SARINE ANNUAL REPORT 2023

THE DIAMOND INDUSTRY, REIMAGINED™

TABLE OF CONTENTS

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, 2023. 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, through its application of patented solutions (proprietary mechanics, electronics, optics and lasers) and sophisticated software utilising artificial intelligence (AI), big data, cloud computing and GPU (aka "Nvidia") methodologies, is a global leader in the development of technologies used throughout the entire diamond value chain, from mine to retail, from rough diamonds evaluation, planning and polishing to polished diamonds grading, certification and trade.

The diamond industry today comprises two distinct categories of stones – natural mined diamonds and man-made manufactured stones, often referred to as Lab Grown Diamonds (LGD). Data show that some 120 million carats of natural diamonds are mined annually, of which roughly half are gem quality, with widely varying sizes and qualities. Over 950 million stones are polished annually from these mined rough diamonds, of which less than 2 million are a carat or larger. The price of a natural diamond is highly dependent on its rarity and quality, as defined by its Carat weight, Clarity, Color and Cut. The wholesale price of a one carat polished natural diamond ranges from US$ 1,000 to 10,000. Accurate data for LGD production are less readily available. We estimate that the annual production of rough LGD, which is experiencing rapid growth, is nearing 20 million carats. Constantly evolving and tightly controlled production processes at continuously decreasing costs result in larger, higher quality LGDs, with less variance in their qualities. Manufacturers mostly aim for stones a carat and above. The wholesale price range of a one carat LGD is US$ 300-400.

Sarine develops, manufactures, markets and sells precision technology products for the assessing, polishing, grading and the wholesale and retail trade of diamonds, utilised throughout the diamond industry. Our technologies and services are mostly applicable to natural diamonds and LGD alike, with the appropriate adaptations. Prior to 2023 our revenues from the LGD segment of the industry were negligible. In 2023 we designated the LGD segment as a strategic market for expansion and growth, and some 8% of our revenues for the year were derived from it. We expect further expansion into this rapidly expanding industry segment in 2024 and beyond.

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 rough diamond mining and trading companies, typically referred to as the "upstream", to document, evaluate and market their inventory of rough stones. Our DiaExpert® accurately models the external surface and 3D geometry of a rough diamond. The Galaxy® provides comprehensive mapping of a rough stone's internal imperfections. Together these two systems and the Advisor® software discern the optimal polished diamonds derivable from the rough stone, and, in accordance with current price lists, generate the rough stone's intrinsic value in actual dollar terms. This information enables the implementation of digital tenders, allowing prospective buyers to bid on the rough stones with comprehensive understanding of their characteristics. This enables bidders to more correctly select the goods on which they wish to bid and directly increases the profitability of both the sellers and the buyers. The provision of such data in a digital format expands the tender's reach to a broader scope of potential buyers. In addition, financial entities can utilise this information to more accurately provide collateral-backed financing to the buyers.

In 2023 we introduced the Sarine AutoScan™ Plus, a cutting-edge system that revolutionises the rough diamond source registration process, scanning rough diamonds at exceptional speeds up to 1000 stones an hour. The rough stone's source registration, coupled with subsequent scans and documentation throughout the diamond's polishing process, establishes a robust, data-driven and scalable solution for diamond traceability. The demand for diamond traceability is growing, driven by both retail brands aiming to ensure and demonstrate the sustainability of their processes and the G7 group of nations (the U.S., Canada, the E. U. and Japan), which recently announced broader sanctions on Russian diamonds. Miners, tender houses, wholesale sorters and manufacturers may also implement the AutoScan™ Plus for internal inventory control purposes. Registering the rough diamonds at source, rather than at the producer's central sorting facility days later, following multiple handling and shipping stations, may significantly reduce inventory loss. The system's low cost, minimal footprint and high speed, enable its utilisation virtually anywhere, including customs gateways and government offices.

Rough Diamond Polishing (the "Midstream")

Our products and services provide industry-leading automated solutions for every stage of the rough diamond polishing process, applicable to natural stones as well as LGD.

- Optimal planning for realising the best possible polished gems from each rough diamond, based on their true dollar value, market trends and any other criteria specified by the polisher, enabled by our high-precision modelling of the external surface features and geometry of the rough stone along with its internal inclusions;
- 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 DiaExpert® and Galaxy® families of platforms and the Advisor® software are the de-facto worldwide standard for planning the optimal utilisation of rough diamonds, so as to realise the highest possible valued polished gems based on optimisation of the four Cs (Carat, Clarity, Color and Cut) and light performance parameters. Our just-released (January 2024) Most Valuable Plan (MVP™) software takes the optimisation of small rough diamonds (currently under 40 points to be expanded later in 2024 to larger sizes) to a whole new level of sophistication and automation.

Our third-generation Quazer® 3 green-laser system, integrated with our planning systems by way of the Strategist® setup station, is a high-end solution for the laser cutting and shaping of rough stones, as well as for the dicing of CVD-type LGD. The Quazer® 3's main advantage is its ability to execute multi-staged processing, like pie-cut sawing, with one setup, saving significant time.

The Instructor® software supports the inline quality control of the actual diamond faceting process. It can also provide remedial polishing steps, when deviations from the optimal polishing are discerned, including application of unique asymmetrical solutions.

The combination of these technologies has transformed 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 weight to over 50%, a benefit nearing 33%. It also allows the manufacturer the flexibility of planning options which best suit actual demand in specific markets, e.g., trading off between Carat weight, key in US markets, and Clarity, more important in Asia Pacific (APAC) markets. It also facilitates prioritising orders for diamonds for specific lines of jewellery, so called "programmes".

Polished Diamond Grading and Trade (the "Downstream")

Grading

Sarine pioneered 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 DiaMension® Axiom 3, based on micron level accuracy (which actually exceeds Tiffany & Company's ["Tiffany"] specifications for extra-fine diamond quality assessment including Symmetry grading) are today's state-of-the-art Cut grading standards.

We introduced the most accurate system for scientifically measuring a polished diamond's actual light dispersion ("light performance") in 2013 – the Sarine Light™. It 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".

In 2017 we announced the world's yet-unmatched 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 systems, the Sarine Clarity™ and the Sarine Color™, powered by artificial intelligence ("AI") based algorithms. Clarity grading is a very complex multi-dimensional classification, dictated by the number of inclusions in the stone, their sizes, types and locations, along with other parameters. Color grading is also challenging to perform consistently, due to the subtle hue differences between the various grades. Both manual Clarity and Color grading entail subjective labour-intensive processes, with two, sometimes three, graders involved for each process. The utilisation of technology enables more objective and consistent grading, which, as the AI-based algorithms are self-learning, continuously improves over time.

In 2020 we announced the next revolution of polished diamond grading – e-Grading™. e-Grading™ allows for on-site grading, negating the need to send stones offsite to 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 in 2024 the significant expansion of GCAL, our New York based gemmological laboratory. By integrating Sarine's AI-based e-Grading™ with GCAL's standards we have already expanded into India and intend to further expand to manufacturers' sites later in the year. In the future, expansion to Botswana, Dubai and other key geographies is planned. e-Grading™ is especially suitable to LGD grading, as its lower cost structure allows the commercially viable grading of lower-valued LGD.

Beyond the 4Cs grading, we are also working to implement the automated on-site sorting of polished diamonds in accordance with industry-accepted commercial criteria e.g., "eye-clean", "no black inclusions", "no inclusions under the table", "no milkiness", issues of tinge, etc. This will facilitate more accurate matching of the goods offered to the retail customer to their nuanced needs, reducing rejects and bolstering profitability.

Retail Trade

We provide technologically advanced solutions for key aspects of the polished diamond retail trade, whether natural stones or LGD. In today's evolving retail environment, channel and product branding and differentiation, as well as creating a captivating online digital experience, are key to a retailer's success.

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

- Imaging, video or still, as provided by the Sarine Loupe™;
- Light performance video analyses and grading, as provided by the Sarine Light™;
- Other graphic information such as Hearts and Arrows, Cut proportions in 2D or 3D, laser inscription viewing and more;
- The 4Cs, whether from our or third party grading;
- Retailer specific promotional material.

In today's world where ESG (environment, social and governance) concerns garnish ever-increasing attention, 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. Critically, it is the only traceability solution in the industry based on factual (and not declaratory) data, enabled by Sarine's uniquely extensive presence in the diamond industry's midstream. In 2023 over 35.5 million rough diamonds were scanned using our Galaxy® systems and over 70 million were planned using our online Advisor® cloud-based software (including our older non-online versions of the Advisor® software we estimate some 100 million stones in total were planned on our systems in 2023). The online software can record the stone's actual polishing phases for the Sarine Diamond Journey™, thus generating a comprehensive factual testimonial. Integrated with the AutoScan™ Plus source registration, this service provides a unique record of the stone from mine to retail, which serves as a tribute to the retailer's commitment to ESG principles, as well as being the most robust scalable solution to meeting new G7-mandated sanctions, should they stipulate verifiable technology-based sourcing documentation requirements. The Sarine Diamond Journey™ was adopted in 2022 by leading brands – the Maison Boucheron house and the Aura blockchain consortium, a not-for-profit organisation aimed at enhancing transparency and trust in the luxury industry, comprising of LVMH, Cartier, Prada and OTB.

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 loose or mounted in a setting, and link it to its Sarine Diamond Journey™ record. This so-called digital twin 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 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 boxed together with his/her polished gem, creating a unique fascinating conversation piece.

OUR MILESTONES

2023

Sarine acquires a 70% stake in New York's Gem Certification and Assurance Lab (GCAL) to gain a recognised and respected channel into the expansive key U.S. retail industry for its AI-derived grading paradigms for both natural diamonds and especially for LGD.

Sarine signs a collaboration agreement with the DELGATTO Diamond Finance Fund (DDFF), the diamond industry's largest non-bank financing entity, whereby the DDFF will employ Sarine's Rough Diamond Appraisal Report as its means to assess a rough diamond's intrinsic value for collateral purposes. The new “Del Gatto 360 – Powered by Sarine” service also provides interested parties a unique option to have the financed rough diamonds manufactured by the DDFF with end-to-end traceability fully documented by the Sarine Diamond Journey™.

Sarine announces cooperation with celebrated diamond manufacturer and trader Andre Messika and the Climate Neutral Group, a renowned authority in carbon emissions assessment, with the introduction of CarbonVERO™ that records the energy consumption and carbon footprint of each individual diamond, from its origin as mined rough to its exquisite polished form. The resultant data is an optional add-on to Sarine's Diamond Journey™ traceability solution.

Sarine develops a completely data-backed verifiable traceability solution for melee diamond parcels, the small yet precious stones used extensively in jewellery settings. A major breakthrough supporting the expanding need for transparency in the diamond industry, developed and tested with the collaboration of Rubel & Ménasché, a distinguished French maison for high-end jewellery, the melee traceability is yet another option available with Sarine's Diamond Journey™ traceability solution.

DeBeers subsidiary Tracr™ and Sarine announce their intention, on the backdrop of pending G7 sanctions to be enacted on Russian diamonds, to collaborate on a scalable cost-effective solution for use in tracking diamonds from their source to the point of entry into G7 countries, utilising a dedicated digital portal. The solution will combine the complementary benefits of both the Tracr™ blockchain platform and Sarine’s Diamond Journey™ traceability solution.

Sarine initiates delivery of the Sarine AutoScan™ Plus, its refined highly productive rough diamond source registration system. The new system is much more affordable, is compact enough to fit on any tabletop, offers lightning-fast productivity (~ 900 stones an hour!) and requires no specialised operational expertise. Its versatility enables installation anywhere, allowing immediate operational production. The Stargems Group, a vertically integrated business with a legacy of over 40 years in the trading of rough diamonds, took delivery of the first system. Of note, on the backdrop of expected G7 restrictions on Russian-sourced diamonds, registering rough diamonds with the Sarine AutoScan™ Plus system at the rough diamonds' source is crucial as it fully addresses three key hurdles:

- It enables "equal opportunity" registration of their rough supply to all players, regardless of location and size;
- It provides a cost-effective solution with minimal overhead, by eliminating shipping time and costs to centralised registration sites; and
- It empowers robust downstream robust verifiable diamond tracing through the Sarine Diamond Journey™ solution.

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 is launched, specifically developed to benefit the very significant segment of smaller rough diamonds, wherein an estimated 900 million stones are polished annually. Advisor® 8.0 incorporates more than twenty new features along with the refinement of existing processes, focused on extracting more polished yield from a given rough stone and increased productivity – shorter run cycles, augmented automation, offline and overnight autonomous operation and 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 financing and insurance purposes. The report is based on the comprehensive analysis and pricing of the polished diamonds potentially optimally derived from the rough stone to provide a realistic indicative market value.

The Belgian Bonas Group, the largest independent diamond and gemstone tender house, solely brokering the 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 programme to market stones with a guaranteed registered geographical origin.

The Aura Blockchain Consortium, aimed at enhancing transparency and trust in the luxury segment and an initiative of 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, finding it to be the best-in-class one-of-a-kind technological solution for diamond traceability, with significant added value to both luxury brands and their customers.

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, automatically classifies the scanned rough diamond's value range, based on its weight and discerned internal features, and appropriately discounts the service pricing to adjust for the stone's realistic value. This enables the cost effective scanning of lower quality stones, 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, enabling grading on-site with lower direct costs, virtually no indirect costs, substantially shorter process times and operational flexibility. 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™.

The Meteorite™ Plus system is launched – a completely innovative solution for the cost-effective scanning of very small rough diamonds. The Meteorite™ Plus significantly reduces the total cost of ownership (TCO), by offering 50% faster operation and enhanced automation, so that a single operator can control up to five systems simultaneously.

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 inclusion scanning, rough planning, AI-grading and Sarine Diamond Journey™ traceability solutions, and is remunerated based on a percentage of the value of the produced polished diamonds.

Sarine and the Constell Group, a service provider to the diamond industry with operations in India and Southern Africa focused on the sorting and polishing of rough diamonds, announce a strategic collaboration agreement. The collaboration focuses on providing Sarine's 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.

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 miner Lucara, to provide sourcing and traceability documentation for Clara's diamonds, through the Sarine Diamond Journey™.

Due to Covid-19 impediments ALROSA expands its Sarine-enabled digital tenders, an alternative remote distribution channel, to all their "special" rough stones sized 10.8 carats and up.

The Sarine Diamond Journey™ is integrated with ALROSA's (the world's largest miner of rough diamonds by carat volume) sourcing data, to provide global retailers end to end traceability from mine to consumer for ALROSA sourced diamonds.

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.

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., 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 consumer experience.

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 cooperation with ALROSA, the world's largest diamond miner by carats, implementing 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.

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.

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 AI-based technological solutions for the automated, accurate, consistent and objective grading of a polished diamond's Clarity and Color.

OUR MILESTONES

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.

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 opens second Sarine Technology Laboratory in Mumbai, India, servicing this key Indian polishing centre. The lab offers AI–based 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 services.

Sarine enters into an agreement with Clara Diamond Solutions Corporation, a subsidiary of the Lucara mining group. Clara proposes to match rough diamonds (utilising our inclusion mapping and rough planning technologies) directly to jewellery manufacturers needs by predetermining that the resultant polished diamonds meet the manufacturers' needs to fulfill open retailers' orders.

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.

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:

- Centralised Automated Planning (CAP), enabling automated planning to run in the background, so staff can simultaneously run hundreds and even thousands of planning solutions.
- Customised pricing as per the manufacturer's own internal prerogatives.
- Planning based on optimisation of factors beyond the 4Cs – Sarine Light™, Hearts and Arrows and Photo Real.
- Graphic indications of any internal stress in the rough diamond.

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.

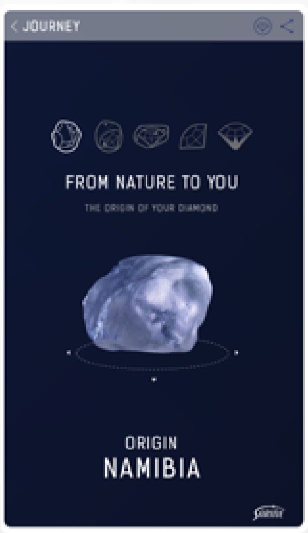
Our Galaxy® family of inclusion mapping systems scan 10 million stones in aggregate worldwide, in a single year, in 2017, having previously scanned 10 million stones in aggregate in the 8 years from launch in 2009 through 2016.

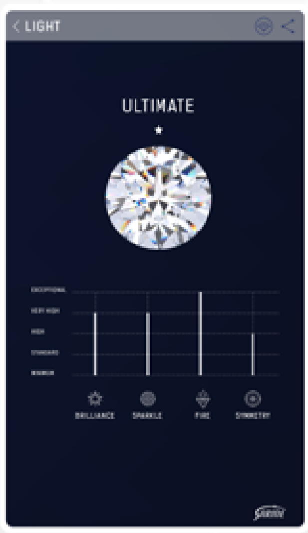
2016

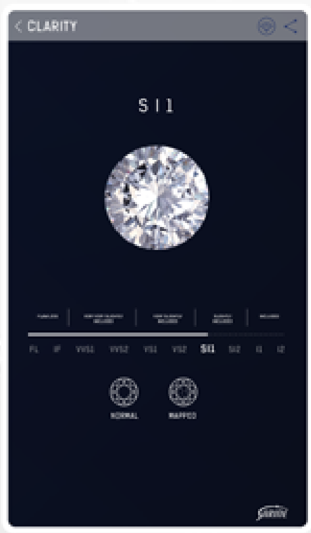
Sarine's wholly-owned subsidiary, Sarine Color Technologies Ltd., announces that it acquired the technology and assets of DiaMining Ltd., an established developer of Point of Sale (POS) applications for diamonds, gemstones and jewellery, and renames it Sarine Connect™.

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.







2015

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 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.

OUR MILESTONES

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 process and the Quazer® sawing process to avoid sawing perils such as cracks, fissures and bubbles, thus allowing for a safer and higher yield laser cutting plan.

Sarine Color Technologies Ltd., a wholly owned subsidiary of Sarine, acquires light performance technology 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.

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 DiaMension® and DiaExpert® product lines (and installed base), for the analysis of a polished stone's Cut grade in accordance with the definition of 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.

GALAXY® METEORITE™ PLUS INCLUSION MAPPING SYSTEM

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

"Utilising artificial intelligence (AI), cloud computing and Graphic Processing Unit (GPU aka "Nvidia") methodologies, we are redefining the art of the optimal use of rough diamond material. With management focused on financial prudence and having tightened operational expending, we should see rallied shareholder value created by the detailed growth drivers"

Dear Fellow Shareholders,

2023 in Review

During 2023 the diamond industry faced significant macroeconomic headwinds from high interest rates and recession concerns in the U.S., the leading global market for diamond jewellery, and economic woes in China, normally the second largest market for diamonds. More significant was the disruption to the natural diamond market due to the expansion of the Lab Grown Diamonds (LGD) last year. Polished natural diamond prices weakened for most of the year through to October, as the aforementioned combined headwinds and LGD disruption took their toll on demand. Prices of rough natural diamonds for the most part remained stable. Firm rough prices and decreasing polished prices impaired margins for our key midstream polishing customers, who substantially reduced the quantities of rough diamonds bought (DeBeers sales plummeted by 40% in 2023) and subsequently their manufacturing activities. Though our sales of capital equipment were impaired, over 35.5 million stones were scanned using our installed base of 830 Galaxy® family systems throughout the year, actually slightly more than in 2022, notwithstanding the lessened midstream polishing.

Positive economic data in the U.S. towards year-end 2023 paused interest rate increases and raised expectations for eventual easing, reducing concerns of a recession. Indeed, consumer confidence was buoyed in the critical year-end holiday season, with overall holiday spending some 5% higher than in 2022. Reduced inventories following the holiday season and DeBeers significantly cutting rough diamond prices at their initial sight in 2024, created the basis for a midstream recovery. Indeed, the initial DeBeers sights of 2024 evinced renewed polishing impetus.

Encouragingly, the disruption by the rapid expansion of the LGD segment in the U.S. market may have peaked in 2023. Towards year's end LGD adoption slowed significantly. We attribute this to the sustained drop in LGD production costs and the propagation of this decline to their wholesale and retail prices. Notably, Walmart offered a one carat quality LGD for US$ 599 during the holiday season, and online searches confirm prices of two carat LGD for the most part being well under US$ 2000, as compared to nearly double that figure a year or so ago. If during most of 2022 LGD sold at retail for about 50% of the cost of a natural stone, even though the wholesale price was up to 90% less, this disparity is, finally, closing. We believe this new retail price range and its dramatic drop from previously touted pricing in the span of just 18 months, demonstrably eroding LGD intrinsic value, may have affected consumer appetite for LGD, especially in the key bridal jewellery and engagement rings market segment. Similarly, negative press on the overall lack of any significant environmental benefit of LGD also seemingly dampened consumers' enthusiasm for the product. This may indicate that the natural diamond and LGD segments of the diamond jewellery market have reached, or at least may be reaching, a new equilibrium, as had been forecast by various industry analysts.

Looking Forward to 2024

Once again, Sarine has launched innovative solutions for the diamond industry by way of the application of the foremost available cutting-edge technologies, raising the bar of the state of the art. Utilising artificial intelligence (AI), cloud computing and Graphic Processing Unit (GPU aka "Nvidia") methodologies, we are redefining the art of the optimal use of rough diamond material. Our newly launched Most Valuable Planning (MVP) paradigm accomplishes completely new levels of almost complete automation, while concurrently generating significant added-value from very small rough natural diamonds 40 points and under, and will be extended up to 90 points in the second half of 2024. MVP is offered as a superior optional service augmenting our standard Advisor® planning. MVP revenues are derived from a pay-per-plan model against a per-stone application, which is, excitingly, already generating a new recurrent revenue stream. 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 refinements and markedly enhanced throughput advantages of the Meteorite™ Plus in the Meteor™ system. These developments are expected to drive substantial additional inclusion mapping system (Meteorite™ Plus and Meteor™ Plus) and legacy planning system sales, as it bolsters our campaign against competing (infringing) parties' offerings and accelerates our penetration into the LGD-resistant market segment of small stones (LGD polishers focus on larger stones). We estimate the MVP's total addressable market (TAM) at some ~ 250 million stones annually, with an immediately addressable 33 million stones already processed by our customers in these sizes in 2023.

> Our expansion into LGD drove increased revenues from our trade-related and polished-diamond services, these now accounting for an unprecedented 23% of our overall annual income for the year

In any new equilibrium for the diamond industry, LGD are expected to account for a meaningful portion of the diamond jewellery market. In mid-2022 we designated LGD as a strategic market for expansion and growth. Prior to 2023 our revenues from the LGD segment of the industry were negligible. In 2023 some 9.5% of our revenues for the year were derived from the LGD sector and we expect further significant expansion into this segment in 2024. Our expansion into LGD drove increased revenues from our trade-related and polished-diamond services, these now accounting for an unprecedented 23% of our overall annual income for the year. Our main efforts towards growing our LGD-related revenues will come from the adaptation of our industry-leading planning abilities to LGD, as well as the continued growth of our polished LGD grading business. The benefits of our Advisor® 8.0 rough diamond optimisation software have been extended to LGD manufacturing and have proven effective. Already in February a new LGD planning service commenced operations in India, on a per-carat basis, with a major LGD manufacturer its early adopter. We are thrilled that we have yet another source of recurring revenues from a market segment currently estimated at 20 million carats annually.

Our strategic acquisition of the New-York-based GCAL lab in 2023, coupled with our implementation of AI and big-data-derived 4Cs e-Grading™, positions us to well serve the natural diamonds and LGD retail trades alike. Having integrated GCAL lab's grading procedures into our infrastructure, with the appropriate recruitment and training of personnel and acquisition of hardware, GCAL by Sarine commenced local LGD grading services in India in January, initially as a lab-based service. It offers our customers reduced grading costs and direct fast accessibility to the only guaranteed 4Cs certificate in the industry. Our LGD grading services will be extended to manufacturers as an on-site e-Grading™ capability later in 2024. Our target is to capture 8-10% of the estimated US$ 100 million LGD grading market in 2024.

Another key initiative for 2024 is advancing the ongoing penetration of our Sarine Diamond Journey™ traceability offering. Continuing demand for ESG compliance is driving implementation of our unique verifiable provenance package by additional luxury brands and other retailers. It is also the industry's only realistically scalable solution, if the new regime of the G7 countries' import limitations on Russian diamonds will require a verifiable data trace. The new Autoscan™ Plus, capable of the high-speed (~1000 stones an hour) source registration of rough diamonds, offers miners and wholesalers a scalable cost-effective means to record their stones' non-Russian origin. Buoyed by the recently announced collaboration with DeBeers' Tracr™, Sarine is at the forefront of providing a cost-effective execution of the G7 mandates, should they require factual verifiable origin corroboration. As currently announced, the restrictions are to be enforced as of September 2024 on an estimated 3 million plus polished diamonds half a carat and above in weight.

Lastly, we will continue refining our AI-derived grading and sorting capabilities for natural diamonds, where the spectrum of variance is significantly broader than for LGD. Our goals for 2024 include continuing the midstream roll-out, initially to augment the manufacturing segment's in-house internal grading capabilities, which discern the stones that go to full gemmological lab certification and serve other inventory management purposes. We will focus our marketing on the polishing centres in India and Africa, primarily.

With management focused on financial prudence and having tightened operational expending, we should see rallied shareholder value created by the growth drivers detailed above. We will continue to pursue value creation and growth, always seeking opportunities to drive our business forward. We believe that, industry conditions permitting, 2024 should be a very exciting year of revitalised growth in revenues, margins, market share, industry-wide recognition and profitability.

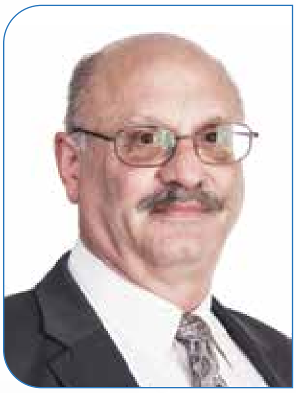
Acknowledgements

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. Lastly, I thank our loyal shareholders for their continued trust in Sarine and its management.

Respectfully Yours,

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, GCAL USA LLC 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 over 50 years experience in various high-technology industries (military, semiconductor, medical and industrial applications) in research, development and management positions in Israel and the USA. In 1982 Mr. Glinert founded Interhightech Ltd. (originally named TICI Software Systems, Ltd.), a founding shareholder of the Sarine Group, and was its CEO and then Chairman since its inception till its sale in 2000. 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.

VARDA SHINE

Lead Independent Director

Ms. Varda Shine is an Independent Director of the Group, having been appointed to the Board in April 2017. Ms. Shine 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 interim Chair on the Board of Petra Diamonds PLC, as a Senior Independent Director and the Remuneration Committee chairperson on the board of Ecora-Resources PLC. 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).In addition, Ms. Shine is a Trustee of the Teenage Cancer Trust (UK).

NETA ZRUYA HASHAI

Independent Director

Ms. Hashai was reelected to our Board of Directors as an Independent Director in April 2023. She was appointed Chairperson of the Audit Committee and Member of the Remuneration Committee upon her initial election to the Board 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 reelected to our Board of Directors as an Independent Director in April 2023. He was appointed a Member of the Audit and Nominating Committees upon his initial election to the Board 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. Mr. Lim 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

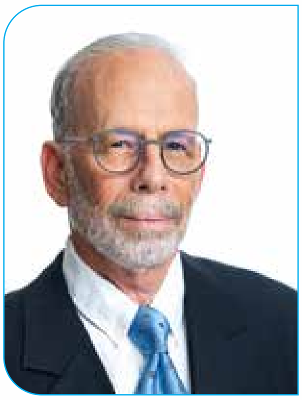
Mr. Sin was reelected to our Board of Directors as an Independent Director in April 2023. He was appointed Chairperson of the Nominating Committee and Member of the Audit and Remuneration Committees upon his initial election to the Board in June 2020. Mr. Sin has had a legal career in Singapore spanning 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 has been prolific in handling corporate finance transactions, particularly in the area of initial public offerings in Singapore. He has also acted as counsel to listed companies on secondary equity offerings and debt offerings and has advised companies on regulatory compliance. He also specialised in 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. He is a Director in the Group's subsidiaries, Galatea, Sarin India, Sarine Color Technologies, Sarine Polishing Technologies, Sarin Hong Kong, Sarine Holdings USA, Sarine North America, GCAL USA LLC, Sarine IGT 10H, Sarine IGT 10I and Sarine IGT 10JKL. Prior to his appointment as CEO in 2017, he was Deputy CEO and Chief Operating Officer (COO) as of 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.

YOUVAL ZOHAR joined Sarine as the Group's Chief Financial Officer (CFO) in July 2023. 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, GCAL USA LLC, Sarine IGT 10H, Sarine IGT 10I, Sarine IGT 10JKL. He has over 25 years of experience as a CFO, working with companies in Israel and the United Kingdom. From 2020 until 2023 Mr. Zohar served as the Chief Executive Officer (CEO) of Ship2U Ltd. an e-commerce freight forwarding company serving renowned worldwide brands. During this period Mr. Zohar also led a private equity investment in Ship2U's parent company, the Mentfield Group – Israel's third largest freight forwarding entity. From 2016 through 2020, he served as the CFO of Levanon & Kogan Ltd. Israel's leading advanced purchasing and supply chain solutions provider. Following Levanon & Kogan's acquisition by the Fritz Group, Mr. Zohar took responsibility of the entire group's financials and led a private equity exit. From 2014 through 2016, Youval served as the CFO of the LR Group, a worldwide large-scale infrastructure projects company in developing countries. From 2007 through 2014, he served as the CFO of the Fritz Group, mentioned above. Prior to that Mr. Zohar served as Deputy CFO for Agrexco, an international agricultural export company. During his tenure at Agrexco he served as Agrexco UK's CFO, relocating to London for 7 years. Mr. Zohar is a Charted Public Accountant (CPA Isr.) and holds a Bachelor's degree in accounting and economics from the Hebrew University of Jerusalem.



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.

KEY MANAGEMENT

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, from 2013 to 2023 Mr. Weisel was a lecturer at the Haifa University Graduate School of Management and taught 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.

BEN FINKELSTEIN has been a Director of Sarin India since 2021 and has been the Managing Director of Sarin India as of March 2023. Prior to this assignment 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.

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.

ANGELO PALMIERI is the President of GCAL by Sarine, a strategic partnership between Sarine Technologies and Gem Certification & Assurance Lab, Inc. With more than 18 years of experience in the gems and jewelry industry, Mr. Palmieri has played a pivotal role in steering various corporations towards growth and innovation. As the chief architect behind the GCAL 8X Cut Grade, he has influenced the diamond cut grading field, introducing innovative services, and setting new standards in precision and quality. In his career, Mr. Palmieri has been instrumental in leading GCAL to prestigious achievements. In 2008, he took on the role of ISO Management Representative for GCAL, guiding the company to become the first ISO 17025 Laboratory Accredited gems and jewelry laboratory in the Western Hemisphere. In 2012, under his stewardship, GCAL also earned the distinction of being the World's only ISO 17025 Accredited Forensic Laboratory in the field of Diamond, Gemstone, and Jewelry testing. A Cornell University alumnus with a business major, Mr. Palmieri furthered his education with an MBA from New York University's Stern School of Business. Mr. Palmieri has made significant contributions in litigation support, including serving as an expert witness in Federal Court. He has also been featured in national TV interviews on major networks, discussing various aspects of the jewelry industry, and as a featured speaker at global jewelry and insurance conferences. Beyond his professional endeavors, Mr. Palmieri has completed marathons for charitable causes, showcasing his dedication to both professional success and community involvement.

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.

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

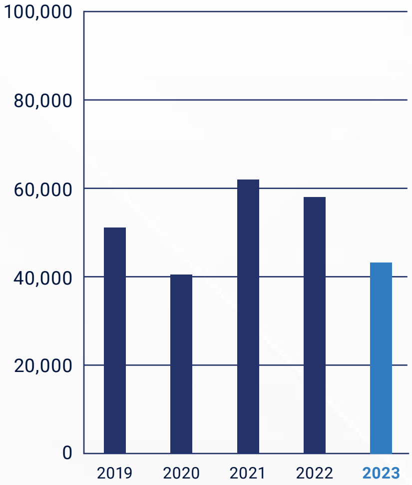
DIAMOND REPORTS

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.

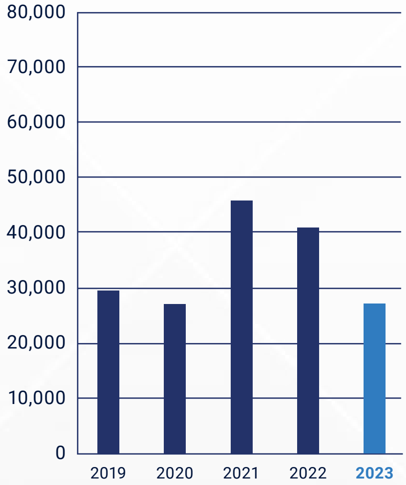
FINANCIAL HIGHLIGHTS

(US$ '000)	2019	2020	2021	2022	2023
Revenues	51,323	40,968	62,116	58,763	42,944
Gross Profit	29,584	27,070	45,827	40,623	27,371
Net Profit	(1,372)	2,365	16,456	8,798	(2,802)
Gross Profit Margin	57.6%	66.1%	73.8%	69.1%	63.7%
Net Profit Margin	-2.7%	5.8%	26.5%	15.0%	-6.5%
Cash and Investments	29,474	27,555	36,413	35,991	22,985
EPS (US cents, fully diluted)	(0.39)	0.68	4.69	2.51	(0.80)
Dividend Per Share (US cents)	0.80	0.50	2.50	3.00	1.25
EBITDA	5,496	8,794	22,206	13,571	1,537

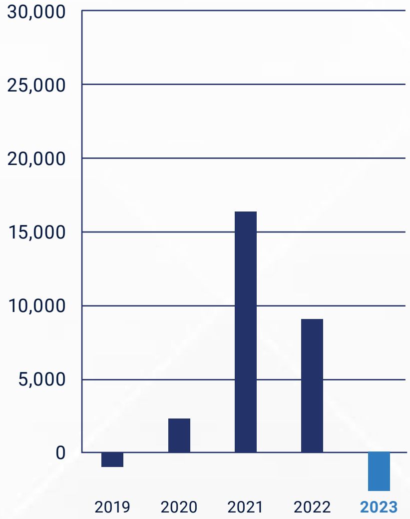
Revenues (US$ '000)



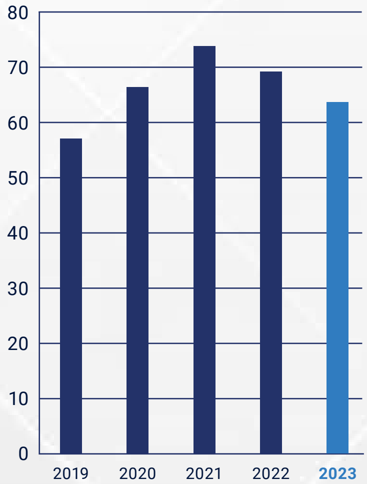
Gross Profit (US$ '000)



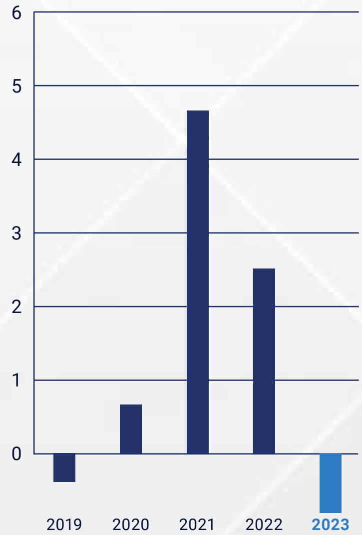
Net Profit (US$ '000)



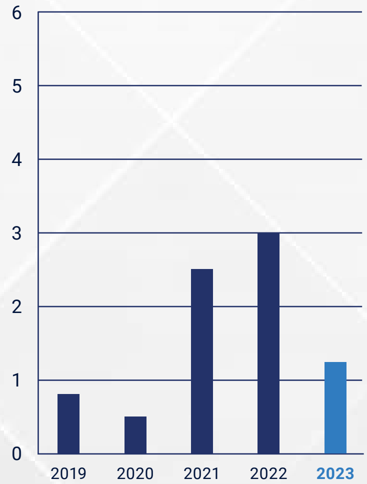
Gross Profit Margin (%)



EPS (US cents)



Dividend Per Share (US cents)



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.

The diamond industry today comprises two distinct categories of stones – natural mined diamonds and man-made manufactured stones, often referred to as Lab Grown Diamonds (LGD). Data show that some 120 million carats of natural diamonds are mined annually, of which roughly half are gem quality, with widely varying shapes, sizes and qualities. Sizes of 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. Over 950 million gems are polished annually from these mined rough diamonds, of which less than 2 million are a carat or larger. The price of a natural diamond is highly dependent on its rarity and quality, as defined by its Carat weight, Clarity, Color and Cut, the 4Cs. The wholesale price of a one carat natural diamond ranges from US$ 1,000 to 10,000. Accurate data for LGD production are less readily available. We estimate that annual production of rough LGD, which is experiencing rapid growth, is nearing 20 million carats. Constantly evolving and tightly controlled production processes at continuously decreasing costs result in larger, higher quality LGDs, with less variance in their qualities. Manufacturers mostly aim for stones one carat and above. The wholesale price range of a one carat LGD is US$ 300-400.

Sarine Technologies Ltd. develops, manufactures, markets and sells precision technology products for the assessing, polishing, grading and the wholesale and retail trade of diamonds, utilised throughout the diamond industry value chain. Our technologies and services are mostly applicable to natural diamonds and LGD alike, with the appropriate adaptations. Prior to 2023 our revenues from the LGD segment of the industry were negligible. In 2023 we designated the LGD segment as a strategic market for expansion and growth, and some 9.5% of our revenues for the year were derived from it. We expect further expansion into this rapidly expanding industry segment in 2024 and beyond.

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

We assist the so-called "upstream" rough diamond mining and trading companies 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 and map its surface. The Galaxy® family of internal inclusion mapping systems provides high resolution (optionally at microscopic-level), fully automated, fast and comprehensive identification and mapping of a rough stone's internal imperfections, termed "inclusions". The outputs from these two families of systems serve as input to our industry-leading Advisor® rough-planning software, which discerns 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 producers/rough-traders a means to fully assess the intrinsic value of their rough material. They can then choose what level of the comprehensive information pertaining to the rough stones they wish to provide to prospective buyers. Disclosing this information reduces the buyers' risk associated with procuring rough stones lacking the full knowledge of their characteristics and enables bidders to more correctly select the goods on which they wish to bid and enables them to offer a higher premium for the tendered goods. This, in turn, directly increases the profitability of both the sellers and the buyers. The provision of such data in a digital format expands the tender's reach to a broader scope of potential buyers. In addition, financial entities can utilise this information to more accurately provide collateral-backed financing to the buyers. Various producers, as well as leading wholesalers of rough diamonds, which serve as marketing channels for smaller mines or resellers 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 digital tenders.

In 2023 we introduced the Sarine AutoScan™ Plus, a cutting-edge system that revolutionises the rough diamond source registration process, scanning rough diamonds at exceptional speeds up to 1000 stones an hour. The rough stone's source registration, coupled with subsequent scans and documentation throughout the diamond's polishing process, establishes a robust, data-driven and scalable solution for our diamond traceability solution, the Sarine Diamond Journey™, described in detail in the Polished Diamond Trade section. The demand for diamond traceability is growing. It is being driven primarily by retail brands aiming to ensure and demonstrate the sustainability of their processes, in line with increasing ESG reporting requirements. Furthermore, the G7 group of nations (the U.S., Canada, UK, the E.U. and Japan) recently announced broader sanctions on Russian diamonds, which require verifiable proof of a polished diamond's origin, as a condition to its being sold in their domestic markets. The AutoScan™ Plus may also be implemented for internal inventory control purposes. Registering the rough diamonds at source, rather than at the producer's central sorting facility days later, following multiple handling and shipping stations, may significantly reduce inventory loss. The system's low cost, minimal footprint and high speed, enable its utilisation virtually anywhere, including customs gateways and government offices.

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.

MANAGEMENT'S BUSINESS, OPERATION & FINANCIAL REVIEW

The cost of natural rough diamonds is high. They are typically paid for concurrently with their delivery, 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 natural diamond industry's midstream's turnover was valued at approximately US$ 20.3 billion in 2022 (the latest full year for which data are available), with added value of some US$ 3.8 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 natural 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 critical in the Asia Pacific (APAC) markets, as well as prioritising orders for specific polished diamonds for retailers' branded unique jewellery, so called "programmes". Notably, though our technologies were developed for natural diamonds, they are, for the most part, with the appropriate adaptations, applicable to LGD, as well.

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, servicing 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® family of products generate a significant recurring revenue stream (around 43% of overall Group sales in 2023), due to the unique business model we have implemented – in addition to the price of the machine itself, we collect an ongoing use fee based on the actual carat weight of each rough stone scanned (for the models, which process very small stones, the use fee may be an alternative flat monthly charge for machine utilisation);

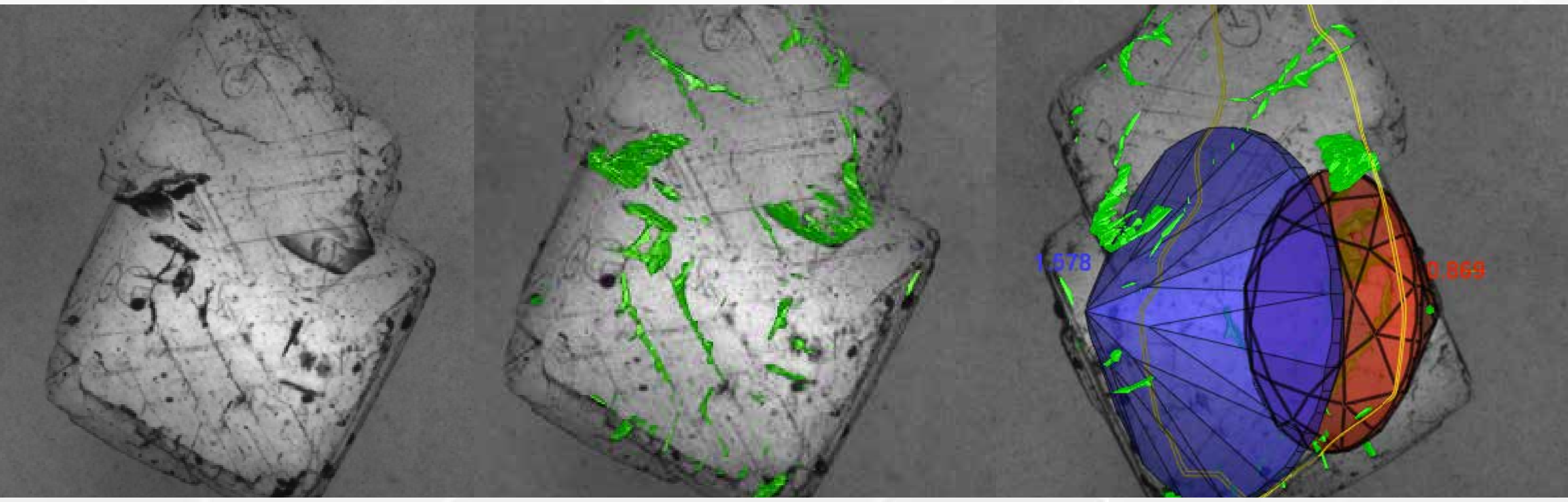
- The Advisor® and MVP™ software, the latter to generate a new recurring revenue stream, and the DiaExpert® family of platforms for planning the optimal utilisation of rough diamonds – DiaExpert®, DiaExpert® Atom, DiaExpert® Nano, DiaExpert® XL, DiaExpert® Eye, DiaExpert® Edge, DiaScan® S+, DiaMobile® 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 versatile solution for the laser cutting and shaping of rough diamonds; and

- Our Instructor® software and DiaMension® family of platforms (the DiaMension® HD and the DiaMension® Axiom 3), which assist in the real-time quality control and optimisation of the actual diamond cutting and faceting. These products 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.

The introduction of our 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, 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. We have an installed base of tens of thousands of planning systems and workstations in the midstream manufacturing segment being used to plan over 100 million diamonds annually. 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



Rough Diamond Scanning and Planning Sequence

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 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 approximately 350 staff members.

Sarine has also taken the requisite steps to strengthen its presence in the emerging polishing centres in Southern African countries. 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 elicited from the manual inspection and grading 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 over thirty years.

Sarine pioneered the technology-derived grading of a polished diamond in 1992 with the introduction of the DiaMension® system for the automated 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™. It 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, and provides additional criteria by which to assess 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 and Color grades, based on two additional cutting-edge systems, the Sarine Clarity™ and the Sarine Color™. Both of these systems are 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 discerned in the stone (under 10-times magnification), their sizes, types and locations, along with other parameters. Manual Clarity grading is a labour-intensive process. Typically two graders manually grade each stone and their opinions are equated. 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., Maison Boucheron). 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™. e-Grading™, by implementing in-process and inter-system control and verification safeguards, enables grading be done on-site, at the manufacturing/trading facility, replacing the need to send stones offsite to third-party gemmological laboratories. This provides our customers with 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 gemmological laboratory, the Gem Certification and Assurance Lab, GCAL, in which we acquired a majority stake in 2023. To guarantee its impeccable record of consistent quality work, GCAL has always operated out of a single location in New York. However, by integrating Sarine's e-Grading™ with GCAL's standards, GCAL will be able to grow its services globally to diamond centres in India, Botswana and Dubai. It will also allow GCAL to significantly expand its services in the U.S. by reliably outsourcing the actual grading process, without compromising its renowned stringent levels of quality and consistency and without incurring the costs of retaining numerous highly qualified gemmologists and accommodating them with expensive work space in the centre of New York City. GCAL's new lab in Surat, India, opened for services in January 2024, initially focusing on the rapidly expanding LGD market segment. E-Grading™ is uniquely suitable to LGD grading, as its lower cost structure allows its commercially effective application to the lower-valued LGD.

MANAGEMENT'S BUSINESS, OPERATION & FINANCIAL REVIEW

Beyond the 4Cs grading, we are also working to implement the automated on-site sorting of polished diamonds in accordance with industry-accepted commercial criteria e.g., “eye-clean”, “no black inclusions”, “no inclusions under the table”, "no milkiness", issues of tinge, etc. This will facilitate more accurate matching of the polished goods delivered to the retail customer to their nuanced needs, reducing rejects and bolstering profitability.

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 – some US$ 53.6 billion in 2022. 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 segment 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 2022 amounted to almost US$ 74 billion, with North America being the key market – nearly 60% of global demand. It should be noted that the market share of China, historically the second largest market for polished diamonds, accounting for nearly a fifth of global demand, has been dramatically impaired since 2020. Initially this was due to the Covid-19 outbreak and the mandated Zero-Covid policies, which severely limited retail activity, and subsequently by the advent of economic crises stemming from real-estate and credit issues.

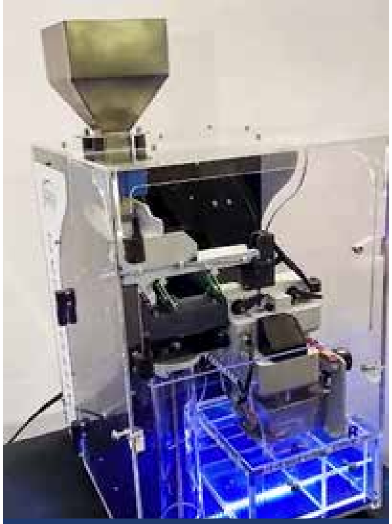
Luxury brands continue to be a key factor in the expansion of the market for personal luxury items, with high-end brands showing continued growth in 2023. The top end of the luxury goods market continues to expand more rapidly than the overall market. Federica Levato, a Bain partner and leader of the firm's EMEA Luxury Goods and Fashion practice, commented already in 2022 that, "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 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 that the consumer base will be 500 million by 2030. However, consumers are concurrently becoming more knowledgeable and more choosy, driving intensified competition for their loyalty. These consumers are hungry for unique and creative products and experiences, want them delivered on their digital media and care about ESG issues.

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. For 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 – noting their responsible mining and manufacture, showcasing the jewellery’s renowned designer, etc. Tracing the diamonds from mine to consumer, with both informative data and engaging visuals, is evolving as a key to addressing both the "E" and the "S" of ESG. It will increasingly be key to successful marketing for established luxury brands and even more so for other players keen on addressing younger consumers' concerns. They are internet-savvy media-engrossed and socially-connected consumers. With their age dropping significantly to a phase in their lives where they are more socially conscious and these issues play an even more important role, they surf the internet and query social media before deciding to buy. Technology and data are becoming 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 generating the attention, engagement and passion necessary for inducing today's consumer to buy.

To support this ongoing adaptation 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. The Sarine Profile™ enables significantly more informative online searches, 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;
- 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 gemmological lab (text only);
- Retailer promotional material; and
- The customer's own personalisation message to the intended recipient of the diamond, e.g., his proposal.



Autoscan™ Plus

To address the growing demand for ESG-related data pertaining to the jewellery offered for sale, Sarine offers its unique Sarine Diamond Journey™. The Sarine Diamond Journey is unique in that it is the only comprehensive offering in the diamond industry that can provide the consumer 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 Origin Report), or hybrid solutions with source data verified but the manufacturing stage declaratory (as is DeBeers Tracr®). The Sarine Diamond Journey™ is based on our 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 technological installed base in the diamond industry's midstream, wherein the transition from rough stone to polished jewel occurs.

To allow producers to economically scan their mined rough stones, and provide us the source registration as the initial data point to our traceability database, our Sarine AutoScan™ Plus, introduced in late 2023, enables lightning fast (up to 1000 stones an hour) automated bulk scanning of rough. If, however, the rough stone's source registration is not provided by the producer directly or indirectly into our cloud repository, the information can be derived and entered manually into the Sarine Journey™ database from import/export and Kimberly Process documentation.

In 2023 over 35 million stones were scanned for inclusion mapping using our installed base of 830 Galaxy® family systems, similar to 2022, notwithstanding the significant drop of over 40% in the number of rough diamonds entering the value chain pipeline, as a result of overall macroeconomic conditions (China), LGD expansion in the U.S. and sanctions on the Russian producers. Annually, an estimated hundred million rough stones were 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 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 several leading luxury brands – the Maison Boucheron and the Aura blockchain consortium, a not-for-profit organisation tasked with enhancing transparency in the luxury industry, comprised of LVMH, Cartier, Prada and OTB.

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.

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, including at the retail outlet for the consumer, whether 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 indisputable identification.

The commercialisation of the Sarine Profile™ and the Sarine Diamond Journey™, along with the optional 3D-Origin™ and TruMatch™, are all based on recurrent revenue models, priced according to the size of the stone profiled and the scope of the optional services provided 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 Fifth Avenue on the corner of 47th St, the so-called Diamond Way, the heart of the 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 source registration and Inventory control	Producer and Wholesaler	Sarine AutoScan™ Plus
Rough diamond evaluation	Producer and Wholesaler	Galaxy®, Galaxy® XL, 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, Solaris™, Meteor™, Meteorite™, Meteorite™ Plus, DiaExpert®, DiaExpert® Atom, DiaExpert® Nano, DiaExpert® XL, DiaExpert® Eye, DiaExpert® Edge, DiaScan® S+,DiaMark® Z, Advisor® and MVP™
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 4Cs and light performance	Manufacturer/ Gemmological Laboratory/Polished Wholesaler and Retailer	DiaMension® HD, DiaMension® Axiom 3, DiaScan® S+, Sarine Light™, Sarine Clarity™, 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 2023 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. Several suits have culminated in favorable judgements against the infringers. Other suits have not yet concluded and will continue into 2024.

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. The Advisor® 8.0 release (2022) embodied even further reinforced IP protection, through even more sophisticated application of cloud-based and other technologies.

We also leverage our technological breakthroughs as exemplified in the just released (January 2024) Most Valuable Plan (MVP) software. Its very significant added value for the optimisation of very small rough diamonds (currently 40 points and under) is exclusively available to our loyal customers who utilise our Meteorite™ Plus system for inclusion scanning. Similarly, the adoption of our Sarine Diamond Journey™ and e-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.

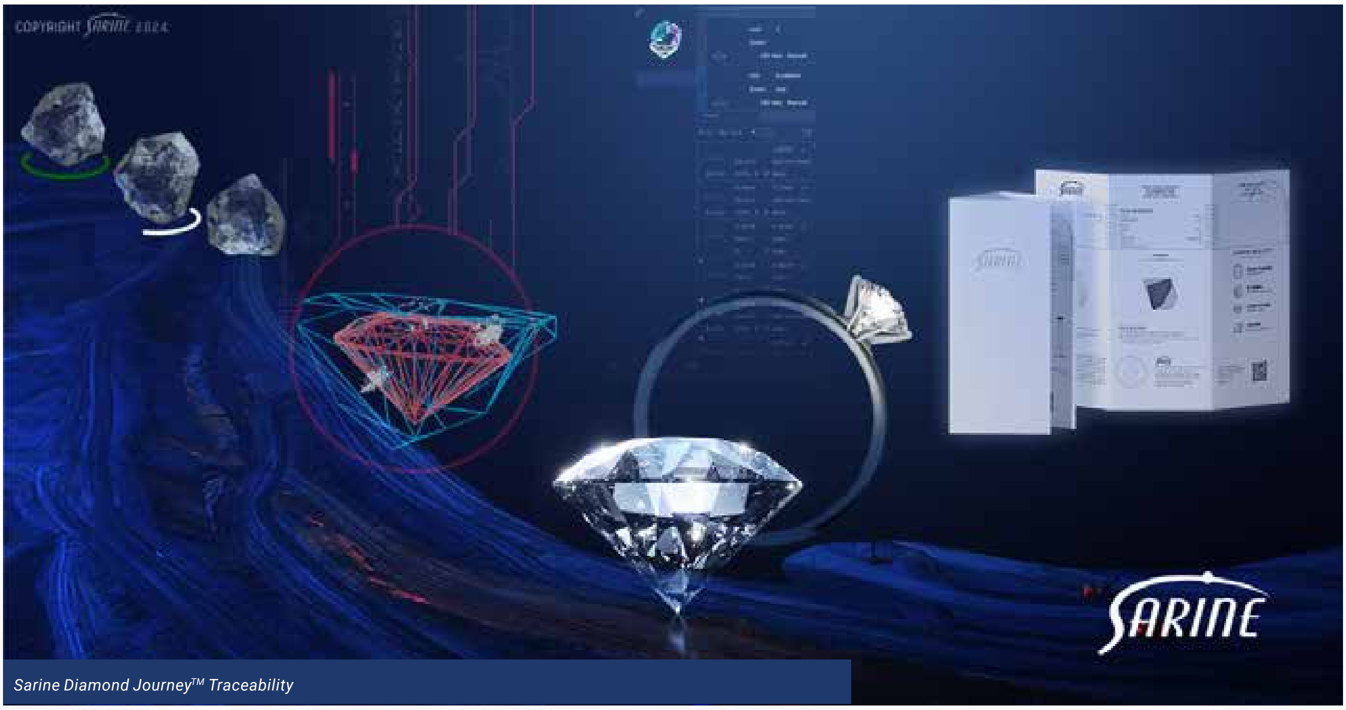
Objectives

The Group's main objectives for 2024 are:

- Address new G7 policies pertaining to Russian diamonds, as well as the expanding demand for ESG compliance, to broaden adoption of our AutoScan™ Plus and Sarine Diamond Journey™ technologies, the only scalable solution for traceability from mine to polished stone, and enhance our market recognition in the upstream and downstream segments of the diamond value chain;
- Continue maintaining our leading position in the midstream of the diamond industry and minimise the impact of illicit competition, primarily by implementing technological innovations;
- Continue growth of our installed base of Galaxy® family of inclusion mapping systems, with emphasis on the extensive market for systems to process very small rough diamonds;
- Establish a parallel presence in the midstream LGD manufacturing segment by adapting our Advisor® planning advantages to that market;
- Expand the market adoption of our unique polished diamond retail oriented products – the Sarine Diamond Journey™ and AI-based 4Cs grading:

  - Expand traceability programmes with luxury brands and other retailers.
  - Roll out our e-Grading™ offering to additional midstream manufacturers, with a focus on the growing LGD segment, by leveraging our GCAL brand, well respected in the U.S., the primary market for LGD.

These objectives are aimed at significantly increasing our recurrent revenue stream, as detailed below.



Sarine Diamond Journey™ Traceability

Strategy

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

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

- We recently launched our new Most Valuable Plan™ (MVP) paradigm for the optimal planning of rough diamonds 40 points and under. MVP provides significant added value to this segment of very small rough stones and will thus support our campaign against infringing parties' offerings and propel additional Meteorite™ Plus sales. MVP will be extended to the next segment of small diamonds of up to 90 points in the second half of 2024.
- 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.
- We will continue developing our AI-derived grading and sorting capabilities in order to augment the manufacturing segment's in-house internal grading capabilities, which serve both to discern which stones to submit to full external gemmological lab certification, as well as for other inventory management purposes.
- The benefits of our rough diamond optimisation technologies, as embodied in our Advisor® 8.0 planning software, will be extended to LGD manufacturing.
- Our e-Gradiing™ will be adapted to LGD grading.

Focus the Group's marketing efforts on:

- The new MVP technology. MVP will be marketed as an advanced optional service augmenting our standard Advisor® planning. The MVP business model will be based on payment against a per-stone application, which is expected to generate a new, eventually significant, recurrent revenue stream. MVP is expected to also drive additional inclusion mapping system (Meteorite™ Plus and Meteor™ Plus) and legacy planning system sales.

- LGD planning – already in February our LGD planning adaptation service commenced in Surat, India, on a per-carat basis, creating a new source of recurring revenues.
- Sarine Diamond Journey™ traceability, both as the industry's most realistic scalable solution to meet the requirements dictated by the new regime of G7 sanctions on Russian diamonds, as well as to additional luxury and other retail brands seeking ESG verifiable documentation.
- Our e-Grading™ technologies both for natural stone internal grading at midstream manufacturers as well as for LGD. LGD GCAL by Sarine grading commenced, initially as a lab-based service, in January. It will be extended to manufacturers as an on-site e-Grading™ capability later in 2024. We expect LGD grading to rapidly develop along with this segment's expansion and to boost the recurring revenues realised from our polished diamond services.
- 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 innovations embodied in our new and enhanced products and services, as well as by our existing and pending patents worldwide, remains solid. No other company in our field offers a wider range of products and services or owns a broader portfolio of intellectual property (patents and copyrights) across the entire value chain of the diamond industry.

Estimated Market Share*
We have clear indications that we retain a significant market share across all segments of the diamond industry value chain.

In the upstream, our AutoScan™ Plus, launched towards the end of 2023 has already been delivered to launch customers. With the adoption of the expanded G7 sanctions on Russian diamonds, we believe our upstream presence for the origin registration of rough diamonds could expand significantly.

In the midstream manufacturing segment in 2023 we scanned over 35 million stones with our inclusion mapping Galaxy® family of systems, slightly more than in 2022, notwithstanding the dramatic decrease (-40% per DeBeers annual sales) in the number of rough diamonds entering the value chain, due to the macroeconomic conditions in key markets (U.S. for much of the year and China) and the LGD disruption. Likewise, the 100 million rough stones planned on our planning systems in general, of which some 70 million planned on our online Advisor® installations, substantially remained the same. Our offering of the refined Meteorite™ Plus, along with the adoption of our latest Advisor® 8.0 planning software, significantly bolstered our value proposition for polishers of very small (40 points and under) stones, as evidenced by the 27 million stones scanned in this segment alone.

* **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 2024, as detailed in previous paragraphs. We will integrate the AutoScan™ Plus and Sarine Diamond Journey™ traceability output into the requisite data structures (blockchains), if required by the G7 sanction regime implementation. We will continue development of the MVP technology and adapt it to larger rough diamond sizes. We will introduce the Meteor™ Plus for more automated and higher-speed scanning of stones in the 40-90 points segment, so as to reduce its Total Cost of Ownership (TCO). We will continue our ongoing R&D to enhance and refine the capabilities of our unique AI-based grading solutions, along with fine-sorting capabilities. Pointedly, we will continue our adaptation and introduction of our technologies for planning and grading to the LGD segment.

Brand Strength
Our brand strength allows us to leverage our industry recognition to market and sell complementary products to our existing customers, as well as to acquire new customers. Our brand strengthened significantly in 2023 with our acquisition of a majority share in the GCAL lab, which affords us a significant channel into the U.S. retail market, in general, and, most importantly, into its expanding LGD segment. We intend to continue strengthening our brand in 2024 with additional source registration and provenance initiatives with producers and wholesale resellers as well as with retail brands worldwide, for our traceability (also in conjunction with the G7 sanctions regime, if relevant) and grading services, the latter particularly for LGD. We will also reinforce our presence in social media and by other means to boost consumer recognition of our brand.

Financial Indicators
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 driven 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, this 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 in the key bridal jewellery and engagement rings market segment. 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 have reached 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 sigificant 40%, which led to appropriately reduced midstream polishing activity, more significantly so in the second half of the year.

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

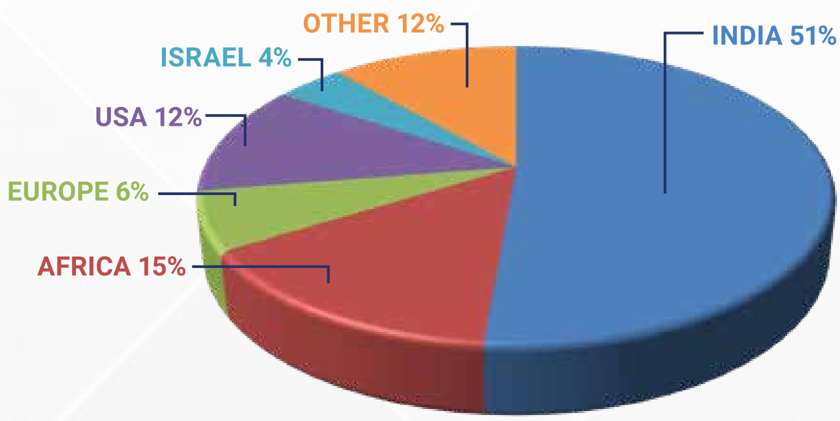
Revenues

Revenues for FY2023 decreased by 27% to US$42.9 million from US$ 58.8 million in FY2022 due to industry conditions, as noted above. It is also to be noted that FY2022 had an exceptionally strong first half, driven by the retail rebound which commenced in late 2021 following the recovery from the Covid pandemic. Capital equipment sales (including Galaxy®-family systems) decreased in FY2023 by approximately 50%. To note, Galaxy® family related per-carat usage revenues decreased by 19%, notwithstanding the 40% drop in rough stones entering the pipeline, primarily due to the pronounced reduction of manufacturing activities in the fourth quarter – DeBeers last two sights in 2023 were only US$ 86 and US$ 137 million respectively, as compared to US$ 454 and US$ 417 million for the comparable two sights in 2022. In FY2023 we delivered only 27 Galaxy® family systems to customers, deliveries being impaired by the overall conditions. The delivered systems were mostly Meteorite™ Plus (18), and Meteor™ (6) models for smaller stones, but also 2 Galaxy® and 1 Galaxy® Ultra systems. As of 31 December 2023, the Group had an installed base of 830 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 66% of overall FY2023 revenues (up from 50% in FY2022). Sarine's wholesale and retail trade related revenues grew to approximately 23% of our sales, as compared to just over 11% and 8% in FY2022 and FY2021, respectively, primarily due to our acquiring of a majority stake in the NY-based GCAL lab in May of 2023.

Gross Profit

Gross profit for FY2023 decreased by 33% to US$ 27.3 million, and our gross profit margin was 64%, as compared to US$ 40.6 million and a margin of 69% for FY2022, primarily due to our decreased revenues and product mix.

Revenue by Geographic Segment



Profit from Operations

Due to our lower gross profit and ongoing expenses, we realised a loss from operations for US$ 1.8 million, as compared to a profit from operations of US$ 11.0 million in FY2022. We have taken aggressive steps to reduce our operational spending in 2024, including a significant cut in manpower, lessened operational expenses of all sorts, etc. We expect a return to significant profitability in 2024, even assuming the continuation of the ongoing economic problems in China and the LGD segment's impact on that of natural diamonds.

Net Profit

For FY2023 the Group reported a net loss of US$ 2.8 million, as compared to a net profit of US$ 8.8 million realised in FY2022.

Operating Review

Market-driven Opportunities:

The growing LGD segment has created new opportunities for the application of our proven midstream technologies for the optimal utilisation of rough material as well as for the grading of the finished polished diamonds. We have facilitated the utilisation of our rough planning technologies on LGD, and a pay-per-carat service utilising same was launched in February 2024. There are an estimated 20 million carats of current annual production of LGD. Our initial demos and our paying launch customers, including a major leading producer of LGD, have shown an average added value of US$ 1.5 per carat. 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 2024. 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.

MANAGEMENT'S BUSINESS, OPERATION & FINANCIAL REVIEW

The group of G7 nations has announced they are tightening sanctions on Russian sourced diamonds to be operational by Q3 2024 for polished diamonds in excess of half a carat in weight. If the enforcement of these sanctions will be premised on a "verifiable" source traceability system, we are confident that the AutoScan™ Plus, availing the on-site source registration of the relevant rough diamonds at rates up to 1000 stones an hour, along with their subsequent verifiable tracing through the polishing process by 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 show that typically there are some 3 million stones of the sanction-relevant sizes polished annually, a significant TAM.

Company-driven Opportunities:
Our new AutoScan™ Plus extremely high speed rough stones source registration and scanning system is a key factor, along with the Sarine Diamond Journey™ software, which documents the processing of the diamond from rough to polished inline, empowering us to offer the G7 governments a proven scalable method to implement their mandated regime of verifiable diamond source documentation. This is essentially made possible by our installed base of tens of thousands of planning systems in the midstream manufacturing segment and the online versions of them being used to plan over 70 million diamonds annually. The paragraph above analyses the potential of this opportunity.

In 2024 we intend to further bolster our already leading market position in the midstream industry segment:

- 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 value proposition to our existing customer base is thus over 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 6 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$ 10-15 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. We believe the MVP proposition bolstered by the intended launch of this new system will drive capital equipment (legacy planning and Galaxy®-family scanning systems) sales and expand our customer base.
- The benefits of our rough diamond optimisation technologies, as embodied in our Advisor® 8.0 planning software, will be extended to LGD manufacturing, as discussed above.

Our Sarine Diamond Journey™ and e-Grading™ offerings are generating new channels of penetration into the downstream retail markets. In 2024 we aim to further expand our recognition and accelerate adoption by key downstream players – luxury brands and other U.S. wholesalers and retailers. Our acquisition of a majority stake in the GCAL lab in 2024 will facilitate accelerated penetration of the key U.S. LGD market.

Risk Factors
China still faces considerable economic headwinds stemming from the real-estate crisis and its possible ripple effect on the banking system.

Our success and ability to compete are substantially dependent on our intellectual property (IP) – our 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. Our acquisition of a majority stake in the U.S. GCAL lab increases our exposure to these issues due to their industry unique money-back guarantee issued on the certificates. Appropriate insurance is in place to cover for such contingencies.

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. Notably, of late, Israel has been involved in a war with the Hamas terrorist group in the Gaza strip, following its brutal 7 October 2023 attack on Israel's civilian population and military installations abutting Gaza. Additional 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 programmes has been minimal.

Risk Management & Internal Control

The Audit Committee and Management have, through the years, analysed the aforementioned 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 2023, and the internal controls fine-tuned appropriately as per the findings of said audits, were PPC agreements, billing control and collection, customer support procedures, distributors management, customer training and customer satisfaction in Israel, the Galaxy® service centre, demo team operations, spare parts control and global customer care centre in Sarin India. 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 cyber and information security in Israel. In India audits covered the Surat building project, the Sarine Technology Lab and Galaxy® service centre procedures, recurring revenue billing cycle, customer credits control and security, purchasing, inventory control, pre- and post-sale standard operating procedures, customer service, attendance and payroll, collection of receivables, payment to vendors, 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, sustainability and governance) facets of our business. The Group's most recent ESG Report pertaining to 2022 was published on 26 April 2023. A further update and enhancement pertaining to 2023 will be issued and posted by 30 April 2024, as required by the SGX Listing Rules.

Financial Review

Cash Flow

As at 31 December 2023, cash, cash equivalents, short-term investments (bank deposits) ("Cash Balances") were US$ 23.0 million as compared to US$ 36.0 million as of December 31, 2022. The Cash Balances were primarily affected by the acquisition of GCAL for US$ 5.7 million, 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) and the repurchase of US$ 0.4 million of Sarine shares in the open market, compounded by the Group's loss for FY2023. FY2023 saw a decrease in trade receivables to US$ 15.2 million as at 31 December 2023 (US$22.5 million as at December 31, 2022).

Cash Management and Liquidity

Throughout 2023 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.

Shareholder Return

Sarine experienced a loss of US$ 2.8 million in FY2023, primarily due to the deteriorating industry conditions in the second half of the year, compared to a profit of US$ 8.8 million in FY2022, equivalent to basic (loss) per share of US cents (0.80) (US cents 2.51 profit per share in FY2022) and fully diluted earnings per share of US cents (0.80) (US cents 2.51 profit per share in FY2022).

Going into 2023 the Group's dividend policy provided for the distribution of 80% of the Group's net profits. We paid a minimal interim dividend of US cents 0.25 in September 2023. No final dividend for FY2023 has been recommended by the Board of Directors, in view of the loss incurred for the year.

As per the Board of Directors' decision of 25 February 2024, the dividend policy for 2024 will remain 80% of our net profit, subject to market conditions and at the Board of Directors' discretion.

CORPORATE SOCIAL RESPONSIBILITY

CSR TEAM VISITING DANG DISTRICT SCHOOL

HANGING BIRD NESTS IN SURAT

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 practices.

Following are the core values on which we base our daily operations:

- 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.
- To ensure operator safety, our products and services undergo strict inspections, which are revisited by our own engineers and by third-party experts. Operating instructions and/or training are provided, as applicable, about 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 are covered under a Group Health Insurance policy that takes care of their hospitalisation in case of medical emergencies.
- We maintain strict policies regarding 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.
- We employ individuals with various disabilities as part of our efforts to promote equal opportunity in the workplace.
- We are committed to nurturing our employees and providing them with equal opportunities and a safe supportive and rewarding working environment, as reflected below.
    - We strive to offer our employees engaging career paths, advancing them professionally with appropriate training, seminars, professional courses, etc.
    - We believe in transparent communication between our employees and all levels of management. We actively encourage our staff to voice their opinions, to share ideas and to rate their level of satisfaction. We have a formal whistleblower policy that is posted on our website, encouraging our employees and business partners to report on any illegal, improper, or unfair practices they may encounter within the Group.
    - We reward our employees for their contribution to the Group's success, either with cash bonuses, grants of stock options or otherwise.
    - We arrange a variety of leisure activities for the employees over the course of a year, which are occasionally extended to family members. These activities help to foster a sense of community, to strengthen the Group culture and they serve as a means to acknowledge the hard work and dedication of our staff.

The Group and its employees see great importance in giving back to the community. As in recent years, in 2023 we continued to participate in local, national, and international programmes for the support of the disadvantaged and less privileged segments of our society.

PROVIDING BACKPACKS TO SCHOOL KIDS

Sarin India, established in our most significant market, has an active Corporate Social Responsibility Committee comprised of 7 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, in collaboration with the Nature Club Surat, participated in a bird nest project in which they prepared and hung 500 artificial bird nest boxes in various gardens in Surat.

The CSR Committee actively focuses on different initiatives and ultimately helps children gain a better education. In 2023 we focused on encouraging extra-curricular activities on National day and celebrated National festival days with students from several schools in Surat that Sarin India has adopted.

In 2023 Sarin India continued to focus on supporting underprivileged children from four schools in the Dang district, an economically distressed tribal district in Gujarat and one school in the Bharuch district in Gujarat. Sarin India donated entire school kits, including sweaters, to some 600 students from these schools.

As part of our effort to make a positive impact on society, on our environment and to reinforce our ongoing commitment to helping local vulnerable communities, in 2023 employees in Israel:

- Came together at Passover to pack and distribute nourishing food baskets to at-risk youth, IDF lone soldiers and to an Akim group home that houses individuals with intellectual disabilities.
- Volunteered at a local nursing home, spending meaningful quality time with the residents, and creating an atmosphere of companionship and fun through engaging activities and board games.
- Prepared sandwiches and distributed them to the homeless.
- Engaged in a cooking activity at a hostel for at-risk youth.
- Participated in an educational agricultural farm activity. Employees worked alongside children helping to develop and maintain the farm and thus fostering a deeper appreciation for our planet among the younger generation.
- Continued the ongoing support of the Mental Health Centre in Safed. Employees renovated the centre's day clinic and built a wooden deck.
- Sponsored the first women's Special Olympics football team at the Berlin Special Olympics World Games, by sponsoring the team's uniform and air tickets. We also hosted the team for breakfast at our offices in Israel.

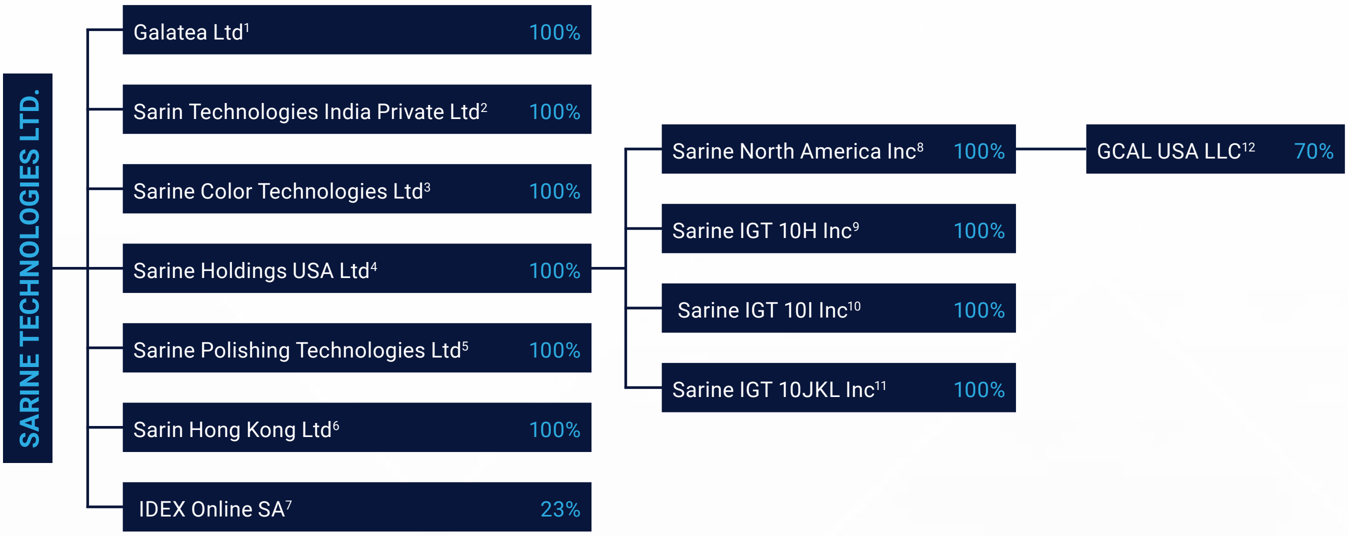
DISTRIBUTING SCHOLASTIC KITS

PLANTING FLOWERS AT EDUCATIONAL FARM

WOMEN'S SPECIAL OLYMPICS FOOTBALL TEAM

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

5. **Sarine PolishingTechnologies 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 visualization, of polished diamonds.

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

7. **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.

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

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

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

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

12. **GCAL USA LLC**
A New York based gemological laboratory, the Gem Certification and Assurance Lab, GCAL, in which we acquired a majority stake in 2023.

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

Sarine's shares were listed for trade on the SGX-ST on the 8th of April 2005.

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 or her 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 2023 was as follows (in addition, a written resolution was passed on one occasion):

	Board of Directors – 2023	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Daniel Benjamin Glinert	6	6
Mr. Avraham Eshed	6	6
Mr. Uzi Levami	6	6
Mr. Lim Yong	6	6
Ms. Varda Shine	6	6
Mr. Sin Boon Ann	6	6
Ms. Neta Zruya-Hashai	6	6

The attendance (in person or remotely) of the directors in the Board committees' meetings held in 2023 was as follows (in addition, one written resolution was passed by each of the Audit Committee and the Remuneration Committee on one occasion):

	Audit Committee – 2023	
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 – 2023	
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 – 2023	
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 FY2023 are available to the Board, and the Chair of each Board Committee provided updates at Board meetings in FY2023 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 seeks 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 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 was initially appointed by the 2020 Annual General Meeting as the Lead Independent Director and was reappointed at the 2023 Annual General Meeting.

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 2023.

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 2023 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.*; TIH Limited*; Healthway Medical Corporation 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.; Tampines Central Community Foundation Limited.	CEO of ESOP Management and Trust Services Ltd. Chairman of the Audit committee of two non-profit organizations: • 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 Directors 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:

Ms. 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. The Company's new remuneration policy and the proposed remuneration packages for the years 2024-2026 are now being brought to the shareholders' approval in the Company's Annual General Meeting, scheduled for 24 April 2024 (the "**2024 AGM**").

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 Company has also initiated a Total Shareholder Return (TSR) incentivisation program - intended to incentivise senior management to generate higher returns to the Company's shareholders.

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. The Company's proposed remuneration policy is attached to the Notice of Annual General Meeting.

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 2023, 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	325	86%	--	14%
Ms. Varda Shine	Lead Independent Director	126	84%	--	16%
Mr. Avraham Eshed	Non- Executive Director	87	69%	--	31%
Mr. Uzi Levami	Non-Executive Director	132	79%	--	21%
Mr. Lim Yong Sheng	Non- Executive Director	81	75%	--	25%
Mr. Sin Boon Ann	Non- Executive Director	81	75%	--	25%
Ms. Neta Zruya Hashai	Non- Executive Director	92	78%	--	22%
Mr. David Block	CEO	544	81%	--	19%

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	2	90%	--	10%
Mr. William Kessler*	Former CFO	2	99%	--	1%
Mr. Youval Zohar*	Current CFO	1	97%	--	3%
Mr. Tzafrir Engelhard	VP New Business Development	2	93%	--	7%
Mr. Abraham Kerner	CTO	2	93%	--	7%
Mr. Zeev Copel	VP Research & Development	2	92%	--	8%

*Mr. Kessler stepped down from his position as the Company's CFO effective as of 1 July 2023 and Mr. Zohar assumed the position of the Company's CFO effective as of 2 July 2023.

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 persons who held the top five key Management positions (and who are not directors or the CEO) for the year ended 31 December 2023 was S$ 1,922,000 (including the aggregate fair value of non-cash option compensation).

The Company’s 2024 AGM will be requested to approve the remuneration of the Chairman of the Board and CEO for the year 2024.

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 2023, 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 2023 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 overly long termination notice periods and/or any other termination-related benefits.

None of the 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 (now known as the ESG Report) was released on 10 May 2023 and the current ESG Report will be released by 30 April 2024. A summary of the current ESG Report may be found in 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 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 Independent 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 personnel 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 personnel action shall include, inter alia, demotion, denial and/or suspension of promotion, organization 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 replaced by Ehud Lev, effective as of 1 July 2023) 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$ 377,000 for services rendered in 2023, out of which amount, US$ 208,000 (approximately 55%) were paid as audit fees, US$ 83,000 (approximately 22%) were paid for other audit related services, US$ 76,000 (approximately 20%) were paid as tax fees and US$ 10,000 (3%) 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. The Company currently proposes to further amend the Articles, so to further facilitate electronic and more environment-friendly communication between the Company and its shareholders. Further details may be found in the circular disseminated to the shareholders in connection with the Extraordinary General Meeting scheduled for 24 April 2024 (immediately after the conclusion of the Annual General Meeting).

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

Sarine Technologies is a high-technology company that offers comprehensive technology-based solutions to the diamond industry. These solutions provide the diamond industry with the means with which to improve and promote Environmental, Social and Governance (ESG) values and principles. Most importantly, our solutions have, over the years, significantly, by an estimated 33%, improved the utilisation of the mined rough diamond material, thus helping to reduce the waste and the environmental impact of the mining and polishing segments of the diamond industry value chain. We have, commencing Q1 2024, launched services aimed at similarly, albeit initially at a lower percentage, optimising the utilisation of rough material also in the LGD segment of the diamond industry. In addition, we provide comprehensive end-to-end diamond traceability solutions from mine to consumer, documenting the sustainability of the supply chain from rough stones to polished gems and enhancing transparency throughout the industry. We continually work to advance our technologies in order to further contribute to the industry as a responsible and ethical company.

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. We recruit local management personnel wherever practical, including to C-suite levels. Our CFO and the VP Sales of our primary subsidiary, Sarin India, are local recruits, who have been with us for many fruitful years, as are virtually all the subsidiary's intermediate management. We participate in social activities and programmes in the communities in which we operate. 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. We also support organisations actively benefiting the less gifted members of society, the disabled and physically/mentally challenged. The Corporate Social Responsibility (CSR) section of this Annual Report provides a glimpse into our activities of this nature during the past year, with an emphasis on the activities of our dedicated CSR Team in India.

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 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.

Given the nature of our operations, which are largely centered around office-based activities and high-tech assembly environments, our environmental footprint is minimal. This assessment is based on our energy and fuel consumption and waste outputs, which are lower than those associated with more resource-intensive industries. We further strive to minimise our carbon footprint by migrating our IT workloads from on-premises infrastructure to the cloud and by limiting our travel only to those occasions where inter-personal physical interaction is necessary, such as trade shows, legal testimony, etc. In addition, towards the end of 2023 we transitioned our operations from Dalton, our northern facility, to our headquarters in Hod-Hasharon. To support employees now commuting from the north of Israel to our headquarters, we have implemented a carpool initiative. These measures have enabled us to further optimise energy and fuel consumption and to minimise our overall impact on environmental resources.

Regarding water management, as our operations are predominantly office-based, our activities do not require water usage beyond basic sanitation and employee needs. The water consumption associated with our facilities is comparable to, if not less than, the consumption levels that would be expected if our employees were working from home. Given this situation, we also have no issue of waste-water management.

As for overall waste management, given the office-centric nature of our operations, our generation of industrial waste is minimal. This is primarily due to our product assembly processes that generate minimal, if any, industrial waste. To further reduce energy consumption and waste, we rely to a large degree on cloud-based solutions, including in our research and development efforts, that significantly reduce the need for physical computing infrastructure, which would alternatively require additional office space, direct and indirect power (e.g., A/C), etc.

In light of the above, our operational model does not compare with industries where environmental issues are a significant environmental concern, and we believe that rendering extensive reporting on these issues is less relevant to our stakeholders. Our approach ensures that we maintain efficiency and sustainability without the need for extensive management strategies, typical of more resource-intensive industries.

Also as a high-tech orientated company, our business and operations have not been impacted by nor do they have any significant impact on climate change. Given the nature of our business, we do not anticipate that future climate-related risks will have a significant impact on our operations, business model, or financial planning or pose a challenge to our business continuity. Our assessment is based on the specific characteristics of companies in the technology sector compared to companies in sectors such as agriculture, commodities, food, energy and transport that face and will continue to face the impacts of climate change. This position is reflective of our current understanding and will be updated as per regulatory guidelines or any significant changes in our operational environment.

In conclusion, we believe that our business does not impact the ecological balance of our environment and does not have any negative influence on the sustainability of the industry or on the human/natural fabric in which we operate. To the contrary, we are confident that our systems have not only benefited the entire industry, as noted above, but also, by extension, have had a positive impact on the human community as a whole.

We do, however, believe that the mandatory requirement to print and disseminate hard copies of all communications with our shareholders (circulars, annual reports, etc.), does have an unnecessary negative environmental impact. Therefore, we intend to preclude this requirement by recommending to our shareholders at our upcoming General Meeting to modify our Articles of Association so that all future communication with our shareholders shall be conducted solely by electronic means!

Sarine has an ESG Committee that is tasked with conducting periodic reviews of our ESG strategies and practices to ensure they align with the Group's corporate values and with monitoring compliance with the evolving regulatory landscape. For further details please see the Corporate Governance Report in this Annual Report and our annual Sustainability Report, to be published by the end of April, as required.

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 2023.

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 2023 (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 2024.

Ordinary Shares of the Company of no par value each	As at 1 Jan. 2023	As at 31 Dec. 2023	As at 21 Jan. 2024
Daniel Benjamin Glinert[1]	12,734,156	12,734,156	12,734,156
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]	225,000	350,000	350,000
Lim Yong Sheng[5]	225,000	350,000	350,000

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 350,000 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 350,000 shares held on his behalf by Eyal Khayat, Option Plans trustee, through UOB Kay Hian Pte. Ltd., pursuant to the Plans.

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

Name of Director	Options outstanding	Options vested	2023 share-based payment expenses	Years granted
Daniel Benjamin Glinert	1,275,000	525,000	US$34,000	2019, 2021, 2022 and 2023
Uzi Levami	525,000	50,000	US$21,000	2022 and 2023
Avraham Eshed	525,000	50,000	US$21,000	2022 and 2023
Varda Shine	375,000	0	US$15,000	2023
Neta Zruya Hashai	375,000	350,000	US$15,000	2020 and 2023
Lim Yong Sheng	500,000	125,000	US$15,000	2020 and 2023
Sin Boon Ann	725,000	350,000	US$15,000	2020 and 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 (2023), 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 2023, a total of 42,214,320 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 2023, there were 17,073,711 options outstanding under the 2015 Plan with 3,140,209 options having been exercised under the 2015 Plan and 22,000,400 having been 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
2 April 2024

STATEMENT BY DIRECTORS
FOR THE YEAR END 31 DECEMBER 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 53 to 90 are drawn up so as to give a true and fair view of the Company and of the Group as of 31 December 2023 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
2 April 2024

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, 2023 and 2022 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, 2023 and 2022 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).

Key Audit Matters

Key audit matters described below are those matters that were communicated, or were required to be communicated, to the Company's Board of Directors and, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. These matters include, among others, any matter that: (1) is related to or may be related to significant accounts or disclosures in the financial statements and (2) our professional judgment in regards to this matter was challenging, subjective or especially complex. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. The communication of these matters below does not change our opinion on the financial statements as a whole, and we do not provide, through this communication, a separate opinion on these matters or on the accounts or disclosures they are related to.

Revenue recognition

Why was this matter determined to be a Key Audit Matter in the audit
As described in the statement of profit and loss and other comprehensive income, and in notes 3J and 7 to the financial statements, in 2023 the revenues of the Company totaled $US 42,944 thousand.

According to IFRS 15, Revenues from Contracts with Customers ("IFRS 15"), revenues from the sale of products are recognized when control of the product is transferred to the customer, and revenues from maintenance and service is recognized over the period that the service is provided. Revenues are measured based on the consideration the Company expects to be entitled in exchange for the goods or services promised to the customer. Due to the description above and due to the materiality of the revenues to the Company's financial statements, we identified revenues recognition as a key audit matter.

The response to the key audit matter in the audit
We obtained understanding of the Company's policy relating to the point in time in which control over products is transferred to the customers, and regarding the Company's processes to identify contracts with customers and the performance obligations that rise from such contracts. In addition, we obtained understanding as to the measurement of revenue and the timing of recognition. We checked that the Company's revenue recognition policy meets the guidance of IFRS 15.

In addition, following are the primary audit procedures:
- We performed analytical procedures in order to assess completeness of the audited period's revenues.
- We performed a statistical sample of invoices, and we tested that the consideration received from the customer agrees with the revenue that was recognized, that the control of the products was transferred to the customer and that the revenue amount agrees with applicable usage reports or with valid agreements.
- We performed an additional statistical sample of invoices that focuses on revenues recorded close to the year end and beginning of the subsequent year, to assess correct cut-off procedures in revenues recognized.
- We checked if credit notes were issued to customers in the subsequent year that may indicate improper revenue recognition in the audited period.
- We read the disclosures provided by the Company which relate to revenues, to test completeness of presentation requirements and the accuracy of the information provided.

Valuation of Intangible Assets in Acquisition

Why was this matter determined to be a Key Audit Matter in the audit
As described further in Note 29 to the financial statements, in May 2023, the Company completed the acquisition of GCAL USA LLC ("GCAL USA"), a US based company, for a total consideration of $7.4 million, which resulted in approximately $2.5 million of identifiable intangible assets being recorded. Management applied significant judgment in estimating the fair value of the intangible assets acquired, which involved the use of significant estimates and assumptions with respect to the revenue growth rates, profit rates, discount rates, royalty rates and customer attrition rates. Changes in key inputs and assumptions could materially affect the determination of the fair value of the acquired intangible assets. The Company utilized a third-party valuation firm to assist management in estimating the fair value of acquired intangible assets for the purpose of recording the business combination. Due to the significant amount of judgment applied by management when developing the estimates, we identified the valuation of intangible assets in the acquisition of GCAL USA as a key audit matter.

The response to the key audit matter in the audit
To test the estimated fair value of the intangible assets, we performed audit procedures that included, among others, reading the purchase agreement and gaining understanding of the transaction terms. We tested management's process for estimating the fair value of intangible assets by performing the following primary audit procedures:

- We evaluated the Company's selection of the overall valuation methodology, by evaluating the methods and significant assumptions used by the Company's valuation specialist.
- We compared assumptions regarding profitability margins to similar comparable figures of the Company.
- We involved our valuation specialists in assisting with our evaluation of the methodology used by the Company and the significant assumptions.
- We performed sensitivity tests on certain key assumptions, focusing on the discount rate and revenue growth rates assumptions that were used in the valuation.
- Lastly, we audited the presentation in the financial statements to verify completeness of disclosure requirements.

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

Tel-Aviv, Israel
March 21, 2024

Chaikin, Cohen, Rubin and Co.
Certified Public Accountants

Tel-Aviv, Israel
March 21, 2024

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31

		Group		Company	
	Note	2023	2022	2023	2022
		US$ thousands			
Assets					
Property, plant and equipment	10	**11,637**	10,431	**1,827**	1,395
Right-of-use assets	24	**6,032**	3,918	**3,014**	3,751
Intangible assets	11	**7,752**	2,051	**--**	70
Long-term trade receivables	13	**573**	1,006	**276**	653
Investment in subsidiaries	28	**--**	--	**43,576**	36,022
Long-term income tax receivable	9	**500**	500	**--**	--
Deferred tax assets	9	**568**	499	**--**	--
Total non-current assets		**27,062**	18,405	**48,693**	41,891
Inventories	12	**10,520**	6,859	**7,324**	4,388
Trade receivables	13	**14,652**	21,476	**5,819**	6,733
Other current assets	14	**1,383**	2,496	**699**	1,553
Short-term investments (bank deposits)	15	**634**	10,684	**--**	9,627
Cash and cash equivalents	16	**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*	17	**--**	--	**--**	--
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	17	**(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	24	**5,392**	3,557	**2,847**	3,524
Financial instrument	29	**1,727**	--	**--**	--
Employee benefits	20	**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	19	**5,655**	8,220	**4,127**	7,139
Current lease liabilities	24	**1,240**	812	**687**	682
Current tax payable		**46**	1,769	**--**	--
Warranty provision	22	**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

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

		Group	
	Note	2023	2022
		US$ thousands	
Revenue	6,7	**42,944**	58,763
Cost of sales		**(15,573)**	(18,140)
Gross profit		**27,371**	40,623
Research and development expenses		**(8,597)**	(8,675)
Sales and marketing expenses		**(12,843)**	(12,425)
General and administrative expenses		**(7,775)**	(8,525)
(Loss) Profit from operations		**(1,844)**	10,998
Finance income		**960**	1,011
Finance expense		**(384)**	(674)
Net finance income	8	**576**	337
(Loss) Profit before income tax		**(1,268)**	11,335
Income tax expense	9	**(1,534)**	(2,537)
(Loss) Profit for the year		**(2,802)**	8,798
Other comprehensive (loss) income			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plan		**37**	50
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(32)**	(1,321)
Total comprehensive (loss) income for the year		**(2,797)**	7,527
Earnings per share			
Basic (loss) earnings per share (US cents)	18	**(0.80)**	2.51
Diluted (loss) earnings per share (US cents)	18	**(0.80)**	2.51

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, 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 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
Profit for the year ended December 31, 2023	**--**	**--**	**--**	**(2,802)**	**--**	**(2,802)**
Other comprehensive income 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

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

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 29	**(5,741)**	--
Proceeds from realisation of property, plant and equipment	**56**	51
Short-terms investments	**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

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, 2023, 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 2023 the diamond industry again faced significant macroeconomic headwinds, as well as disruption by the Lab Grown Diamonds (LGD) segment.

Interest rates negatively affected the key U.S. market for much of the year. In China, the second most important market for diamond jewellery, ongoing negative macroeconomic conditions, drive Chinese consumers to prefer spending on gold, the historical safe haven, rather than on diamond jewellery.

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. 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. Towards the end of 2023, Indian manufacturers declared a self-imposed two-month moratorium on the import of rough diamonds.

In May 2023 the Group completed 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.

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 24, 2024.

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 11 – Intangible Assets – assumptions used in valuation model.
- 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.

3. 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.

Note 2 - Basis of Preparation (cont'd)

E. Changes in accounting policies
Initial application of new standards, amendments to standards and interpretations (cont'd)

4. 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.

F. Company Statements of Financial Position

The Company's statements of financial position for the years ended December 31,2023 and 2022 have been prepared on the same basis as the consolidated financial statements.

Note 3 - Material 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. 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. In the business combination that took place in 2023 (see note 29), the Company acquired 70% of the acquiree and received a put option on the remaining 30%. The Company implemented the "Anticipated Acquisition Method". Accordingly the Company accounts for 100% of the acquiree and does not record non-controlling interest. The consideration according to this method consists of the cash paid and the present value of the future payment of the remaining 30% ("the Put Option Liability"). The subsequent changes to the Put Option Liability are recorded as financial expenses in the statement of profit and loss. Any capital contributions by the owner of the remaining 30% is recorded as an addition to the Company's equity.

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.

Note 3 - Material Accounting Policies (cont'd)

C. 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.

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.

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.

Note 3 - Material Accounting Policies (cont'd)

E. Intangible assets (cont'd)

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.

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.

Note 3 - Material Accounting Policies (cont'd)

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.

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.

Note 3 - Material Accounting Policies (cont'd)

G. Impairment (cont'd)

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.

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.

Note 3 - Material Accounting Policies (cont'd)

H. Employee benefits (cont'd)

iii. 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.

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. 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.

Note 3 - Material Accounting Policies (cont'd)

J. Revenue (cont'd)

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.

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.

K. 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.

L. 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.

Note 3 - Material Accounting Policies (cont'd)

L. Leases (cont'd)

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.

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.

M. 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.

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.

Note 3 - Material Accounting Policies (cont'd)

M. Income tax (cont'd)

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.

N. 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, 2023, and have not been applied in preparing these financial statements.

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.

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.

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

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.

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, 2023 and 2022, 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						
2023	**22,036**	**6,336**	**2,730**	**5,147**	**1,803**	**4,892**	**42,944**
2022	30,309	13,692	3,502	842	2,227	8,191	58,763

For the year ended December 31, 2023, no customer accounted for over 10% of Group revenue. For the year ended December 31, 2022, no customer accounted for over 10% 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.

	Group Property, plant and equipment					
	India	Africa	USA	Israel	Other[1]	Consolidated
	US$ thousands					
December 31, 2023	**4,992**	**6**	**5,385**	**1,220**	**34**	**11,637**
December 31, 2022	4,704	6	4,400	1,279	42	10,431

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

Note 7 - Revenue

Composition

	Group	
	Year ended December 31	
	2023	2022
	US$ thousands	
Revenue from sale of products[1]	**31,397**	50,785
Revenue from maintenance and services[2.]	**11,547**	7,978
	42,944	58,763

[1] Includes Galaxy™ family revenues associated with customer-owned machines.

[2.] Includes annual maintenance contracts and service center revenues

Note 8 - Net Finance Income

	Group	
	Year ended December 31	
	2023	2022
	US$ thousands	
Interest income on financial assets and bank deposits	**799**	381
Net interest income - (expense) income taxes*	**2**	(27)
Interest expense on lease liabilities	**(242)**	(117)
Bank charges	**(103)**	(124)
Revaluation of lease liabilities from exchange rate differences	**144**	630
Other net foreign exchange gain loss	**(24)**	(406)
	576	337

* 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 2023 and 2022 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	
	2023	2022
	US$ thousands	
Current tax expense	**1,338**	2,518
Taxes in respect of previous years	**267**	(22)
Deferred tax (income) expense	**(71)**	41
Total income tax expense	**1,534**	2,537

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	
	2023	2022
	US$ thousands	
Profit before income tax expense	**(1,268)**	11,335
Income tax using Israel tax rate of 23%	**(292)**	2,607
Effects of lower tax rates arising from "Approved and Beneficiary Enterprise" status	**(1,741)**	(2,908)
Current year tax losses and benefits for which deferred taxes were not created	**3,301**	2,234
Taxes in respect of previous years	**279**	(22)
Reassessment of utilisation of deferred asset	**--**	100
Tax on dividend from foreign subsidiaries	**--**	586
Other differences	**(13)**	(60)
	1,534	2,537

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	
	2023	2022	2023	2022
	US$ thousands			
Other payables and employee benefits	**165**	160	**--**	--
Allowance for expected credit losses	**86**	36	**--**	--
Know-how	**--**	7	**--**	--
Research and development expenses	**97**	94	**--**	--
Fixed assets	**220**	202	**--**	--
	568	499	**--**	--

The deferred tax balances as at December 31, 2023 and 2022 were calculated at the tax rate expected to apply on the date of reversal.

Unrecognised deferred tax assets

For the years ended December 31, 2023 and 2022, Group deferred tax assets in respect of tax losses in the amount of US$ 111.9 million and US$ 97.2 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 3M). 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, 2023 a deferred tax liability for temporary differences in the amount of US$ 22.4 million (2022 – US$ 20.4 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, 2022	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
Additions	**339**	**853**	**53**	**1,073**	**477**	**2,795**
Disposals	**(169)**	**(658)**	**--**	**(36)**	**--**	**(863)**
Effect of changes in exchange rates	**(2)**	**--**	**--**	**(6)**	**(23)**	**(31)**
Balance at December 31, 2023	**3,597**	**3,853**	**134**	**7,585**	**13,872**	**29,041**
Depreciation						
Balance at January 1, 2022	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
Depreciation	**255**	**517**	**12**	**226**	**515**	**1,525**
Disposals	**(167)**	**(611)**	**--**	**(29)**	**--**	**(807)**
Effect of changes in exchange rates	**(2)**	**--**	**--**	**(13)**	**(8)**	**(23)**
Balance at December 31, 2023	**3,113**	**2,958**	**68**	**6,155**	**5,110**	**17,404**
Carrying amounts						
At December 31, 2022	402	606	25	583	8,815	10,431
At December 31, 2023	**484**	**895**	**66**	**1,430**	**8,762**	**11,637**

* 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, 2022	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
Additions	**236**	**767**	**34**	**195**	**--**	**1,232**
Disposals	**(79)**	**(593)**	**--**	**(16)**	**--**	**(688)**
Balance at December 31, 2023	**2,266**	**2,857**	**65**	**907**	**797**	**6,892**
Depreciation						
Balance at January 1, 2022	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
Depreciation	**201**	**418**	**7**	**46**	**83**	**755**
Disposals	**(79)**	**(548)**	**--**	**(16)**	**--**	**(643)**
Balance at December 31, 2023	**1,911**	**2,010**	**23**	**584**	**537**	**5,065**
Carrying amounts						
At December 31, 2022	320	543	15	174	343	1,395
At December 31, 2023	**355**	**847**	**42**	**323**	**260**	**1,827**

Note 11 - Intangible Assets

	Group				
	Goodwill	Development costs	Customer Relationships	Know-how, intellectual property and other	Total
	US$ thousands				
Cost					
Balance at January 1, 2022	1,868	6,979	124	17,612	26,583
Additions for the year	--	--	--	--	--
Balance at December 31, 2022	1,868	6,979	124	17,612	26,583
Additions for the year	3,076	--	1,825	1,256	6,157
Balance at December 31, 2023	**4,944**	**6,979**	**1,949**	**18,868**	**32,740**
Amortisation					
Balance at January 1, 2022	--	6,674	92	17,573	24,339
Amortisation for the year	--	126	28	39	193
Balance at December 31, 2022	--	6,800	120	17,612	24,532
Amortisation for the year	**--**	**126**	**170**	**160**	**456**
Balance at December 31, 2023	**--**	**6,926**	**290**	**17,772**	**24,988**
Carrying amount					
At December 31, 2022	1,868	179	4	--	2,051
At December 31, 2023	**4,944**	**53**	**1,659**	**1,096**	**7,752**

	Company			
	Goodwill	Development costs	Know-how, intellectual property and other	Total
	US$ thousands			
Cost				
Balance at January 1, 2022	--	411	--	411
Balance at December 31, 2022	--	411	--	411
Balance at December 31, 2023	**--**	**411**	**--**	**411**
Amortisation				
Balance at January 1, 2022	--	273	--	273
Amortisation for the year	--	68	--	68
Balance at December 31, 2022	--	341	--	341
Amortisation for the year	**--**	**70**	**--**	**70**
Balance at December 31, 2023	**--**	**411**	**--**	**411**
Carrying amount				
At December 31, 2022	--	70	--	70
At December 31, 2023	**--**	**--**	**--**	**--**

The amortisation of know-how, intellectual property, development costs and other intangible assets is recognised in cost of sales (see also Note 3E). The amortisation of customer relationships is recognized in selling expenses.

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	
	2023	2022	2023	2022
	US$ thousands			
Raw materials and consumables	**6,675**	5,322	**4,555**	3,325
Work in progress	**1,412**	1,204	**1,144**	773
Finished goods	**2,433**	333	**1,625**	290
	10,520	6,859	**7,324**	4,388

During the years 2023 and 2022, no write down of inventories was recorded.(see also Note 3F).

Note 13 - Trade Receivables

	Group		Company	
	2023	2022	2023	2022
	US$ thousands			
Short-term				
Trade receivables	**16,018**	22,498	**6,060**	7,130
Allowance for doubtful receivables	**(1,366)**	(1,022)	**(241)**	(397)
	14,652	21,476	**5,819**	6,733
Long-term				
Trade receivables	**573**	1,006	**276**	653
	573	1,006	**276**	653

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	
	2023	2022	2023	2022
	US$ thousands			
Government institutions	**324**	861	**78**	373
Advances to suppliers	**188**	657	**139**	548
Prepaid expenses	**718**	836	**477**	615
Other	**153**	142	**5**	17
	1,383	2,496	**699**	1,553

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 4.40% at December 31, 2023 (December 31, 2022 – 4.60%).

At December 31, 2022 the Company short-term investments were comprised of bank deposits having weighted average interest rates of 4.67%. (see also Note 23).

Note 16 - Cash and Cash Equivalents

	Group		Company	
	2023	2022	2023	2022
	US$ thousands			
Bank balances	**10,758**	14,412	**2,338**	8,868
Bank deposits	**11,593**	10,895	**5,306**	8,348
	22,351	25,307	**7,644**	17,216

Group bank deposits denominated in US dollars have weighted average interest rates of 4.95% at December 31, 2023 (December 31, 2022 – 4.11%) Company bank deposits denominated in US dollars have weighted average interest rates of 4.79% at December 31, 2023 (December 31, 2022 – 4.00%). 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	
	2023	2022
	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	**356,812,335**	356,447,895
Dormant shares (out of the issued and fully paid share capital):		
Ordinary shares of no par value	**(9,067,900)**	(7,509,700)
Total number of issued shares:		
(excluding dormant shares)	**347,744,435**	348,938,195

The following are the changes in the issued shares of the Company for the years ended December 31, 2023 and 2022:

	2023	2022
	Number of shares	
Issued ordinary shares at January 1	**348,938,195**	351,090,280
Share options exercised	**364,440**	967,415
Dormant shares purchased	**(1,558,200)**	(3,119,500)
Issued ordinary shares at December 31	**347,744,435**	348,938,195

On April 26, 2022 and on April 24, 2023, 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, 2023, the Company purchased 1,558,200 ordinary shares, at a cost of US$ 354 thousand. For the year ended December 31, 2022, the Company purchased 3,119,500 ordinary shares, at a cost of US$ 894 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, 2023 364,440 shares were issued upon the exercise of options for cash. For the years ended December 31, 2022 967,415 shares were issued upon the exercise of options for cash (see also Note 21).

For the years ended December 31, 2023 and 2022, the Company declared and paid dividends in the amount of US$ 4.4 million and US$ 10.5 million per year, respectively, amounting to US cents 1.25 and US cents 3.0 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, 2023 was based on the loss attributable to ordinary shareholders of US$ 2,802 thousand (versus the profit in 2022 attributable to ordinary shareholders of US$ 8,798 thousand) and a weighted average number of ordinary shares outstanding of 348,841,849 (2022 –350,518,378), calculated as follows:

	2023	2022
Issued ordinary shares at January 1	**348,938,195**	351,090,280
Effect of share options exercised	**225,577**	400,081
Effect dormant shares purchased	**(321,923)**	(971,983)
Weighted average number of ordinary shares at December 31	**348,841,849**	350,518,378

Diluted earnings per share

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 thousand (versus the profit in 2022 attributable to ordinary shareholders of US$ 8,798 thousand) 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:

	2023	2022
Weighted average number of ordinary shares (basic)	**348,841,849**	350,518,378
Effect of share options on issue	**--**	281,176
Weighted average number of ordinary shares (diluted) at December 31	**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 19 – Other Payables

	Group		Company	
	2023	2022	2023	2022
	US$ thousands			
Employees and institutions	**2,312**	3,913	**1,234**	2,434
Deferred revenue	**1,643**	1,175	**203**	79
Advances from customers	**381**	1,629	**296**	1,250
Accrued expenses	**1,307**	1,274	**778**	904
Subsidiaries	**--**	--	**1,611**	2,251
Related parties	**--**	216	**--**	216
Other	**12**	13	**5**	5
	5,655	8,220	**4,127**	7,139

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	
	2023	2022
	US$ thousands	
Present value of the obligation	**852**	905
Less fair value of assets	**699**	711
Recognised liability for defined benefit obligation	**153**	194

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	
	2023	2022	2023	2022	2023	2022
	US$ thousands					
Balance as at January 1	**905**	1,095	**711**	820	**194**	275
Included in profit or loss	**--**	(109)	**4**	22	**(4)**	(131)
Included in other comprehensive income	**(21)**	(81)	**16**	(131)	**(37)**	50
Benefits paid	**(32)**	--	**(32)**	--	**--**	--
Balance as at December 31	**852**	905	**699**	711	**153**	194

Principal actuarial assumptions:

	2023	2022
Discount rate (1)	**3.29%**	2.37%
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 2023 and 2022 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, 2023	
	One percentage point increase	One percentage point decrease
	US$ thousands	
Future salary growth	**24**	**(20)**
Discount rate	**(18)**	**22**

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.

	2023	2022
	US$ thousands	
Amount recognised as expense in respect of defined contribution plan	**1,480**	1,402

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, 2023, 42,214,320 options have been granted under the 2015 Plan, of which 17,073,711 options are currently outstanding, and 3,140,209 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, 2023, the Company granted 4,925,000 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, 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 targets. (also see Note 27). Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2023		2022	
	Weighted average exercise price in US$ per share	Options	Weighted average exercise price in US$ per share	Options
Outstanding at January 1	**0.57**	**15,529,930**	0.66	17,078,523
Granted	**0.33**	**4,925,000**	0.37	2,530,000
Forfeited	**1.10**	**(3,016,779)**	0.99	(3,111,178)
Exercised	**0.20**	**(364,440)**	0.17	(967,415)
Outstanding at December 31	**0.42**	**17,073,711**	0.57	15,529,930

The number of share options vested at December 31, 2023 and 2022 was 9,409,540 and 9,061,595, 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, 2023 and 2022: weighted average expected volatility of: 47.0% and 45.87%, respectively; weighted average risk-free interest rates (in US dollar terms) of 2.87% and 2.44%, respectively; dividend yield of 6.26% and 4.48%, respectively. The weighted average fair value of the share options granted during the years ended December 31, 2023 and 2022 using the model was US$ 0.090 and US$ 0.113 per share option, respectively.

The average share price in 2023 was US$ 0.29 (2022 – US$ 0.33).

The following table summarises information about share options outstanding at December 31, 2023:

	Options outstanding			Options exercisable	
Range of exercise prices US$ per share	**Number outstanding**	**Weighted-average remaining contractual life (years)**	**Weighted-average exercise price US$**	**Number Exercisable**	**Weighted-average exercise price US$**
0.17 – 0.28	5,061,600	1.7	0.23	4,966,600	0.23
0.31 – 0.34	4,650,000	5.3	0.34	--	--
0.38 – 0.60	4,177,499	3.8	0.42	1,258,328	0.43
0.83 – 0.89	3,184,612	0.2	0.87	3,184,612	0.87
	17,073,711			9,409,540	

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

	Year ended December 31	
	2023	**2022**
	US$ thousands	
Cost of sales	**1**	5
Research and development expenses	**51**	42
Sales and marketing expenses	**54**	50
General and administrative expenses	**217**	167
	323	264

Note 22 - Warranty Provision

The provision for warranty relates mainly to product sales during the years ended December 31, 2023 and 2022. 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	
	2023	**2022**	**2023**	**2022**
	US$ thousands			
Balance at the beginning of the year	**359**	333	**239**	234
Provisions made during the year	**426**	390	**338**	273
Provisions used during the year	**(497)**	(364)	**(370)**	(268)
Balance at the end of the year	**288**	359	**207**	239

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			
	2023	2022	2023	2022
	US$ thousands			
India	**10,366**	14,386	**2,053**	3,667
Europe	**1,209**	502	**1,116**	400
USA	**737**	207	**355**	193
Africa	**1,170**	4,217	**147**	554
Israel	**268**	692	**1,354**	1,171
Other	**1,475**	2,478	**1,070**	1,401
	15,225	22,482	**6,095**	7,386

For the years ended December 31, 2023 and 2022, one customer comprised approximately 15% and 19%, respectively, of the Group's outstanding trade receivables. For the years ended December 31, 2023 and 2022, one customer comprised approximately 14% and 22%, respectively, of the Company's outstanding receivables. For the year ended December 31, 2023 a second customer comprised approximately 18% of the Company's outstanding trade receivables.

Impairment losses

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

	Group		Company	
	2023	2022	2023	2022
	US$ thousands			
Not past due	**7,285**	14,802	**2,524**	3,929
Past due 0-30 days	**1,342**	2,196	**637**	936
Past due 31-90 days	**2,463**	2,383	**887**	757
More than 90 days*	**5,501**	4,123	**2,288**	2,161
	16,591	23,504	**6,336**	7,783
Allowance for doubtful receivables	**(1,366)**	(1,022)	**(241)**	(397)
	15,225	22,482	**6,095**	7,386

* The majority of the non-impaired balances over 90 days as of December 31, 2023 were paid subsequent to December 31, 2023.

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

	Group		Company	
	2023	2022	2023	2022
	US$ thousands			
Balance at January 1	**1,022**	860	**397**	245
Movement	**344**	162	**(156)**	152
Balance at December 31	**1,366**	1,022	**241**	397

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, 2023 and 2022:

	Group			
	December 31, 2023		December 31, 2022	
	NIS	Rupee	NIS	Rupee
Cash and cash equivalents	**1,833**	**1,619**	9,884	800
Trade receivables	**3**	**833**	7	966
Other current assets	**282**	**412**	798	413
Current and long-term lease liabilities	**(3,566)**	**(129)**	(4,353)	(16)
Trade payables	**(1,011)**	**--**	(3,043)	(180)
Income tax payable	**--**	**(48)**	(1,481)	(288)
Other payables	**(2,090)**	**(1,958)**	(2,109)	(1,670)
Net balance sheet exposure	**(4,549)**	**729**	(297)	25

	Company			
	December 31, 2023		December 31, 2022	
	NIS	Rupee	NIS	Rupee
Cash and cash equivalents	**907**	**--**	7,449	--
Trade receivables	**3**	**--**	7	--
Other current assets	**261**	**--**	539	--
Current and long-term lease liabilities	**(3,534)**	**--**	(4,206)	--
Trade payables	**(812)**	**--**	(1,694)	--
Other payables	**(1,582)**	**--**	(1,593)	--
Net balance sheet exposure	**(4,757)**	**--**	502	--

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

	Average rate		As at December 31	
	2023	2022	2023	2022
NIS 1	**3.687**	3.358	**3.627**	3.519
Rupee 1	**82.57**	78.55	**83.12**	82.79

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, 2023, the Group maintained its portion of cash and cash equivalents held in NIS (equivalent to US$ 1.8 million at December 31, 2023 (US$ 9.9 million in 2022)). 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$ 234 thousand and US$ 248 thousand, respectively, have been recognised in the statement of financial position as at December 31, 2023 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$ 6,398 thousand and US$ 5,784 thousand, respectively, have been recognised in the statement of financial position as at December 31, 2023 in respect of those leases.

B. Right-of-use assets

	Group		
	Office facilities	**Motor vehicles**	**Total**
		US$ thousands	
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
Balance at January 1, 2023	**3,626**	**292**	**3,918**
Additions	**3,372**	**150**	**3,522**
Depreciation	**(1,214)**	**(194)**	**(1,408)**
Balance at December 31, 2023	**5,784**	**248**	**6,032**

	Company		
	Office facilities	**Motor vehicles**	**Total**
		US$ thousands	
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
Balance at January 1, 2023	**3,547**	**204**	**3,751**
Additions	**--**	**150**	**150**
Depreciation	**(747)**	**(140)**	**(887)**
Balance at December 31, 2023	**2,800**	**214**	**3,014**

Note 24 – Leases (cont'd)

C. Lease liabilities

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**
Balance at December 31, 2023	**6,632**	**3,534**

D. Additional information on leases

Amounts recognised in profit or loss

	2023	2022
	US$ thousands	
Interest expense on lease liabilities	**242**	117
Revaluation of lease liabilities from exchange rate differences	**(144)**	(630)
Depreciation of right-of-use assets	**1,408**	1,053
Total	**1,506**	540

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$ 152,000.

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 IIA, excluding Galatea, which was repaid in 2013, was approximately US$ 1.1 million through December 31, 2023. 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 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	
	2023	**2022**
	US$ thousands	
Remuneration of CEO and directors		
Fixed income-based	**901**	832
Share-based payments	**212**	136
Other performance based incentives	**--**	503
	1,113	1,471

Pursuant to an Annual General Meeting and an Extraordinary General Meeting of the Company's shareholders held on April 24, 2023, 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$0.446 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, six directors were granted 2,250,000 options to purchase ordinary shares of the Company, exercisable upon the payment of S$0.446 per share (at no discount of the then Market Price – as such term is defined in the 2015 Plan), with vesting conditions of one to three years and a contractual life of six years. The options will vest subject to service-based conditions. The fair value of the options granted was US$ 0.090 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 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).

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, 2023 and 2022 %**
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%
GCAL	New York, USA	70%

Note 28 – Group Entities (cont'd)

B. Movements in investments in subsidiaries:

	Company	
	2023	**2022**
	US$ thousands	
Balance at beginning of year	**36,022**	46,308
Movements during the year:		
Loans and credit granted to subsidiaries	**12,360**	4,300
The Company's share of profits	**5,194**	11,476
Dividend	**(10,000)**	(26,062)
Balance at end of year	**43,576**	36,022

Note 29 – 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

Note 29 – Business acquisition Business combination during the current period (cont'd)

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.

Additional Information

The amounts of revenue and profit of the acquiree since the acquisition date included in the consolidated statement of profit and loss and other comprehensive income for the year ended December 31, 2023 is US$ 4.1 million and US$ 0.1 million, respectively.

Below are certain unaudited pro forma, combined statement of profit and loss data for the year ended December 31, 2023 , presented as if the GCAL Acquisition had occurred on January 1, 2023, after giving effect to: (a) purchase accounting adjustments, including the increase in amortisation of identifiable intangible assets, and (b) estimated lower financial income due to add-back of interest income on the Company's cash, cash equivalents and short-term investments used as cash consideration in the acquisition. This unaudited pro forma financial information is not necessarily indicative of the combined results that would have been attained had the acquisition taken actually place at the beginning of 2023, nor is it necessarily indicative of future results.

	Year ended December 31, 2023
	US$ thousands
	(unaudited)
Sales	44,203
Net loss	(3,222)

Note 30 - 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.

Issued and fully paid-up	-	356,812,335
No. of Treasury Shares	-	13,155,774
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	21	1.24	627	0.00
100 – 1,000	123	7.28	87,877	0.03
1,001 - 10,000	766	45.33	4,505,441	1.26
10,001 - 1,000,000	760	44.97	46,101,748	12.92
1,000,001 and above	20	1.18	306,116,642	85.79
	1,690	100.00	356,812,335	100.00

Shareholdings Held in Hands of Public

Based on information available to the Company as at 11 March 2024, approximately 67.63% 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	Raffles Nominees (Pte) Ltd	90,669,770	26.38
2	Citibank Nominees Singapore Pte Ltd	82,978,407	24.15
3	DBS Nominees (Pte) Limited	52,576,515	15.30
4	BPSS Nominees Singapore (Pte.) Ltd.	15,927,945	4.64
5	UOB Kay Hian Pte Ltd	11,527,274	3.35
6	Eyal Avraham Khayat	8,672,559	2.52
7	Phillip Securities Pte Ltd	4,493,171	1.31
8	OCBC Securities Private Ltd	4,238,411	1.23
9	BNP Paribas Nominees Singapore Pte Ltd	3,676,000	1.07
10	Goh Han Choon Steve	3,108,015	0.90
11	28 Holdings Pte. Ltd.	2,750,000	0.80
12	Cheng Heng Seng	2,270,000	0.66
13	San Tai Construction (S) Pte Ltd	1,650,000	0.48
14	ABN Amro Clearing Bank N.V.	1,359,002	0.40
15	Chow Kwok Hong	1,330,851	0.39
16	Soh Cheng Lin	1,199,900	0.35
17	IFast Financial Pte Ltd	1,198,009	0.35
18	Tiger Brokers (Singapore) Pte. Ltd.	1,140,972	0.33
19	Baey Boon Lin	1,110,000	0.32
20	Cheong Shuek Mui	1,084,067	0.32
		292,960,868	85.25

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 11 March 2024 of 343,656,561 shares (which excludes 13,155,774 shares which are held as treasury shares representing approximately 3.83% of the total number of issued shares excluding treasury shares).

There were no Subsidiary Holdings (as defined in the SGX-ST Listing Manual) as at 11 March 2024.

SHAREHOLDING STATISTICS
AS AT 11 MARCH 2024

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest No. of Shares	Direct Interest %*	Deemed Interest No. of Shares	Deemed Interest %*
FIMI Opportunity 7, L.P.	--	--	38,853,937	11.31%
Axxion S.A.	--	--	32,193,900	9.37%

* The percentage of issued ordinary shares is calculated based on the number 356,812,335 of issued ordinary shares of the company as at 11 March 2024 (excluding 13,155,774 treasury shares).

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 2023	As at 31 December 2023	As at 21 January 2024	As at 1 January 2023	As at 31 December 2023	As at 21 January 2024
Daniel Benjamin Glinert	--	--	--	12,734,156	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
Varda Shine	--	--	--	225,000	350,000	350,000
Neta Zruya-Hashai	--	--	--	--	--	--
Lim Yong Sheng	--	--	--	225,000	350,000	350,000
Sin Boon Ann	--	--	--	--	--	--

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held in the Empress Ballroom 1, Level 2, at the Singapore Carlton Hotel, 76 Bras Basah Rd, Singapore 189558, on the 24th day of April 2024 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 2023 and the reports of the directors and auditors thereon.

2. 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.

3. To approve 2024 – 2026 Remuneration Policy [See Appendix A and Explanatory Notes (a), (b) and (c)].

4. To approve 2024 Remuneration Package for Daniel Benjamin Glinert, Executive Chairman of the Board [See Appendix B and Explanatory Note (d)].

5. To approve 2024 Remuneration Package for David Block, CEO [See Appendix B and Explanatory Note (c)].

6. To approve the grant of 1,000,000 options to David Block, CEO [See Appendix B and Explanatory Notes (c) and (e)].

Special Business

7. To consider and, if thought fit, to pass the following members' resolutions with or without amendments:-

7.1 Authority to issue shares [see Explanatory Note (f)]

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.

7.2 Authority to offer and grant options and issue shares pursuant to the 2015 Share Option Plan. [See Explanatory Note (g)]

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.

8. 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,
02 April 2024

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) Pursuant to the Israeli Companies Law, 5759-1999 (the "**Israeli Companies Law**"), each publicly-traded Israeli company is required to set a remuneration policy addressing issues such as actual remuneration, in cash and in kind, retirement terms, indemnification, insurance and exemption from liability (the "**Remuneration Policy**").

The Remuneration Policy should create clear guidelines for personalised, fixed and incentive-based, remuneration of officers, in line with the company's goals, plans, long-term policy and risk management policy. The Remuneration Policy should also set measurable corporate and personal targets, set a cap on variable remuneration and provide for return of variable remuneration, in case such was paid based on inaccurate data.

Such Remuneration Policy should be adopted by the Board of Directors of the company, at least every three years, based on the recommendations of the Remuneration Committee, and be further approved by the general meeting of the shareholders of the company.

The Company's most recent Remuneration Policy has been approved by the Company (in the manner specified above) in the general meeting of the shareholders of the Company which was held on 27 April 2021. Therefore, the Company is required to either ratify such Remuneration Policy or adopt a new one.

The Company's Remuneration Committee and the Company's Board of Directors discussed and approved the Remuneration Policy detailed in Appendix I on 25 March 2024, and summarised in Note (b).

(b) Remuneration Policy - Summary

General

- The Remuneration Policy incorporates the Company's vision and major (business, social and sustainability) goals.
- The Remuneration Policy is intended to align the Company's objectives and work plans with appropriate goals and objectives of its office holders and directors, and ensure that the overall financial and strategic objectives of the Company and its shareholders are met.
- The actual proposed packages will take into account the officers' and directors' knowledge, skills, expertise, experience and past accomplishments in and prior to joining the Group, comparable salaries in the Group and comparable remuneration of officers holding similar positions.
- The actual proposed packages will take into account existing remuneration agreements and will not decrease from those.
- The fixed compensation (salary / pay) is not dependent on actual results.
- The variable compensation (bonuses) should take into account the Group's short-term and long-term goals. The variable compensation may be zero, but may not be negative.
- Equity based compensation is all at market price and is to be aimed at falling within guidelines set in the Remuneration Policy based on cost, estimated using a lattice-based valuation model applying management assumptions, at time of grant.
- All target based compensation will be based on audited (or otherwise verified) financial / business results and may be corrected (and reimbursed, if necessary, by the beneficiary), if subsequent audits find cause for restatements of results.
- We believe the proposed policies will not create disparities which will impair labour relations, as will be eminent from the actual proposed packages, which will provide appropriate metrics.
- Severance compensation will be solely as prescribed by the relevant statutory requirements (no so-called "golden parachutes").
- Office holders shall be entitled to benefits (such as vacation days, sick days, pension fund, education fund, company car, etc., in line with the requirements of the applicable laws and/ or in line with common practice (as applicable).
- Specific exemptions from ceilings of standard Israeli benefits may be approved as appropriate, e.g., additional health and disability insurance for individuals with special requirements.
- The Company shall maintain, at all times, Directors' and Officers' liability insurance for the directors and officers of the Company and of its direct and indirect subsidiaries, subject to the provisions of applicable laws and of each company's Articles of Association. The maximum amount covered by such insurance shall not exceed US$30 million, its annual cost to the company shall not exceed US$1,000,000.
- The Company shall grant its directors and the directors of its (direct and indirect) subsidiaries letters of exculpation and indemnification, in line with the Company's existing practice and subject to the provisions of applicable laws and of each company's Articles of Association.
- See also Appendix B for details of the proposed packages for the Directors and CEO.

(c) A shareholders' 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 resolution No. 3 (approval of the Company's Remuneration Policy), resolution No. 5 (approval of the CEO's Remuneration Package) and resolution No. 6 (approval of grant of options to CEO) on the agenda of this Annual General Meeting requires a majority of the shareholders attending and voting (abstaining votes notwithstanding), provided that: (i) such majority shall consist of the majority of the participating and voting shareholders who are not the controlling shareholders of the company, or otherwise having a personal interest in such resolution; or (ii) the non-interested shareholders 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".

<u>Please Note:</u> according to Israeli court ruling, a shareholder must <u>positively inform</u> 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 3, 5 & 6. Your failure to check the box on the proxy form indicating that you have <u>no personal interest</u> will therefore require the Company to assume that you have a personal interest in resolutions 3, 5 & 6 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 3, 5 & 6. 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 3, 5 & 6, 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.

(d) As per detailed in the Appendix B, there is no change in Mr. Glinert's NIS-based employment terms from 2023, resulting, in fact, in a marginally reduced US$ expense (due to current exchange rates). No options are being proposed to be granted to Mr. Glinert.

(e) The Board of Directors has recommended granting 1,000,000 options to Mr. Block, CEO, to vest after 3 years, contingent upon the share price reaching SGD 0.8 within that timeframe (with partial pro-rated vesting in case of the share price only reaching a pre-designated threshold).

(f) The members' resolution set out in item 7.1 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.

(g) The members' resolution set out in item 7.2 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/2024/2024_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 main@zicoholdings.com; or
(iv) by post to the office of the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896

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 2024, 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.

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 11 April 2024, 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 18 April 2024.

(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.

Remuneration Policy for Officers and Directors

(“the Policy”)

Sarine Technologies Ltd. and subsidiaries

("Sarine" or the **"Company")**

Table of Contents

1. Background and General Provisions

Amendment No. 20 to the Israeli Companies Law, 1999 (the "**Israeli Companies Law**") was enacted on December 12th, 2012. This amendment mandates the adoption of a remuneration policy for officers ("Nosei Misra" – as such term is defined in the Israeli Companies Law: i.e. any member of the Board of Directors, a General Manager, a Chief Executive Officer, a deputy Chief Executive Officer, any person effectively holding such position in the company, irrespective of his or her title, and also any manager who reports directly to the Chief Executive Officer) in publicly-traded companies, and defines a special procedure for authorising employment terms for office holders.

The purpose of this remuneration policy (the "**Remuneration Policy**" or the "**Policy**") is to describe Sarine's overall remuneration strategy for Officers and Directors (as such terms are defined hereinbelow) and to provide guidelines for setting remuneration of its Officers and Directors.

The Remuneration Policy is a multi-year policy which shall be in effect for a period of three years from the date of its approval.

This Policy is not intended to affect current agreements nor affect obligating customs (if applicable) between the Company and its Officers or Directors as such may exist prior to the approval of this Remuneration Policy.

Nothing in this Remuneration Policy shall obligate the Company to grant any particular type or amount of remuneration to any Officer or Director, unless expressly stated otherwise, nor shall it derogate from approval procedures mandated by the Israeli Companies Law.

In the event that the appropriate decision makers of the Company determine that a certain Officer or Director of the Company is entitled to compensation lesser than such specified in this Policy, such lesser compensation shall not be deemed a deviation from this Policy.

Any amendment to this Remuneration Policy shall require the approvals as set forth in the Israeli Companies Law.

The Company has constituted and established a Remuneration Committee (the "**Remuneration Committee**") with the authority, responsibility and specific duties described in a Remuneration Committee Charter that was approved by the Company's Board of Directors (the "**Board**"). Pursuant to the Remuneration Committee Charter, the Remuneration Committee shall be composed of at least three directors. All of the External Directors (as such term is defined in the Israeli Companies Law) shall be members of the Remuneration Committee.

The Remuneration Committee and the Board shall review this Remuneration Policy from time to time, as required by the Israeli Companies Law. This Remuneration Policy shall be brought for reconsideration as required (currently, every three years) by the Israeli Companies Law.

2. The Company

Sarine Technologies Ltd. is a worldwide leader in the development and manufacturing of advanced evaluation, planning, processing finishing and grading systems for diamond production, as well as products and services aimed at assisting the wholesale and retail trade of same. 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.

3. Sarine's Vision and Major Goals

Sarine believes in growth and expansion through innovation by developing and introducing revolutionary technologies and products aimed at redefining the gold standard of the diamonds value chain. Accordingly, the Company's goals are:

- To constantly increase value for our shareholders.
- To continue growing at substantial growth rates by meeting our business objectives.
- To maintain our leadership position in the diamond industry, as a technological and impartial innovator, providing value and adding certainty and visibility to all stakeholders in the industry: miners, manufacturers, retailers and consumers.
- To participate in formalising the diamond "language" and setting the industry's standards, while sustainably optimising the value derived from the rough diamond material, whether extracted or produced (LGD), to the benefit of our customers and the general public.
- To provide our employees a rewarding, challenging and dynamic working environments with continuous learning and improvement processes, in order to attract and retain talent.
- To improve our business while contributing to the betterment of our people and communities, based on the Company's four point vision on which our business is based; Innovation, Value, Employees and Community.

4. Definitions

For the purposes of this Policy:

"**Chairman**" shall mean the executive Chairman of the Board.

"**Director**" shall mean any member of the Board.

"**Executive Directors**" shall mean: the Executive Chairman of the Board and any other Executive Director (if any)

"**Officers**" or "**Office Holders**" shall mean: the CEO, and any senior executive subordinate to the CEO all as defined in section 1 of the Israeli Companies Law.

"**US$**" shall mean US Dollars

5. Remuneration Objectives

Strong and effective leadership is fundamental to Sarine's continued growth and success in the future. This requires the ability to attract, retain, reward and motivate highly-skilled Directors and Officers in competitive labour markets.

The Remuneration Policy is intended to align the Company's objectives and work plans with appropriate goals and objectives of Directors and Officers and ensure that the overall financial and strategic objectives of the company and its shareholders are met.

In support of this goal, remuneration practices for Sarine's Directors and Officers are designed to meet the following objectives:

- Improve business results and strategy implementation, and underpin the Company's work-plans, with a long-term perspective.
- Create a clear correlation between Executive Directors' and Officers' remuneration and both Company and individual performance.
- Align Directors' and Officers' interests with those of the Company and its shareholders and incentivise Officers to create long-term economic value for the Company.
- Create fair and reasonable incentives, considering the Company's size, characteristics, and business activities, in relation to the positions held by the Officers.
- Create an appropriate remuneration plan for Directors and Officers taking into account, inter alia, the Company's risk management policy.
- Create the right balance between fixed and variable pay components and balance rewards for both short-term and long-term results to ensure sustained business performance over time.
- Consider market benchmark remuneration data to ensure our Directors and Officers are compensated fairly and best practices are implemented.

6. General Considerations

The compensation of Executive Directors and Officers shall be set (or updated, as the case may be) with reference to the following considerations:

- Role and business responsibilities.
- Professional experience, education, expertise and qualifications.
- Previous compensation paid to the Executive Director or Officer.
- The Company's financial circumstances.
- Internal comparables: (a) compensation packages of comparable Company's Executive Directors or Officers; (b) the relationship between the Executive Director's or Officer's compensation package and the salaries of the Company's other employees and specifically the median and average salaries of the Company and the effect of such relationship on work relations in the Company.
- External comparables: market value based on a comparative salary survey, taking into account relevant market practice as a benchmark for the specific role using a peer-group of companies. The peer-group companies will be selected to provide an appropriate comparative model and will be selected based on appropriate similarities taking into account factors such as market capitalisation, type of industry, location of listing, level of revenues, number of employees, location of operations, relevance of such factors to the particular executive role being compared and any other factors that may be deemed appropriate by the Company.

- When deciding on increasing an Officer's Base Salary (as such term is defined below), the following considerations, in addition to the above mentioned, may be applied: changes to the Officer's scope of responsibilities and business challenges, the need to retain the Officer, inflation since the last remuneration update and updated market rate (based on a comparative salary survey). In addition, his or her full compensation package including any bonus and options will be considered to provide a comprehensive perspective.

- Adjustments to Base Salary may be periodically reviewed, considered and approved by the Remuneration Committee and the Board.

7. Remuneration Policy

7.1. Officers' and Executive Directors' Remuneration Package Components

Officers' and Executive Directors' remuneration packages will generally be composed of the following elements:

a. **Base Salary** – a fixed monetary remuneration paid on a monthly basis.

b. **Benefits** – supplements aimed at supplementing cash remuneration, based on local market practice or applicable law for comparable positions.

c. **Cash Bonus** (Short Term Incentive (**STI**)) – variable monetary bonus paid annually (or at the end of such longer periods for which targets may have been set as part of a multi-year plan), aimed at rewarding Officers based on both the Company's and individually set targets and stretch targets.

d. **Equity-based Remuneration** (Long Term Incentive (**LTI**)) – variable equity-based remuneration designed to retain Officers, align Officers' and shareholders' interests and incentivise achievement of medium and long-term goals.

e. **Termination Payments** – retirement and termination of service arrangements.

The "mix" of the elements that will be provided to each Officer and Executive Directors will be structured in order to support the Company's philosophy of compensating Officers and Executive Directors for Company and individual performance and aligning their interests with shareholders' interests, while recognising that the mix may vary from period to period and from Officer/Executive Director to Officer/Executive Director. Further details about the remuneration structure of the Company's Officers and Executive Directors may be found in Sections 7.4 and 7.5 below.

7.2. Base Salary

Base salary is a fixed remuneration element which provides remuneration to an Officer or an Executive Director for performance of his or her standard duties and responsibilities and reflects the Officer's role, skills, qualifications, experience and market value (the "Base Salary").

The Base Salary for newly hired Officers will be set based on the following considerations:

- Role and business responsibilities.

- Professional experience, education, expertise and qualifications.

- The Company's financial circumstances.

- Internal equity: (a) Base Salary and the total remuneration package of comparable Sarine Officers;
(b) The relationship between the Officer's remuneration package and the salaries of the Company's other employees and specifically the median and average salaries and the effect of such relationship on work relations in the Company.

- The size of the Company and the nature of its operations. In connection with the determination of the Base Salary of each Officer and its ongoing reassessment, appropriate attention should be given to the particular circumstances and challenges which such Officer faces, given the dynamic and fluctuating environment in which he or she operates.

- Any requirements or restrictions prescribed by the Israeli Companies Law, the SGX Listing Rules, and any other applicable law from time to time, and evolving best practices among shareholder advisory and institutional investor groups.

When deciding on increasing an Officer's Base Salary, the following considerations, in addition to the abovementioned, shall be applied: changes to the Officer's scope of responsibilities and business challenges, the need to retain the Officer, inflation since the last Base Salary update and updated market rate (based on a comparative salary survey).

Adjustments to Base Salary may be periodically reviewed, considered and approved by the Remuneration Committee and the Board.

In the event that the services of the Officer are provided via a personal management company and not by the Officer directly as an employee of Sarine, the fees paid to such personal management company (or unincorporated legal person) shall reflect, to the extent determined by Sarine in the applicable service agreement, the base salary and other benefits (plus applicable taxes such as Value Added Tax), in accordance with the guidelines of the Remuneration Policy.

The Base Salaries of the Company's Officers shall not exceed:

Title	Maximum Base Salary[1]
CEO	US$ 35,000
EVP/CFO Executive Directors	US$ 25,000
VPs	US$ 20,000

7.3. Benefits

The following benefits may be granted to the Officers and Executive Directors (where such Executive Directors are designated as "employees" under Israeli law) in order, among other things, to comply with legal requirements under Israeli law:

- Pension and savings – subject to applicable law, Officers can choose between any combinations of executive insurance, a pension fund, or any other program, permitted under applicable law. The Company's contribution towards such plans amounts to 5%-6% of the Officer's monthly salary.
- Disability insurance – the Company will purchase disability insurance for Officers; except in special cases, premium will not exceed 2.5% of the monthly salary, or as may be required by applicable law.
- Study fund – Officers are entitled to a study fund provision at the expense of the Company at a rate of 7.5% of the monthly salary, or as may be required by applicable law.
- Convalescence pay - Officers are entitled to convalescence pay according to applicable law.
- Vacation – Officers are entitled to annual vacation days pursuant to their employment agreement, up to a cap of 26 days per annum.
- Sick days – Officers are entitled to paid sick days, according to applicable law. However, the Company may cover sick days from the first day (while as the law requires only partial coverage for days 2 and 3 and full coverage only thereafter).
- The Company may offer additional benefits to the Officers, which will be comparable to customary market practices, such as, but not limited to: Company car benefits, including tax payments incurred in connection with the car, or, in lieu of a Company car, reimbursement of the Officer's expenses in relation to his/her own personal car; Company cellular phone; reimbursement of business travel expenses (according to seniority and length of flight), including a daily payment (per-diem) and other business related expenses; meals; etc.; provided however, that such additional benefits shall be determined in accordance with the Company's policies and procedures.

Non-Israeli Officers may receive similar, comparable or customary benefits as applicable in the jurisdiction in which they are employed.

7.4. Cash Bonus (STI)

Sarine's short term incentive scheme will be based on a variable monetary bonus paid either upon the achievement of pre-designated milestones (set either annually or for a longer, multi-year period) designed to reward Officers and Executive Directors based on the Company and his/her individually-defined results or based on measurement of the Officer's/Executive Director's and the Group's performance by the Remuneration Committee and the Board, based on a list of quantifiable and measurable targets (the "**Target Bonus**"). The Target Bonus will be set at two tiers – the Basic Tier and the Stretch Tier. The Basic Tier will remunerate the Officers and Executive Directors for achieving goals as proposed by the Company's Management and accepted by the Remuneration Committees of the Board, and as further approved by the Board. The Stretch Tier will remunerate the Officers and Executive Directors for achieving goals set by the Executive and Remuneration Committees of the Board and approved by the Board.

Target Bonus and maximum bonus: The Target Bonus is the amount an Officer will be entitled to receive upon achievement of such pre-designated milestones.

Title	Maximum Cash Bonus Basic Tier
CEO	12 Months' Salary
EVP/CFO/Executive Directors	12 Months' Salary
VPs	8 Months' Salary

Title	Maximum Cash Bonus Stretch Tier
CEO	6 Months' Salary
EVP/CFO/ Executive Directors	6 Months' Salary
VPs	4 Months' Salary

During the first calendar quarter of each calendar year, the Executive and/or the Remuneration Committee will determine the Basic and Stretch Tier Target Bonuses for each Officer and Executive Director, based on the relevant inputs from the CEO as pertaining to his subordinates, for the ensuing year (or the relevant target period), which will be approved by the Board at the annual budgeting meeting in the first quarter of the relevant year.

During the first quarter of each calendar year, the Remuneration Committee and the Board will consider the performance of the Company and the Officers and Executive Directors and shall ascertain the actual Target Bonuses payable per the Basic and Stretch Tiers for the previous year (if and to the extent payable) to the Officers and Executive Directors.

[1] As the payments to the Officers of the Company may be effected (in whole or in part) in New Israeli Shekels (NIS), the amounts specified herein are based on a illustrative exchange rate of 3.65NIS to US$1, and may be subject to increase in case of fluctuations in the applicable exchange rate.

The Board, at the recommendation of the Remuneration Committee, may set targets for a period of more than one year. In such instances, the Officer or Executive Director shall be eligible for the Target Bonus (per each year included in such multi-year period) either upon achieving such targets (whether at the end of such period or before) or, at the sole discretion of the Board, on a partial (e.g., pro-rata) basis for partially achieving targets at interim (typically annual) periods.

Objectives: The Company objectives and Officers' and Executive Directors' objectives will be determined based on pre-defined either qualitative or quantifiable considerations.

These objectives may include (but are not limited to) any one or more of the following criteria:

- Innovation objectives such as: introducing new products/services, and developing a pipeline of future products/ services.
- Operating plan targets such as: manage corporate operations to the approved annual budget.
- Financials objectives such as: revenue, gross margin, operational profit, EBITDA, net profit, share price, cash balance etc.
- Business development objectives such as: maintaining and expanding market share, entrance into new fields.
- Human Resources objectives such as recruiting and retaining top talent to provide for the business ongoing and long-term success.

Both Company objectives and individual objectives may combine quantitative and qualitative goals, provided that, there is a clear and measurable index for each goal

Thresholds: The Remuneration Committee and the Board may, with respect to any period or Officer, determine one or more minimal thresholds for the payment of the annual cash Target Bonuses or any components thereof, in such a manner that, if the minimal threshold is not achieved, the annual Target Bonus Basic Tier, or a particular component thereof, with respect to which the mnimal threshold was not achieved, will not be paid.

The Stretch Tier Bonuses may be awareded on a pro-rated basis, in case of partial achievement of the Stretch Tier Target(s).

The Company may determine that, with respect to any specific year, all or any particular Officer, Executive Director or Officers or Executive Directors shall not be entitled to any Target Bonus.

7.5. Equity-based Remuneration (LTI)

Sarine's long term (typically 2-4 years), incentive may include variable, equity-based remuneration that is designed to retain Officers and Executive Directors, align Officers, Executive Directors and shareholders' interests and incentivise the achievement of long term goals.

The Company shall be entitled to grant Officers and Executive Directors share options, or any other securities-based or securities-related grants which are duly approved by the Company (collectively: "**Equity-Based Awards**").

The Equity-Based Awards shall be both time-based (vested over a three-four-years period) and performance-based (measured against the achievement of goals set by the Company, in the manner specified in Section 7.4 above), according to the following breakdown:

Title	Time-Based Awards	Performance-Based Awards	Cost to the Company (over a Three-Year Period) (up to)
CEO	Up to 50% of the grant	At least 50% of the grant	US$ 1,000,000
EVP/CFO/Executive Directors	Up to 50% of the grant	At least 50% of the grant	US$ 500,000 (per person)
VPs	Up to 50% of the grant	At least 50% of the grant	US$ 300,000 (per person)

General guidelines for the grant of Equity-Based Awards to Officers Directors:

- Equity Based Awards basic goal is "to retain Officers and Directors, align Officers', Directors' and shareholders' interests and incentivise the achievement of medium-to-long term goals". In order to avoid volatility and to continue incentivising officers. Therefore, the options will be approved by the appropriate Company organs (the Board and the Annual General Meeting, as applicable) but will be actually granted, and thus priced, in proportioned annual quantities (typically a third/quarter of the approved grant), This, it is expected, will smooth the effect of any single year's possible share price variance, which will allow fairer chance for Officers and Directors to benefit from their options and allow the Board to adapt targets to market changes.

- The Equity-Based Awards shall be individually determined and granted according to the performance, skills, qualifications, experience, role and the personal responsibilities of the Officer or Director.

- **Vesting schedule** – the Equity-Based Awards will vest and, if applicable, become exercisable annually over a period of between 2 to 4 years, in equal parts.

  In case of termination not-for-cause, resignation or change in the Company's control, prior to vesting, a pro-rated portion of the Equity-Based Awards shall be automatically vested.

- **Exercise price** – the exercise price shall be determined according to the average closing price of the Company's share on the five (5) days of trade prior to the grant date (the "**Market Price**").

- **Expiry date** – the term of the options shall not exceed six (6) years from the date of the issuance.

7.6. Total Shareholder Return (TSR) Incentivation

Sarine's long term (typically 3-5 years) incentive may include a significant cash bonus derived form the TSR generated over a prescribed period. The TSR is defined by the increase in market cap (measured in US$) plus the cash dividends paid by the Company during the proscribed period of the incentive. The TSR bonus will be computed as a low single digit percentage (up to 2%) of the TSR during the period, to be divided between the Executive Chairman, the CEO and selected key VPs, at the discretion of the Remuneration Committee and Board of Directors.

7.7. Remuneration Recovery:

Cash and Equity Bonuses to Officers and Executive Directors shall be subject to claw-back provisions that allow for the recovery of any bonus payment(s) made to an Officer, if such bonus payment was based on incorrect financial statements which were later corrected (i.e. a restatement). The claw-back limit will be applied only in respect of restatements made up to three years from the applicable bonus payment and will not exceed, for any Officer or Executive Director, the amount of the bonus payment received by such Officer or Executive Director. Notwithstanding the aforesaid, the remuneration recovery will not be triggered in the event of a financial restatement required due to changes in the applicable financial reporting standards. The Officer or Executive Director shall repay to the Company the balance between the original bonus and any bonus due to the Officer based on the restated financial statements, pursuant to terms that shall be determined by the Remuneration Committee and the Board.

7.8. Termination of Service Arrangements; Severance

Unless approved otherwise by the Remuneration Committee and the Board (and where applicable – the shareholders) and defined in the Officer's employment agreement, he or she shall be entitled to an advance notice prior to termination for a period of 30 days (the "**Notice Period**").

During the Notice Period, the Officer is required to keep performing his or her duties pursuant to his or her agreement with the Company, unless the Company releases the Officer from such obligation. During the Notice Period, an Officer will be entitled to full payment of compensation (unless the Company has waived his or her services, in which case he or she shall be paid an amount equivalent only to his/her Base Salary).

7.9. Inter-Company Remuneration Ratio

In determining the remuneration terms of each Officer and of the Officers as a group, the Remuneration Committee and the Board will examine, among other things, the ratio between overall remuneration of Officers and the average and median remuneration of other employees in Sarine, as well as the possible ramifications of such ratio on the work environment in Sarine.

The possible ramifications of the ratio on the work environment will continue to be examined from time to time.

The following table indicates the ratio between total cash remuneration of Officers and the average and median remuneration of other employees as of December 31, 2023:

Position	Average	Median
CEO / EVP/ CFO	3.1	3.0
VPs	2.5	2.7

These ratios may fluctuate, and the Company is not committed to maintaining or reducing them, but the Remuneration Committee will continue monitoring them annually as an additional parameter assisting it in the evaluation of Officers' overall and individual remuneration.

7.10. Non-Executive Directors' Remuneration[2]

The remuneration packages of Non-Executive Directors will generally be composed of a balanced mix of cash and equity to allow Directors to align their interests with those of the Company and its shareholders while discouraging high-risk strategies that drive short-term performance.

[2] As the payments to the Officers of the Company may be effected (in whole or in part) in New Israeli Shekels (NIS), the amounts specified herein are based on a illustrative exchange rate of 3.65NIS to US$1, and may be subject to increase in case of fluctuations in the applicable exchange rate.

Non-Executive Directors (who are Independent Directors)

1. Maximum annual fixed remuneration of US$50,000, provided that the annual fees of the Independent Directors, who are also designated as External Directors shall not exceed the maximum amount allowed under the Israeli Companies Law and under the applicable Israeli regulations (currently NIS 160,295 for Expert External Directors and NIS 145,770 for other External Directors).
2. Additional remuneration based on actual participation in Board and committee meetings, not to exceed US$1,200 (per meeting) for participation in person, 60% of same, i.e., US$720, for participation over the phone and 50% of same, i.e., US$600, for a written resolution, provided that the participation fees of the Independent Directors, who were also designated as External Directors shall not exceed the maximum amount allowed under the Israeli Companies Law and under the applicable Israeli regulations (currently NIS 4,380).
3. As the Directors are elected for three year terms, the equity remunerations shall consist of a grant of three year options (a third vesting each year) to purchase the Company's shares at the Market Price (on day of grant) granted no more frequently than once every three years. The estimated cost to the Company shall not exceed US$150,000 (per Independent Director) over three years, all subject to the provisions of the Israeli Companies Law [according to the Israeli Companies Law and the applicable regulations, Independent Directors, who are also External Directors, are appointed for a three-year term and their remuneration, as well as the grant of options to such External Directors, should be defined upon their appointment and remain in effect throughout such three-year period, and may be subject to certain other restrictions].

The Company shall also bear the Directors' travel-related expenses (including flights, accommodation, etc.) incurred in the performance of their duties, based on the Company's general policy.

Directors' remuneration shall be reviewed by the Remuneration Committee and the Board on an annual basis to ensure that it aligns with the "Remuneration Objectives" described in Section 5 of this Policy and conforms to local and industry best practices.

7.11. Insurance, Indemnification and Release

The Company shall release all current and future Directors and Officers from liability for actions taken in the performance of or related to the Director's or Officer's duties and provide each of them with indemnification to the fullest extent permitted by law and its Articles of Association.

In addition, subject to any applicable laws, until otherwise determined, the Company will purchase and periodically renew, at the Company's expense, insurance coverage in respect of the liability of its Directors and Officers to the amount reasonably determined by the Board. Currently coverage is US$ 30 million.

The annual premium payable by the Company for such insurance policy shall not exceed US$ 500,000.

The Company, may from time to time, increase the coverage of such insurance policy (and the premium paid therefor) if the Remuneration Committee and the Board are of the opinion that such increase is required, in view of any expansion and/or change in the Company's activities, its business environment, its listing venue(s) or due to any other relevant considerations.

In addition, such insurance coverage may include "run-off" provisions covering the Directors' and Officers' liability following termination of service or employment.

The Company shall award, and shall continue to award, indemnification undertakings to Directors and Officers, subject to the approvals required in accordance with the provisions of the Israeli Companies Law.

8. Supervision, Reporting and Amendments

8.1. The Board is responsible for the management and implementation of the Policy in the Company and it shall be entitled to take all actions necessary to achieve such purpose, including interpreting the provisions of the Policy, as may be required.

8.2. Subject to the provisions of the Israeli Companies Law, any deviation from the Policy shall be brought to discussion in the Remuneration Committee and shall be approved by the Board of the Company.

8.3. Every year, before the approval of the Company's annual financial reports, the Remuneration Committee will review the Policy and its compatibility to the status of the Company and the manner in which the Policy is implemented by Company.

8.4. The CFO of the Company will be responsible for the implementation of the Policy and shall alert the Remuneration Committee and the Board upon any deviation and/or non-compliance in the implementation of the Policy.

8.5. During the term of the Policy an internal audit shall be performed at least once, with respect to the manner of its implementation.

NOTICE OF ANNUAL GENERAL MEETING
APPENDIX B - REMUNERATION PACKAGES FOR DIRECTORS AND CEO FOR 2024

- Illustrative options costs are estimated as per illustrative share price (S$0.29) and illustrative currency conversion rates (US$1 = NIS3.65 and US$1 = S$1.34) and are based on IFRS guidelines using a lattice-based valuation model applying management assumptions (e.g., share volatility).

1. Directors

a. Daniel Benjamin Glinert – Executive Chairman of the Board

- o Base salary same as in 2023 - monthly compensation NIS 62,265 (~ US$17,000 as per illustrative conversion rate, reflecting a lesser US$ expense than in 2023) plus out-of-pocket expenses according to current practice (~ US$800 a month in 2023). Estimated monthly cost to Sarine - ~ US$17,800
- o Annual cash bonus as derived by the Remuneration Committee and the Board of Directors, as per criteria enumerated below, capped at 18 monthly salaries annually (~ US$306,000).
- o Annual cash bonus of US$1,000 per every S$0.01 added to share price (at end of year), capped at US$100,000 annually.
- o Time based options – up to a total of 450,000 options over the three years from 2024 through 2026, to be granted in up to three annual grants, each grant to be approved by the appropriate Annual General Meeting, with each grant vesting over the subsequent 3 years from the time of grant in equal annual portions. Note – no grant will be proposed for 2024. Estimated total five year cost - ~ US$41,000. Estimated average annual cost (actual accounting rules frontload costs to earlier years) - ~ US$8,100.
- o Target based options – up to a total of 450,000 options over the three years from 2024 through 2026, to be granted in up to three annual grants, each grant to be approved by the appropriate Annual General Meeting, with each grant provisionally vesting upon the lapse of the 3 year period subsequent to the grant, conditional upon meeting Board specified targets (to be set as a range with a minimal threshold and pro-rata vesting for achieving results between threshold and full target). Note – no grant will be proposed for 2024. Estimated total five year cost assuming ALL targets are met - ~ US$41,000. Estimated average annual cost (actual accounting rules frontload costs to earlier years based on closing share price on LPD) - ~ US$8,100.
- o TSR – up to 15% of the overall TSR bonus.
- o Estimated average annual expense, excluding cash and TSR bonus, if any - ~ US$230,000.
- o Comparatives:
  - To Israeli benchmark (*Tzviran* Israeli Public Company Remuneration Survey) – less than 25th percentile, below par
  - To Sarine median compensation – N/A
  - To Sarine average compensation – N/A

Note: The number of options noted above is the cap in each category over the three year term of the Remuneration Policy. It is not the number of options to be granted at the current AGM and there is no commitment to grant these numbers of options over the three year period. The Board will recommend and the AGM will approve each year a grant of options, if any, within these limits. No options are proposed to be granted in 2024.

b. Non-Executive Directors –

- Payment for participation in person in meeting – US$1,200 (60% for participation over the phone – US$720; 50% for signing a written resolution – US$600).
- No change to the fixed annual payment (as set in 2023)

c. Varda Shine, Lim Yong Sheng, Sin Boon Ann and Neta Zruya – Independent Directors:

- Payment for participation in person in meeting – similar to the payment to Non-Executive Directors.
- No change to the fixed annual payment (as set in 2023) [according to the Israeli Companies Law and the applicable regulations, Independent Directors, who are also External Directors, are appointed for a three-year term and their remuneration, as well as the grant of options to such External Directors, should be defined upon their appointment and remain in effect throughout such three-year period. Mr. Sin and Ms. Zruya are considered both Independent Directors and External Directors].

2. CEO - David Block

- o Base salary - monthly salary NIS 80,000 (~ US$22,000, as per illustrative conversion rate) plus benefits as per the Policy. Estimated monthly cost to Sarine, including mandatory / standard employee benefits - ~ US$28,975.
- o Annual bonus as decided by the Remuneration Committee and the Board of Directors, as per criteria enumerated in Policy, capped at 18 monthly salaries annually. Estimated cost of cap - ~ US$396,000.
- o Time based options – up to a total of 1,000,000 options over the three years from 2024 through 2026, to be granted in up to three annual grants, each grant to be approved by the appropriate Annual General Meeting, with each grant vesting over the subsequent 3 years from the time of grant in equal annual portions. Estimated total five year cost - US$140,000. Estimated average annual cost (actual accounting rules frontload costs to earlier years based on closing share price on LPD) - US$28,000.
- o Target based options – up to a total of 1,000,000 options over the three years from 2024 through 2026, to be granted in up to three annual grants, each grant to be approved by the appropriate Annual General Meeting, with each grant provisionally vesting upon the lapse of the 3 year period subsequent to the grant, conditional upon meeting Board specified targets (to be set as a range with a minimal threshold and pro-rata vesting for achieving results between threshold and full target). Estimated total five year cost assuming ALL targets are met - US$140,000. Estimated average annual cost (actual accounting rules frontload costs to earlier years based on closing share price on LPD) - US$28,000.

- o TSR – up to 33% of the overall TSR bonus.
- o Estimated average annual expense, excluding cash and TSR bonus, if any - ~ US$387,000.
- o Comparatives on salaries, benefits and non-cash option compensation:
  - To Israeli benchmark (*Tzviran* Israeli Public Company Remuneration Survey) – less than 25% below par
  - To Sarine median compensation – 3.85
  - To Sarine average compensation – 3.45

Note: The number of options noted above is the cap in each category over the three year term of the Remuneration Policy. It is not the number of options to be granted at the current AGM and there is no commitment to grant these numbers of options over the three year period. The Board will recommend and the AGM will approve each year a grant of options, if any, within these limits.

3. Cash Bonuses Criteria

The Remuneration Committee and the Board of Directors will approve annual Base Target and Stretched Target bonuses not to exceed 18 monthly salaries (with regard to the Executive Directors and the CEO) or 12 monthly salaries (with regard to VPs), cumulatively, as derived from performance vis-à-vis the following quantitative and qualitative criteria:

1. Financial performance, as determined by the revenues, gross margin, operating profit, EBITDA net profit and cash flow, or any combination thereof.

2. Strategic Goals:
   a. Retention or increase in Legacy products sales, derivation of new recurring revenue streams from new applications of Legacy products and the introduction of completely new or significant new derivations of Legacy products, or a combination of the above.
   b. Increase in revenues from the Galaxy family of products by way of accelerated sales and the expansion of the installed base of systems, broader penetration, an increase in the number of rough stones scanned, growth of the recurring revenues from rough stones scanned and containment of illegal competition, or a combination of the above
   c. Expansion of the Group's business related to the wholesale or retail trade of rough and polished diamonds, the traceability of their provenenace, their grading, etc., as measured by the revenues generated, the reports issued, the number of customers in general, and high-end and/or opinion/market leaders in particular, using our technologies, geographic expansion, strategic alliances with producers or existing gem labs, etc., or a combination of the above.
   d. Application of existing and new technologies and services to LGD, and especially capturure of a significant market share of the LGD grading market.
   e. Creation of an appropriate pool of talented management and other staff, so as to protect against attrition of key personnel and provide for long term succession plans.

3. Total Shareholder Return, as determined by the increase in the share price and cash dividends paid during the period stipulated.

Note: A discretionary bonus equivalent to up to one quarter of the maximum cash bonus may be payable based on the general evaluation of the Company’s and Officer’s performance by the Remuneration Committee and the Board of Directors.

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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 at the Empress Ballroom 1, Level 2, at the Carlton Hotel, 76 Bras Basah Rd, Singapore 189558, on the 24th day of April 2024 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	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			
3	Approval of Remuneration Policy 2024 - 2026 I/We 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. 3 (approval of remuneration policy) o I/we do not have a personal interest in the approval of Resolution No. 3 (approval of remuneration policy)			
4	Approval of the Remuneration Package of the Executive Chairman of the Board, Daniel Benjamin Glinert			
5	Approval of the Remuneration Package of the CEO, Mr. David Block I/We 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. 5 (remuneration of the CEO) o I/we do not have a personal interest in the approval of Resolution No. 5 (remuneration of the CEO)			
6	Approval of the grant of options to the CEO, Mr. David Block I/We 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. 6 (grant of options to the CEO) o I/we do not have a personal interest in the approval of Resolution No. 6 (grant of options to the CEO)			
7.1	Authority to issue shares			
7.2	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 3, 5 & 6. 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 3, 5 & 6 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 3, 5 & 6. 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 3, 5 & 6, 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 _____________ 2024

Total Number of Shares Held

____
Signature(s) of Member(s) or Common Seal
Important: Please Read Notes Overleaf

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 main@zicoholdings.com; or
(iv) by post to the office of the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896

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 2024, 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 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.

5 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.

6 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.

7 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.

8 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 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

9 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.

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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

B.A.C.S. Private Limited
77 Robinson Road
#06-03 Robinson 77
Singapore 068896
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

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