Sarine Technologies Ltd.
and its Subsidiaries

(Incorporated in Israel)
(Registration Number: 51-133220-7)

Condensed Consolidated Interim Financial Statements
For the six months and full year ended 31 December 2023

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Sarine Technologies Ltd.
and its Subsidiaries

A. Condensed Consolidated and Company Statements of Financial Position as at December 31

	Group		Company	
	2023	**2022**	**2023**	**2022**
	US$ thousands			
Assets				
Property, plant and equipment	11,637	10,431	1,827	1,395
Right-of-use assets	6,032	3,918	3,014	3,751
Intangible assets	7,752	2,051	--	70
Long-term trade receivables	573	1,006	276	653
Investment in subsidiaries	--	--	43,576	36,022
Long-term income tax receivable	500	500	--	--
Deferred tax assets	568	499	--	--
Total non-current assets	27,062	18,405	48,693	41,891
Inventories	10,520	6,859	7,324	4,388
Trade receivables	14,652	21,476	5,819	6,733
Other current assets	1,383	2,496	699	1,553
Short-term investments (bank deposits)	634	10,684	--	9,627
Cash and cash equivalents	22,351	25,307	7,644	17,216
Total current assets	49,540	66,822	21,486	39,517
Total assets	76,602	85,227	70,179	81,408
Equity				
Share capital*	--	--	--	--
Share premium and reserves	35,264	34,490	35,264	34,490
Translation reserve	(4,249)	(4,217)	(4,249)	(4,217)
Dormant shares, at cost	(5,183)	(4,829)	(5,183)	(4,829)
Retained earnings	34,488	41,652	34,488	41,652
Total equity	60,320	67,096	60,320	67,096
Liabilities				
Long-term lease liabilities	5,392	3,557	2,847	3,524
Financial instrument, see Note 10	1,727	--	--	--
Employee benefits	153	194	143	184
Total non-current liabilities	7,272	3,751	2,990	3,708
Trade payables	1,781	3,220	1,848	2,544
Other payables	5,655	8,220	4,127	7,139
Current lease liabilities	1,240	812	687	682
Current tax payable	46	1,769	--	--
Warranty provision	288	359	207	239
Total current liabilities	9,010	14,380	6,869	10,604
Total liabilities	16,282	18,131	9,859	14,312
Total equity and liabilities	76,602	85,227	70,179	81,408

* No par value

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B. Condensed Consolidated Interim Statements of Profit or Loss and Other Comprehensive Income for the Six Months and Years Ended December 31

	Group Six Months Ended December 31,			Group Year ended December 31,		
	2023	**2022**	**change**	**2023**	**2022**	**change**
	US$ thousands		**%**	**US$ thousands**		**%**
Revenue	**19,213**	**27,591**	**(30.4)**	**42,944**	**58,763**	**(26.9)**
Cost of Sales	(8,101)	(9,209)	(12.0)	(15,573)	(18,140)	(14.2)
Gross profit	**11,112**	**18,382**	**(39.5)**	**27,371**	**40,623**	**(32.6)**
Research and development expenses	(4,232)	(4,481)	(5.6)	(8,597)	(8,675)	(0.9)
Sales and marketing expenses	(6,256)	(6,168)	1.4	(12,843)	(12,425)	3.4
General and administrative expenses	(3,863)	(4,236)	(8.8)	(7,775)	(8,525)	(8.8)
(Loss) Profit from operations	**(3,239)**	**3,497**	**NM**	**(1,844)**	**10,998**	**NM**
Net finance income	154	264	(41.7)	576	337	70.9
(Loss) Profit before income tax	**(3,085)**	**3,761**	**NM**	**(1,268)**	**11,335**	**NM**
Income tax expense	670	1,508	(55.6)	1,534	2,537	(39.5)
(Loss) Profit for the period	**(3,755)**	**2,253**	**NM**	**(2,802)**	**8,798**	**NM**
Other comprehensive income (loss)						
Remeasurement of defined benefit plan	37	50	(26.0)	37	50	(26.0)
Foreign currency translation differences from foreign operations	(87)	(574)	(84.8)	(32)	(1,321)	(97.6)
Total comprehensive (loss) income for the period	**(3,805)**	**1,729**	**NM**	**(2,797)**	**7,527**	**NM**
Earnings per share						
Basic (losses) earnings per share (US cents)	(1.08)	0.64	**NM**	(0.80)	2.51	**NM**
Diluted (losses) earnings per share (US cents)	(1.08)	0.64	**NM**	(0.80)	2.51	**NM**

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C. Condensed 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, 2022	--	34,014	(2,896)	43,368	(3,935)	70,551
Profit for the year ended December 31, 2022	--	--	--	8,798	--	8,798
Other comprehensive income (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
Loss for the year ended December 31, 2023	--	--	--	(2,802)	--	(2,802)
Other comprehensive income (loss) for the year ended December 31, 2023	--	37	(32)	--	--	5
Dormant shares, acquired at cost (1,558,200 shares)	--	--	--	--	(354)	(354)
Share-based payment expenses	--	323	--	--	--	323
Capital infusion by minority shareholder in consolidated subsidiary	--	343	--	--	--	343
Exercise of options	--	71	--	--	--	71
Dividend paid	--	--	--	(4,362)	--	(4,362)
Balance at December 31, 2023	--	35,264	(4,249)	34,488	(5,183)	60,320

* No par value

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D. Condensed Consolidated Statements of Cash Flows for the Years Ended December 31

	Group	
	2023	**2022**
	US$ thousands	
Cash flows (used in) from operating activities		
(Loss) Profit for the year	**(2,802)**	8,798
Adjustments for:		
Share-based payment expenses	**323**	264
Income tax expense	**1,534**	2,537
Depreciation of property, plant & equipment and right-of-use assets	**2,933**	2,380
Amortisation of intangible assets	**456**	193
Net finance expense	**(535)**	169
Revaluation of lease liabilities from exchange rate differences	**(144)**	(630)
Changes in working capital		
Inventories	**(3,661)**	421
Trade receivables	**7,257**	1,279
Other current assets	**1,113**	(895)
Trade payables	**(1,439)**	896
Other liabilities	**(2,661)**	(235)
Employee benefits	**(4)**	(81)
Income tax paid	**(3,326)**	(2,198)
Net cash (used in) from operating activities	**(956)**	12,898
Cash flows from (used in) investing activities		
Acquisition of property, plant and equipment	**(1,483)**	(986)
Acquisition of consolidated subsidiary, see Note 10	**(5,741)**	--
Proceeds from realisation of property, plant and equipment	**56**	51
Short-term investments, net	**10,050**	(1,629)
Interest received	**799**	388
Net cash from (used in) investing activities	**3,681**	(2,176)
Cash flows used in financing activities		
Proceeds from exercise of share options	**71**	162
Purchase of Company's shares by the Company	**(354)**	(894)
Capital infusion by minority shareholder in consolidated subsidiary	**343**	--
Dividends paid	**(4,362)**	(10,514)
Payment of lease liabilities	**(1,115)**	(970)
Interest paid	**(240)**	(150)
Net cash used in financing activities	**(5,657)**	(12,366)
Net decrease in cash and cash equivalents	**(2,932)**	(1,644)
Cash and cash equivalents at beginning of year	**25,307**	27,358
Effect of exchange rate fluctuations on cash and cash equivalents	**(24)**	(407)
Cash and cash equivalents at end of year	**22,351**	25,307

E. Notes to the Condensed Interim Financial Statements as at December 31, 2023

Note 1 – General

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 condensed interim financial statements of the Company, as at December 31, 2023 and for the six months and year ended December 31, 2023, comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). 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 dual listed its shares for trading on the Tel Aviv Stock Exchange.

Note 2 - Basis of Preparation

A. Statement of compliance

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The condensed interim financial statements for the six months and year ended December 31, 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed interim financial statements were authorised for issue by the Company's Board of Directors on February 25, 2024.

B. Basis of measurement

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

- liabilities measured at fair value through profit or loss;
- assets and liabilities relating to employee benefits;
- deferred tax assets and liabilities; and
- provisions.

C. Functional and presentation currency

These condensed interim 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 condensed interim 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 condensed interim 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.

E. Changes in accounting policies

The accounting policies applied in these condensed interim financial statements for the six months and year ended December 31, 2023 are the same as those applied by the Company in audited financial statements for the year ended December 31, 2022.

Note 3 - 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 condensed interim statements of 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			
	Six months ended December 31,			
	US$ thousands			
Region	2023	2022	$ change	%
India	8,976	14,362	(5,386)	(37.5)
Africa	2,367	6,706	(4,339)	(64.7)
Europe	1,002	1,402	(400)	(28.5)
USA	3,798	308	3,490	1,133.1
Israel	789	1,475	(686)	(46.5)
Other*	2,281	3,338	(1,057)	(31.7)
Total	19,213	27,591	(8,378)	(30.3)

	Group			
	Year ended December 31,			
	US$ thousands			
Region	2023	2022	$ change	%
India	22,036	30,309	(8,273)	(27.3)
Africa	6,336	13,692	(7,356)	(53.7)
Europe	2,730	3,502	(772)	(22.0)
USA	5,147	842	4,305	511.3
Israel	1,803	2,227	(424)	(19.0)
Other*	4,892	8,191	(3,299)	(40.3)
Total	42,944	58,763	(15,819)	(26.9)

* Primarily Asia, excluding India

Note 4 - Revenue

	Group			
	Six months ended December 31,		Year ended December 31,	
	US$ thousands			
Composition	2023	2022	2023	2022
Sale of products[1]	12,378	24,051	31,397	50,785
Maintenance & services[2]	6,835	3,540	11,547	7,978
Total	19,213	27,591	42,944	58,763

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

Note 5 – Income Taxes

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim statements of profit or loss and other comprehensive income are:

	Group			
	Six months ended December 31,		Year ended December 31,	
	US$ thousands			
	2023	2022	2023	2022
Current tax expense	472	1,484	1,338	2,518
Taxes in respect of previous years	259	(9)	267	(22)
Deferred tax (income) expense	(61)	33	(71)	41
Total income tax expense	670	1,508	1,534	2,537

Note 6 – Share Capital – The Company

	December 31, 2023	June 30, 2023	December 31, 2022
	No. of shares	No. of shares	No. of shares
Authorised:			
Ordinary shares of no par value	2,000,000,000	2,000,000,000	2,000,000,000
Issued and fully paid:			
Ordinary shares of no par value	356,812,335	356,812,335	356,447,895
Dormant shares (out of the issued and fully paid share capital)**:**			
Ordinary shares of no par value	(9,067,900)	(7,566,600)	(7,509,700)
Total number of issued shares (excluding dormant shares)	347,744,435	349,245,735	348,938,195

For the six months ended December 31, 2023, no share options were exercised into ordinary shares. For the six months ended December 31, 2023, the Company purchased 1,501,300 of its ordinary shares at an aggregate cost of US$ 337,000. For the year ended December 31, 2023, 364,440 share options were exercised into ordinary shares. For the year ended December 31, 2023, the Company purchased 1,558,200 of its ordinary shares at an aggregate cost of US$ 354,000. There was no sale, transfer, disposal, cancellation and/or use of treasury shares by the Company.

As at December 31, 2023 the total number of issued shares excluding dormant shares was 347,744,435 (as at December 31, 2022- 348,938,195). As at December 31, 2023 the total number of dormant shares was 9,067,900 (as at December 31, 2022- 7,509,700). In accordance with Israeli Companies Law, Company shares that have been acquired and are held by the Company are dormant shares (treasury shares in Singaporean terms) as long as the Company holds them, and, as such, they do not bear any rights until they are transferred to a third party. The issued and fully paid shares as at December 31, 2023, June 30, 2023 and December 31, 2022 included 9,067,900, 7,566,600 and 7,509,700 dormant shares, respectively.

For the year ended December 31, 2023, the Company paid US$ 4.4 million in dividends (an interim US$ 0.9 million in September 2023 and a US$ 3.5 million final dividend, in respect of FY2022, in May 2023). See also Note 11 – Subsequent Events.

Note 7 - Share-Based Payments

Details of changes in share options:

	Average exercise price in US$ per share	**Options**
At January 1, 2023	0.572	15,529,930
Granted	0.331	4,925,000
Cancelled	1.100	(3,016,779)
Exercised	0.195	(364,440)
At December 31, 2023	0.424	17,073,711

During the year ended December 31, 2023, the Company granted 4,925,000 options to employees and directors under the Company's 2015 Option Plan, with vesting conditions of one to three years and a contractual life of six years. The options vest subject to service-based conditions and performance-based conditions, relating to sales and other strategic targets.

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 year ended December 31, 2023: weighted average expected volatility of: 47.00%; weighted average risk-free interest rates (in US dollar terms) of 2.87%; dividend yield of 6.26%. The weighted average fair value of the share options granted during year ended December 31, 2023 using the model was US$ 0.090 per share option.

Note 8 – Earnings Per Share

Basic (losses) earnings per share

The calculation of basic loss per share for the six months ended December 31, 2023 was based on the loss attributable to ordinary shareholders of US$ 3,755,000 (six months ended December 31, 2022 – profit of US$ 2,253,000) and a weighted average number of ordinary shares outstanding of 348,980,234 (six months ended December 31, 2022 – 350,001,649). The calculation of basic loss per share for the year ended December 31, 2023 was based on the loss attributable to ordinary shareholders of US$ 2,802,000 (2022 profit of -- US$ 8,798,000) and a weighted average number of ordinary shares outstanding of 348,841,849 (2022 – 350,518,378), calculated as follows:

	Six months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Basic (losses) earnings per share (US cents)	(1.08)	0.64	(0.80)	2.51
Issued ordinary shares at beginning of period	349,245,735	350,710,075	348,938,195	351,090,280
Effect of share options exercised	--	536,874	225,577	400,081
Effect of dormant shares purchased	(265,501)	(1,245,300)	(321,923)	(971,983)
Weighted average number of ordinary shares during period	348,980,234	350,001,649	348,841,849	350,518,378

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended December 31, 2023 was based on the loss attributable to ordinary shareholders of US$ 3,755,000 (six months ended December 31, 2022 profit of -- US$ 2,253,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 348,980,234 (six months ended December 31, 2022 -350,100,509). The calculation of diluted earnings per share for the year ended December 31, 2023 was based on the loss attributable to ordinary shareholders of US$ 2,802,000 (2022 profit of -- US$ 8,798,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 348,841,849 (2022 - 350,799,554), calculated as follows:

	Six months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Diluted (loss) earnings per share (US cents)	(1.08)	0.64	(0.80)	2.51
Weighted average number of ordinary shares (basic)	348,980,234	350,001,649	348,841,849	350,518,378
Effect of share options on issue	--	98,860	--	281,176
Weighted average number of ordinary shares (diluted) during period	348,980,234	350,100,509	348,841,849	350,799,554

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 9 – Leases

	Group		Company	
	December 31,		December 31,	
	2023	2022	2023	2022
	US$ thousands			
Right-of-use assets	6,032	3,918	3,014	3,751
Current lease liabilities	1,240	812	687	682
Long-term lease liabilities	5,392	3,557	2,847	3,524
Total lease liabilities	6,632	4,369	3,534	4,206

Maturity analysis of the Group's and Company's lease liabilities as at December 31, 2023.

	Group	Company
	US$ thousands	
Less than one year	1,240	687
One to five years	4,092	2,544
More than five years	1,300	303
Total lease liabilities	6,632	3,534

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. In April 2021, the Group executed a renegotiated lease agreement for its leased office space at the Group's headquarters in Israel. Under the terms of the agreement, the leased space was downsized by approximately 30% and the financial terms were improved. Under the revised terms, the lease was extended for a period of four years, with an option for a second four-year period.

Note 10 – Business acquisition

Business combination during the current period

In May 2023, the Company's indirect wholly-owned subsidiary, Sarine North America, Inc. (the "Purchaser"), closed an asset purchase agreement to acquire the business and certain assets of Gem Certification & Assurance Lab, Inc., a New York Corporation ("GCAL"), comprising the gemological laboratory business of GCAL, through GCAL USA LLC, a newly created Delaware, USA entity ("GCAL USA") which is 70% owned by the Purchaser and 30% owned by GCAL. Under the Agreement the total purchase price paid by the Purchaser was US$ 5.65 million in cash for a 70% interest in the business.

By implementing the Group's unique technologies and products, the Group will be able to concurrently develop its services globally while significantly expanding its services to U.S. retailers and wholesalers. The acquisition will provide the Group with a well respected channel into the U.S. market and accelerate its penetration thereof.

The Agreement contains two put/call arrangements. The first would be appliable in the event of a change in control of Sarine in the event the proposed acquirer seeks control over 100% of the equity interests in GCAL USA or if Seller seeks to dispose of its interest in GCAL USA to the proposed acquirer. The second put/call arrangement is applicable following the third anniversary of the Completion and enables Sarine to acquire all of Seller's equity in GCAL USA or Seller to dispose of its interest in GCAL USA to Sarine (the "Put/Call"). The purchase price for the Put/Call, if exercised by Sarine, is the greater of (a) Seller's equity interest in GCAL USA multiplied by $8.5 million and (b) a multiple of eight times the trailing eight quarters' average annual net income of GCAL USA (the "Call Option Exercise Price"). If exercised by Seller, the purchase price is six times the multiple of the trailing eight quarters' average annual net income of GCAL USA (the "Put Option Exercise Price").

The Company applied the anticipated-acquisition method and accounts for 100% of GCAL USA in its financial statements from day one.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration (US$ thousands)

Cash paid	5,650
Tax paid	45
Fair value of Put Option Exercise Price*	1,727
Total purchase consideration	7,422

* Valuation of options granted as part of the asset purchase agreement.

The assets and liabilities recognised as a result of the acquisition are as follows (US$ thousands):

Property, plant and equipment	1,220
Customers relations	1,825
Brand name	699
Goodwill	3,076
Fair value of Call Option exercise price	602
Total purchase consideration	7,422

Measurement of fair values

(i) Presented hereunder is information regarding the techniques the Group used to measure the fair value of the assets and liabilities recognised as a result of the business combination:

a. Fixed assets

The fair value of fixed assets is based on market values. The market value of fixed assets is the estimated amount for which a fixed asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties each acted knowledgeably. The market value of items of plant, equipment, fixtures and fittings is based on quoted market prices for similar items, when available, and on replacement costs when such quotes are unavailable.

b. Intangible assets

The fair value of Brand name is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned. The fair value of customer relationships is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

(ii) The following fair values have been determined on a provisional basis:
- The fair value of intangible assets (the acquiree's brand name and customer relationships) has been determined provisionally pending completion of an independent valuation.
- The fair value of the put option has been determined provisionally pending completion of an independent valuation.

If new information is obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, the Group will retrospectively adjust the relevant amounts that were recognised at the time of the acquisition.

Goodwill

The goodwill is attributable mainly to the skills and technical talent of the acquiree's work force, and the synergies expected to be achieved from integrating the company into the Group's existing regular business.

Acquisition-related costs

The Group incurred acquisition-related costs of approximately US$ 0.3 million related to legal fees and due diligence costs. These costs have been included in general and administrative expenses in the statement of profit or loss and other comprehensive income.

Note 11 – Subsequent Events

During January 2024 the Company completed an off-market equal access share buy back scheme in which the Company purchased 3,999,874 shares at 25.4 cents US$ (34 Singapore cents) per share.

In Q1 2024, the GCAL by Sarine LGD grading lab in Surat, India commenced operation, our new MVP rough diamond optimization pay-per-stone service for very small stones was commercially launched, as was our pay-per-carat service facilitating the optimal rough planning of large LGD.

F. Other Information Required by Listing Rule Appendix 7.2

1. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed. The figures presented were prepared in accordance with International Financial Reporting Standards (IFRS).

2. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

3. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended December 31, 2022 have been applied in the preparation for the financial statements for the financial year ended December 31, 2023.

4. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

5. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	December 31,		December 31,	
	2023	2022	2023	2022
Net asset value (US$ thousands)	60,320	67,096	60,320	67,096
Net asset value per ordinary share:				
US cents	17.35	19.23	17.35	19.23
Singapore cents*	22.88	25.36	22.88	25.36

At December 31, 2023, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2023 of 347,744,435 (not including 9,067,900 dormant ordinary shares at December 31, 2023). At December 31, 2022, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2022 of 348,938,195 (not including 7,509,700 dormant ordinary shares at December 31, 2022).

* Convenience translation based on exchange rate of US$ 1=S$ 1.3186 at December 31, 2023.

6. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business:-
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Overview

During 2023 the diamond industry again faced significant macroeconomic headwinds, as well as disruption by the LGD segment.

Interest rates negatively affected the key U.S. market for much of the year, until positive inflation reduction data emerged, pausing the rate increases, reducing prospects of a subsequent recession and raising expectations for eventual easing. Indeed, consumer confidence was buoyed in the critical year-end holiday season, with overall holiday spending some 5% higher year over year. In the second most important market for diamond jewellery, China, ongoing negative macroeconomic conditions, relating primarily to the real-estate market, ensued. Related fears of possible banking insolvencies did, in fact, drive Chinese consumers to prefer spending on gold, the historical safe haven, rather than on diamond jewellery.

On top of these issues the disruption caused by the rapid growth of the LGD segment in the U.S. market, which started in 2022, apparently peaked in 2023. Towards year's end the upwards trend of LGD adoption slowed significantly. We attribute this to the sustained drop in LGD production costs (down to US$ 100-150 for a one carat stone) and the propagation of this to the wholesale prices (US$ 300-400) and now to retail prices, as well – Walmart offered a one carat quality LGD for US$ 599, a 1.5 carat stone for US$ 699 and 2 carat stones also for under US$ 1,000 during the holiday season. If during 2022 and most of 2023 LGD sold at retail for about 50% of the cost of a natural stone, even though the wholesale price was already some 90% less, the disparity is, finally, closing. Though DeBeers had launched its Lightbox LGD for US$ 800 for a one carat stone, its retail presence was not sufficient to establish this price as the norm. Walmart offering LGD at these prices is much more significant, it being the second largest retailer of diamond jewellery in North America. We believe that this new retail price range, and the dramatic drop from previously touted pricing in the span of a year, may have affected consumer appetite for LGD, especially for bridal jewellery and engagement rings. Though it is still too early to assess if this is a new trend, or a temporary lull, this may indicate that the natural diamond and LGD segments of the diamond jewellery market are reaching a new equilibrium, as had been forecast by various industry analysts.

Polished natural diamond prices eroded for most of the year, commencing early in the year through to October, as the aforementioned combined headwinds and LGD disruption took their toll. Prices of rough natural diamonds for the most part stayed steady, as DeBeers did not reduce prices in 2023 (notably, at the DeBeers January 2024 sight, rough diamond prices were very significantly reduced by 15-20%). Firm rough prices and decreasing polished prices impaired margins for our midstream customers. Towards the end of 2023, Indian manufacturers declared a self-imposed two-month moratorium on the import of rough diamonds. The final two DeBeers sights in November and December 2023 were a scant US$ 86 and 137 million, respectively. For the year, DeBeers sales dropped a very significant 40%, which led to appropriately reduced midstream polishing activity, more significantly so in the second half of the year.

In May 2023 the Group closed its acquisition of the business and certain assets of the Gem Certification & Assurance Lab, Inc. (GCAL), pursuant to which the Group acquired a 70% stake in the gemmological laboratory business of GCAL, through GCAL USA LLC.

The Group reported in H2 2023, revenues of US$ 19.2 million, loss from operations of US$ 3.2 million, and net loss of US$ 3.8 million, as compared to revenues of US$ 27.6 million, profit from operations of US$ 3.5 million, and net profit of US$ 2.3 million reported in H2 2022. For the year ended December 31, 2023, the Group recorded revenues of US$ 42.9 million, loss from operations of US$ 1.8 million and net loss of US$ 2.8 million, as compared to revenues of US$ 58.8 million, profit from operations of US$ 11.0 million and net profit of US$ 8.8 million for the year ended December 31, 2022.

Overall revenues declined in H2 2023 and for the year in review, as compared to H2 2022 and FY2022, on decreased capital equipment sales following the aforementioned issues, partly offset by increased recurring revenues due to the acquisition of GCAL.

The decline in profitability in H2 2023 and for the year was due to lower sales and lower gross profit margin, offset somewhat by an overall decline in operating expenses.

Overall recurring revenues for H2 2023 (including Galaxy® inclusion scanning, polished diamond related services, annual maintenance contracts, etc.) were approximately 71% of our overall revenue (approximately 66% for all of FY2023). Overall rough and polished diamond wholesale and retail related ("Trade") revenues, mostly from Grading, digital tenders, the Sarine Profile™ and the Sarine Diamond Journey™ were approximately 31% of our overall revenue for H2 2023 (approximately 23% for all of FY2023), the increase attributed mainly to the acquisition of GCAL. We expect Trade revenues to continue growing in FY2024 from expansion of our grading services and adoption of our new pay-per-use services for natural and LGD stones optimal planning.

The Group delivered 7 Galaxy®-family inclusion mapping systems in H2 2023, of which two systems were sold under the one-off paradigm with no follow-on per-use revenues to be generated from them in the future. As of December 31, 2023, our installed base was 830 systems.

Balance Sheet and Cash Flow Highlights

As at December 31, 2023, cash, cash equivalents, short-term investments (bank deposits) ("Cash Balances") declined to US$ 23.0 million as compared to US$ 36.0 million as of December 31, 2022. The Cash Balances were primarily affected by the payment of US$ 4.4 million in dividends (an interim US$ 0.9 million dividend in September 2023 and a US$ 3.5 million final FY2022 dividend in May 2023), the acquisition of GCAL for US$ 5.7 million, the repurchase of US$ 0.4 million of Sarine shares in the open market, acquisition of fixed assets of US$ 1.5 million and the net cash used in operating activities of US$ 1.0 million.

Revenues

Our revenues for H2 2023 of US$ 19.2 million, declined by 30%, as compared to revenues of US$ 27.6 million reported in H2 2022. The overall decline in revenues, was due to an approximate 62% decrease in capital equipment sales due to aforementioned issues, offset by an approximate 4% increase in recurring revenues, due to the addition of GCAL, as discussed above. Revenues for the year ended December 31, 2023 of US$ 42.9 million, declined by 27%, as compared to US$ 58.8 million for the year ended December 31, 2022. The year-over-year decrease in revenues, was due to an approximate 50% decrease in capital equipment sales and an approximate 3% decrease in recurring revenues, due to negative industry conditions for most of FY2023, as discussed above.

Cost of sales and gross profit

Cost of sales for H2 2023 of US$ 8.1 million, declined by 12% (on a decline in revenues of 30%), as compared to US$ 9.2 million in H2 2022, with a gross profit margin of 58% in H2 2023 compared to 67% in H2 2022. The decline in the cost of sales in H2 2023 was primarily due to lower capital equipment sales offset by increased costs related to GCAL's operations. The decline in the gross profit margin were primarily due to lower capital equipment sales the revenue from GCAL at lower gross profit margins.

Cost of sales for the year ended December 31, 2023 of US$ 15.6 million, declined by 14% (on a decrease in revenues of 27%), as compared to US$ 18.1 million for the year ended December 31, 2022, with a gross profit margin of 64% in FY2023 compared to 69% in FY2022. The decrease in cost of sales in FY2023 was primarily due to lower capital equipment sales and product mix. The decrease in gross profit and the corresponding decrease in gross profit margin were primarily due to decreased overall sales and product mix, mainly the inclusion of GCAL.

Research and development expenses

Research and development expenses for H2 2023 of US$ 4.2 million were 6% less than the US$ 4.5 million in H2 2022. Research and development expenses for the year ended December 31, 2023 of $8.6 million were on par with the US$ 8.7 million for the year ended December 31, 2022.

Sales and marketing expenses

Sales and marketing expenses for H2 2023 of US$ 6.3 million, increased by 1%, as compared to US$ 6.2 million in H2 2022. Sales and marketing expenses for the year ended December 31, 2023 of US$ 12.8 million were increased by 3% as compared to US$ 12.4 million in year ended December 31, 2022.

General and administrative expenses

General and administrative expenses for H2 2023 of US$ 3.9 million, decreased by 9%, as compared to US$ 4.2 million in H2 2022. General and administrative expenses for the year ended December 31, 2023 of US$ 7.8 million, decreased by 9%, as compared to US$ 8.5 million for the year ended December 31, 2022. The decline in general and administrative expenses was primarily due to less incentive-based compensation and third-party legal and professional fees related to ongoing multiple patent and copyright litigations and related activities in India.

Profit from operations

The Group reported a loss from operations of US$ 3.2 million in H2 2023, as compared to US$ 3.5 million profit in H2 2022, and a loss of US$ 1.8 million for the year ended December 31, 2023, as compared to a profit of US$ 11.0 million for the year ended December 31, 2022. The decline in profit from operations in H2 2023 was mainly due to lower sales, resulting in a lower gross profit (gross profit margin impaired by lower capital equipment sales combined with the inclusion of GCAL), offset slightly by an overall decrease in operating expenses. The decline in profitability for FY 2023 was also impacted by overall lower sales in FY2023, as detailed above.

Net finance income/expense

Net finance income for H2 2023 was US$ 0.2 million as compared to US$ 0.3 million in H2 2022. Net finance income for the year ended December 31, 2023 was US$ 0.6 million as compared to US$ 0.3 million for the year ended December 31, 2022. The increase in net finance income was due to higher overall interest income during FY2023 as compared to FY2022.

Income tax expense

The Group recorded an income tax expense of US$ 0.7 million for H2 2023 as compared to US$ 1.5 million in H2 2022. The Group recorded an income tax expense of US$ 1.5 million for the year ended December 31, 2023, as compared to US$ 2.5 million for the year ended December 31, 2022. The Group's income tax is affected by the profitability being realised in various entities of the Group, each subject to different jurisdictions, applicable incentives, and income tax loss carry forwards.

(Loss) Profit for the period

The Group reported a loss of US$ 3.8 million in H2 2023, as compared to a profit of US$ 2.3 million in H2 2022, and a loss of US$ 2.8 million for the year ended December 31, 2023 as compared to a profit of US$ 8.8 million for the year ended December 31, 2022. The decrease in net profit was mainly due to lower profit from operations, as detailed above.

7. Where a forecast, or a prospect statement, has been previously disclosed to shareholders any variance between it and the actual results.

Not applicable.

8. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

We expect the following industry trends to continue influencing our business:

a. Macroeconomic headwinds have tempered with the economic situation in the diamond industry's primary North American markets improving substantially in late 2023 and going into 2024 (also being an election year in the U.S.). Having noted that, consumer spending in China, the diamond industry's second most significant market, remains impaired by economic concerns primarily related to the real-estate market.

b. Israel has been involved in an ongoing war with the Hamas terrorist group in the Gaza strip, following its brutal 7 October 2023 attack on Israel. Less intense hostilities have since commenced with the Hezbollah terrorists in Lebanon. As of this writing, the impact on the Group has primarily been the calling up of certain of its employees for reserve duty, primarily from the R&D department. To date, the effect on the R&D programs has been minimal.

c. In the upstream, at the DeBeers January 2024 sight rough diamond prices were very significantly reduced, by 15-20%, following a divergence between rough and polished prices throughout most of 2023. Together with the year-end holiday season recovery in polished prices and reduction in inventory, this decrease in rough prices should somewhat alleviate the issue of eroded margins in the key midstream manufacturing segment.

d. Environmental, social and governance (ESG) issues continue to concern retailers, especially luxury brands. The AutoScan™ Plus and Sarine Diamond Journey™ combined solution provides a cost-effective means to address these matters and should continue to gain traction with customers in 2024.

e. The U.S. and their G7 partners have set an aggressive timetable (in stages by September 2024) for the implementation of tighter sanctions on Russian-sourced diamonds. If the enforcement of these sanctions will indeed be premised on a "verifiable" source traceability system, we are confident that the AutoScan™ Plus along with our Sarine Diamond Journey™ can provide a scalable cost-effective means to meet the mandated requirements with minimal overhead or disruption to the diamond value chain. Market analyses indicate some 3 million stones of the sanction-relevant sizes (over half a carat) are polished annually.

f. We recently launched our new Most Valuable Plan™ (MVP) paradigm for the optimal planning of rough diamonds 40 points and under, a segment in which our installed base of Meteorite™ Plus systems scanned some 27 million stones in 2023. MVP has already proven it creates a significant added value of over US$ 1.5 per stone in this segment of very small rough stones. The indicative value proposition to our existing customer base is some US$ 40 million, on a recurring annual basis. We are confident MVP will also drive additional Meteorite™ Plus and planning system sales and expand our TAM to additional customers. MVP will be extended to the next segment of small diamonds of up to 90 points in the second half of 2024, in which 9 million stones were scanned on our installed base of Meteor™ systems in 2023. The value proposition to our existing customer base in this segment is estimated at an additional US$ 15 million. Concurrent with the extension of the MVP technology to rough stones between 40 and 90 points, we will also release the Meteor™ Plus inclusion scanning system, which will implement all the advantages of the Meteorite™ Plus into the Meteor™ system. The launch of this new system, along with the MVP proposition, should drive both legacy planning and Galaxy®-family scanning systems capital equipment sales in this second segment and expand our customer base.

g. Towards 2023 year's end the upwards trend of LGD adoption slowed significantly. We attribute this to the sustained drop in LGD production costs (down to US$ 100-150 for a one carat stone) and the propagation of this to the wholesale prices (US$ 300-400) and now to retail prices, as well – Walmart offered a one carat quality LGD for US$ 599 during the holiday season. If during 2022 and most of 2023 LGD sold at retail for about 50% of the cost of a natural stone even though the wholesale price was already some 90% less, this disparity is, finally, closing. We believe that it is this new retail price range, and the dramatic drop from previously accepted pricing in the span of a year, that may have affected consumer appetite for LGD, especially for bridal jewellery and engagement rings. Though it is still too early to assess if this is a new trend, or a temporary lull, this may indicate that the natural diamond and LGD segments of the diamond jewellery market are reaching a new equilibrium. We have facilitated the utilisation of our rough planning technologies on LGD. There is an estimated 20 million carats annual production of LGD, and our initial tests realised an average added value to the manufacturer of US$ 1.5 per carat. Commercial services have commenced with our launch customer, a major supplier of LGD, based on a pay per carat business model. We have similarly adapted our AI-derived grading technologies to LGD and have integrated them into GCAL's work procedures. Our LGD focused GCAL by Sarine grading lab in Surat, India, commenced operations in January. The total addressable market (TAM) for LGD grading is estimated as having been in excess of US$ 100 million in 2023. Our aim is to capture 8-10% of this market in 2024.

9. Dividend

(a) Current Financial Period Reported
Any dividend declared/recommended for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?

On February 26, 2023, the Board of Directors recommended that the Annual General Meeting (AGM) approve a final dividend of US 1.0 cent per ordinary share for the financial year ended December 31, 2022.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived.

	Amount before tax	Tax rate applicable to shareholders
	US$ thousands	Percent
2022	3,489	20%/0%[1] / 10%[2,3]

[1] The tax rate in 2022 was 20% for individual Israeli shareholders and 0% for Israeli corporate shareholders.
[2] The tax rate in 2022 for the dividends for individual and corporate Singaporean shareholders was 10%.
[3] Payments to shareholders of dividends distributed by the Company will be subject to a tax deduction at source at the rate of 20%, in compliance with Israeli tax directives. Tax amounts deducted from dividend payments will be deposited with a trustee. A shareholder claiming eligibility for preferential tax treatment on dividend payments pursuant to Israeli tax laws or international tax treaties may apply to the trustee within 30 days of the distribution date providing all necessary details and documents, for reimbursement of excess deduction, subject to verification of such eligibility. Details regarding the application procedure shall be provided by the Company in the formal dividend announcement posted on the SGX.

(d) Date Payable

	Amount
	US$ thousands
12 May 2023	3,489

(e) Record Date

5:00 PM on:

	Amount
	US$ thousands
02 May 2023	3,489

10. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been recommended. The Group's stated dividend policy is to distribute 80% its net profits. With the deteriorating industry conditions in mind, a cautious interim dividend of US cents 0.25 cents per share was paid in September 2023 based on 1H2023 results. As the second half's results do in fact show a loss, culminating in a loss for the entire year, due to the issues discussed above, there is no justification for a final dividend.

11. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions under Rule 920(1)(a)(ii). If no IPT mandate has been obtained a statement to that effect.

The Group has not obtained a general mandate from its shareholders for IPTs.

12. Negative confirmation pursuant to Rule 705(5) (not required for announcement of full year results).

Not applicable.

13. Confirmation pursuant to Rule 720 (1) of the Listing Manual.

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720 (1) of the Listing Manual.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

In accordance with IFRS 8 Operating Segments, the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. The Group operates in only one operating segment. Presented below are revenues broken out by geographic distribution.

	India	Africa	Europe	USA	Israel	Others	Consolidated
				2023			
				US$ thousands			
External revenues	22,036	6,336	2,730	5,147	1,803	4,892	42,944
Unallocated expenses							(44,788)
Loss from operations							(1,844)
Net finance income							576
Income tax expense							(1,534)
Loss for the year							(2,802)

	India	Africa	Europe	USA	Israel	Others	Consolidated
				2022			
				US$ thousands			
External revenues	30,309	13,692	3,502	842	2,227	8,191	58,763
Unallocated expenses							(47,765)
Profit from operations							10,998
Net finance expense							337
Income tax expense							(2,537)
Profit for the year							8,798

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

See section 6 above.

16. Breakdown of sales.

	2023	2022
	US$ thousands	
Revenue reported for:		
First half-year ended 30 June	23,731	31,172
Second half-year ended 31 December	19,213	27,591
	42,944	58,763
Profit (loss) for the period:		
First half-year ended 30 June	953	6,545
Second half-year ended 31 December	(3,755)	2,253
	(2,802)	8,798

17. A breakdown of the total annual dividend (in US dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year	Previous Full Year
	US$ thousands	
Ordinary	872	10,492

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13)

The Company confirms that, during the year ended December 31, 2023, there was no person occupying any managerial position in the Company or any of its subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

19. Interested Person Transactions

The Company confirms that during the year ended December 31, 2023, the Company was not a party to any interested person transactions.

On behalf of the Directors

Daniel Glinert

Daniel Benjamin Glinert
Executive Chairman

25 February 2024