

Sarine Technologies Ltd
(Incorporated in Israel)
(Israel Registration No. 51 1332207)

RESPONSES TO THE QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Sarine Technologies Ltd (the “Company”, and together with its subsidiaries, the “Group”) wishes to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 21 April 2017, with reference to the Company’s annual report for the financial year ended 31 December 2016 (the “Annual Report”), as follows:

Question 1.

Guideline 9.3 of the Code of Corporate Governance (“Code”) recommends that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent. In this regard, please disclose whether and how the recommendations of Guideline 9.3 have been complied with, or otherwise disclose and explain for the deviation from the Code, as required by Listing Rule 710.

Company's response:

Explanatory Note (c) of the AGM Notice (page 101 of the Annual Report) provides that:

"The Audit Committee and the Board have rigorously reviewed the independence and the contribution of the three Independent Directors (who were first elected in 2005) and resolved that all three Independent Directors have maintained their independence and that each of them provides to the Company invaluable service and advice. Moreover, given the Company’s unique activities on the one hand, and it being a company incorporated and managed in Israel and listed in Singapore, on the other hand, the specific expertise and understanding expected from and provided by its Independent Directors are quite unique and are the result of the mixture of the personal capabilities and skills of the Directors in question, on the one hand, and their actual experience and expertise, gained through their years of service. Therefore, the Board is of the opinion that the Company and its shareholders shall benefit from the continued service of these Directors."

Question 2.

Guideline 11.3 recommends that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls ,and risk management system, in the company’ annual report. The Board’s commentary should include information needed by stakeholders to make an informed assessment of the company’s internal controls and risk management systems. In this regard, please disclose the Board’s commentary as recommended by the Code, or otherwise disclose and explain for the deviation from the Code, as required by Listing Rule 710.

Company's response:

Please see Page 44 of the Annual Report:

"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) 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, and has engaged the services of the Internal Auditor for in-depth analyses of key issues on a routine basis. The primary areas that have been so audited in 2016, and the internal controls fine-tuned appropriately as per the findings of said audits, have been the review of the implementation of the ERP system and payment to vendors in our Indian subsidiary, the building project in Surat India and IP protection in general. A review of collection of trade receivables is in process. In previous years the areas audited were quality control, customer service, inventory purchasing, sales cycle, payment security and information security in Israel, the new building project in Surat, pre and post-sale standard operating procedures, payment to vendors, IT information security, purchasing, spare parts inventory, service centre operations, collection of receivables, customer credits, attendance and payroll in India, as well as information control and integration between Sarin India and Sarine Israel. All the findings of said audits have been reviewed by the Board, with appropriate enhancements to the internal controls agreed upon with Management. In many instances (e.g., the building project in Surat, India, service centre operations, IT information security, information control and integration, purchasing, inventory and attendance and payroll), repeat reviews have been executed to verify the necessary corrective actions' due implementation.

The Board has received assurance from the Company's CEO and CFO:

1. that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finance; and
2. regarding the effectiveness of the company's risk management and internal control systems."

Please see also page 50 of the Annual Report:

"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."

By order of the Board

Amir Zolty

Company Secretary