinary shares, inter alia, the right to receive dividends, the right to participate in the distribution of the Company's assets upon liquidation, voting rights in the Company's General Meetings (provided that as long as the ordinary shares are being held by the trustee, such voting rights will be exercised by the trustee, according to instructions provided by the holders, and if no such instructions are provided – as per the trustee's discretion).

During the year ended December 31, 2022, the Company granted 2,530,000 options to employees and directors under the 2015 Plan, with vesting conditions of one to three years and a contractual life of six years. The options will vest subject to service-based conditions and performance based conditions, relating to sales-related targets. During the year ended December 31, 2021, the Company granted 2,060,000 options to employees and directors under the 2015 Plan, with vesting conditions of one to three years and a contractual life of six years. The options will vest subject to service-based conditions and performance based conditions, relating to sales targets. (also see Note 27). Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2022		2021	
	Weighted average exercise price in US$ per share	Options	Weighted average exercise price in US$ per share	Options
Outstanding at January 1	**0.66**	**17,078,523**	0.68	21,460,006
Granted	**0.37**	**2,530,000**	0.46	2,060,000
Forfeited	**0.99**	**(3,111,178)**	0.78	(4,633,129)
Exercised	**0.17**	**(967,415)**	0.25	(1,808,354)
Outstanding at December 31	**0.57**	**15,529,930**	0.66	17,078,523

The number of share options vested at December 31, 2022 and 2021 was 9,061,595 and 6,549,349, respectively.

Note 21 - Share-Based Payments (cont'd)

The Company measured the fair value of the share options granted using a lattice-based valuation model. The following assumptions under this method were used for the share options granted during the years ended December 31, 2022 and 2021: weighted average expected volatility of: 45.87% and 47.01%, respectively; weighted average risk-free interest rates (in US dollar terms) of 2.44% and 0.94%, respectively; dividend yield of 4.48% and 3.86%, respectively. The weighted average fair value of the share options granted during the years ended December 31, 2022 and 2021 using the model was US$ 0.113 and US$ 0.146 per share option, respectively.

The average share price in 2022 was US$ 0.33 (2021 – US$ 0.47).

The following table summarises information about share options outstanding at December 31, 2022:

	Options outstanding			Options exercisable	
Range of exercise prices US$ per share	**Number outstanding**	**Weighted-average remaining contractual life (years)**	**Weighted-average exercise price US$**	**Number Exercisable**	**Weighted-average exercise price US$**
0.16 – 0.27	5,486,040	2.8	0.22	3,231,040	0.21
0.38 – 0.59	4,590,000	4.9	0.41	376,665	0.45
0.82 – 1.40	5,453,890	0.8	1.06	5,453,890	1.06
	15,529,930			9,061,595	

The expenses derived from share-based payment transactions are as follows:

	Year ended December 31	
	2022	**2021**
	US$ thousands	
Cost of sales	**5**	(9)
Research and development expenses	**42**	60
Sales and marketing expenses	**50**	102
General and administrative expenses	**167**	229
	264	382

Note 22 - Warranty Provision

The provision for warranty relates mainly to product sales during the years ended December 31, 2022 and 2021. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to incur the liability over the next year.

The movement in the warranty provision is as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$ thousands			
Balance at the beginning of the year	**333**	290	**234**	197
Provisions made during the year	**390**	445	**273**	263
Provisions used during the year	**(364)**	(402)	**(268)**	(226)
Balance at the end of the year	**359**	333	**239**	234

Note 23 - Financial Instruments

Exposure to credit risk

The majority of the Group's and Company's cash, cash equivalents and short-term investments are in Israel-based banks.

The maximum exposure to credit risk for trade receivables (current and long-term) at the reporting date by geographic region was:

	Group		Company	
	Carrying amount			
	2022	2021	2022	2021
	US$ thousands			
India	**14,386**	16,271	**3,667**	4,241
Europe	**502**	347	**400**	252
USA	**207**	335	**193**	617
Africa	**4,217**	4,092	**554**	602
Israel	**692**	1,009	**1,171**	933
Other	**2,478**	1,707	**1,401**	598
	22,482	23,761	**7,386**	7,243

For the years ended December 31, 2022 and 2021, one customer comprised approximately 19% and 30%, respectively, of the Group's outstanding trade receivables. For the year ended December 31, 2021, a second customer comprised approximately 11% of the Group's outstanding trade receivables. For the years ended December 31, 2022 and 2021, one customer comprised approximately 22% and 46%, respectively, of the Company's outstanding receivables.

Impairment losses

The aging of trade receivables (current and long-term) at the reporting date was:

	Group		Company	
	2022	2021	2022	2021
	US$ thousands			
Not past due	**14,802**	17,175	**3,929**	5,886
Past due 0-30 days	**2,196**	1,579	**936**	233
Past due 31-90 days	**2,383**	1,566	**757**	462
More than 90 days*	**4,123**	4,301	**2,161**	907
	23,504	24,621	**7,783**	7,488
Allowance for doubtful receivables	**(1,022)**	(860)	**(397)**	(245)
	22,482	23,761	**7,386**	7,243

* The majority of the non-impaired balances over 90 days as of December 31, 2022 were paid subsequent to December 31, 2022.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group		Company	
	2022	2021	2022	2021
	US$ thousands			
Balance at January 1	**860**	980	**245**	296
Movement	**162**	(120)	**152**	(51)
Balance at December 31	**1,022**	860	**397**	245

Note 23 - Financial Instruments (cont'd)

Exposure to currency risk

The Group's and Company's exposure to foreign currency risk was as follows based on notional amounts translated into US$ thousands as at December 31, 2022 and 2021:

	Group			
	December 31, 2022		December 31, 2021	
	NIS	Rupee	NIS	Rupee
Cash and cash equivalents	**9,884**	**800**	9,472	5,746
Trade receivables	**7**	**966**	19	1,354
Other current assets	**798**	**413**	721	607
Current and long-term lease liabilities	**(4,353)**	**(16)**	(5,596)	(37)
Trade payables	**(3,043)**	**(180)**	(2,103)	(3)
Income tax payable	**(1,481)**	**(288)**	(1,236)	(264)
Other payables	**(2,109)**	**(1,670)**	(2,276)	(1,963)
Net balance sheet exposure	**(297)**	**25**	(999)	5,440

	Company			
	December 31, 2022		December 31, 2021	
	NIS	Rupee	NIS	Rupee
Cash and cash equivalents	**7,449**	**--**	5,929	--
Trade receivables	**7**	**--**	--	--
Other current assets	**539**	**--**	640	--
Current and long-term lease liabilities	**(4,206)**	**--**	(5,347)	--
Trade payables	**(1,694)**	**--**	(1,542)	--
Other payables	**(1,593)**	**--**	(1,643)	--
Net balance sheet exposure	**502**	**--**	(1,963)	--

The following significant US dollar exchange rates applied during the year:

	Average rate		As at December 31	
	2022	2021	2022	2021
NIS 1	**3.358**	3.230	**3.519**	3.110
Rupee 1	**78.55**	73.86	**82.79**	74.30

The Group is mainly exposed to changes in the exchange rates of the US dollar in relation to the NIS with regards to employee compensation and other expenses paid in NIS. For the year ended December 31, 2022, the Group maintained its portion of cash and cash equivalents held in NIS (equivalent to US$ 9.9 million at December 31, 2022 (US$ 9.5 million in 2021)) to match anticipated NIS linked expenses. An appreciation/depreciation of 10% of the NIS and Rupee relative to the US dollar will not result in any material loss/gain in the Statement of Profit and Loss and Other Comprehensive Income.

Fair values

The fair values of cash and cash equivalents, trade receivables, certain other current assets, short-term investments, trade and other payables are not materially different from their carrying amounts because of the immediate or short-term maturity of these instruments.

Note 24 – Leases

The Group has lease agreements with respect to office facilities mainly in Israel and India. The Group also has lease agreements in respect to vehicles in Israel. In measurement of the lease liabilities, the Group discounted lease payments using the nominal incremental borrowing rate as at the lease inception, or at January 1, 2019 for leases in effect prior to December 31, 2018. The discount rates used to measure the lease liability ranged between 1.6% and 8.0%. This range is affected by differences in the length of the lease term, differences between the various groups of assets, different discount rates of Group companies, and so forth.

A. Information regarding material lease agreements

The Group leases motor vehicles for three-year periods from several leasing companies and from time to time changes the number of leased vehicles according to its current needs. The leased motor vehicles are identified by means of license numbers and registration, with the leasing companies not being able to switch vehicles, other than in cases of deficiencies. The leased vehicles are used by certain of the Group's Israel staff, including employees whose employment agreements include an obligation of the Group to put a vehicle at their disposal. The Group accounted for the arrangement between it and its employees as an arrangement in the scope of IAS 19. The agreements with the leasing companies do not contain extension and/or termination options that the Group is reasonably certain to exercise.

A lease liability and right-of-use asset in the amount of US$ 281 thousand and US$ 292 thousand, respectively, have been recognised in the statement of financial position as at December 31, 2022 in respect of leases of motor vehicles.

The Group leases office facilities for periods ranging between 2 - 5 years, with options to extend the lease agreements for additional years at similar terms as those of the existing agreements. A lease liability and right-of-use asset in the amount of US$ 4,088 thousand and US$ 3,626 thousand, respectively, have been recognised in the statement of financial position as at December 31, 2022 in respect of those leases.

B. Right-of-use assets

	Group		
	Office facilities	**Motor vehicles**	**Total**
	US$ thousands		
Balance at January 1, 2021	4,906	144	5,050
Additions	4,795	208	5,003
Disposals	(4,239)	--	(4,239)
Depreciation	(955)	(140)	(1,095)
Balance at December 31, 2021	4,507	212	4,719
Balance at January 1, 2022	**4,507**	**212**	**4,719**
Additions	**--**	**252**	**252**
Depreciation	**(881)**	**(172)**	**(1,053)**
Balance at December 31, 2022	**3,626**	**292**	**3,918**

	Company		
	Office facilities	**Motor vehicles**	**Total**
	US$ thousands		
Balance at January 1, 2021	4,370	69	4,439
Additions	4,795	167	4,962
Disposals	(4,141)	--	(4,141)
Depreciation	(730)	(80)	(810)
Balance at December 31, 2021	4,294	156	4,450
Balance at January 1, 2022	**4,294**	**156**	**4,450**
Additions	**--**	**161**	**161**
Depreciation	**(747)**	**(113)**	**(860)**
Balance at December 31, 2022	**3,547**	**204**	**3,751**

Note 24 – Leases (cont'd)

C. Lease liabilities

Maturity analysis of the Group's and Company's lease liabilities as at December 31, 2022.

	Group	Company
	US$ thousands	
Less than one year	**812**	**682**
One to five years	**2,760**	**2,727**
More than five years	**797**	**797**
Balance at December 31, 2022	**4,369**	**4,206**

D. Additional information on leases

Amounts recognised in profit or loss

	2022	2021
	US$ thousands	
Other income from lease termination	**--**	(267)
Interest expense on lease liabilities	**117**	218
Revaluation of lease liabilities from exchange rate differences	**(630)**	40
Depreciation of right-of-use assets	**1,053**	1,095
Total	**540**	1,086

For the year ended December 31, 2021, the Group recorded a US$ 267 thousand non-cash gain in other income from lease termination (in the consolidated statements of profit or loss and other comprehensive income) associated with the downsizing of leased office space at the Group's headquarters in Israel in April 2021.

Note 25 – Commitments

A. Operating lease commitments (less than 1 year)

The Group has entered into certain short-term leases for office facilities. The future minimum non-cancellable lease payments relating to those leases are in the amount of approximately US$ 63,000.

B. The Group is committed to pay royalties at the rate of 3%-3.5% to the IIA on sales proceeds from products for which it received grants up to an amount not exceeding the grants received (linked to the exchange rate of the US dollar). The total grants received, net of royalties paid to the IIS, excluding Galatea, which was repaid in 2013, was approximately US$ 1.1 million through December 31, 2022. As the technology related to these grants was not commercially successful, future sales connected to the research and development of this technology are still dependent on the result of further successful research and development and market acceptance.

C. On December 2, 2010, a subsidiary of the Company acquired light performance technology. Under the terms of the agreement, the subsidiary may be required to pay additional contingent consideration due in the form of royalties of approximately 5% on certain revenue for a period of up to 14 years following the date of such acquisition, based on 'net sales' as defined in the agreement.

D. On November 9, 2011, a subsidiary of the Company acquired polished diamond imaging technology. Under the terms of the agreement, the subsidiary may be required to pay additional contingent consideration due in the form of royalties of approximately 5% on sales for a period of not less than 7 years following the date of acquisition and up to the life of the patents, capped at US$10 million.

Note 26 – Contingent Liabilities

The Group is currently a party to various civil litigation proceedings in different jurisdictions in which it does business. These proceedings include, among other matters, patent and intellectual property infringement litigation in India, Belgium and Israel which were initiated either by us or third parties, commercial debt collection suits for non-payment by customers, and a claim for wrongful termination by a former employee in Israel. Based on the opinions of the Group's legal advisors, the Group believes that all pending claims against the Group are without merit and its exposure to these disputed claims will not have a material impact on its business nor on its financial position or results of operation. Accordingly, no provision has been made in the Group's financial statements for such claims. As to tax disputes, see Note 9.

Note 27 – Related Parties

The following significant related party transactions between the Group and related parties were carried out in the normal course of business on terms agreed between the parties:

Remuneration of key management personnel

	Year ended December 31	
	2022	**2021**
	US$ thousands	
Remuneration of CEO and directors		
Fixed income-based	**832**	795
Share-based payments	**136**	152
Other performance based incentives	**503**	567
	1,471	1,514

Pursuant to an Annual General Meeting and an Extraordinary General Meeting of the Company's shareholders held on April 26, 2022, the Company's Chairman of the Board and the Group's CEO were granted 1,000,000 options to purchase ordinary shares of the Company, exercisable upon the payment of S$0.506 per share (at no discount of the then Market Price – as such term is defined in the 2015 Plan), with vesting conditions of one to three years and a contractual life of six years. The options will vest subject to service-based conditions and performance-based conditions, relating to sales targets. In addition, two directors were granted 300,000 options to purchase ordinary shares of the Company, exercisable upon the payment of S$0.506 per share (at no discount of the then Market Price – as such term is defined in the 2015 Plan), with vesting conditions of one to three years and a contractual life of six years. The options will vest subject to service-based conditions. The fair value of the options granted was US$ 0.113 per share at the grant date (see Note 21).

Pursuant to an Annual General Meeting and an Extraordinary General Meeting of the Company's shareholders held on April 27, 2021, the Company's Chairman of the Board and the Group's CEO were granted 1,000,000 options to purchase ordinary shares of the Company, exercisable upon the payment of S$0.600 per share (at no discount of the then Market Price – as such term is defined in the 2015 Plan), with vesting conditions of one to three years and a contractual life of six years. The options will vest subject to service-based conditions and performance-based conditions, relating to sales targets. The fair value of the options granted was US$ 0.151 per share at the grant date (see Note 21).

Note 28 – Group Entities

A. Details in respect of subsidiaries

The following subsidiaries have been included in the consolidated financial statements:

	Place of Incorporation	**Effective equity interest held by the Group as at December 31, 2022 and 2021 %**
Galatea Ltd.	Israel	100%
Sarine Color Technologies Ltd.	Israel	100%
Sarine Polishing Technologies Ltd.	Israel	100%
Sarine Holdings USA Ltd.	Israel	100%
Sarin Technologies India Pvt. Ltd.	India	100%
Sarin Hong Kong Ltd.	Hong Kong	100%
Sarine North America Inc.	Delaware, USA	100%
Sarine IGT 10H Inc.	Delaware, USA	100%
Sarine IGT 10I Inc.	Delaware, USA	100%
Sarine IGT 10JKL Inc.	Delaware, USA	100%

Note 28 – Group Entities (cont'd)

B. Movements in investments in subsidiaries:

	Company	
	2022	2021
	US$ thousands	
Balance at beginning of year	**46,308**	44,151
Movements during the year:		
Loans and credit granted to subsidiaries	**4,300**	8,028
The Company's share of profits	**11,476**	15,629
Dividend	**(26,062)**	(21,500)
Balance at end of year	**36,022**	46,308

Note 29 – Government Grants

In 2021, the Group received several grants for participation in fixed expenses in the total amount of US$ 323 thousand. These grants were provided to the Group following its compliance with the terms of the economic safety net program issued by the Government of Israel, following the economic effects of the coronavirus pandemic and its impact on Group revenues thereof. The grants were recognised as a deduction from expenses, as outlined below. No grants were received in 2022.

	Group	
	Year ended December 31	
	2022	2021
	US$ thousands	
Cost of sales, gross	**18,140**	16,419
Less: grants in respect of fixed expenses	**--**	(130)
Cost of sales, as reported	**18,140**	16,289
Research and development, gross	**8,675**	8,209
Less: grants in respect of fixed expenses	**--**	(110)
Research and development expenses, as reported	**8,675**	8,099
Sales and marketing expenses, gross	**12,425**	11,100
Less: grants in respect of fixed expenses	**--**	(62)
Sales and marketing expenses, as reported	**12,425**	11,038
General and administrative expenses, gross	**8,525**	7,775
Less: grants in respect of fixed expenses	**--**	(21)
General and administrative expenses, as reported	**8,525**	7,754

Note 30 - Subsequent Events

On February 26, 2023, the Board of Directors recommended the Annual General Meeting approve a final dividend of US 1.0 cent per ordinary share for the full year ended December 31, 2022. Pursuant to the approval of the Annual General Meeting of the Company's shareholders to be held in April 2022, the Company expects to pay a US$ 10.5 million dividend on May 12, 2023, with record date on May 2, 2023.

On January 11, 2023, Sarine signed a non-binding memorandum of understanding to acquire a majority stake in New York's Gem Certification and Assurance Lab, Inc. (GCAL), subject to due diligence and executing a definitive agreement, in an all cash consideration. GCAL is a highly respected gemological laboratory founded in 2001. GCAL provides services for the grading and certification of natural and lab-grown diamonds, coloured diamonds, coloured gemstones, pearls and precious metals. GCAL is the only diamond and gemstone ISO 17025 Accredited Forensic Laboratory in the world. Though it has been stipulated by the parties that the terms of the deal are to remain confidential, pending its actual closing, we wish to clarify that it will not fall under the definition of a "major transaction", as per Chapter 10 of the Singapore Exchange Listing Manual.

Issued and fully paid-up	-	356,503,895
No. of Treasury Shares	-	7,566,600
Class of shares	-	ordinary shares of no par value
Voting rights	-	on a show of hands, by written ballot or by any other means : 1 vote for each ordinary share

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	17	0.96	460	0.00
100 – 1,000	127	7.16	92,900	0.03
1,001 - 10,000	818	46.08	4,861,193	1.36
10,001 - 1,000,000	792	44.62	44,690,061	12.54
1,000,001 and above	21	1.18	306,859,281	86.07
	1,775	100.00	356,503,895	100.00

Shareholdings Held in Hands of Public

Based on information available to the Company as at 8 March 2023, approximately 68.32% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by Singapore Exchange Securities Trading Limited is complied with.

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%*
1	DBS Nominees Pte Ltd	117,352,786	33.63
2	Citibank Nominees Singapore Pte Ltd	72,536,675	20.79
3	Raffles Nominees (Pte) Limited	42,685,988	12.23
4	BPSS Nominees Singapore (Pte.) Ltd.	15,108,200	4.33
5	UOB Kay Hian Pte Ltd	11,777,503	3.38
6	Eyal Avraham Khayat	8,754,201	2.51
7	HSBC (Singapore) Nominees Pte Ltd	5,772,348	1.65
8	OCBC Securities Private Ltd	5,307,600	1.52
9	Phillip Securities Pte Ltd	3,861,680	1.11
10	BNP Paribas Nominees Singapore Pte Ltd	3,458,700	0.99
11	San Tai Construction (S) Pte Ltd	3,350,000	0.96
12	IFast Financial Pte Ltd	3,319,100	0.95
13	28 Holdings Pte. Ltd.	2,650,000	0.76
14	Cheng Heng Seng	2,245,000	0.64
15	ABN Amro Clearing Bank N.V.	1,543,000	0.44
16	Chow Kwok Hong	1,350,000	0.39
17	Maybank Securities Pte.Ltd	1,223,100	0.35
18	Soh Cheng Lin	1,199,900	0.34
19	Tiger Brokers (Singapore) Pte. Ltd.	1,153,500	0.33
20	Baey Boon Lin	1,110,000	0.32
		305,759,281	87.62

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 8 March 2023 of 348,937,295 shares (which excludes 7,566,600 shares which are held as treasury shares representing approximately 2.17% of the total number of issued shares excluding treasury shares).

SHAREHOLDING STATISTICS
AS AT 8 MARCH 2023

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name	**No. of Shares**	**%***	**No. of Shares**	**%***
Axxion S.A	–	–	32,193,900	9.03%
Ehud Harel[1]	–	–	25,796,348	7.24%

* The percentage of issued ordinary shares is calculated based on the number 356,503,895 of issued ordinary shares of the company as at 8 March 2023 (excluding 7,566,600 treasury shares).

1 Ehud Harel is deemed a shareholder of the Company by virtue of his indirect ownership through Hargem, Ltd. of 25,608,848 shares held on his behalf by the Israel Discount Bank through Citibank N.A. Singapore custodians and, by virtue of his indirect ownership of 187,500 shares held on his behalf by Eyal Khayat, Option Plan 2005 trustee, through UOB Kay Hian Pte. Ltd., pursuant to the Plan.

Directors' Interests in Shares of the Company

Name of Director	Shareholdings in the name of the Director			Shareholdings in which the Director is deemed to have an interest		
	As at 1 January 2022	As at 31 December 2022	As at 21 January 2023	As at 1 January 2022	As at 31 December 2022	As at 21 January 2023
Daniel Benjamin Glinert	–	–	–	12,359,156	12,734,156	12,734,156
Avraham Eshed	–	–	–	15,126,922	15,126,922	15,126,922
Uzi Levami	–	–	–	12,335,406	12,335,406	12,335,406
Lim Yong Sheng	–	–	–	125,000	225,000	225,000
Varda Shine	–	–	–	125,000	225,000	225,000
Sin Boon Ann	–	–	–	–	–	–
Neta Zruya-Hashai	–	–	–	–	–	–

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting **("AGM")** of Sarine Technologies Ltd. (the "**Company**") will be held in the Empress Ballroom 1, Level 2, at the Singapore Carlton Hotel, 76 Bras Basah Rd, Singapore 189558, on Monday the 24th day of April 2023 at 3:00 PM Singapore time (10:00 AM Israel time) to transact the business enumerated below.

Ordinary Business

1. To receive and consider the audited accounts for the year ended 31 December 2022 and the reports of the directors and auditors thereon.

2. To declare a final dividend of US cent 1.0 (gross) per share less tax (as applicable) for the year ended 31 December 2022.

3. To re-appoint Somekh Chaikin Certified Public Accountants (Isr.), Member firm of KPMG International and Chaikin, Cohen, Rubin and Co., Certified Public Accountants (Isr.) as external auditors and to authorise the Board of Directors to fix their remuneration.

4. To re-elect the following two retiring directors as Independent Directors under Singapore law and as External Directors under Israeli law – see Explanatory Notes (a) and (d) and Appendix 1 for the relevant disclosures as per Listing Rule 704 (7)(a):

   a. Neta Zruya HASHAI
   b. SIN Boon Ann

5. To re-elect the following two retiring directors as Independent Directors under Singapore law - see Explanatory Note (a) and Appendix 1 for the relevant disclosures as per Listing Rule 704 (7)(a):

   a. LIM Yong Sheng
   b. Varda SHINE

6. To re-elect the following three retiring directors as Non-Independent Directors of the Company - see Explanatory Note (a) and Appendix 1 for the relevant disclosures as per Listing Rule 704 (7)(a):

   a. Avraham ESHED
   b. Daniel Benjamin GLINERT
   c. Uzi LEVAMI

7. To appoint Ms. Varda Shine, if re-elected as an Independent Director, as Lead Independent Director [see Explanatory Note (b)].

8. To approve the grant of 1,500,000 options to the Independent Directors, under the Sarine Technologies Ltd, 2015 Share Option Plan (the "**2015 Plan**") [See Explanatory Note (c)].

9. To approve the Independent Directors' remuneration and participation fees [see Explanatory Notes (d) and (e)]:

   a. LIM Yong Sheng
   b. Varda SHINE

   Note: Under Israeli law, the remuneration and participation fees approved by the Board for the External Directors, as defined by the Israel Companies Law (the **"Companies Law"**), Ms. HASHAI and Mr. SIN, do not require Member approval at the Annual General Meeting, as they fall within the limits prescribed by said Companies Law.

10. To approve the grant of 750,000 options to the Non-Executive Directors, under the 2015 Plan [See Explanatory Note (f)].

11. To approve the Non-Executive Directors' remuneration and participation fees [see Explanatory Note (g)]

12. To approve a salary adjustment per the devaluation of the NIS against the USD to Mr. Daniel Benjamin Glinert, the Executive Chairman of the Board, so as to retain the same USD 17,790 per month paid previously, i.e., 62,265 NIS (current representative rate of US$ 1 = NIS 3.50).

13. To approve the grant of 300,000 options under the 2015 Share Option Plan to Mr. Daniel Benjamin Glinert, the Executive Chairman of the Board, to vest over a period of three years as detailed in Explanatory Note (h).

14. To approve a salary adjustment per the devaluation of the NIS against the USD to Mr. David Block, the CEO, so as to retain the same USD 22,675 per month paid previously, i.e., 79,362.50 NIS (current representative rate of US$ 1 = NIS 3.50) [see Explanatory Note (d)].

15. To approve the grant of 700,000 options under the 2015 Plan to Mr. David Block, the CEO, to vest over a period of three years as detailed in Explanatory Note (i) [also see Explanatory Note (d)].

Special Business

16. To consider and, if thought fit, to pass the following members' resolutions with or without amendments:-

16.1 Authority to issue shares [see Explanatory Note (j)]

That authority be given to the directors of the Company to issue and allot shares in the Company whether by way of rights, bonus or otherwise (including but not limited to the issue and allotment of shares at any time, whether during the continuance of such authority or thereafter, pursuant to offers, agreements or options made or granted by the Company while this authority remains in force) by the directors, or otherwise disposal of shares (including making and granting offers, agreements and options which would or might require shares to be issued, allotted or otherwise disposed of, whether during the continuance of such authority or thereafter) by the directors of the Company at any time to such persons (whether or not such persons are members), upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit PROVIDED THAT:

(i) the aggregate number of shares to be issued pursuant to such authority shall not exceed 30% of the issued shares in the capital of the Company (as calculated in accordance with paragraph (ii) below), of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing members must not be more than 10% of the total issued shares in the capital of the Company;

(ii) subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under paragraph (i) above, the total number of issued shares shall be based on the number of issued shares in the capital of the Company at the time this resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities or new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares;

(iii) unless revoked or varied by the Company in a general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

16.2 Authority to offer and grant options and issue shares pursuant to the 2015 Plan. [See Explanatory Note (k)]

That the directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the 2015 Plan and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the 2015 Plan, provided always that the aggregate number of such shares to be issued pursuant to the 2015 Plan and any other share option schemes of the Company for the time being in force, shall not exceed 15% of the issued shares in the capital of the Company (excluding treasury shares) from time to time.

17. To transact any other business, which may properly be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

AMIR JACOB ZOLTY
Company Secretary

Israel,
31 March 2023

Note: The Appendix following this Notice and as posted on our website at URL https://sarine.com/wp-content/uploads/2023/2023_AGM_Notice_Appendix.pdf **provides detailed information relating to the nominee directors and to the rationale behind their proposed nomination, as ascertained by the Company's Nomination Committee of the Board of Directors.**

Proxies:- A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her/its stead, as detailed below. A proxy need not be a member of the Company.

Explanatory Notes:-

(a) Article 37(c) of the Company's Articles of Association provides that:
"Each Director shall serve, subject to Articles 39 and 40 hereof, and unless the Annual General Meeting appointing him provides otherwise, until the third Annual General Meeting following the Annual General Meeting at which such Director was appointed, or his earlier removal pursuant to this Article 37. A Director who has completed his term of service or has been removed as aforesaid (a "Retiring Director") shall be eligible for re-election."

All of the Company's Directors were appointed by the Annual General Meeting held on 25 June 2020 and, as such have completed their three-year tenure and are retiring. It is proposed to re-appoint the current Directors of the Company. The proposed Directors' CVs, new nominees as well as directors proposed for re-appointment, and other requisite information, including the Board's rationale for their election / re-election may be found in Appendix 1 to this Notice.

(b) According to Provision 3.3 of the 2018 Code of Corporate Governance:
"The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to members where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate."

As Mr. Daniel Benjamin Glinert, the Executive Chairman of the Board of the Company, if re-elected, is part of the management team and is not an Independent Director, it is proposed to appoint Ms. Varda Shine, an Independent Director (once re-elected, as aforesaid), as the lead Independent Director.

(c) The Company's Remuneration Committee and Board of Directors have resolved, subject to the AGM's approval, to grant 1,500,000 options, under the 2015 Plan to the Independent Directors of the Company, as follows:

375,000 options to purchase Ordinary Shares under the 2015 Plan to each of Messrs. Neta Zruya Hashai, Lim Yong Sheng, Varda Shine and Sin Boon Ann. It was further resolved that the exercise price of these options shall be the Market Price (as such term is defined in the 2015 Plan) and that the aforementioned options shall vest over a three-year period – 125,000 options upon the lapse of each year from the date of grant. Under the Companies Law, the grant of options to Directors requires the approval of the Company's General Meeting.

(d) A members' resolution shall be deemed adopted if approved by the holders of a majority of the voting power represented at the meeting in person or by proxy and voting thereon. Notwithstanding the aforesaid, according to the Israeli Companies Law, the approval of the appointment of Mr. Sin and Ms. Hashai as External Directors under Israeli law (resolution No. 4), of the increase of Mr. Block's salary (resolution No. 14) and of the grant of options to Mr. Block (resolution No. 15) on the agenda of this Annual General Meeting, require a majority of the members attending and voting (abstaining votes notwithstanding), provided that: (i) such majority shall consist of the majority of the participating and voting members who are not the controlling members of the company, or otherwise having a personal interest in such resolution; or (ii) the non-interested members who voted against such resolution hold not more than 2% of the company's share capital. According to the Israeli Companies Law, a "personal interest" is: "a personal interest of any person in an act or transaction of a company, including a personal interest of his relative or of a corporate body in which such person or a relative of such person has a personal interest, but excluding a personal interest stemming from the fact of a shareholding in the company, including a personal interest of the person voting according to a proxy given to him by another person, even if the appointer does not have a personal interest, and including a personal interest of the appointer, even if the appointee does not have a personal interest, all whether or not the appointee is granted any discretion with regard to the subject matter of the voting".

Please Note: according to an Israeli court ruling, a member must positively inform the Company whether or not such member has a personal interest in a proposal which is subject to approval by a majority vote of disinterested members, as in the case of resolutions 4, 14 and 15. Your failure to check the box on the proxy form indicating that you have no personal interest will therefore require the Company to assume that you have a personal interest in Resolutions 4, 14 and 15, and disqualify your vote on such proposals.

We may no longer assume that a member who signs and returns a proxy form without a specific indication as to the lack of personal interest of such member has no personal interest with respect to resolutions 4, 14 and 15. If you believe that you, or a related party of yours, is a controlling member or possesses a personal interest and you wish to participate in the vote on resolutions 4, 14 and 15, you should not indicate in the appropriate box that there exists no personal interest on the enclosed proxy form. If you hold your shares through a bank, broker or other nominee and believe that you possess a personal interest in the approval of either resolution, you may also contact the representative managing your account, who could then contact us on your behalf.

(e) It is proposed that, further to the approval of the Company's Remuneration Committee and the Board, subject to the AGM's approval, as applicable, Ms. Neta Zruya Hashai and Messrs. Sin Boon Ann and Lim Yong Sheng be remunerated as External and/or Independent Directors, respectively, with an annual fixed fee of US$ 35,000.

It is proposed that, further to the approval of the Company's Remuneration Committee and the Board, subject to the AGM's approval, Ms. Varda Shine be remunerated as the Lead Independent Director with an annual fixed fee of US$ 53,000. The Remuneration Committee and the Board are of the opinion, that given Ms. Shine's qualifications, expertise, experience, and standing in the diamond industry, the proposed remuneration is more than justified.

The Company's Remuneration Committee and Board of Directors have further resolved, subject to the AGM's approval, as applicable, to set participation fees payable to External and/or Independent Directors to US$ 1,200 per participation in a day of meetings in person, US$ 720 per participation over audio/video conference means and US$ 600 per a written resolution.

(f) The Company's Remuneration Committee and Board of Directors have resolved, subject to the AGM's approval, to grant 750,000 options, under the 2015 Plan to the Non-Independent Directors of the Company, as follows:

375,000 options to purchase Ordinary Shares under the 2015 Plan to each of Messrs. Avraham Eshed and Uzi Levami. It was further resolved that the exercise price of these options shall be the Market Price (as such term is defined in the 2015 Plan) and that the aforementioned options shall vest over a three-year period – 125,000 options upon the lapse of each year from the date of grant. Under the Companies Law, the grant of options to Directors requires the approval of the Company's General Meeting.

(g) It is proposed that, further to the approval of the Company’s Remuneration Committee and the Board, subject to the AGM's approval, Messrs. Avraham Eshed and Uzi Levami be remunerated as Non- Independent Directors with an annual fixed fee of US$ 35,000.

The Company's Remuneration Committee and Board of Directors have further resolved, subject to the AGM's approval, as applicable, to set participation fees payable to Non-Independent Directors, to US$ 1,200 per participation in a day of meetings in person, US$ 720 per participation over audio/video conference means and US$ 600 per a written resolution.

(h) As quant three of the three-year options grant policy approved in the Remuneration Policy at the AGM of 2021, Daniel Benjamin Glinert will be granted 300,000 options to vest over three years as follows:

- 150,000 options will vest in three equal lots over three years – 50,000 each year upon anniversary of date of grant.
- 150,000 options will vest provisionally upon the completion of a three year period from date of grant, conditional upon meeting Board specified targets pertaining to the rollout of the new e-Grading™ offering (pro-rata vesting between a Board determined threshold and the full target goal).

(i) As quant three of the three-year options grant policy approved in the Remuneration Policy at the AGM of 2021, David Block will be granted 700,000 options to vest over three years as follows:

- 450,000 options will vest in three equal lots over three years – 150,000 each year upon anniversary of date of grant.
- 250,000 options will vest provisionally upon the completion of a three year period from date of grant, conditional upon meeting Board specified targets pertaining to the rollout of the new e-Grading™ offering (pro-rata vesting between a Board determined threshold and the full target goal).

(j) The members’ resolution set out in item 16.1 above, if passed, will empower the Directors from the date of the above meeting until the date of the next Annual General Meeting, to issue shares in the Company. The maximum number of shares which the Directors may issue under this resolution shall not exceed the quantum set out in this resolution.

(k) The members’ resolution set out in item 16.2 above, if passed, will empower the Directors to offer and grant options and to allot and issue shares in the capital of the Company pursuant to the exercise of the options granted under the 2015 Plan.

Notes:-

1. Proxy Voting

   (a) Voting at the AGM shall be done by a shareholder/member of the Company ("**member**") attending the AGM in person or by way of proxy. A member who wishes to vote on any or all of the resolutions at the AGM by proxy may appoint the Chairman of the AGM or any other person attending the AGM as his/her/its proxy (the proxy does not need to be a member) to vote by downloading the proxy form from the Company's announcement on the SGXNet or on the Company's website at URL https://sarine.com/wp-content/uploads/2023/2023_AGM_proxy.pdf and completing it.

   (b) A member must submit the completed and signed proxy form:

      (i) by email to the Company, addressed to IR@sarine.com; or
      (ii) by post to the registered office of the Company, at 4 Haharash Street (Second Floor), Hod Hasharon, Israel 4524075, Attention IR-Proxy Vote; or
      (iii) by email to the Company's Singapore Share Transfer Agent, addressed to Gpb@mncsingapore.com; or
      (iv) by post to the office of the Company's Singapore Share Transfer Agent, at 112 Robinson Road #05-01 Singapore 068902,

      in any case, no later than 3:00 p.m. (Singapore time) (10:00 a.m. Israel time; 08:00 a.m. GMT/UTM) on 23 April 2023, being not less than twenty four (24) hours before the time fixed for the AGM.

   (c) Members of the Company are strongly encouraged to submit completed proxy forms electronically via email, as noted above.

   (d) SRS investors:

      (i) may attend the AGM if they are appointed as proxies by their respective SRS Operators, and should contact their respective SRS Operators if they have any queries regarding their appointment as proxies; or

      (ii) may appoint the Chairman of the Meeting as proxy to vote on their behalf at the AGM, in which case they should approach their respective SRS Operators to submit their votes by 5.00 p.m. (Singapore time) on 12 April 2023.

2. Members' Questions and Answers (Q&A)

   (a) Members with any queries in relation to any item of the agenda of the AGM, as detailed above, may send their queries to the Company in advance before 3:00 p.m. (Singapore time) (10:00 a.m. Israel time; 08:00 a.m. GMT/UTM) on 12 April 2023, by email to IR@sarine.com.

   (b) Members should state their question(s), full name, NRIC/Passport No./Company Registration No., as applicable, the number of shares held in the Company, and whether they are a member or a corporate representative of a corporate member. Any question omitting such identification details will be disregarded.

   (c) All substantial questions and relevant comments from members will be addressed by the Company prior to the AGM on SGXNet, no later than 19 April 2023.

   (d) The Company shall also address any subsequent clarifications sought, or follow-up questions at the AGM in respect of substantial and relevant matters. The responses from the Board, management, secretary or auditors of the Company, as applicable, shall thereafter be published on the SGXNet and on the Company's website, together with the minutes of the AGM, as soon as practical and no later than one (1) month after the conclusion of the AGM.

Personal Data Privacy:

By submitting a proxy form to attend, speak and vote at the AGM and/or any adjournment thereof, a member consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines.

2022 NOTICE OF AGM APPENDIX
BOARD OF DIRECTORS NOMINEES

NOMINEES FOR BOARD OF DIRECTORS

GENERAL
The Nominating Committee of the Board of Directors, in its meeting of 8 January 2023 ratified previous resolutions passed by the Nominating Committee of the Board of Directors and by the Board of Directors and opined that the following general criteria should be applied to the Board of Directors composition:

- The Board should comprise 7 to 9 directors. The current structure (7 directors) is sufficient and effective. The Board may consider joining additional directors, on a case by case basis, giving proper weight to the potential contribution of additional member/s vis-à-vis the effects on the efficiency of the Board.
- The majority of the Board should be comprised of Independent Directors.
- The Board should be comprised of directors having appropriate expertise and experience in areas related to the operations of the Group. Specifically, if 7 directors, preferably three from the diamond industry, preferably from the various segments thereof (upstream production (mining), midstream polishing and wholesale trade and downstream retail trade), preferably two with relevant technological background, at least one with accounting / financial review and reporting expertise and at least one with corporate governance expertise. If 9 directors, an additional one from the diamond industry and an additional one with relevant technological background.
- The Board should be gender diversified.

In its meeting of 12 March 2023, the Nominating Committee of the Board considered the performance of all members of the Board, based, among others on peer review questionnaires filled by all directors, and recommended to the Board to endorse the re-election of all members. The Board accepted this recommendation in its meeting of 12 March 2023.

NOMINEES

Daniel Benjamin GLINERT (retiring Executive Chairman of the Board standing for re-election)

Age:	72
Country of Residence:	Israel
Nominated as:	Executive Director
Last Appointment:	2020
Title(s):	Chairman of the Board and Member of Nominating Committee
Working Experience:	Please refer to the Board of Directors section of the Annual Report
Shareholdings Interest:	Please refer to Directors Shareholdings in the Annual Report
Family Relationship to any Director / Substantial Shareholder: None	
Other Directorships:	Interhightech (1982) Ltd., a founding shareholder of the Group.
Conflict of Interest:	None
Board's Comments:	Mr. Glinert has over 50 years of experience in technological systems development and meets the criteria set by the Nominating Committee as a technology expert. Mr. Glinert has been the Executive Chairman of the Board since 1999, and the Board believes his expertise and experience should continue to contribute to achieving the Group's business goals. Mr. Glinert has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed his response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual.

Varda SHINE (retiring Lead Independent Director standing for re-election)

Age:	59
Country of Residence:	United Kingdom
Nominated as:	Independent Director
Last Appointment:	2020
Title:	Lead Independent Director, Chairperson of the Remuneration Committee and Member of the Audit and Nominating Committees
Working Experience:	Please refer to Board of Directors section of the Annual Report
Shareholdings Interest:	Please refer to Directors Shareholdings in the Annual Report
Family Relationship to any Director / Substantial Shareholder: None	
Other Directorships:	Petra Diamonds PLC*; Ecora Resources PLC* (a non-diamond commodities investment firm); Channel Capital LLP., an asset management firm; and Teenage Cancer Trust (a charity)
* Denotes a publicly listed Company	
Conflict of Interest:	None
Board's Comments:	Ms. Shine has over 30 years of experience in the production and wholesale trade of rough diamonds, as well as in the retail trade of polished diamonds and meets the criteria set by the Nominating Committee as a diamond industry expert across all segments of the industry. Ms. Shine has been an Independent Director of the Group since 2017 and the Board believes her broad expertise and experience should continue to contribute to achieving the Group's business goals. Ms. Shine has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed her response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual.

Neta Zruya HASHAI (retiring Independent Director standing for re-election)

Age:	47
Country of Residence:	Israel
Nominated as:	Independent Director (and also an External Director under the Israeli Companies Law, 5759-1999)
Last Appointment:	2020
Title:	Chairperson of the Audit Committee and Member of the Remuneration Committee
Working Experience:	Ms. Hashai is the CEO of ESOP Management and Trust Services Ltd., a subsidiary of the Israeli Phoenix Investment House, wholly owned by the Phoenix Group. Until December 2022 Ms. Hashai served as the CFO of the Raphael Hospital, a modern private hospital for surgeries and high-end medical care, and, prior to that, Ms. Hashai served as an Audit Partner at Price Waterhouse Coopers (PWC) Israel, commencing 2000, of which the over 8 years as a partner, and audited firms from various sectors (biotech and life sciences, industrial, retail, finance and holding companies) in accordance with IFRS, US GAAP and US / Israel SOX standards. Ms. Hashai worked on IPOs of equity and debt issuances, as well as on already publicly traded companies listed on the US and Israeli exchanges, alongside Israeli subsidiaries of international companies and private firms. From 2012 through 2018 Ms. Hashai served as the CEO of PWC Israel's Trust Company. Ms. Hashai holds a BA in Accounting and Communications and an MBA in Finance Management, both from Tel Aviv University, and is a Certified Public Accountant (Israel).
Shareholdings Interest:	None

Family Relationship to any Director / Substantial Shareholder: None

Other Directorships:	Chairman of the Audit committee of two non-profit organisations: • The Association for the Advancement of Education in Israel – "One of Ours" • The Big Brother Association for Solitary Soldiers
Conflict of Interest:	None
Board's Comments:	Ms. Hashai has over 20 years of experience in accounting, auditing and financial reporting and meets the criteria set by the Nominating Committee as an accounting / financial review and reporting expert. Ms. Hashai has been an Independent Director of the Group since 2020 and the Board believes her expertise and experience should continue to contribute to fill the need for a qualified Chairperson of the Audit Committee and to achieving the Group's business goals. Ms. Hashai has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed his response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual.

LIM Yong Sheng (retiring Independent Director standing for re-election)

Age:	54
Country of Residence:	Singapore
Nominated as:	Independent Director (and also an External Director under the Israeli Companies Law, 5759-1999)
Last Appointment:	2020
Title:	Member of the Audit and Nominating Committees
Working Experience:	Group Chief Executive Officer of SK Jewellery Group Ltd., a leading Singaporean retail jewellery chain with over 60 branches across Singapore and Malaysia. Mr. Lim Yong Sheng is one of the Group's founders and an Executive Director of the Company and the Group CEO since 2015. Since the Group's establishment, Mr. Lim has been a critical contributor to the Group's growth and continued success. As Group CEO, he is responsible for the overall strategic planning, management, and business development of the Group, monitoring the development and performance of the Group's operations, driving the operational efficiency of the Group's work processes, and identifying new opportunities for the Group's expansion. In particular, the Group's brand management and marketing strategy are spearheaded by Mr. Lim. Mr. Lim holds a Bachelor of Science in Electrical Engineering from the National University of Singapore.
Shareholdings Interest:	Please refer to Directors Shareholdings in the Annual Report.

Family Relationship to any Director / Substantial Shareholder: None

Other Directorships:	Non-Executive Director of MoneyMax Financial Services Ltd., publicly traded in Singapore
Conflict of Interest:	None
Board's Comments:	Mr. Lim has over 30 years of experience in the retail trade of polished diamond jewellery and meets the criteria set by the Nominating Committee as a diamond industry downstream retail expert. Mr. Lim has been an Independent Director of the Group since 2020 and the Board believes his expertise and experience should continue to bring a unique understanding of the retail industry and thus contribute to achieving the Group's key business goals in the retail segment of the industry. Mr. Lim has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed his response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual.

2022 NOTICE OF AGM APPENDIX BOARD OF DIRECTORS NOMINEES

SIN Boon Ann (retiring Independent Director standing for re-election)

Age:	64
Country of Residence:	Singapore
Nominated as:	Independent Director
Last Appointment:	2020
Title:	Chairperson of the Nominating Committee and Member of the Audit and Remuneration Committees
Working Experience:	Mr. Sin has had a legal career spanning over 30 years. Since 1992 he has been with Drew & Napier, one of Singapore's leading legal firms, becoming a partner in 1994. Prior to his retirement in 2018, he was the Deputy Managing Director of the Corporate & Finance Department and the Co-head of the Capital Markets Practice in Drew & Napier LLC. He was active in handling corporate finance transactions, particularly in the area of initial public offerings in Singapore. He also acts as counsel to listed companies on secondary equity offerings and debt offerings and advises companies on regulatory compliance. He also specialises in corporate finance and mergers and acquisitions. Mr. Sin is recognised in industry publications as an industry leader and for his expertise in capital markets. Between 1996 and 2011 Mr. Sin was a member of the Singapore Parliament representing the Tampines GRC. Mr. Sin holds a Bachelor of Arts and a Bachelor of Law (Cum Laude) both from the National University in Singapore, and a Masters of Law from the University of London. He is admitted to practice law in Singapore.
Shareholdings Interest:	None

Family Relationship to any Director / Substantial Shareholder: None

Other Directorships:

(I) Present - Name of Company	Position
The Trendlines Group Ltd.*	Independent Non-Executive Director
Balkan Holdings Pte. Ltd.	Director/Shareholder
Healthway Medical Corporation Limited*	Independent Non-Executive Chairman
The Farrer Park Company Pte. Ltd.	Director
W Capital Markets Pte. Ltd.	Director/Shareholder
TIH Limited*	Lead Independent Director (as of 1 January 2021)
At-Sunrice (Holdings) Pte. Ltd.	Director
Esseplore Pte. Ltd.	Executive Chairman and Director/Shareholder
Rex International Holding Limited*	Lead Independent Director
OUE Limited*	Non-Executive Independent Director (as of 1 January 2022)
CSE Global Limited*	Non-Executive Independent Director
Singapore Centre for Social Enterprise Ltd.	Director
Tampines Central Community Foundation	Director/Shareholder

* Denotes a publicly listed Company

(II) Past Directorships (last 5 years)
HRnetGroup Limited
SE Hub Ltd.
Datapulse Technology Limited
At-Sunrice GlobalChef Academy Pte. Ltd.
DrewCorp Services Pte Ltd
Drew & Napier LLC

Conflict of Interest:	None
Board's Comments:	Mr. Sin has been an Independent Director of the Group since 2020 and the Board believes his expertise and experience should continue to fill the need for a qualified Corporate Governance and Compliance expert as well as providing expertise on possible future raises of capital via equity or debt listings, mergers and acquisitions, etc., and will contribute to achieving the Group's business goals. Mr. Sin has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed his response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual.

Avraham ESHED (retiring Non-Executive Director standing for re-election)

Age:	77
Country of Residence:	Israel
Nominated as:	Non-Executive Director
Last Appointment:	2020
Title(s):	Not Applicable
Working Experience:	Please refer to the Board of Directors section of the Annual Report
Shareholdings Interest:	Please refer to Directors Shareholdings in the Annual Report
Family Relationship to any Director / Substantial Shareholder: None	
Other Directorships:	Eshed Diam Ltd.; Eshed Diam Inc.; Eshed Diam (HK) Ltd.; Eshed Designs Ltd.; Gemstar Ltd.; Bilbao Trade & Investments Ltd.; AV 1141 LLC AV 1 Real Estate Ltd.; N.A. Collins 6515 LLC; and Newark AV 4 BLD LLC All the above are family owned private businesses relating to Mr. Eshed's diamond and gem trading business and real estate and other investments.
Conflict of Interest:	None
Board's Comments:	Mr. Eshed has over 50 years of experience in the polishing and wholesale trade of polished diamonds and gemstones (emeralds, primarily) and meets the criteria set by the Nominating Committee as a diamond industry midstream segment expert. Mr. Eshed was one of the Group's founders and has been a member of the Board (both executive and non-executive) since 2006. The Board believes his expertise and experience should continue to contribute to achieving the Group's business goals. Mr. Eshed has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed his response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual.

Uzi LEVAMI (retiring Non-Executive Director standing for re-election)

Age:	71
Country of Residence:	Israel
Nominated as:	Non-Executive Director
Last Appointment:	2020
Title:	Member Remuneration Committee
Working Experience:	Please refer to the Board of Directors section of the Annual Report
Shareholdings Interest:	Please refer to Directors Shareholdings in the Annual Report
Family Relationship to any Director / Substantial Shareholder: None	
Other Directorships:	Interhightech (1982) Ltd., a founding shareholder of the Group; Yummi Home Food Ltd., an e-commerce platform; and Ayin Lev Ami (2000) Ltd., a family-owned asset holding company;
Conflict of Interest:	None
Board's Comments:	Mr. Levami has over 50 years of experience in technological systems development and meets the criteria set by the Nominating Committee as a technology expert. Mr. Levami was a member of the Group's founding engineering team and has been a member of the Board (both executive and non-executive) since 2008. He was also the Group's Chief Executive Officer (CEO) from 2009 through 2017. The Board believes his expertise and experience should continue to contribute to achieving the Group's business goals. Mr. Levami has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed his response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual.

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SARINE TECHNOLOGIES LTD.

(Incorporated in Israel)
Israel Registration No. 51 1332207

PROXY FORM

I/We____,NRIC/Passport no.______________________

of ____

being a member/members of Sarine Technologies Ltd. (the "Company"), hereby appoint

Name	Address	NRIC/Passport No.	No. of Shares

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	No. of Shares

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held in the Empress Ballroom 1, Level 2, at the Carlton Hotel, 76 Bras Basah Rd, Singapore 189558, on the 24th day of April 2023 at 3:00 PM Singapore time and at any adjournment thereof.

Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/she/it/they may think fit, as he/she/it/they will on any other matters arising at the Annual General Meeting.

No.	Resolution			For	Against	Abstain
1	Adoption of reports and accounts					
2	Declaration of a final dividend for the year ended 31 December 2022					
3	Re-appointment of Somekh Chaikin Certified Public Accountants (Isr.), Member firm of KPMG International and Chaikin, Cohen, Rubin and Co., Certified Public Accountants (Isr.) as external auditors					
4	Election of Independent and External Directors					
	a	Neta Zruya HASHAI	4a			
	b	SIN Boon Ann	4b			
	I hereby declare that (check the applicable circle): o I/we am/are a controlling shareholder and/or I/we have a personal interest in the approval of Resolution No. 4 (Appointment of Ms. Hashai and of Mr. Sin as Independent and External Directors) o I/we do not have a personal interest in the approval of Resolution No. 4 (Appointment of Ms. Hashai and of Mr. Sin as Independent and External Directors)					
5	Election of Independent Directors					
	a	LIM Yong Sheng	5a			
	b	Varda SHINE	5b			
6	Election of Non-Independent Directors					
	a	Avraham ESHED	6a			
	b	Daniel Benjamin GLINERT	6b			
	c	Uzi LEVAMI	6c			
7	Appointment of Ms. Varda Shine as Lead Independent Director					
8	Approval of grant of 1,500,000 options to the Independent Directors					
9	Approval of Independent Directors remuneration and participation fees					
	a	LIM Yong Sheng	9a			
	b	Varda SHINE	9b			

No.	Resolution	For	Against	Abstain
10	Approval of grant of 750,000 options to the Non-Executive Directors			
11	Approval of Non-Executive Directors' remuneration and participation fees			
12	Approval of the remuneration of the Executive Chairman of the Board, Daniel Benjamin Glinert			
13	Approval of grant of 300,000 options to the Executive Chairman of the Board, Mr. Daniel Benjamin Glinert			
14	Approval of the remuneration of the CEO, Mr. David Block I hereby declare that (check the applicable circle): o I/we am/are a controlling shareholder and/or I/we have a personal interest in the approval of Resolution No. 14 (remuneration of the CEO) o I/we do not have a personal interest in the approval of Resolution No. 14 (remuneration of the CEO)			
15	Approval of grant of 700,000 options to the CEO, Mr. David Block I hereby declare that (check the applicable circle): o I/we am/are a controlling shareholder and/or I/we have a personal interest in the approval of Resolution No. 15 (grant of options to the CEO) o I/we do not have a personal interest in the approval of Resolution No. 15 (grant of options to the CEO)			
16.1	Authority to issue shares			
16.2	Authority to grant options pursuant to the Sarine Technologies Ltd 2015 Share Option Plan and issue shares pursuant to the Sarine Technologies Ltd 2015 Share Option Plan			

Please Note: according to an Israeli court ruling, a shareholder must positively inform the Company whether or not such shareholder has a personal interest in a proposal which is subject to approval by a majority vote of disinterested shareholders, as in the case of resolutions 4, 14 and 15. Your failure to check the box on the proxy form indicating that you have no personal interest will therefore require the Company to assume that you have a personal interest in resolutions 4, 14 and 15 and disqualify your vote on such proposals.

We may no longer assume that a shareholder who signs and returns a proxy form without a specific indication as to the lack of personal interest of such shareholder has no personal interest with respect to resolutions 4, 14 and 15. If you believe that you, or a related party of yours, is a controlling shareholder or possesses a personal interest and you wish to participate in the vote on resolutions 4, 14 and 15, you should not indicate in the appropriate box that there exists no personal interest on the enclosed proxy form. If you hold your shares through a bank, broker or other nominee and believe that you possess a personal interest in the approval of either resolution, you may also contact the representative managing your account, who could then contact us on your behalf.

Dated this ________ day of ____________ 2023

Total Number of Shares Held

____
Signature(s) of Member(s) or Common Seal
Important: Please Read Notes Overleaf

SARINE TECHNOLOGIES LTD.

(Incorporated in Israel)
Israel Registration No. 51 1332207

PROXY FORM

Notes

1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register, you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2 A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or more proxies to attend and vote on his behalf. A member may appoint the Chairman of the Meeting as or any other person attending the meeting as his/her/its proxy. A proxy need not be a member of the Company.

3 A member must submit the completed and signed proxy form:

(i) by email to the Company, addressed to IR@sarine.com; or
(ii) by post to the registered office of the Company, at 4 Haharash Street (Second Floor), Hod Hasharon, Israel 4524075, Attention IR-Proxy Vote; or
(iii) by email to the Company's Singapore Share Transfer Agent, addressed to Gpb@mncsingapore.com; or
(iv) by post to the office of the Company's Singapore Share Transfer Agent, at 112 Robinson Road #05-01 Singapore 068902,

in any case, no later than 3:00 p.m. (Singapore time) (10:00 a.m. Israel time; 8:00 a.m. GMT/UTM) on 23 April 2023, being not less than twenty four (24) hours before the time fixed for the AGM. Members of the Company are strongly encouraged to submit completed proxy forms electronically via email, as noted above.

4 SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective SRS Operators to submit their votes by 5.00 p.m. (Singapore time) on 12 April 2023.

5 Where a member appoints more than one proxy, he/she/it shall specify the number of shares to be represented by each proxy, failing which, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

6 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her/its attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a company or other body corporate, it must be executed under its common seal or stamp or under the hand of its duly authorised agent or attorney on behalf of the corporation.

7 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney or other authority, the power of attorney or authority or a notarially certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.

8 A company or other body corporate which is a member may authorise, by resolution of its directors or any other managing body, such person as it thinks fit to act as its representative at the meeting.

9 The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 24 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

10. According to the Israeli Companies Law, 5759-1999, a "personal interest" is: "a personal interest of any person in an act or transaction of a company, including a personal interest of his relative or of a corporate body in which such person or a relative of such person has a personal interest, but excluding a personal interest stemming from the fact of a shareholding in the company, including a personal interest of the person voting according to a proxy given to him by another person, even if the appointer does not have a personal interest, and including a personal interest of the appointer, even if the appointee does not have a personal interest, all whether or not the appointee is granted any discretion with regard to the subject matter of the voting.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Daniel Benjamin Glinert
Executive Director and Chairman of the Board

Avraham Eshed
Non-Executive Director

Uzi Levami
Non-Executive Director

Varda Shine
Lead Independent Director

Neta Zruya Hashai
Independent Director

Lim Yong Sheng
Independent Director

Sin Boon Ann
Independent Director

AUDIT COMMITTEE

Neta Zruya Hashai – Chairperson
Lim Yong Sheng
Varda Shine
Sin Boon Ann

NOMINATING COMMITTEE

Sin Boon Ann - Chairperson
Daniel Benjamin Glinert
Lim Yong Sheng
Varda Shine

REMUNERATION COMMITTEE

Varda Shine – Chairperson
Neta Zruya Hashai
Uzi Levami
Sin Boon Ann

REGISTERED OFFICE

Sarine Technologies Ltd.
4 Haharash Street
Hod Hasharon 4524075
Israel
Tel: +972-9-7903500
Fax: +972-9-7903501
www.sarine.com
Israel Registration Number: 51-133220-7

COMPANY SECRETARY

Amir Jacob Zolty (Adv.)

SHARE REGISTRAR

M&C Services Private Limited 112 Robinson Road #05-01,
The Corporate Office
Singapore 068902
Singapore

JOINT AUDITORS OF THE GROUP

Somekh Chaikin Certified Public Accountants (Isr.)
Member firm of KPMG International
KPMG Millennium Tower
17 Ha'arba'a Street
Tel Aviv 6473917 Israel
Partner-in-charge: Guy Anavi
(appointed with effect from 1 January, 2019)

Chaikin, Cohen, Rubin and Co. Certified Public Accountants (Isr.)
Kiryat Atidim Building No. 4
Tel Aviv 6158002 Israel
Partner-in-charge: Ilan Chaikin
(appointed with effect from 1 January, 2022)

INTERNAL AUDITOR

Doron Cohen (CPA, CIA)
Fahn Kanne Control Management Ltd. Subsidiary of
Fahn Kanne and Co.
Certified Public Accountants (Isr.)
Member firm of Grant Thornton International
Hamasger 32, Tel Aviv 6721118 Israel

PRINCIPAL BANKERS

Bank Leumi Le-Israel Ltd.
Dan Business Center
7 Menachem Begin Street
Ramat Gan 5268102
Israel

Bank Hapoalim Ltd.
Herzliya Business Center
15 Hamenofim Street
Herzliya 4672566
Israel

THE DIAMOND INDUSTRY, REIMAGINED™

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info@sarine.com	info@sarinindia.com	info@sarineus.com	info@sarinehk.com

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