SARINE ANNUAL REPORT 2020

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CAUTIONARY STATEMENT

This Annual Report may contain "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and typically contain words such as "anticipate", "believe", "expect", "foresee", "hope", "intend", "may", "might", "plan", "seek", "target", "will" or "would". Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as expected revenues, margins, expenses and profits; cash flows, return on capital, capital expenditures, capital allocation or capital structure; and dividends. Actual results may differ materially. Particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: changes in law, regulations and regulatory requirements; global economic and financial conditions, including interest and exchange rate volatility, commodity and equity prices and the value of financial assets; diamond industry conditions including rough and polished diamond prices and conditions in the financial and credit markets for the industry in which we operate; the impact of potential information technology or data security breaches and our exposure to counterparties; the impact of investigative and legal proceedings and legal compliance risks; the adequacy of our cash flows and earnings and other conditions which may affect our ability to pay dividend 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, as indeed occurred in 2020; and the other factors that are described in "Risk Factors" in this Annual Report for the year ended December 31, 2020. 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.

CORPORATE PROFILE

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

Rough Stone Evaluation (the "Upstream")

We assist diamond mining companies, also termed "producers", to evaluate their rough stones. Our DiaExpert® family of platforms accurately model a rough diamond's external geometry. The revolutionary Galaxy® family of internal inclusion mapping systems for rough diamonds, based on patented technology, provides high resolution (optionally at microscopic-level), fully automated, fast and comprehensive identification and mapping of a rough stone's internal features – inclusions, cracks, etc. By utilising these two systems and optional software tools, a producer can fully assess the intrinsic value of its rough material and provide prospective customers with comprehensive information pertaining to the stones offered for sale. Disclosing this information, and thus reducing the risk associated with buying the offered rough stones lacking full knowledge of their characteristics, allows bidders to offer a higher premium for the offered goods, thus increasing the producer's profitability. In addition, the provision of such data in a digital form enables producers to reach a broader group of potential buyers.

Alrosa, the primary Russian producer and largest miner of diamonds worldwide in carat terms, Grib, another Russian producer, Lucara, a Canadian-based producer operating in Botswana, and Star Gems, a leading rough stone secondary wholesaler in Dubai, have already adopted these technologies for various categories of their rough inventory, subsequently offered for sale via digital tenders. We expect other producers and wholesalers to also adopt this paradigm, having already evaluated it in 2020 in light of its inherent benefits during Covid-19 travel and related restrictions.

Rough Diamond Polishing (the "Midstream")

Our products and services provide industry-leading automated solutions for every stage of the rough diamond polishing process, from high-precision geometrical modelling and internal inclusion and tension mapping of the rough stone, through determining the optimally derivable polished gems based on true dollar value and market trends, through laser cutting and shaping, to the inline quality control of the actual making and faceting of the polished jewel.

Our aforementioned DiaExpert® family of platforms and the copyrighted Advisor® software are the de-facto worldwide standard for planning the optimal utilisation of rough diamonds. These systems assist the manufacturer in the planning, cutting and polishing process of the rough stones in order to achieve polished gems with the highest possible values based on optimisation of the four "C" parameters (Carat, Clarity, Color and Cut) and light performance parameters in accordance with market trends and prices.

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

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

The Instructor® software assists in real-time quality control and optimisation of the actual diamond faceting processes. It can provide for corrective polishing, when deviations from the original planned optimal polishing solution are discerned, by re-analysing the semi-polished stone and proposing alternative solutions, including utilisation of unique asymmetrical methods. Here too, as in planning, conventional 4Cs optimisation can be enhanced by light performance optimisation for ultimate polishing results.

The combination of these technologies has redefined the art of diamond polishing into a science. It has raised the optimally achievable yield of the polished stones combined weights from historically under 40% of the rough stone's original weight to over 50%, a 25% benefit. But no less important, it allows the manufacturer to select planning options which best suit actual demand at any given time for any specific geographic market (e.g., trading off between weight, typically a key criterion in US markets, and quality, more emphasised in Asia Pacific (APAC) markets) or any individual retailer's needs for specific lines of jewellery, so called "programmes". These technologies are equally effective on natural and lab-grown diamonds (LGD).

Polished Diamond Grading and Trade (the "Downstream")

Grading

Having pioneered the technology-derived automated grading of a polished diamond's Cut in 1992, and having introduced the industry's most accurate system for measuring a polished diamond's actual light performance in 2013, the Sarine Light™, we now also provide automated grading of a polished diamond's Clarity, a world first, and Color. Our Sarine Technology Lab provides the world's first (and currently only) artificial intelligence ("AI") based, technologically-derived objective and consistent grading of a polished diamond's 4Cs and light performance, as well as authentication of the diamond's source (natural or lab-grown) and identification of any treatments to which it has been submitted.

We launched the DiaMension® family of products in 1992 for the accurate measurement of a polished diamond's proportions, in order to derive its Cut and Symmetry grades. The DiaMension® HD (High Definition) and the Instructor® software are today the industry's de-facto standard for measuring proportions and Cut grading worldwide. The newest model, the DiaMension® Axiom 3, based on revolutionary technology with micron level accuracy, was originally developed to meet and exceed Tiffany & Company's ("Tiffany") most stringent requirements for extra-fine diamond quality assessment including symmetry grading. Our polished stone proportion measuring and Cut/Symmetry grading systems are driven by the Instructor® software package.

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

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

CORPORATE PROFILE

Since mid-2018, we offer comprehensive polished diamond 4Cs grading, utilising our groundbreaking AI-derived technology and two dedicated hardware platforms - the Sarine Clarity™ and Sarine Color™. 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, derived from the number of inclusions, their sizes, types and locations as well as other parameters, and has always been a subjective and manual labor-intensive process. Typically two graders would manually grade each stone, and it is not unusual for a third expert opinion to be required. Even so, Clarity grading is not consistent, and it is not uncommon to have significant disparities in the prescribed grade, often resulting in it being contested. Our tests have shown that when a statistically significant reference team of proficiently trained graders assesses a stone's Clarity, variances can be spread over two or sometimes even three different grades. The utilisation of technology enables objective, consistent grading, which, as the AI-based algorithms are self-learning, continuously improves over time. We are currently working with Tiffany to adapt our automated AI-based grading technology to Tiffany's stringent grading guidelines and criteria. We have also entered into a joint initiative with China's largest and most important gemmological laboratory the National Gemstone Testing Center (NGTC), in order to develop automated grading standards for a polished diamond's 4Cs and its light performance for the Chinese trade.

In 2020 we announced the next revolution of polished diamond grading – e-Grading™. Currently in beta-testing in India, the use of our above-mentioned hardware platforms and AI-based software, enhanced by unique in-process inter-system control and verification software, will allow on-site grading, replacing the need to send stones offsite to third-party gemmological laboratories. This will bring a number of key benefits to the midstream diamond manufacturing industry – significantly less direct costs, virtually no indirect costs (e.g., shipping, insurance, etc.), a substantially shorter process (minutes to hours vs. days to weeks) and operational flexibility (enabling a manufacturer to independently prioritise his stones' grading sequence and schedule). It is our aim to ultimately also enable the automated on-site fine-sorting of a diamond's Clarity in accordance with customer-specific sub-grades pertaining to the diamond's actual appearance (e.g., "eye-clean", "no black inclusions", "no inclusions under the table"), so as to facilitate more accurate matching to the retail customer's needs, reducing rejects and bolstering profitability. e-Grading™ is uniquely suitable to LGD grading, as its lower cost allows application to the lower-valued LGD, and what is more natural than grading a stone created by technology using technology!

<u>Retail Trade</u>

We also provide technologically advanced standard-setting solutions for key aspects of the polished diamond retail trade, whether natural stones or LGD. In today's changing retail world, channel and product branding and differentiation, as well as providing a captivating digital experience on an online portal, are key to a retailer's success. In the 2020 holiday season in the U.S., online sales grew by almost 50%, also as a solution to Covid-19 related impediments to traditional retail channels. The ability to tell the polished gem's "story" online, and demonstrate its unique features, differentiating it from near-commoditised standard cuts and stones, are becoming universal goals amongst e-tailers and in-store retailers alike. Non-intuitive data, as formulated in the historic 4Cs, are no longer sufficient for the younger generation of internet and social media savvy buyers.

Our pioneering Sarine Profile™ addresses the retailers' needs for differentiation by providing engaging imagery and video information pertaining to the offered diamond's appearance, beauty and quality. Sarine Profile™, a toolbox of various technologies, allows the wholesaler and retailer to display their inventory according to their own specific branding goals, as best suited to the merchandise being sold and the market in which it is sold. Each user, whether wholesaler or retailer, online or brick and mortar, can create its unique branding message by utilising various imaging technologies as provided by the Sarine Loupe™, at various levels of 3 to 40 times magnification and from various simulated distances and perspectives, along with light performance analyses and grading, as provided by the industry-leading Sarine Light™. Other graphic information such as Hearts and Arrows depictions, Cut proportions in 2D or 3D, laser inscription viewing, etc. can also be presented to the prospective consumer. Sarine Profile™ of course also provides the stone's gemmological laboratory report and can accommodate the retailer's promotional branding material and even the end-consumer's personalisation message (e.g., proposal) to the ultimate recipient of the jewellery.

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

In 2019 we introduced an additional tool for the jewellery retailer, a unique cost-effective technology for the imaging and optional creation of virtual derivatives of jewellery pieces – Verto™. Verto™ generates high quality video displays, derived from but a handful of images captured by any common smartphone. Verto™'s solution enables jewellery manufacturers, wholesalers and retailers to provide their customers with exceptionally high-quality video renditions of offered jewellery items. It also has the capability to generate multiple options of the settings and the types, sizes, and colours of stones set in the piece, etc. All this with no need for capital investment in high-end devices, expensive professional photographers or exhaustive manual finishing. The combination of the imagery's high quality, the system's ease of use, its attractive cost and fast delivery creates an offering that is far superior to any currently available market alternatives.

In today's conscientious, even "activist", marketplace, responsible and sustainable sourcing and manufacturing are also key to a retailer's success. The Sarine Diamond Journey™ uniquely provides concrete reliable documentation of the rough diamond's provenance and its audited journey from rough stone to polished jewel. Critical to its unique proposition as a provenance solution is Sarine Diamond Journey™'s access to actual verifiable data from end to end of the polishing process, enabled by Sarine's uniquely extensive presence in the diamond industry's midstream, wherein the critical transition from rough to polish occurs. In 2020 just under 19 million stones were scanned for inclusion mapping using our systems and over 60 million stones were planned using our online Advisor® cloud-based software which, optionally, records the actual planning stages for the Sarine Diamond Journey™. Thus, we can exclusively provide a conclusive certified testimonial of the polished stone's derivation, with no need to rely on declaratory information provided by the audited parties. The mined rough stone's source data is optionally provided by the producer. If not, key data pertaining to its weight, form, inclusions, etc. can be derived independently by our technologies, and its source verified by official data (e.g., customs manifests). Already today Alrosa, the world's largest miner by carat volume, and Lucara collaborate with us to provide mine/source information for various categories and sizes of their rough stones. The rough stone's form is retained in high-resolution mathematical model and video formats, for authentication at the manufacturing venue and presentation to the consumer. As an option, a realistic 3D-printed model of the rough stone can be derived from these data and provided for the consumer's fascination – the 3D-Origin™. Subsequently through various stages of the stone's processing, to the level desired, accurate graphic/video data are collated. Beyond offering consumers insight into the sophisticated technology and painstaking craftsmanship that went into creating their gem in an engaging visual format, the Sarine Diamond Journey™ verifies for the consumer where their diamond was mined and how and by whom it was polished, even if by multiple parties, reinforcing their confidence in the sustainable value of their unique natural jewel.

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

OUR MILESTONES

2020

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

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

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

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

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

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

2019

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

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

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

Sarine signs a strategic framework with the National Gemstone Testing Center (NGTC) of China, the leading gemmological laboratory in China. The strategic framework aim is to advance diamond grading standards in China to the highest level and to implement the industry's most consistent grading, by combining Sarine's developments in the areas of artificial intelligence (AI) for the grading of a polished diamond's 4Cs to 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 participates in the key technology panel at the Fourth Dubai Diamond Conference (DDC), focusing on technology disruption and its positive potential for the diamond industry.

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

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

OUR MILESTONES

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. Having completed beta-testing on 15,000 stones, the technology now needs to be integrated into the next version of our planning software, Advisor® 8.0, to be released in mid-2020.

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

2018

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

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

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

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

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

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

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

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

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

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

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

2017

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

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

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

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

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

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

OUR MILESTONES

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.

2016

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

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

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

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

2015

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

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

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

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

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

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

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

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

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

2014

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

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

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

Rapaport's RapNet® industry-leading web-based platform selects our subsidiary's Sarine Loupe™ as 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 of office in the new International Gem Tower in New York City (on 47th Street - Diamond Way) for the Group's North American base.

OUR MILESTONES

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

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

2012

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

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

The Gemological Institute of America (GIA) concludes that the DiaMension® HD (High Definition) has the necessary accuracy and repeatability to be used to evaluate symmetry. The GIA found that "[the] DiaMension® HD tested by GIA, demonstrated an apt capacity to deliver accurate and repeatable symmetry results" and that "improvements in the operation and accuracy … now enable us to also measure … symmetry parameters during the grading process". Sarin Technologies India Private Limited purchases land measuring approximately 2,400 square meters in Surat, Gujarat, India for its new facilities for customer service and technical support and training, as well as its service centres and other logistics infrastructure.

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

2011

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

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

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

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

2010

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

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

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

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

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

2009

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

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.

OUR MILESTONES

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

2006

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

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

2005

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

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

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

2004

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

2001

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

2000

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

1996

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

1995

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

1994

The Company is renamed Sarin Technologies Ltd.

1992

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

1989

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

1988

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

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

CHAIRMAN'S STATEMENT

"We ended 2020 profitably, notwithstanding the challenging worldwide economic business conditions, for which our management deserves full credit!"

Dear Fellow Shareholders,

Putting 2020 in Perspective while Looking Ahead to 2021

Well, 2020 certainly was not the year we expected it to be!

The year actually started with positive sentiment, following the challenges our industry had faced from the second half of 2018 through the third quarter of 2019. A sharp drop of some 40% in DeBeers' sights' volumes coupled with rough price reductions in late 2019 eased excess inventories, and the industry value chain stabilised during the fourth quarter holiday season of 2019. With the easing in inventory overhang, working capital issues in the midstream manufacturing segment of the diamond industry value chain also eased. The Group thus started 2020 on a positive note. Indeed, we realised increased revenues from all product lines, including delivery of a record 50 Galaxy® family systems in the first quarter of 2020, and finished the quarter very profitably.

And then the outbreak of the Covid-19 coronavirus started impacting business. Initially restricted to China, the lockdowns there somewhat disrupted supply of some of our components. More importantly, the efforts in China to contain the virus shut down retail activity, effectively eliminating the key Chinese New Year buying season, which in a normal year might have had a ripple effect throughout the value chain. But as the pandemic spread elsewhere, lockdowns became the norm globally, severely impairing retail activity on a rolling basis from east to west and all but shutting down entire economies worldwide in the second quarter. In India, lockdowns effectively shuttered all midstream polishing activity from late March through June, with lingering restrictions continuing into July. This, coupled with travel restrictions, effectively curtailed the usual cycles of rough stone buying for much of the year, reducing the number of rough stones entering the pipeline by some

CHAIRMAN'S STATEMENT

30%. Towards year's end, governments eased restrictions and retail activity in general recovered, particularly so leading up to the year-end holiday season. This drove a very strong fourth quarter recovery in the diamond industry, especially so in the midstream, which went into overdrive in an effort to replenish depleted polished inventories and meet wholesale and retail demand. Notwithstanding this late-year recovery, for the first time since 2009, luxury spending in general decreased in 2020 by over 20%, including diamond jewellery sales, which retracted from sales nearing US$ 80 billion annually to an estimated US$ 62-63 billion.

Faced with these stark realities, the Group's management took decisive actions in the second quarter to significantly cut expenses, making avail of Israeli government support where possible. The main cost-cutting measures were the cessation of virtually all marketing and manufacturing activities (there was no one to sell anything to, anyway) and the furloughing of non-essential employees (the Israeli government paid them relief pay directly), along with staggered pay reductions for all other employees, compensated for by option grants. Though the second quarter resulted in a very substantial burn of cash and a less substantial loss, due to the inertia of the business cycle (e.g., taking delivery of orders placed in the first quarter), the profit from the first quarter was sufficient to result in a profitable first half year. We also took advantage of Israeli government guaranteed Covid-19 relief loans on very favorable terms to augment our cash reserves. The third quarter played out quite well, bearing in mind the prevailing negative business conditions, ending with a very minimal loss and a still negative cash flow, but much less than in the second quarter. With the robust industry recovery in the fourth quarter, our business improved substantially and we returned to profitability and significant positive cash flow, even though our capital equipment sales were still lagging. We ended 2020 profitably, notwithstanding the challenging worldwide economic business conditions, for which our management deserves full credit!

During 2020, notwithstanding the 30% decrease in rough stones entering the pipeline, we scanned a new record of just under 19 million stones through our installed base of Galaxy® inclusion mapping systems, 5% more than our record performance in 2019. During 2020 we delivered 76 Galaxy® family systems to customers, mostly Meteor™ (15) and Meteorite™ (50) models, but also 6 Solaris™ systems and 5 Galaxy® machines. This is just over half the previous year's delivery of 145 systems, the decrease being directly attributable to the Covid-19 pandemic disruption. The Group had an installed base of 631 Galaxy® family systems as of 31 December 2020. Following the midstream's fourth quarter robust recovery, and carrying on into the initial months of 2021, we have seen utilisation of our installed base of scanning systems surge 40% over pre-pandemic usage to a run rate equating, on an annualised basis, 27 million stones, with daily peaks of 100,000 stones. To further fuel this growth in 2021, we have launched aggressive marketing offerings with exceptionally attractive terms targeted for specific sub-segments of the midstream. Our new marketing promotions are aimed at enabling smaller businesses to acquire our systems on extremely cost-effective terms - e.g., a package specifically offered to polishers of very small stones a tenth of a carat rough and under. We expect these promotions will drive significant sales of our Meteorite™ and Meteor™ systems. We are also launching an aggressive new initiative aimed at reestablishing substantial demand for our Solaris™ model for mid-sized rough stones (from 1 to 2 carats in weight).

We estimate that during 2020, again close to a hundred million stones were planned utilising our DiaExpert® family of planning platforms and our Advisor® software, of which over 60 million stones were planned on systems running the online Advisor® 6.0/7.0 software. This is key as these systems provide the data, which are directly retrievable for our unique Sarine Diamond Journey™ verifiable provenance/traceability offering. We will continue to leverage our technological lead and widen the gap between the older discontinued planning software (Advisor® 5.x), which is that being infringed upon by the illicit competition. The new Advisor® 8.0 with enhanced features and superior infringement protection will be launched during the year. In addition, we are leveraging our best-in-class provenance/traceability solution, the Sarine Diamond Journey™, and its expanding adoption by producers and retailers alike, as detailed below, to induce midstream players to upgrade to our newer solutions. All these steps should continue to contribute to the curtailment of the IP piracy in India.

In 2020 we broadened our cooperation with the mining/producing upstream of the diamond industry. Our cooperation with Dominion Diamond Mines ULC ("Dominion"), Canada's largest independent diamond producer, who were first to adopt our Sarine Diamond Journey™ for their enhanced CanadaMark™, has, regrettably, not expanded, due to their having sought bankruptcy protection as their financial condition worsened during the pandemic. However, our collaboration with Lucara, a Canadian miner operating in Botswana, renowned for their finds of extremely large rough diamonds, has broadened. Beyond providing the rough diamond evaluation technology on which the supply side of their Clara initiative is based (technology also adopted by Grib, a smaller Russian producer), in 2020 Lucara also adopted our Sarine Diamond Journey™ to provide verifiable provenance documentation for their Clara diamonds. Most importantly, our relationship with Alrosa has bloomed. Alrosa's digital tenders initiative, based on our Galaxy® and Advisor® technologies, was launched late in 2019, uncannily timely right before the pandemic outbreak all but prevented the sales of rough diamonds through conventional channels. This initiative significantly expanded in 2020, both in the quantities and in the size ranges of rough stones tendered by Alrosa, and is expected to double in volume in 2021. During 2020 Alrosa partnered with Sarine in offering retailers and midstream polishers alike the Sarine Diamond Journey™, as a preferred solution for provenance and traceability. We have initiated dialogs with additional producers, who are now in various stages of evaluating both our rough diamond evaluation / digital tenders technology and our unique provenance/traceability solutions, some already having run successful pilot programmes. We expect to be able to announce more on these collaborations as 2021 unfolds.

The Sarine Diamond Journey™ is indeed gaining recognition as the industry's most robust solution for polished diamonds provenance and traceability documentation. Leveraging on our aforementioned growing partnering with producers, as well as on the near-ubiquitous utilisation of our industry-leading technologies in the diamond industry's midstream, wherein the rough stone is transformed into a polished one, we have the unique ability to provide an actual verifiable testimonial of the polished stone's derivation, with no need to resort to subjective declaratory input. Critically, this is done with minimal disruption to the work-flow, causing virtually no indirect additional cost and overhead, making it a winning proposition. The Sarine Diamond Journey™ concurrently provides a captivating video imagery paradigm for showing the consumer the entire actual process that his/her very own diamond underwent. It can optionally be augmented with a real 3D-printed model of the original rough stone for the consumer's fascination. High-end retailers with a global presence and regional market leaders have expressed interest in our unique offering, and successful pilot programmes were, indeed, concluded in 2020. Unfortunately, additional pilot tests were delayed by the pandemic, though we fully expect them to come to fruition in 2021. Retailers in China, Japan, other APAC markets and the U.S. have adopted the story-telling facet of our Sarine Diamond Journey™ paradigm. 2021 will see leading retailers offering the provenance and traceability aspects of the Sarine Diamond Journey™ as well. These developments are driving midstream suppliers to join our Sarine Diamond Journey™ Official Partner Program. They opt to enable us to collect the necessary data and imagery during the stone's manufacture and to store them in our cloud-based repository. This shortens their response time to a retail customer's request to adopt the Sarine Diamond Journey™ service. Notably, this process incurs no direct cost and virtually no indirect cost to our midstream partners, while creating new sales channel opportunities for them. We are remunerated when the actual Sarine Diamond Journey™ report is generated at the retailer's request. The Sarine Diamond Journey™ may be further augmented by our proprietary technologies for "fingerprinting" the polished stone, which can easily be ascertained in the retail outlet by our TruMatch™ device.

CHAIRMAN'S STATEMENT

During 2020 we further refined our AI-based polished diamonds grading capabilities. We continued our long-term collaboration with China's leading gemmological institute, the National Gemstone Testing Centre (NGTC). This collaboration's initial outcome was the launch of a new light performance grading standard for China. In 2021 we intend to continue our cooperation as per the framework agreement signed in 2019, including issues pertaining to our automated AI-based 4Cs grading, our polished diamond fingerprinting and the general issue of digitising information relating to polished diamonds for more ubiquitous dissemination to consumers. Additional customers are also adopting our technology-driven 4Cs grading solution, including, as an example, Japan's major television retailer QVC. We are continuing our longer-term effort to be able to provide advanced fine-sorting of Clarity and Color per varied retailer-specific requirements. We expect an initial version of fine-sorting on a number of parameters to be launched later in 2021.

Most excitingly, in 2020 we announced our new e-Grading™ initiative - our intent to revolutionise the way polished diamond grading is done. e-Grading™ is a time-saving cost-cutting on-site solution for 4Cs grading, without necessitating the time-consuming and costly process of going offsite to a gemmological laboratory. The systems utilised for the grading process are all cloud linked and the grading results are automatically uploaded to the cloud. Thus, the 4Cs grading results are derived without any human intervention and immediately available for online B2B access and subsequent B2C consumer report generation. Our new grading paradigm enables truly objective and consistent grading at a fraction of the time currently required (measured in minutes to hours vs. days to weeks) and with none of the indirect costs of shipping, insurance, customs handling, etc. associated with having the grading done at an external lab. Furthermore, as our e-Grading™ paradigm is implemented by the manufacturer's own personnel, with no need for highly skilled gemmologists, most likely the direct cost will also be reduced compared to that commonly paid to a lab, today often on a par with the overall cost of polishing the stone(!). e-Grading™ also offers a completely new level of operational flexibility, as the polishers can prioritise their stones' sequence of grading to best meet their delivery schedules. Late in 2020 we began initial beta-testing of this new concept in India. The first half of 2021 will be dedicated to the ongoing refinement of the solution and implementation of the necessary operational cloud infrastructure. Broader introduction to midstream polishers is scheduled for later in 2021.

Lastly, the continued market acceptance of lab-grown diamond (LGD) jewellery in 2020, with nearly half of polled retailers in the U.S. intending to offer LGD jewellery alongside their natural diamond offerings in 2021, has created, as we have in the past professed, a new opportunity for the Group. We have demonstrated that the Galaxy® inclusion mapping and Advisor® planning technologies can contribute to the optimal utilisation of the manufactured LGD raw material. We are now complementing the Galaxy® software with pattern recognition capabilities, in order to automatically discern between natural and LGD rough material and automatically adjust the billing for the scanning service. Our Quazer® 3 has proven to be the most cost-effective offering for dicing the LGD wafer into the cubes from which the gems are polished. And our AI-based e-Grading™ is especially applicable to LGD grading, as it allows grading of the less expensive finished LGD gem at a much more affordable cost than that charged for grading services by common gemmological laboratories. In addition, e-Grading™ also lends itself conceptually to LGD grading – a stone created by technology should naturally be graded by technology. We will in 2021 extend our efforts to penetrate this rapidly growing market and are already evaluating possible partnering with leading players in this new industry segment.

Intellectual Property (IP) Infringement

Although the Covid-19 pandemic triggered closures of patent offices and courts in various geographies throughout the year, as well as causing periodic delays in administrative functions, the Company experienced only minor disruptions regarding its ongoing efforts to protect and enforce its intellectual property rights. The Company filed new patent and divisional applications in various countries including Israel, India and the United States, and received grants of already pending applications. The enforcement activities against the infringements of the Company's technology suffered only minor delays, and we were able to instigate new lawsuits in India and in Israel against infringing products. The courts in India widely adopted the use of video conferencing to hold hearings and move matters forward, and our primary lawsuits have progressed quite satisfactorily. We expect the courts to render decisions on several matters within a few months.

However, we are not only relying on judicial recourse or other third-party intervention. We are also leveraging the numerous technological and commercial advantages we have. The Advisor® version that the infringing parties are using is over five years old, while as the newer Advisor® 7.0 release, soon to be replaced by Advisor® 8.0, offers incomparably better planning, especially critical for larger, high-value stones. We are also leveraging our expanding relationships with major producers and retailers, primarily as relating to the digital tenders and the Sarine Diamond Journey™, to include in the Official Partner Program only suppliers who have upgraded to Advisor® 7.0 and are not involved in IP infringement. As a further impediment to our illicit competition, we are continuing and broadening our aggressive sales promotions of the Solaris™, Meteor™ and Meteorite™ systems, so as to tailor cost-effective business models to all sizes and types of polishers.

Dividend

The Board of Directors has recommended that a final dividend of US 0.5 cent per ordinary share (approximately US$ 1.75 million) be distributed for FY2020. This sum is in line with our net profit generated this year and demonstrates the Board's and Management's faith in the Group's business recovery and the new initiatives' potential as future growth drivers.

Acknowledgements

On behalf of the Board of Directors, I would like to first and foremost thank our truly devoted management team and employees for their ongoing support of and commitment to the Group. Without this commitment we could not have weathered the Covid-19 pandemic afflicted 2020 as successfully as we have. We would also like to thank our loyal customers and business partners who enhanced their level of partnership with us this past year, as well as our conscientious suppliers, who worked with us during these trying times, often spreading the pain between our Group and themselves. We believe that these long-term relationships will continue to foster the means by which we will bring innovation and value to the global rough and polished diamond trade in 2021 and beyond, as we strive to continue to launch initiatives that benefit all the industry's value chain and its global consumers. Lastly, I thank our loyal shareholders for the continued trust they extend to Sarine and its management.

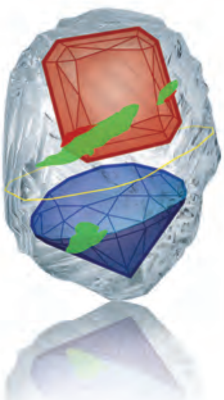
Respectfully Yours,

Daniel Glinert

Daniel Benjamin Glinert
Executive Chairman of the Board

ADVANCED AI-POWERED TECHNOLOGIES:

INCLUSION MAPPING

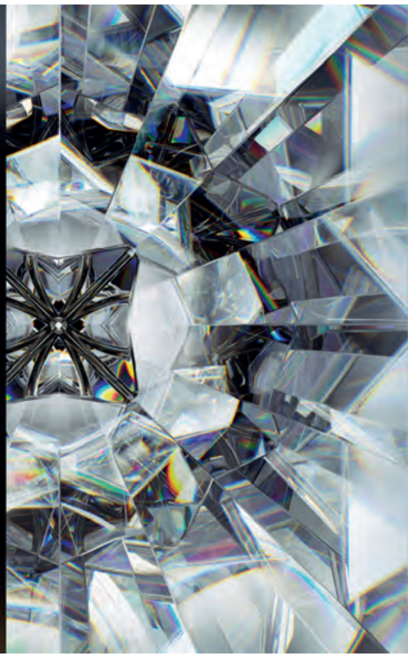


PLANNING

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

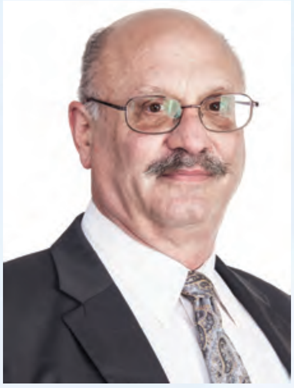
GRADING & IMAGING

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.

BOARD OF DIRECTORS



DANIEL BENJAMIN GLINERT

Executive Director and Chairman of the Board

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

AVRAHAM ESHED

Non-Executive Director

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

UZI LEVAMI

Non-Executive Director

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

BOARD OF DIRECTORS

VARDA SHINE

Lead Independent Director

Ms. Varda Shine is an Independent Director of the Group, having been appointed to the Board in April 2017. As of Ms. Shine's reelection to the Board in June 2020, she also serves as the Lead Independent Director and is the Chairperson of the Remuneration Committee and a member of the Audit and Nomination Committees. Ms. Shine has had a career spanning over 30 years in the diamond industry at De Beers, culminating with her serving from 2006 through 2014 as the CEO of De Beers' Diamond Trading Company, the arm of De Beers which is 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 a Board member of the Mineral Development Company of the Government of Botswana and as the Senior Independent Director on the Board of Petra Diamonds PLC. She is also a Board member and executive mentor at Merryck & Co., working with C-suite executives of listed companies, a director at Niron Ltd., a private company, and is the CEO of her own company, Sky Ink Ltd., which counsels businesses from concept development through to execution and commercialisation. In addition, Ms. Shine is a Trustee of the Teenage Cancer Trust (UK).

NETA ZRUYA HASHAI

Independent Director

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

LIM YONG SHENG

Independent Director

Mr. Lim was elected to our Board of Directors as an Independent Director and appointed a Member of the Audit and Nominating Committees in June 2020. Mr. Lim is Group Chief Executive Officer and an Executive Director of SK Jewellery Group Ltd., a leading Singaporean retail jewellery chain with over 60 branches across Singapore, China 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 elected to our Board of Directors as an Independent Director and appointed Chairperson of the Nominating Committee and Member of the Audit and Remuneration Committees in June 2020. Mr. Sin has had a legal career in Singapore spanning over 30 years. From 1992 through 2018 he was with Drew & Napier, one of Singapore's leading legal firms, becoming a partner in 1994. Prior to his retirement in 2018, he was the Deputy Managing Director of the Corporate & Finance Department and the Co-head of the Capital Markets Practice in Drew & Napier LLC. He 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 section 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.

NOTE: - In June 2020, at the virtual Annual General Meeting postponed from April due to the Covid-19 pandemic circumstances, Chan Kam Loon, Yehezkel Pinhas Blum and Valerie Ong Choo Lin stepped down from our Board of Directors, after having served as Independent Directors since March 2005. We salute and thank them for their long fruitful years of service to the Group.

KEY **MANAGEMENT**

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

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

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

KEY MANAGEMENT

ABRAHAM MEIR KERNER is the Group's Vice President of Research and Development since 2009 and was its Chief Technological Officer since 2004. He is primarily responsible for developing our technological base, as well as overseeing the development of new products. 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. 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) on the original DiaMension® and the DiaCenter™, the first automated computerised centering system for rough diamonds for bruting (a now discontinued product of the Group). 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.

OREN BEN-KOHAV joined Sarine in 2017 as the Group's Vice President for Global Operations. He is responsible for Sarine's procurement, production, customer care, Information Technology (IT), including the Management Information Systems (MIS), and the operation of our global service centres. In this role, Oren is focusing on improving and optimising the services the Group provides its customers, along with implementing customer-centric paradigms. Prior to joining Sarine, from 2010 through 2017, Oren served as the Executive Director of Customer Operations and the Israeli branch COO for McKesson (Nasdaq:MCK), supporting McKesson's customer services for its digital imaging and diagnostic solutions, used by cardiologists and IT professionals working for hundreds of healthcare providers and imaging centres worldwide. From 2002 to 2010 he served as a Director of Product Operations at Medcon, an Israeli healthcare IT company, responsible for customer support and implementation teams, providing services globally to their customers and resellers. From 1999 to 2002 Oren led the project management and information services groups in Gamatronic, a publicly traded Israeli company (TASE:GAMT) and was responsible for executing large scale projects for governmental customers, both military and civilian. Mr Ben-Kohav holds a Bachelor's degree in Business Management, with specialisation in information systems, from Touro College in New York.

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.

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

KEY MANAGEMENT

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

YOAV EFRAT was the Managing Director of Sarin India from mid-2017 until year-end 2020 (see note below). Prior to his relocation to India, Mr. Efrat served for two years as the Group's Director of Programme Management, responsible for global operations of Sarine's trade and retail solutions. From 2011 through 2015 Mr. Efrat was the Product Manager responsible for Sarine's line of diamond manufacturing products, working closely with manufacturers and gemmological labs. During these two periods, Mr. Efrat garnered a wealth of knowledge relating to polished diamonds and their retail branding as well as to the Indian manufacturing sector and its processes, economics, etc. Prior to joining Sarine, from 2008 to 2011, Mr. Efrat managed communications projects at R.T.Com, including development and set-up of satellite networks for governmental agencies. Mr. Efrat also possesses extensive experience in software development, having worked at Paieon Medical Inc. as the lead software / system engineer from 2005 to 2008. Mr. Efrat holds a Bachelor's degree in Computer Science from Ben Gurion University, and an MBA from Bar-Ilan University, with specialisation in marketing.

Note: Mr. Efrat's contractual employment as Sarin India's Managing Director ended year-end 2020. Mr. Ben Finkelstein, whose brief bio immediately follows this paragraph, will assume Mr. Efrat's responsibilities in 2021 upon receipt of the necessary authorisations from the appropriate authorities in India.

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

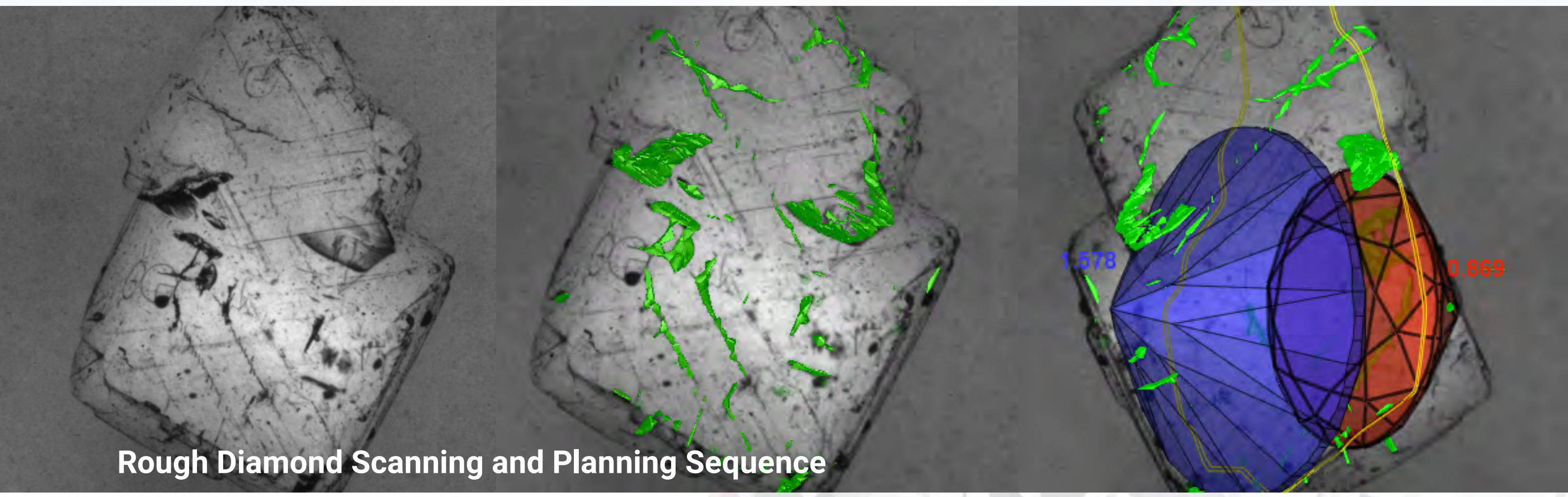
BEENITA RITESH CHAURASIA is the Vice President of Sales, Sarin India, having been appointed to this position in 2010. Ms. Chaurasia is responsible for all pre- and post-sale activities relating to the Group's products in India. Prior to this appointment, Ms. Chaurasia had been employed by Sarin India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

KEY MANAGEMENT

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

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

NOY ELRAM is the Managing Director of Sarin Hong Kong as of June 2018, with responsibility for expanding the penetration of Sarine's polished diamond solutions for retailers and suppliers in the Asia-Pacific region excluding India. Mr. Elram has just under 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. Mr. Elram started his career at Intel Corporation (Nasdaq: INTC) in 2001, as a real-time, embedded, mobile network protocol developer. Noy holds a Bachelor's degree in Computer Science from the Academic College of Tel Aviv–Yafo in Israel.

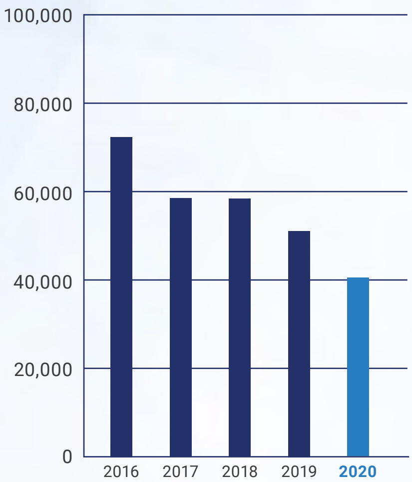


Rough Diamond Scanning and Planning Sequence

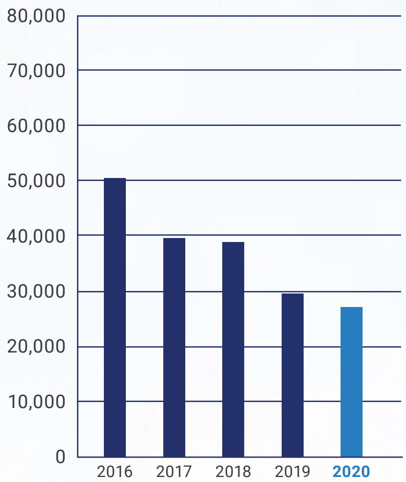
FINANCIAL HIGHLIGHTS

(US$ '000)	2016	2017	2018	2019	2020
Revenues	72,524	58,644	58,504	51,323	**40,968**
Gross Profit	50,289	39,346	38,568	29,584	**27,070**
Net Profit	17,980	5,764	7,602	(1,372)	**2,365**
Gross Profit Margin	69.3%	67.1%	65.9%	57.6%	**66.1%**
Net Profit Margin	24.8%	9.8%	13.0%	-2.7%	**5.8%**
Cash and Investments	37,987	29,117	28,853	29,474	**27,555**
EPS (US cents, fully diluted)	5.14	1.64	2.17	(0.39)	**0.68**
Dividend Per Share (US cents)	4.50	3.50	3.00	0.80	**0.50**
EBITDA	25,070	12,931	13,661	5,496	**8,794**

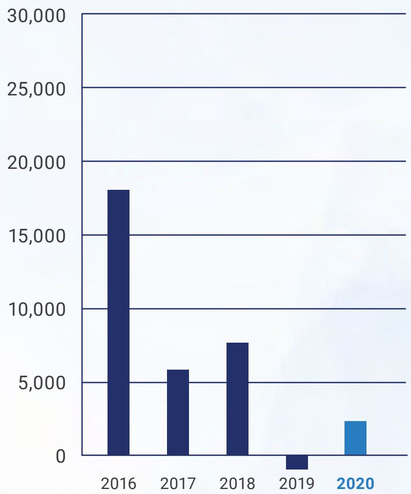
Revenues (US$ '000)



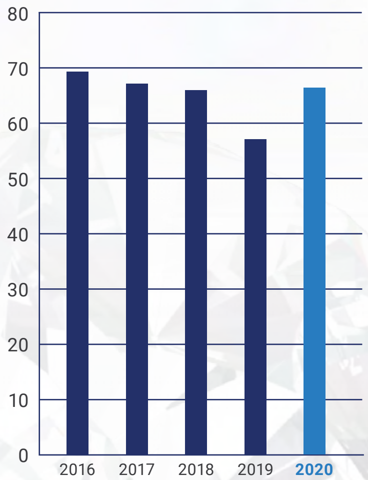
Gross Profit (US$ '000)



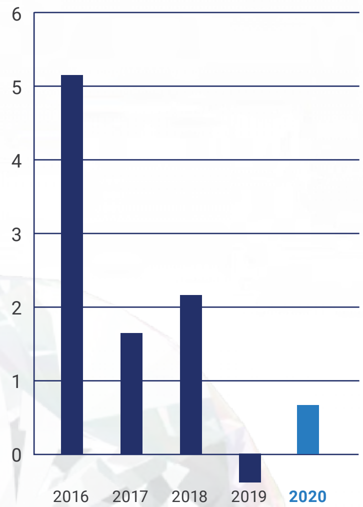
Net Profit (US$ '000)



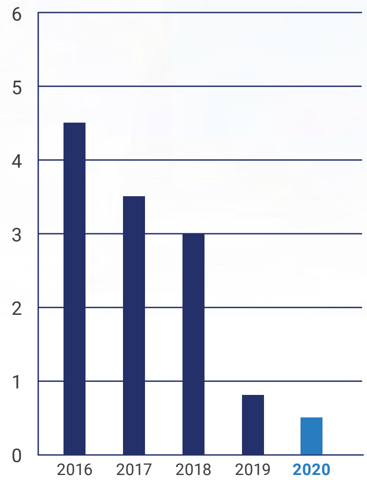
Gross Profit Margin (%)



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. This consumer demand drives an extensive industry of mining, polishing, grading and wholesale and retail trading, on which our Group capitalises.

Rough Stone Evaluation (the "Upstream")

Rough diamonds are extracted from the earth in extremely varied qualities and sizes. Of the average 125-140 million carats mined annually, only 25-30% are considered gem quality and are polished for gem-set jewellery purposes. Within the gem quality rough diamonds segment, qualities further differ significantly as discerned by the stones' actual shapes (e.g., cubes, octahedrons or dodecahedrons as symmetrical forms are worth more than amorphous stones), their internal characteristics, if visibly discernable (e.g., internal grain direction, internal strain ["tension"], internal imperfections ["inclusions"], etc.) and their assessed colour. Sizes of the mined rough diamonds can range from fractions of a carat up to hundreds and even thousands of carats (the Cullinan Diamond was the largest gem-quality rough diamond ever found, weighing 3,106.75 carats - 621.35 gr). Typically 5% or so of a mine's output is over 2 carats (0.4 gr.) in weight, a further 7-8% is between 1.5 and 2 carats and nearly 90% of a mine's output is stones below 1.5 carats in weight.

We assist the so-called upstream diamond mining companies, also termed "producers", to evaluate their rough stones as per their varied qualities. Our DiaExpert® family of platforms, accurately model a rough diamond's external geometry. The revolutionary Galaxy® family of internal inclusion mapping systems for rough diamonds, based on patented technology, provides high resolution (optionally at microscopic-level), fully automated, fast and comprehensive identification and mapping of a rough stone's internal inclusions and tension. By utilising these two systems and associated software tools, a producer can more fully assess the intrinsic value of its rough material and provide prospective customers with comprehensive information pertaining to the stones offered for sale. Disclosing this information, and thus reducing the risk associated with buying rough stones lacking full knowledge of their characteristics, allows bidders to offer a higher premium for the offered goods, thus increasing the producer's profitability. In addition, the provision of such data in a digital form enables producers to reach a broader group of potential buyers, without necessitating any travel, a critical issue during periods of Covid-19 related travel restrictions.

Alrosa, the main Russian producer, and largest miner of diamonds worldwide in carat terms, Grib, another Russian producer, and Lucara, a Canadian-based producer operating in Botswana, utilise our technologies for certain categories of their rough production, subsequently offering them for sale via digital tenders or other focused sale paradigms. The scope of these tenders offered by existing customers is expected to significantly grow in 2021 and additional key producers will also be adopting this paradigm in 2021. Rough stone secondary wholesalers also use this business model – e.g., in late 2020 Stargems concluded the largest tender on record in Dubai, by value of goods sold, after introducing this practise.

Rough Stone Polishing (the "Midstream")

Rough diamonds go through a 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.

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

The cost of rough diamonds is high. They are typically paid for upon receipt. Yet it often takes six to twelve months to sell the polished output, often 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 incurred along the way) driving polishers to normally realise only single digit margins. Hence, any yield increases, cost savings, cycle shortening or risk reduction benefits are critical and have significant impact on the manufacturers' profits. The diamond industry's midstream's turnover was valued at approximately US$ 17.0 billion in 2019 (the latest full year for which data are available), with added value of some US$ 4.5 billion.

Sustained by these basic industry value-chain economics, our Group has been successful over the years in introducing innovative, reliable and efficient yield-increasing, cost-cutting, time-saving and risk-reducing technologies. The global diamond industry has readily adopted these technologies, many of which have become de-facto industry standards. The combination of these technologies, as described below, has redefined the art of polishing diamonds. They have pushed the optimally achieved yield of the polished stone(s) weight from under 40% of the rough stone's original weight to over 50%, a benefit in excess of 25%. Our solutions also allow the manufacturer to produce goods which best suit actual market trends at any given time, e.g., trading off between Carat weight and Clarity grade quality, to best respond to North American or Asia Pacific demand. Notably, these technologies are applicable to both natural and lab-grown diamonds (LGD).

MANAGEMENT'S BUSINESS, OPERATION & FINANCIAL REVIEW

Historically, the Group has focused on 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™, Meteor™, Solaris™, Galaxy® and Galaxy® XL systems, covering a broad range of sizes of rough diamonds from below 10 points (0.1 carat) to over 200 carats in weight. In addition, the Galaxy® Ultra offers high resolution microscopic-level inspection for very high quality stones. Commencing in 2019, the Galaxy® systems can also be equipped with optional hardware allowing the mapping of the internal stress ("tension") of a rough diamond, allowing for its safer planning, cutting and polishing. The Galaxy® family of products generate a significant recurring revenue stream (just over 40% of overall Group sales in 2020), due to the unique business model we have implemented based on an ongoing per-carat use charge (for very small stone sizes the per-carat use fee is replaced by a flat monthly charge for machine utilisation).

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

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

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

We believe that our introduction of technology to the diamond polishing industry has converted 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 (mainly Botswana, 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. Due to the resources which have been invested in the development of domestic polishing industries, Botswana has become the second most important polishing centre globally.

Sarine has a market presence in both established and emerging diamond manufacturing centres. A key strategic decision was the establishment in 2004 of Sarin Technologies India Private Limited, our wholly-owned Indian subsidiary. Having taken direct responsibility for the pre- and post-sales operations in the diamond industry centres of Mumbai and Surat, we now have better feedback from and more direct support of the marketing of our products in the key Indian market. In 2009, we opened a service centre in Surat, India, which provides our customers in India with Galaxy® inclusion mapping and Quazer® laser cutting services. In the beginning of 2012 we opened a second service centre in India - in Mumbai. In 2017 we opened "Sarin House", a wholly-owned state-of-the-art new facility in Surat, India, consolidating all the Group's Surat-based activities for the Indian diamond industry under one roof. Located in India's diamond manufacturing hub, the facility comprises 55,000 square feet (5,100 square metres) over 6 floors, and houses approximately 400 staff members.

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

Diamond Grading

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

We pioneered the first technology ever for grading a polished diamond in 1992, with the launch of the DiaMension®, which introduced automated grading of a polished diamond's Cut. Following the DiaMension®, the DiaMension® HD (High Definition) was introduced in 2009 and is today the industry's standard for measuring proportions and grading Cut worldwide. The Axiom™ 3, our newest development, is based on revolutionary technology with micron level accuracy. The first generation of the Axiom™ was developed in 2015 to meet (it actually exceeds) Tiffany & Company's most stringent requirements for Cut and Symmetry grading. Our polished diamond proportion measuring and Cut/Symmetry grading systems operate using our proprietary Instructor® software, which was the first proportion and Cut grading software to be evaluated and adopted by the Gemological Institute of America (GIA) in 2004, having been certified as being accurate and compliant to the GIA's standards in excess of 98% of the tested cases.

Next, in 2013, we introduced the Sarine Light™, the industry's most accurate system for measuring a polished diamond's actual light performance. This system has become the accepted standard for light performance grading of higher quality stones in the Asia Pacific (APAC) market. Our light performance grading has been adopted by the National Gemstone Testing Centre (NGTC), China's largest gemmological testing laboratory, which introduced a new grading standard for China based on it in 2020. Our light performance standard has also had broad success in Japan and has virtually become the fifth C in that market.

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In 2018, we launched the world's first system for the automated grading of a polished diamond's Clarity, along with the introduction of leading-edge technology for the automated grading of Color. Our groundbreaking automated grading of a polished diamond is driven by artificial intelligence (“AI”) algorithms and is realised on two unique devices - the Sarine Clarity™ and Sarine Color™. Clarity grading has always been, and is still, done manually. As it is a very complex multi-dimensional classification, based on the number of inclusions, their sizes, types and locations within the polished stone, and other parameters, the subjective judgment call is complex. The norm is that two gemmologists grade each stone, and it is not unusual for a third expert opinion to be required. Even so, Clarity grading is not consistent, and it is not uncommon to encounter significant variations in grading, often resulting in the grading being contested. Tests have shown that a statistically meaningful reference team of proficiently trained graders assesses the same stone's Clarity across up to two (occasionally even three) different grades. Utilising technology enables much more consistent grading, and, as the AI-based software is self-teaching, consistency continually improves over time. It is our aim to augment our grading with the fine-sorting of a diamond’s Clarity and Color in accordance with various industry-accepted sub-grades pertaining to the diamond’s actual appearance (e.g., “eye-clean”, “no black inclusions”, “no inclusions under the table” for Clarity and issues such as "tinge" and "milkiness" for Color). Already today our Sarine Technology Labs in Israel and India provide the world's first technology-based, AI-driven, objective and consistent grading of all of a polished diamond's 4Cs. Our labs also apply cutting-edge technology to ascertain whether the diamond is natural or lab-grown and whether treatments have been applied to them.

In 2020 we introduced the concept of e-Grading™. By enhancing our technology-based AI-derived 4Cs grading with additional functionality for process control and intra-process verification, we are implementing a completely new grading paradigm we have named e-Grading™. e-Grading™ will provide manufacturers and other industry players with a time-saving cost-cutting in-house solution for the 4Cs grading of polished diamonds, without necessitating the inefficient and costly process of going offsite to a gemmoligical laboratory (hence the “e-Grading™” term, just like e-Learning is from the comfort of your home). The systems utilised for the grading process are all cloud linked and the grading results are automatically uploaded to the cloud. Thus, the 4Cs grading results are derived without any human intervention and are immediately available for online B2B access and subsequent B2C consumer report generation. Intra-process automated verification of the polished diamond at each station will ensure reliable and accurate data flow, optionally verifiable by our TruMatch™ fingerprinting.

Currently in beta-testing, our new grading paradigm enables truly objective and consistent grading at a fraction of the time currently required (hours or a day max vs. weeks) and with none of the indirect costs of shipping, insurance, customs handling, etc. associated with having the grading done at an external third-party lab. Furthermore, as our e-Grading™ paradigm will be implemented by the polisher's own personnel, it most likely will also reduce the direct cost to the polisher, typically today on a par with the overall cost of the actual polishing of the diamond(!). Furthermore, this paradigm enables a completely new level of operational flexibility, as well – the polisher can prioritise the stones sequence of grading to best meet delivery schedules. Because of its significantly lower cost, e-Grading™ is especially applicable to the grading of LGD, as the value of LGD is far less than natural diamonds, and the current grading by labs is simply prohibitively expensive (~10% of the value of the polished gem). Furthermore, what is more natural than grading by technology a stone created by technology.

e-Grading™ also seamlessly connects with our diamond provenance traceability offering, the Sarine Diamond Journey™, the only provenance solution offered today based on verifiable data collected by technological means throughout the diamond's path from mine to retail (with no necessity for declaratory input). Commercial launch is scheduled for the second half of 2021.

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 adds some US$ 5 billion in value, the downstream's added-value is nearly a dozen times that figure – nearly US$ 59 billion in 2019. 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. The downstream overall generates over half of the profits realised in the entire industry value-chain. As the downstream portion of the industry comprises much more volume in absolute dollar terms and with notably higher profitability, it epitomises a market with considerable growth potential for the Group. The international diamond retail jewellery trade in 2019 amounted to some US$ 76 billion, with the U.S. and China being the two key markets, roughly 38% and 19% respectively of global sales.

The 19th edition of Bain & Company's Luxury Study, dated 18 November 2020, relating to the Covid-19 pandemic impact on the luxury market, notes that the global personal luxury goods retail trade contracted in 2020 for the first time since 2009 and decreased by an unprecedented 23%. However, as the pandemic's effects dissipate in 2021, Bain forecasts a very strong rebound of between 10-12% to 17-19%, depending on the actual macroeconomic conditions. It is projected to continue growing at a more typical 3-5% annually thereafter for a full recovery to pre-pandemic levels by late 2022 or early 2023. The only bright region globally was China (with the exception of Hong Kong and Macau, which contracted by 35%, making them one of the worst hit areas globally), where sales grew in 2020 by 45%. Chinese consumers thus cemented their status as the single largest market for personal luxury goods, still on track to account for nearly half of the global luxury market by 2025. Europe bore the brunt of the collapse in global tourism with regional luxury item sales imploding by 36%. The Americas fared slightly better than Europe with a contraction of 27%, and the rest of the world, Japan, the Middle East, etc. contracted by 21% to 24%.

Online sales of luxury items expanded dramatically in 2020, by nearly 50%(!), due to the changes in our lifestyles during the pandemic. The share of luxury item purchases online almost doubled(!) in 2020 from 12% in 2019 to 23% in 2020. "Brands will need to adjust their footprints to the new map of luxury buying, [and] evolve the store role and maximise the customer experience" commented Claudia D'Arpizio, a Bain partner and co-author of the study. Online and mobile shopping experiences are putting the role of physical channels at risk. In addition, sustainability and environmental issues, as well as diversity and inclusion, have become core considerations, with younger consumers, placing an unprecedented emphasis on these issues to alleviate social and racial injustice. "Activist" consumers are seeking brands that can demonstrate their alignment with this vision. Federica Levato, a Bain partner and co-author of the report, noted that "By 2030 [the luxury] industry will be drastically transformed… In this new enlarged space, the winning brands will be those that build on their existing excellence while reimagining the future with an insurgent mindset. Luxury players will need to think boldly and rewrite the rules of the game".

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As noted in the previous paragraph, retail chains must more than ever reinvent themselves to enhance customers' in-store experiences and create an ongoing engagement with their customers. The challenges faced by the retail diamond trade are:

- "Branding" – a growing trend in retail to differentiate one's products from other commoditised ones. Typically, in the retail diamond environment this is proffered either by introducing non-standard cuts and shapes or otherwise creating an engaging story around the offered stones, e.g., by emphasising their strong light performance, tracing them from mine to consumer, noting their exceptional manufacture, the jewellery's renown designer, etc.

- The "Experience" – today's internet-savvy consumers surf the internet and query social media before buying. Though actual sales are still, predominately, in stores, Bain & Company believe this may not be the case by 2030. By using sophisticated technologies, retailers can create a more exciting experience both on their website and subsequently in their stores.

- The "Sale" – what a retailer needs to do to actually close the sale of a specific stone (jewellery piece) at a specific price. Today, the branding and the experience, and the confidence inspired by these, are often no less important than the quality of the goods offered and their pricing.

Non-intuitive, often even cryptic, data, as formulated in the historic 4C's, no longer connect to, nor convince, the new generations of internet-savvy buyers. Digitally enhanced experiences based on imaging and video technologies are already being adopted by e-tailers and retailers alike as essential marketing and sale tools, as a means of branding and of generating the necessary attention, engagement and passion necessary for closing the sale.

To support this 21st century evolution of retail, we launched the Sarine Profile™ in 2015. Utilising an assortment of various technologies further detailed below, the Sarine Profile™ provides precise and expansive image and video information pertaining to the offered diamond's origin, manufacture, quality, beauty and other unique characteristics. By providing a wealth of additional information, the Sarine Profile™ enables significantly more informative online searches, whether B2B or B2C, at a completely new level of transparency. The Sarine Profile™ also enhances the in-store buying experience and empowers the consumer to make a truly informed decision on the offered stone, as the varied information is presented in an intuitive and engaging visual format. 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 unique in that it allows each retailer, whether online or brick and mortar, to select its preferred imagery/video presentations from a toolbox of options, which are described below in greater detail. These options include imagery at various levels of magnification produced by the Sarine Loupe™, light performance grading and video generated by the Sarine Light™, Hearts and Arrows graphics, Cut proportions graphics, laser inscription viewing, etc., all as derived from our diverse cutting-edge systems enumerated below. Of course, our provenance certification provided by Sarine Diamond Journey™ and our AI-based 4Cs grading are also available as an option of the Sarine Profile™ package. We also support the importation of retailer-provided data, such as retailer promotional material, as well as the customer's own personalisation message to the intended recipient of the diamond, e.g., his proposal.

The technologies that provide these varied data are:

- The DiaMension® HD / Axiom 3™ proportion and symmetry measuring systems provide geometrical proportions, Cut grade and Hearts and Arrows analyses;

- Sarine's Sarine Clarity™ and Sarine Color™ systems and their AI-based algorithms provide objective and consistent Clarity and Color grading.

- The Sarine Light™ enables the accurate, consistent and quantified measurement of a polished diamond's actual light performance (appearance), as a new more intuitively meaningful means by which to assess the diamond's beauty:

    - 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.

- The Sarine Loupe™ imaging system creates high quality video imagery, at varying magnifications (from 3 to 40 times) and from various perspectives and simulated distances, so that a potential buyer of a polished diamond, whether a qualified wholesale trader or a consumer, can truly assess both its beauty and internal features without having the polished diamond physically in hand.

- The Sarine Connect™ - provides a digital inventory platform that allows retail chains to showcase any stone from their entire inventory, regardless of its physically being in a specific outlet or not, as well as create virtual inventory, by reaching back to their suppliers' inventories of stones and settings, pursuant to the necessary authorisations.

- The Sarine Diamond Journey™ – The Group has an extensive industry-leading presence in the diamond industry's midstream, wherein the critical transition from rough to polished stone occurs. In 2020, despite the ~30% reduction in rough stones entering the pipeline, some 19 million stones, 5% more than the 18 million in 2019, were scanned for inclusion mapping using our installed base of 631 Galaxy® family systems. Annually, close to a hundred million rough stones are planned using our DiaExpert® family of platforms, of these over 60 million stones are planned using our online Advisor® cloud-based software, from which, optionally, the actual planning, cutting and shaping stages can be recorded on our cloud infrastructure. These data allow us to subsequently provide full traceability of the stone's transition from rough to polished, using conclusive certified factual imagery. All this is accomplished with no disruption to the normal workflow and no meaningful overhead or cost. This augments the stone's provenance origin documentation, provided by our growing cooperative arrangements with major diamond producing miners (already Alrosa and Lucara, with others to join in 2021) to create the only comprehensive solution for provenance and traceability based on actual verifiable data with no need for

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declaratory complimentary assertions (if the rough stone's source data is not provided by the producer through their technological linkup with our cloud database, the information is derived manually from import/export and Kimberly Process documentation). Beyond offering consumers insight into the sophisticated technology and painstaking craftsmanship that went into creating their unique gem in an engaging visual format, the Sarine Diamond Journey™ is the only solution which provides the consumer with factual evidence confirming both its sustainable and socially responsible sourcing as well as its manufacture, issues of growing importance to younger "activist" consumers, as noted by Bain & Company.

- 3D-Origin™ - A unique offering, made possible by the data generated by the Sarine Diamond Journey™, provides a realistic 3D-printed model of the original rough diamond from which the polished gem was derived. This feature adds to the consumer's experience and bolster his/her connection with the purchased gem.

- TruMatch™- Our proprietary technology for "fingerprinting" a polished stone, can be used to augment the Sarine Diamond Journey™ report to singularly mark the identity of the polished stone. This allows subsequent verification of the stone for the consumer in the retail outlet, whether it is still loose or already mounted in a setting. 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 in need of reliable unequivocal identification of the item.

- Verto™ - an innovative imaging solution that generates high quality video displays, derived from but a handful of images captured by any common smartphone. Verto™'s solution enables jewellery manufacturers, wholesalers and retailers to provide their customers with exceptionally high-quality video visualisation of offered jewellery items, along with the capability to generate multiple options of settings and the types, sizes, and colours of stones set in the piece, etc., with no need for capital investment in high-end devices, expensive professional photographers or exhaustive manual finishing. The combination of the imagery's high quality, the system's ease of use, its attractive cost and fast delivery create an offering that is significantly more cost and time effective than other currently available market alternatives.

The commercialisation of all the aforementioned services for the polished diamond trade is based on recurrent revenue models, based on the size of the stone profiled and the scope of the services provided (e.g., grading, imagery, provenance, digital inventory, fingerprinting) as is the norm in the industry.

To facilitate the marketing and sales of our polished diamond trade offerings, we opened an office in North America in 2014 on New York's so-called Diamond Way (47th St. between 5th and 6th Avenues), the heart of the U.S.'s polished diamond trade. In 2015 we opened an office in Hong Kong, the primary hub of the polished diamond trade in the APAC market. We have since expanded our regional presence in the APAC market, and have employed additional staff in Shenzen (HQ), Beijing and Shanghai in China, in India (vis-a-vis both midstream and retail segments), in Japan and in Singapore, as a regional sub-hub for neighbouring countries, as well.

Sarine Products by Application and Customer Type

ACTIVITY	TARGET CUSTOMER	SARINE PRODUCTS
Rough diamond evaluation	Producer and Wholesaler	Galaxy®, Galaxy® XL, Galaxy® Tension, DiaExpert®, DiaExpert® XL, DiaScan® S+, DiaMobile® XL / XXL and Advisor®
Planning optimal cutting of rough diamonds into polished ones	Manufacturer	Galaxy®, Galaxy® Ultra, Galaxy® XL, Galaxy® Tension , Solaris™, Meteor™, Meteorite™, DiaExpert®, DiaExpert® Atom, DiaExpert® Nano, DiaExpert® XL, DiaExpert® Eye, DiaExpert® Edge, DiaScan® S+,DiaMark® Z and Advisor®
Cutting rough diamonds	Manufacturer	Quazer® 3 and Strategist®
Shaping rough diamonds	Manufacturer	Quazer® 3
Optimal polishing of diamonds for best Carat / Cut trade-offs	Manufacturer	DiaMension® HD, DiaMension® Axiom 3, DiaMark® HD and Instructor®
Diamond finishing optimisation	Manufacturer	DiaMension® HD, DiaMension® Axiom 3, DiaScan® S+ and Instructor®
Polished diamond grading according to the 4 Cs and light performance	Manufacturer / Gemmological Laboratory / Polished Wholesaler and Retailer	DiaMension® HD, DiaMension® Axiom 3, DiaScan® S+, Sarine Light™, Sarine Clarity™, Sarine Color™
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™, Sarine Connect™, TruMatch™ and Verto™

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. We have initiated litigation in India against certain competitors, who we believe infringe our patents on laser marking (as used in the rough planning process), as well as against others, who we allege have infringed on or otherwise fraudulently made use of our Galaxy® inclusion mapping technology and Advisor® planning software.

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TruMatch™ Diamond Verification System

In addition to our IP copyright and patent applications and 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 Connect™, Sarine Clarity™ and Sarine Color™, are all protected from non-authorised use by having key components remotely located on cloud servers. Using proprietary in-house developed cyber protection creates a higher level of defence than that provided by using off-the-shelf commercially available protection, which is targeted per se by professional hackers. Due to this approach, though attempts have been ongoing for over five years to first hack our Advisor® 6.0 and now 7.0 planning software releases, success to date has been very limited with no discernible impact on our business. Future releases of our Advisor® (e.g., Advisor® 8.0 due for release in mid-2021) will have further improved IP protection through additional use of cloud-based features.

As mentioned, we are aggressively pursuing legal actions against infringements, primarily in India. In addition, we are leveraging our technological advantages, as manifested in our newest Advisor® versions and other new developments (e.g., the Galaxy® Tension), as well as other commercial benefits, to incentivise customers to refrain from using infringing technologies. Very significantly, the Sarine Profile™'s and, more importantly, the Sarine Diamond Journey™'s adoption by upstream producers and downstream retail customers for the branding and traceability of polished diamonds, creates a tangible incentive for midstream manufacturers' loyalty to our technological solutions, as the related programmes generate immediate, often premium, revenues.

Objectives

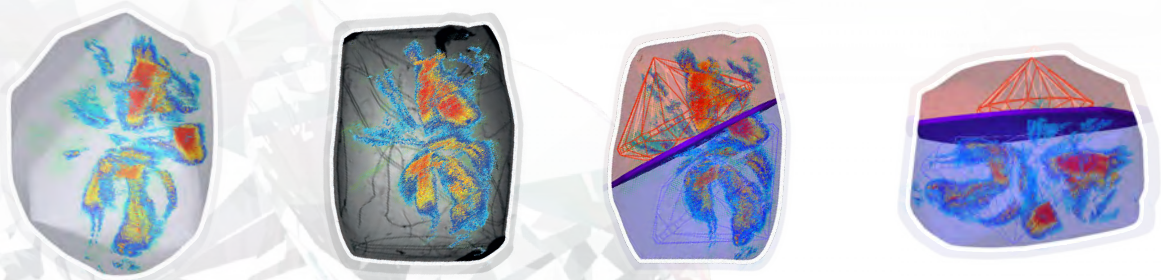
The Group's main objectives for 2021 are:

- Assertively drive the expanding market penetration of our Galaxy® family of inclusion mapping systems;
- Continue developing advanced features and thus maintain the overall value proposition and our market share of rough diamond planning solutions, as embodied in the DiaExpert® platforms and Advisor® software. Together with our Galaxy® family of inclusion mapping systems and our Quazer® 3 high-end green laser for cutting and shaping, we will continue to set the industry standard for rough diamond manufacturing technology;
- Continue our aggressive campaigns against IP infringement by legal means, technological innovation and commercial leveraging;
- Accelerate the market adoption of our unique polished diamond trade supporting products – the Sarine Profile™, Sarine Diamond Journey™ and AI-based 4Cs grading, with primary focus on the APAC market.
    - We see growing emphasis on and interest in provenance and traceability solutions, as for key high-end retailers and producers issues of sustainability and responsible sourcing and polishing are becoming more important due to the growing awareness of today's consumers. As detailed above, due to our systems' near-universal utilisation in the manufacturing midstream, we are uniquely positioned to provide actual verifiable solutions to these concerns with minimal disruption and cost to all the players across the value chain.
    - Having commenced beta-testing of our unique e-Grading™ paradigm enabling the grading of polished diamonds in-house, without necessitating the timely and costly outsourcing of this process to third-party external labs, we will continue with its refinement and the implementation of the necessary process monitoring cloud infrastructure, aiming for its broader introduction to manufacturers later in 2021.
- Increase our presence in the lab-grown diamond (LGD) segment of the diamond industry (growing at 25% a year), having proven the applicability of both our midstream rough polishing optimisation technologies (Galaxy® scanning, planning, laser cutting, etc.) and downstream polished diamond grading and marketing solutions to LGD (we are already generating initial revenues from this expanding segment).

These objectives will both increase our recurrent revenue stream and balance our business more evenly between the midstream manufacturing segment, mostly in India, and downstream trading segment, mostly in the U.S. and APAC regions.

GALAXY® TENSION MAPPING

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



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

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

- Midstream products:
  - Continue optimising our Advisor® planning proposition and bolster its IP protection features, to be released as Advisor® 8.0;
  - Continue refining our e-Grading™ AI-based technology, introducing second generation Clarity and Color grading solutions, and implement the necessary cloud-based process management and monitoring infratstructure;
  - Enhance our Clarity grading with fine-sorting of a diamond's inclusion characteristics in accordance with customer-specific industry-accepted sub-grades pertaining to the diamond's actual appearance (e.g., "eye-clean", "no black inclusions", "no inclusions under the table", etc.) as well as by its Color in accordance with tinting (brownish, greenish, etc.) and other relevant criteria;
  - Develop LGD-friendly derivatives of our systems, to allow their cost-effective application to LGD manufacturing.

- Downstream products and services:
  - Continue refining our provenance (Sarine Diamond Journey™) offering;
  - Adapt our AI-based grading solutions to LGD requirements and price points.

Focus the Group's marketing efforts on:

- Continuing our aggressive marketing campaigns on our Galaxy® family Meteor™ and Meteorite™ models and expand the initiative to the Solaris™ model as well;
- The broader adoption of the Group's Sarine Profile™ and Sarine Diamond Journey™, especially broadening our cooperation with additional producers, also through the expansion of the adoption of our digital tenders paradigm;
- The commercial rollout of our e-Grading™ innovation;
- Establishing strategic cooperations with leading players in the LGD segment;
- Enhancing the Sarine brand recognition at the retail and end-consumer level through targeted social media and similar initiatives.

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:

INDICATOR	PERFORMANCE
Technological Leadership	Our technological leadership, as measured by the innovation embodied in our new and enhanced products and services, as well as by our existing and pending patents worldwide, remains strong. No other company in our field holds a broader portfolio of products and intellectual property for the rough and polished diamond industries.
Estimated Market Share*	We have clear indications that we have expanded our market share in the midstream manufacturing segment of the diamond industry. In 2020 - we scanned just under 19 million stones, 5% more than the near 18 million in 2019, with our inclusion mapping family of systems, and over 60 million were planned on our online Advisor® 6.0/7.0 software installations, despite the ~30% reduction in the overall number of rough stones entering the pipeline! We have gained traction for our Sarine Profile™ in the APAC region. Notably, our Sarine Light™ has become the most widely accepted light performance analysis and grading system in use in the APAC market, and the largest gemmological laboratory in China, NGTC (the National Gemstone Testing Centre), has launched their light performance standard based on it. We are seeing extensive interest in our Sarine Diamond Journey™ story-telling and provenance/traceability offerings. We have established cooperative programmes with Alrosa and Lucara and are in talks with numerous additional producers. We have had initial commercial successes and are expanding awareness of the potential benefits of our AI-based grading. We have an ongoing initiative with Tiffany & Co. to adapt our technology to their stringent grading criteria, and are working with NGTC to derive new technology-based standards for them.
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 2021 and beyond. The thrust in the midstream will be the continued enhancement of the rough diamond inclusion scanning and planning processes for the manufacturing industry. At the junction of the midstream and downstream segments ongoing R&D will enhance the capabilities of our unique AI-based grading solutions and infrastructure to allow commercial rollout of our e-Grading™ initiative for grading polished diamonds on-site. We will also continue development of our Clarity and Color fine sorting propositions. In the downstream, we will continue enhancing our provenance/traceability capabilities, the Sarine Diamond Journey™, as well as our polished stone identification and verification TruMatch™ fingerprinting technology.
Brand Strength	Our brand strength allows us to leverage our distribution channels to market and sell complementary products to our existing customers, as well as to seek out new customers. We believe our brand continued to strengthen during the year in review, especially gaining recognition in the upstream mining and the downstream wholesale/retail industry sectors. We intend to continue strengthening our brand in 2021 with additional initiatives with producers and high-end global or regional leading retail brands, as well as in social media and by other means to boost consumer recognition of our brand.

* **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.

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Financial Indicators
During 2020 the Covid-19 pandemic disrupted much of the diamond industry value chain, as it did many other industries. Key effects were the preclusion of the historic methods of rough stone sales activities due to travel restrictions, the locking down of major midstream manufacturing centres - e.g., in India from late March through June, with lingering limitations in effect into July, and the curtailment of retail activity worldwide for much of the year – rolling lockdowns from China during the key Chinese New Year season through Europe to the Americas. As a result of travel restrictions impeding the usual rough sales cycles and reduced manufacturing activity for significant periods of the year, rough production was reduced and some 30% fewer rough stones entered the pipeline, as compared to 2019, and at discounted prices. Ultimately, with renewed retail activity towards the end of the year for the key holiday season, polished stone inventories were significantly diminished. This drove polished prices up, concurrent with rough prices having been reduced, enhancing polishers' margins significantly. Indeed, the last quarter of 2020 saw a strong recovery in the midstream, with Galaxy® family scans reaching an all-time record of daily peaks of 100,000 stones. The run rate of scanning in the fourth quarter of 2020 (and the initial months of 2021) was such that, if continued throughout all of 2021, would translate to a 40% growth in the number of stones scanned. Though Covid-19 vaccinations have become available, and aggressive inoculation efforts are underway worldwide, Covid-19 related issues are not behind us, as social distancing, lockdowns, travel restrictions and other limitations are still affecting the global economy going into 2021.

We use the following financial indicators to assess our Group's performance year-on-year.

INDICATOR	PERFORMANCE
Revenues	Revenues for FY2020 dropped by 20% to US$ 41.0 million from US$ 51.3 million in FY2019 due to the global Covid-19 pandemic, which dramatically reduced midstream polishing activity during extended periodic lockdowns (~30% fewer rough stones entered the pipeline) and impaired capital equipment sales (including Galaxy® family systems). Galaxy® family related per-carat usage revenues were down 18%, due to a near dormant second and still weak third quarters, affected by full and partial lockdowns, offset by a strong first quarter, before the pandemic hit India, and a strong fourth quarter recovery. In FY2020 we delivered only 76 Galaxy® family systems to customers, again due to the pandemic's impact after Q1 2020, during which we delivered a record 50 machines. The delivered systems were mostly Meteor™ (15) and Meteorite™ (50) models, but also 6 Solaris™ systems and 5 Galaxy® models. As of 31 December 2020, the Group had an installed base of 631 Galaxy® family systems. Indeed, despite the reduction in rough stones entering the pipeline, we scanned slightly (5%) more stones FY2020 than FY2019 – just under 19 million as compared to just under 18 million. 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™ and Sarine Diamond Journey™), constituted approximately half of overall FY2020 revenues (in line with FY2019). Sarine wholesale and retail trade related services grew slightly to just over 5% of our reduced revenues as compared to just over 4% in FY2019, primarily due to the growing adoption of our digital tenders related services. We expect these revenues will expand meaningfully in FY2021 due to: • The continued expansion of the usage of our digital tenders paradigm to additional producers and its application to extended ranges of rough stones; • The growing interest in our Sarine Diamond Journey™ provenance/traceability solution and our partnering with additional producers; and • The commercial rollout of our new e-Grading™ offering, along with our specific efforts vis-à-vis the NGTC lab in China and leading wholesalers and retailers (e.g., Tiffany & Co. and Japan's QVC).
Gross Profit	Gross profit for FY2020 decreased by 8.5% to US$ 27.1 million, as compared to US$ 29.6 million for FY2019, primarily due to lower revenues. For FY2020 the Group recorded a gross profit margin of 66%, significantly more than the 58% realised in FY2019, due mainly to the product mix and cost containment measures.
Operational Profit	Due to our aggressive cost cutting dictated by the Covid-19 pandemic, our profit from operations for FY2020 grew significantly by 333% to US$ 4.8 million, as compared to US$ 1.1 million in FY2019. For FY2020 the Group's operating margin was 11.6% as compared to only 2.1% for FY2019.
Net Profit	For FY2020 the Group reported a net profit of US$ 2.4 million as compared to a net loss of US$ 1.4 million realised in FY2019. This was due to our higher operational profitability, despite the pandemic.

NOTE: The Notes to our Financial Statements provide additional detail.

Operating Review

Opportunities

Market-driven Opportunities:
The global personal luxury goods retail trade contracted in 2020 for the first time since 2009 and decreased by an unprecedented 23% due to the Covid-19 pandemic. With vaccinations now available and aggressive inoculation programmes being launched by governments worldwide, it is expected that the pandemic's effects will become less acute in 2021. Bain forecasts a very strong rebound in luxury goods spending of between 10-12% to 17-19% in 2021, depending on the actual macroeconomic conditions (e.g., success of inoculation rollout vs. new mutations). As luxury dollars are not spent on travel or entertainment, due to lingering restrictions, it is forecast that there will be, as was witnessed in the last quarter of 2020, a strong rebound in spending on jewellery, in general, and diamond jewellery, in particular. It is projected that following 2021 diamond jewellery spending will continue growing at a more typical 3-5% annually, reaching 2019 levels for a full recovery to pre-pandemic levels by late 2022 or early 2023.

Due to the changes in our lifestyles during the pandemic, online sales of luxury items expanded dramatically in 2020, by nearly 50%. The share of luxury item purchases online almost doubled in 2020 from 12% in 2019 to 23% in 2020. "Brands will need to adjust their footprints to the new map of luxury buying, evolve the store role and maximise the customer experience" commented Claudia D'Arpizio, a Bain partner and co-author of the study. Online and mobile shopping experiences are putting the role of physical channels at risk. In addition, sustainability and environmental issues, as well as diversity and inclusion have become core considerations, with younger consumers

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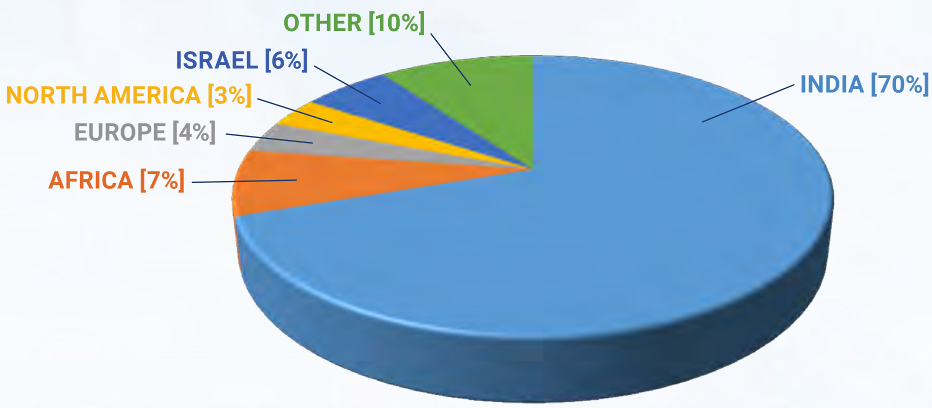
placing an unprecedented emphasis on these issues to alleviate social and racial injustice. "Activist" consumers are seeking brands that can demonstrate their alignment with this vision.

Our polished diamond retail trade oriented solutions, the Sarine Profile™, Sarine Diamond Journey™, 3D-Origin™, Sarine Connect™, TruMatch™ and Verto™, as well as our AI-based grading methodology which generates digital reports integrated into the Sarine Profile™, specifically address both these evolving needs – the growing prominence of digital online trade and coincidentally the enabling of an enhanced in-store experience, on the one hand, and the ability to demonstrate to the younger generation of consumers your brand's alignment with sustainability, environmental and social responsibility concerns. All our technologies generate cloud-based data for immediate anytime anywhere accessibility on mobile devices, a key factor for appealing to the new 21st century consumer. We intend to leverage this trend, and its forecasted growth throughout the upcoming years through 2025, to accelerate our market penetration and broaden our market share. We have significantly expanded our sales staff in the key APAC market and are investing in end-market retailer and consumer recognition of our Sarine brand.

Because of the travel restrictions induced by the Covid-19 pandemic, an opportunity has arisen to expand the utilisation of our digital tenders paradigm by both producers and wholesale tender houses. We intend to continue leveraging this new awareness of the benefits of all-digital tenders (no travel required; immediate broader audience; lower execution costs and participation costs; etc.) to expand our cooperation with additional producers, as this also opens doors for cooperation on our Sarine Diamond Journey™ provenance solution.

Lab-grown diamonds (LGD) continued to expand in 2020 with an estimated growth of around 25%. Market studies indicate that fully half of U.S. retailers will offer LGD products in their stores or online in 2021, alongside their natural diamond inventories. LGD are no longer viewed as a disrupting factor in the retail segment worldwide, but rather as a lower-priced complementing product. The market acceptance of lab-grown diamond (LGD) jewellery has created, as we have in the past forecast, a new opportunity for the Group. Having verified the adaptability of our various technologies to LGD manufacturing, grading and trade, we will now extend our efforts to penetrate this rapidly growing market. We have shown that the Galaxy® inclusion mapping and Advisor® planning technologies can contribute to the optimal utilisation of the manufactured LGD raw material. We are now complementing the Galaxy® software with pattern recognition capabilities, in order to automatically discern between natural and LGD rough material and adjust the billing for the scanning automatically. Our Quazer® 3 has proven to be the most cost-effective offering for dicing the LGD wafer into the cubes from which the gems are polished. And our AI-based e-Grading™ is especially applicable to LGD grading, as it allows grading of the less expensive finished LGD gem at a much more affordable cost than that charged for existing grading services by prevailing gemmological laboratories. In addition, e-Grading™ also lends itself conceptually to LGD grading – stones created by technology should naturally be graded by technology.

Revenue by Geographic Segment



Company-driven Opportunities:
With deliveries in 2020 of 76 Galaxy® family systems to customers, the Group had an installed base of 631 Galaxy® family systems as of 31 December 2020. We delivered significantly fewer systems in 2020 than in 2019 (145), due to the impact of the Covid-19 virus on all segments of the diamond industry value chain, and particularly so on the manufacturing midstream. Notwithstanding the full-year decrease, the first quarter of the year, pre-pandemic impairment, showed exceptionally strong demand for our Galaxy® family systems, with a record 50 quarterly deliveries. We believe this is indicative of the overall success of our aggressive efforts against the illicit IP-infringing competition on the legal front, but even more so from the perspective of our new aggressive marketing.

Looking forward to 2021 we intend to be even more aggressive in offering attractive terms for acquiring our systems for smaller stones, tailoring our offerings to all types and sizes of manufacturers – e.g., a business model specifically for polishers of stones only 10 points and less. We intend to focus especially on new business models for our Solaris™ model, where the competition still holds sway. We expect significantly stronger sales as a result of these targeted efforts. We will also continue to leverage our technological lead and widen the gap between the older planning paradigms, which are those being infringed by the competition, and the new Advisor® 8.0 with enhanced features including initial tension mapping utilisation, to be launched during the year. In addition, we are leveraging our best-in-class provenance/traceability solution, the Sarine Diamond Journey™, and its expanding adoption by producers and retailers, to induce midstream players to abandon their use of the illicit solutions.

Marketing programmes utilising the Sarine Profile™ and Sarine Light™ by retailers, primarily in the APAC region, continue to expand, in line with the expanding trend of branding and merchandise and experience differentiation. Our Sarine Diamond Journey™ story-telling and provenance solution is generating new channels of penetration into the retail markets in APAC, and we expect it will also gain traction in North America. As responsible sourcing gains importance amongst high-end retailers catering to concerned consumers, our provenance solution, based on actual documented information, garnishes more attention. We believe that our partnering with key producers, such as Alrosa and Lucara,

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has already boosted interest in our Sarine Diamond Journey™ paradigm, and are already in the process of enlisting additional producers to our partnering programme. Along with our uniquely extensive online technological presence in the midstream polishing process, these partnerships create an exceptional proposition, supplementing our provenance report with actual verifiable traceability documentation, with minimal disruption to the polisher's work flow and virtually no indirect additional cost and overhead. We have concluded pilot programmes with key high-end retailers with a global presence. Additional pilots have been delayed due to the pandemic outbreak. We expect these other test programmes to now move forward. Retailers in Japan, China, other APAC markets and the U.S. have already adopted the Sarine Diamond Journey™ traceability for enhancing the consumer's experience, including the 3D-Origin™ option. As a result, midstream suppliers are seeing demand for "Journey-ready" stones and are joining our Sarine Journey™ Official Partner Program. They have opted to enable our software to collect the appropriate data and imagery during the various stages of manufacture and to store same in our cloud-based database, so as to be able to offer their retail customers this option and allow the retailers to handily subscribe to the Sarine Diamond Journey™ service based on data already available in our cloud repository. This incurs no direct cost to them, and we are remunerated when the actual Sarine Diamond Journey™ report is generated at the retailer's request. Following initial positive market penetration, we have expanded our sales staff to support our retail customers, and in 2021 we intend to add additional staff, as warranted (e.g., in west China and the U.S.).

e-Grading™ enables truly objective and consistent grading at a fraction of the time currently required (minutes or hours vs. days or weeks) and with none of the indirect costs of shipping, insurance, customs handling, etc. associated with having the grading done at an external third-party lab. Furthermore, as our e-Grading™ systems are operated by the polishers' own personnel, most likely the direct cost to the polisher will also be less than that commonly paid today to an external lab for the same service, often on a par with the overall cost of the actual stone's polishing. e-Grading™ also offers a completely new level of operational flexibility, as well – the polisher can prioritise its stones' sequence of grading to best meet delivery schedules. Late in 2020 we began initial beta-testing of this new concept in India. The first half of 2021 will be allocated to the ongoing refinement of the solution and implementation of the necessary operational cloud infrastructure. Broader introduction to the midstream polishers is scheduled for later in 2021.

Risk Factors

As of this writing, we are still witnessing effects of the global Covid-19 virus pandemic. Though the lingering effects on the APAC market seem to be minimal at this time, Europe and the key U.S. market are still facing pandemic-related issues. Notwithstanding the new administration in the U.S. having set audacious targets for their inoculation drive, the health infrastructure in the U.S. is less centralised and the population's willingness to be vaccinated is less certain, which may slow the process. Notably, the new U.S. government is again taking significant steps to stimulate economic activity. A recovery in global consumer demand for luxury goods is expected this year, and China has, indeed, experienced a vibrant Chinese New Year season. However, the possibility of mutant strains of the virus emerging is a possibility to be considered.

Our success and ability to compete are substantially dependent on our intellectual property (IP), proprietary patented technology and copyrighted software. 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 technology. 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 significantly 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. 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.

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.

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 product lines for new industry segments and new products in existing product lines, and are 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 there is a geopolitical risk factor.

Risk Management & Internal Control

The Audit Committee and Management have, through the years, analysed these and many more 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 impairment to the Company and their probability of being realised. Thus, a comprehensive weighted prioritised risk factor list has been derived, which is being revisited in 2021.

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 the Internal Auditor for in-depth analyses of key issues on a routine basis. The primary areas that were so audited in FY2020, and the internal controls fine-tuned appropriately as per the findings of said audits, were again Galaxy® recurring revenue billing cycle and purchasing, in the latter part of the year. In previous years the areas audited were Sarine Technology Lab and

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Galaxy® service centre procedures, process, security and billing, payment to vendors, payroll, work place safety, collection of receivables, IP protection, quality control, customer service, inventory management and purchasing, the sales cycle, payment security and information security in Israel, and the Surat building project, Sarine Technology Lab procedures, Galaxy® recurring revenue billing cycle, pre- and post-sale standard operating procedures, payment to vendors, collection of receivables, information security, spare parts inventory, customer credits, attendance and payroll and the implementation of the ERP system in India, as well as information control and integration between Sarin India and Sarine Israel. All the findings of said audits have been reviewed by the Board, with appropriate enhancements to the internal controls agreed upon with Management. In many instances (e.g., service centre operations, IT information security and integration, purchasing, inventory and attendance and payroll), repeat reviews 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. A renewed assessment of these issues has been scheduled by the Audit Committee to be executed by the Internal Auditor in 2021. The results of this effort will be reviewed by the Audit Committee, and the necessary adjustments to the internal controls and risk management system will be presented to and adopted by the Board.

The Board of Directors has engaged KPMG to analyse issues pertaining to the sustainability of our business. The Group's most recent Sustainability Report pertaining to FY2019 was published on 25 May 2020. A further update and enhancement pertaining to FY2020 will be issued and posted by 31 May 2021, as required by the Listing Rules.

Financial Review

Cash Flow
As at 31 December 2020, cash, cash equivalents and short-term investments (bank deposits) ("Cash Balances") decreased to US$ 27.6 million as compared to US$ 29.5 million as of 31 December 2019. Despite our profitability in FY2020, the negative operating cash flow of US$ 1.8 million and the resultant decrease in Cash Balances was primarily due to increased trade receivables of US$ 22.8 million as at 31 December 2020 (US$15.4 million as at December 31, 2019) driven by extended credit terms provided to certain customers and somewhat prolonged collection times associated with the Covid-19 pandemic, reduced trade payables and increased inventory levels associated with our continued procurement of parts and subsystems, based on expectations of renewed capital equipment sales in 2021. Cash balances also benefited from the receipt of US$ 3.2 million in Covid-19 related Israel government sponsored bank loans (details in Note 30 of the financial statements), offset by the payment of a US$ 1.0 million final FY2019 dividend in July 2020.

Cash Management and Liquidity
Throughout 2020 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 returned to profitability in FY2020, notwithstanding the extremely challenging global macroeconomic conditions. This was primarily due to the higher margin revenue mix and timely and very aggressive cost cutting measures, and also by taking avail of Israeli governmental support programmes. Having successfully weathered a very difficult year for all segments of the industry in FY2020, the Group earned US$ 2.4 million (compared to a US$ 1.4 million loss in FY2019), equivalent to basic profit per share of US cents 0.68 (US cents 0.39 loss per share in FY2019) and fully diluted earnings per share of US cents 0.68 (US cents 0.39 loss per share in FY2019).

For FY2020 the Group's dividend policy provided for the distribution of US cents 1.0 on a semi-annual basis as a dividend to its shareholders. In light of the Covid-19 pandemic being at its zenith in the second and third quarters of 2020, the Company paid no interim dividend in August 2020, and will pay (subject to approval at the Annual General Meeting on 27 April 2021) a final dividend of US cents 0.5 per share, an estimated US$ 1.75 million for the year. This sum is in line with our net profit for the year.

As per the Board of Directors' decision of 28 February 2021, the dividend policy for 2021 will remain US cent 1.0 every six months (subject to market conditions and at the Board of Directors' discretion).

CORPORATE SOCIAL **RESPONSIBILITY**

SARIN INDIA FOOD STAPLES FOR DONATION TO FURLOUGHED WORKERS DURING COVID 19 PANDEMIC SHUTDOWN

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

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

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

- We treat our business partners, customers and employees with fairness and dignity.
- To the best of our ability, we create a safe and protective work environment for our employees, and we offer our customers safe products, with which to similarly create a safe work environment for their employees.
- In order to ensure operator safety, our products and services undergo strict inspections, which are constantly revisited by our own engineers and by third-party experts. Operating instructions and/or training are provided, as applicable, with regard to the proper and safe use of our products and, where necessary, built-in safeguards are provided to prevent inadvertent unsafe operation.
- Wherever applicable, we ourselves employ, and we instruct our customers as to how to similarly take, all necessary measures for the safe and environmentally friendly use and disposal of even marginally hazardous materials, as per directions from appropriately authorised expert consultants.
- We believe our business does not impact the ecological balance of our environment and does not have any influence on the sustainability of the industry or the human/natural fabric in which we operate.
- Our human resources policies protect the rights and interests of the Group's employees, as dictated by all applicable laws in

CORPORATE SOCIAL RESPONSIBILITY

HYGIENIC MASKS PACKED AT HK HEADQUARTERS FOR SHIPPING TO CHINA AT OUTBREAK OF COVID-19 PANDEMIC

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

- We maintain strict policies with regard to equality in the workplace, regardless of sex, age, religion, ethnicity, disability or other personal traits or beliefs, including the strict and swift treatment of any sexual harassment incidents, so as to provide a fair, safe and amicable workplace.

  - We actively seek to employ individuals living with various disabilities in order to promote equal opportunity in the workplace.

  - We strive to offer our employees engaging career paths, advancing them professionally with appropriate training.

  - We maintain open communication lines between all our employees and the various levels of management, encouraging our employees to comment on, improve, and critique the Company's activities. We have put in place a formal whistleblower policy, encouraging employees and business partners to report on any illegal, improper or unfair practices they may encounter in their dealings with Sarine.

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

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

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

On the international level, when Covid-19 initially hit China, the team at our Sarine Asia Pacific headquarters in Hong Kong coordinated the donation of thousands of protective masks and distributed them to our Chinese partners and customers.

In India, our most significant market, we have also adopted and implemented an active corporate social responsibility policy. In 2020 we continued our ongoing programme in Lalita Chokadi and Katargam localities in Surat, India's diamond manufacturing centre, where we have ‘adopted' two government primary schools serving over 3,950 children. As part of our ongoing support, over the past year, Sarin India has paid the salaries of two teachers in the field of Information Technology (IT) and of two cleaning staff. In addition, during the Covid-19 lockdown, Sarin India supplied essential food packages to indigent workers in the diamond industry.

In Israel during 2020, the projects undertaken included:

- Our continued cooperation with the Amal Sharonim High School, which consisted of lectures and workshops intended to promote active and proactive social involvement among the students.

- Projects for the Mental Health Center in Safed (the “Clinic”), especially for the children's' wards, have included over the years the creation of three extensive gardens and the renovation of two clinics. During 2020, we built five large outdoor tables and benches for the benefit of the children attending the Clinic's schooling programmes, in order to provide additional study areas allowing for better social distancing. Furthermore, one of our employees met with one of the children at the Clinic on a weekly basis teaching him light carpentry and furniture painting and restoration.

STUDY AND PICNIC TABLE DONATED TO THE CHILDREN'S CLINIC OF THE MENTAL HEALTH FACILITY IN SAFED ISRAEL

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™ and Meteorite™ products).

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

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

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

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

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

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

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

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

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

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

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

The Company's corporate governance practices are described with specific reference to the Code. The Company has exercised its best efforts to adhere with 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 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 and the Executive Committee (the Executive Committee is, basically, an advisory committee and has no executive powers). The Board has also authorised its senior officers (during the period commencing as of January 1st, 2018) 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, to any acts or omissions of any of the Board committees.

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

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

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

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. Since March 2020 to date all Board meetings were held by way of video conference (with management and certain Israeli directors attending at the Company's offices). 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 by designated alternate) of the directors in the Board meetings held in 2020 was as follows (in addition, a written resolution was passed on one occasion):

	Board of Directors – 2020	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Daniel Benjamin Glinert	7	7
Mr. Yehezkel Pinhas Blum (until 25 June 2020)	7	5
Mr. Chan Kam Loon (until 25 June 2020)	7	5
Mr. Avraham Eshed	7	7
Mr. Uzi Levami	7	7
Mr. Lim Yong Sheng (since 25 June 2020)	7	2
Ms. Valerie Ong Choo Lin (until 25 June 2020)	7	5
Ms. Varda Shine	7	7
Mr. Sin Boon Ann (since 25 June 2020)	7	2
Ms. Neta Zruya-Hashai (since 25 June 2020)	7	2

CORPORATE GOVERNANCE REPORT

	Audit Committee – 2020	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Yehezkel Pinhas Blum (until 25 June 2020)	3	1
Mr. Chan Kam Loon (until 25 June 2020)	3	1
Mr. Lim Yong Sheng (since 25 June 2020)	3	2
Ms. Valerie Ong Choo Lin (until 25 June 2020)	3	1
Ms. Varda Shine	3	0
Mr. Sin Boon Ann (since 25 June 2020)	3	2
Ms. Neta Zruya-Hashai (since 25 June 2020)	3	2

	Remuneration Committee – 2020	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Yehezkel Pinhas Blum (until 25 June 2020)	1	1
Mr. Chan Kam Loon (until 25 June 2020)	1	1
Mr. Uzi Levami	1	1
Mr. Lim Yong Sheng (since 25 June 2020)	1	0
Ms. Valerie Ong Choo Lin (until 25 June 2020)	1	1
Ms. Varda Shine	1	0
Mr. Sin Boon Ann (since 25 June 2020)	1	0
Ms. Neta Zruya-Hashai (since 25 June 2020)	1	0

	Nominating Committee – 2020	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Yehezkel Pinhas Blum (until 25 June 2020)	1	1
Mr. Chan Kam Loon (until 25 June 2020)	1	1
Mr. Daniel Benjamin Glinert	1	1
Mr. Lim Yong Sheng (since 25 June 2020)	1	0
Ms. Valerie Ong Choo Lin (until 25 June 2020)	1	1
Ms. Varda Shine	1	0
Mr. Sin Boon Ann (since 25 June 2020)	1	0
Ms. Neta Zruya-Hashai (since 25 June 2020)	1	0

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

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

During 2020 the entire Board was replaced/reelected (three independent directors retired and three new independent directors were elected; three non-independent directors and one independent director were re-elected). All but one of the newly elected independent directors had prior experience as directors in a publicly traded company listed on the SGX. The new independent director with no such prior experience attended the Singapore Institute of Directors' (SID) LED - listed entity director programme - as required under Rule 210(5) of the SGX Listing Rules (Mainboard). All Board members are instructed and advised, on an ongoing basis, with regard to their roles, responsibilities, powers and duties. Such orientation 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.

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During Q1 2020 all new directors (then – candidates) attended an orientation programme conducted at the Company's premises – which programme addressed issues such as (i) the Group's structure and activities; (ii) the directors' powers and duties; and (iii) accounting, legal and other industry-specifics aspects (as required).

The newly appointed Nominating Committee has started discussing a policy and criteria for directors' development (please see discussion under Principle 4 below).

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.

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 and age, so as to avoid groupthink and foster constructive debate.

Ms. Varda Shine has been appointed by the Annual General Meeting as the Lead Independent Director.

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

As noted below (under the discussion re Principle 4), according to the Articles, each director shall serve, unless the Annual General Meeting appointing him or her provides otherwise, until the third Annual General Meeting following the Annual General Meeting at which such director was appointed, or his or her earlier resignation or removal pursuant to the provisions of the Articles. The current directors were elected in 2020 and are expected to serve until 2023. Therefore, the Nominating Committee has resolved that succession and Board diversity matters shall be discussed in 2021-2022, prior to the retirement of the current members of the Board.

Key information about the directors is detailed in the "Board of Directors" section of the Annual Report.

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

Executive	**Non-Executive**	**Independent**
Mr. Daniel Benjamin Glinert	Mr. Avraham Eshed	Ms. Varda Shine (Lead)
(Chairman)	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 2020 no alternate director was appointed).

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, legal practice and management. As noted above, the Company is also considering seeking additional directors who will enrich and diversify the Board.

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.

CORPORATE GOVERNANCE REPORT

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."

Mr. Chan Kam Loon has served as the Company's Lead Independent Director and upon his retirement (in 25 June 2020), Ms. Varda Shine has assumed such position.

The Board's Executive Committee (comprised of Messrs. Glinert and Levami and of 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.

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 also determined that all directors have been adequately carrying out their duties as directors of the Company.

CORPORATE GOVERNANCE REPORT

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 Ltd., a family-owned private company	Eshed Diam Ltd. (Israel), Eshed Diam Inc. (USA), Eshed Diam (HK) Ltd., Eshed Designs Ltd., Gemstar Ltd., Gem Selection Inc. (USA) and Bilbao Trade and Investment Ltd. (all wholly family-owned private firms).	
Lim Yong Sheng	**Varda Shine**	**Sin Boon Ann**	**Neta Zruya-Hashai**
SK Jewellery Group Ltd.; MoneyMax Financial Services Ltd.*	Petra Diamonds Ltd.*; Mineral Development Botswana; Niron; Merryck & Co; Teenage cancer Trust (charity)	The Trendlines Group Ltd.*; Healthway Medical Corporation Limited*; TIH Limited*; HRnetGroup Limited*; Rex International Holding Limited*; OUE Limited*; CSE Global Limited*; Balkan Holdings Pte. Ltd.; W Capital Markets Pte. Ltd.; The Farrer Park Company Pte. Ltd.; At-Sunrice (Holdings) Pte. Ltd.; Esseplore Pte. Ltd.; Singapore Centre for Social Enterprise Ltd.; Tampines Central Community Foundation Limited.	Raphael Hospital – CFO 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 and the aggregate (and anonymized) results were submitted to our Nominating Committee, who conducted a discussion based on same. The performance evaluation takes into consideration, among other issues, the achievement of the Company's strategic goals and the actual participation and contribution of each director.

Given the unique Covid-19 effects and the fact that the current Board has been in office less than nine months, the Nominating Committee resolved that a personal evaluation of each director shall be conducted in 2021.

Principle 6: Procedures for Developing Remuneration Policies

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

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

Our Remuneration Committee recommends to our Board of Directors a framework of remuneration for our directors and key executives and recommends specific remuneration packages for each Executive Director and the CEO. All aspects of directors' and key executives' remuneration, including but not limited to directors' fees, salaries, allowances and bonuses, options and benefits in kind are dealt with by our Remuneration Committee. The Remuneration Committee and the Board rely, among other things, on periodical remuneration surveys conducted by independent Israeli remuneration experts (such as Zviran Compensation and Benefits Solutions). Each member of our Remuneration Committee shall abstain 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 30 April 2019. In this year's Annual General Meeting the General Meeting will be requested to approve the Company's new remuneration policy and specific remuneration packages for the directors and key executives. Please see the Notice of Annual General Meeting for further details.

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 that serves to provide a longer-term incentive better aligned with long-term performance of the Company and of the directors, officers and employees.

Since its listing on the SGX-ST, the Company had been granting share options to its employees under its 2005 Share Option Plan (the "2005 Plan"). The 2005 Plan is described in the Company's prospectus and a copy thereof is attached to the said prospectus. Following the expiry of the 2005 Plan, the Company's General Meeting, held on 20 April, 2015 approved a new Share Option Plan, substantially similar to the 2005 Plan (the "2015 Plan"). The Board of Directors 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 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 two-four years, based upon the achievement of business goals.

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

The Executive Directors's 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 2018 Annual Report. Further information about the Company's proposed remuneration policy may be found in the Notice of General Meeting.

CORPORATE GOVERNANCE REPORT

Principle 8: Disclosure of Remuneration

The remuneration (including performance cash-based incentives and non-cash option compensation) paid and accrued by us and our subsidiaries to each of our directors, our CEO and our top five (in terms of amount of remuneration) employees (not being directors) for services rendered to us in all capacities during 2020, 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	419	53%	40%	7%
Mr. Yehezkel Pinhas Blum	Independent Director (until 25 June 2020)	47	84%	--	16%
Mr. Chan Kam Loon	Independent Director (until 25 June 2020)	40	81%	--	19%
Ms. Valerie Ong Choo Lin	Independent Director (until 25 June 2020)	40	81%	--	19%
Ms. Varda Shine	Lead Independent Director	95	85%	--	15%
Mr. Avraham Eshed	Non- Executive Director	11	100%	--	--
Mr. Uzi Levami	Non-Executive Director	24	100%	--	--
Mr. Lim Yong Sheng	Non- Executive Director (since 25 June 2020)	28	77%	--	23%
Mr. Sin Boon Ann	Non- Executive Director (since 25 June 2020)	28	77%	--	23%
Ms. Neta Zruya Hashai	Non- Executive Director (since 25 June 2020)	33	80%	--	20%
Mr. David Block	CEO	688	56%	33%	11%

Top Five Key Management Personnel (Corporate Vice Presidents):

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. Roni Ben Ari	Deputy CEO and Executive VP Product Management	2	77%	14%	9%
Mr. William Kessler	CFO	2	78%	13%	9%
Mr. Oren Ben-Kohav	VP Global Operations	2	83%	8%	9%
Mr. Tzafrir Engelhard	VP New Business Development	2	85%	8%	7%
Mr. Abraham Kerner	VP Research & Development	2	86%	8%	6%

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.

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The aggregate remuneration paid to the top five key Management personnel (who are not directors or the CEO) for the year ended 31 December 2020 was S$ 1,787,000 (including the aggregate fair value of non-cash option compensation).

Any future arrangements concerning the remuneration of our directors and CEO shall be brought to the approval of our Remuneration Committee, Board of Directors and General Meeting. The Company's General Meeting, scheduled for 27 April 2021, will be requested to approve the new remuneration policy as well as the remuneration of our directors and CEO for the years 2021 through 2023.

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 2020, 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.

The Company has no employees who are immediate family members of a director or the CEO (and by extension, none whose remuneration exceeded S$ 100,000 during the year).

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

No directors participate in decisions on their own remuneration.

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

The Board is accountable to the Company's shareholders. The Board provides the shareholders with periodical, and to the extent necessary and/or required – immediate, reports with regard to the business, financial and other aspects of the Company's activities.

The 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. The Group's matrix of risks will again be revisited by the Internal Auditor in 2021.

Since 13 November 2018 the Company has commenced releasing annual Sustainability Reports. The Company's most recent Sustainability Report was released on 25 May 2020 and the current Sustainability Report is in preparation and will be released in May 2021, as required.

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, 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.

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)

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The members of our Audit Committee possess vast and diverse accounting, financial, commercial and legal expertise and experience. Ms. Netz Zruya-Hashai has served as an Audit Partner at Price Waterhouse Coopers (PWC) Israel, commencing 2000, 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 has 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.

CORPORATE GOVERNANCE REPORT

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 Certifed Public Accountants (Isr.), member firm of KPMG International (partner in charge, Guy Anavi, appointed with effect 1 January 2019) and Chaikin, Cohen, Rubin and Company (partner in charge, Dani Aviram, appointed with effect 1 January 2017). 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$ 301,000 for services rendered in 2020, out of which amount, US$ 217,000 (approximately 72%) were paid as audit fees, US$ 41,000 (approximately14%) were paid for other audit related services, US$ 43,000 (approximately 14%) were paid as tax fees and US$ nil (0%) 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'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 also provided corporate presentations with any quarterly financial statements which were published.

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 and the USA.

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

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

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

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

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

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

DIRECTORS' REPORT
FOR THE YEAR END 31 DECEMBER 2020

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 2020.

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 2020 (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 2021.

Ordinary Shares of the Company of no par value each	As at 1 Jan. 2020	As at 31 Dec. 2020	As at 21 Jan. 2021
Daniel Benjamin Glinert[1]	12,359,156	12,359,156	12,359,156
Avraham Eshed[2]	15,126,922	15,126,922	15,126,922
Uzi Levami[3]	12,335,406	12,335,406	12,335,406

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 300,500 shares held on his behalf by Eyal Khayat, Option Plan 2005 trustee, through UOB Kay Hian Pte. Ltd., pursuant to the Plan, 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 Plan 2005 trustee, through UOB Kay Hian Pte. Ltd., pursuant to the Plan, 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 Plan 2005 trustee, through UOB Kay Hain Pte. Ltd., pursuant to the Plan.

DIRECTORS' REPORT
FOR THE YEAR END 31 DECEMBER 2020

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

Name of Director	Options outstanding	Options vested	2020 share-based payment expenses	Years granted
Daniel Benjamin Glinert	1,096,123	346,123	US$23,000	2016 and 2019
Uzi Levami	623,611	623,611	US$0	2016
Varda Shine	700,000	350,000	US$11,000	2017 and 2020
Neta Zruya Hashai	350,000	0	US$5,000	2020
Lim Yong Sheng	350,000	0	US$5,000	2020
Sin Boon Ann	350,000	0	US$5,000	2020

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 (2020), 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 2020, a total of 32,699,320 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 2020, there were 21,360,006 options outstanding under the 2015 Plan, with no options having been exercised to date (the balance, 11,339,314, were forfeited). The exercise period for options granted under 2015 Plan is six years from the date of grant, with a vesting period of up to four years.

In 2005 the Company adopted a share option plan (the "2005 Plan"), and since then granted options to employees and directors at no consideration. As of 31 December 2020, a total of 39,421,435 options were granted under the 2005 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 2005 Plan were granted at an exercise price ranging between S$0.087 and S$2.858 per option (according to the date of grant, and adjusted for the May 2012 bonus issue). As of 31 December 2020, there were 100,000 options outstanding under the 2005 Plan, and 23,311,854 options have been exercised under the 2005 Plan (the balance, 16,009,581, having been forfeited). The exercise period for options granted under 2005 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.

DIRECTORS' REPORT
FOR THE YEAR END 31 DECEMBER 2020

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
05 April 2021

STATEMENT BY DIRECTORS
FOR THE YEAR END 31 DECEMBER 2020

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 51 to 88 are drawn up so as to give a true and fair view of the Company and of the Group as at 31 December 2020 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
5 April 2021

AUDITORS' REPORT
TO THE SHAREHOLDERS OF SARINE TECHNOLOGIES LTD.

We have audited the accompanying statements of financial position of Sarine Technologies Ltd. (hereinafter the "Company") and subsidiaries (the Company and subsidiaries together referred to hereinafter as the "Group") as at December 31, 2020 and 2019 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, 2020 and 2019 and the Group's results of operations, changes in its equity and cash flows, for each of the years ended on such dates, in accordance with International Financial Reporting Standards (IFRS).

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

Tel-Aviv, Israel
March 24, 2021

Chaikin, Cohen, Rubin and Co.
Certified Public Accountants

Tel-Aviv, Israel
March 24, 2021

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31

	Note	Group 2020	Group 2019	Company 2020	Company 2019
		US$ thousands			
Assets					
Property, plant and equipment	10	**12,279**	13,474	**1,208**	1,241
Right-of-use assets	24	**5,050**	6,170	**4,439**	5,403
Intangible assets	11	**2,563**	3,625	**206**	274
Long-term trade receivables	13	**843**	756	**8**	686
Investment in subsidiaries	28	**–**	–	**44,151**	39,648
Long-term income tax receivable	9	**1,168**	916	**–**	–
Deferred tax assets	9	**604**	874	**–**	–
Total non-current assets		**22,507**	25,815	**50,012**	47,252
Inventories	12	**6,247**	5,452	**3,277**	3,276
Trade receivables	13	**21,966**	14,595	**5,136**	4,813
Other current assets	14	**1,591**	1,799	**763**	840
Short-term investments (bank deposits)	15	**6,303**	11,190	**6,303**	9,179
Restricted short-term investments (bank deposits)	30	**171**	–	**62**	–
Cash and cash equivalents	16	**21,081**	18,284	**10,146**	7,433
Total current assets		**57,359**	51,320	**25,687**	25,541
Total assets		**79,866**	77,135	**75,699**	72,793
Equity					
Share capital*	17	**–**	–	**–**	–
Share premium and reserves		**33,149**	32,819	**33,149**	32,819
Translation reserve		**(2,699)**	(2,437)	**(2,699)**	(2,437)
Dormant shares, at cost	17	**(3,689)**	(3,576)	**(3,689)**	(3,576)
Retained earnings		**33,930**	32,614	**33,930**	32,614
Total equity		**60,691**	59,420	**60,691**	59,420
Liabilities					
Long-term bank financing	30	**3,141**	–	**1,149**	–
Long-term lease liabilities	24	**5,344**	5,716	**4,914**	5,218
Employee benefits	20	**243**	234	**232**	223
Total non-current liabilities		**8,728**	5,950	**6,295**	5,441
Trade payables		**1,868**	3,907	**1,828**	2,306
Other payables	19	**5,903**	6,076	**5,869**	4,425
Short-term bank financing	30	**280**	–	**95**	–
Current lease liabilities	24	**1,023**	1,311	**724**	972
Current tax payable		**1,083**	103	**–**	–
Warranty provision	22	**290**	368	**197**	229
Total current liabilities		**10,447**	11,765	**8,713**	7,932
Total liabilities		**19,175**	17,715	**15,008**	13,373
Total equity and liabilities		**79,866**	77,135	**75,699**	72,793

* No par value

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31

	Note	Group 2020	Group 2019
		US$ thousands	
Revenue	6,7	**40,968**	51,323
Cost of sales	29	**(13,898)**	(21,739)
Gross profit		**27,070**	29,584
Research and development expenses	29	**(6,796)**	(8,184)
Sales and marketing expenses	29	**(9,773)**	(13,535)
General and administrative expenses	29	**(5,738)**	(6,764)
Profit from operations		**4,763**	1,101
Finance income		**219**	422
Finance expense		**(974)**	(1,084)
Net finance expense	8	**(755)**	(662)
Profit before income tax		**4,008**	439
Income tax expense	9	**(1,643)**	(1,811)
Profit (loss) for the year		**2,365**	(1,372)
Other comprehensive income (loss)			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plan		**9**	(22)
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(262)**	(225)
Total comprehensive income (loss) for the year		**2,112**	(1,619)
Earnings per share			
Basic earnings (loss) per share (US cents)	18	**0.68**	(0.39)
Diluted earnings (loss) per share (US cents)	18	**0.68**	(0.39)

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

CONSOLIDATED 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, 2019	–	32,199	(2,212)	39,245	(3,576)	65,656
Loss for the year ended December 31, 2019	–	–	–	(1,372)	–	(1,372)
Other comprehensive loss for the year ended December 31, 2019	–	(22)	(225)	–	–	(247)
Share-based payment expenses	–	642	–	–	–	642
Dividend paid	–	–	–	(5,259)	–	(5,259)
Balance at December 31, 2019	–	32,819	(2,437)	32,614	(3,576)	59,420
Profit for the year ended December 31, 2020	**–**	**–**	**–**	**2,365**	**–**	**2,365**
Other comprehensive loss for the year ended December 31, 2020	**–**	**9**	**(262)**	**–**	**–**	**(253)**
Dormant shares, acquired at cost (763,800)	**–**	**–**	**–**	**–**	**(113)**	**(113)**
Share-based payment expenses	**–**	**321**	**–**	**–**	**–**	**321**
Dividend paid	**–**	**–**	**–**	**(1,049)**	**–**	**(1,049)**
Balance at December 31, 2020	**–**	**33,149**	**(2,699)**	**33,930**	**(3,689)**	**60,691**

* 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	
	2020	2019
	US$ thousands	
Cash flows from (used in) operating activities		
Profit (loss) for the year	**2,365**	(1,372)
Adjustments for:		
Share-based payment expenses	**321**	642
Income tax expense	**1,643**	1,811
Depreciation of property, plant & equipment and right-of-use assets	**2,969**	3,076
Amortisation of intangible assets	**1,062**	1,319
Net finance income	**251**	6
Revaluation of lease liabilities from exchange rate differences	**417**	536
Revaluation of bank financing liabilities from exchange rate differences	**202**	–
Changes in working capital		
Inventories	**(795)**	1,580
Trade receivables	**(7,458)**	1,055
Other current assets	**208**	229
Trade payables	**(2,039)**	1,579
Other liabilities	**(307)**	(502)
Employee benefits	**9**	42
Income tax paid	**(645)**	(2,080)
Net cash from (used in) operating activities	**(1,797)**	7,921
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(765)**	(834)
Proceeds from realisation of property, plant and equipment	**102**	63
Short-terms investments, net	**4,887**	831
Restricted short-term investments (bank deposits)	**(171)**	–
Interest received	**219**	422
Net cash from investing activities	**4,272**	482
Cash flows from (used in) financing activities		
Purchase of Company's shares by the Company	**(113)**	–
Receipt of bank financing	**3,220**	–
Dividends paid	**(1,049)**	(5,259)
Payment of lease liabilities	**(1,266)**	(1,264)
Interest paid	**(399)**	(497)
Net cash from (used in) financing activities	**393**	(7,020)
Net increase in cash and cash equivalents	**2,868**	1,383
Cash and cash equivalents at beginning of year	**18,284**	16,832
Effect of exchange rate fluctuations on cash and cash equivalents	**(71)**	69
Cash and cash equivalents at end of year	**21,081**	18,284

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

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, 2020, 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.

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 2020 the Covid-19 pandemic disrupted much of the diamond industry value chain, as it did many other industries. Key effects were the preclusion of the historic methods of rough stone sales activities due to travel restrictions, the locking down of major midstream manufacturing centres - e.g., in India from late March through June, with lingering limitations in effect into July, and the curtailment of retail activity worldwide for much of the year, which impacted the Group’s revenues. As a result, the Group took steps from late March 2020 to reduce its expenses, which included temporary cuts in various activities, such as sales and marketing and manufacturing, temporary reductions in employee compensation, and the furlough of certain staff. The Group also availed itself of certain Israeli government sponsored support programs. See also Note 17 – Share Capital – The Company, Note 29 – Government Grants and Note 30 – Loans and Borrowings.

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, 2021.

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:

- liabilities measured at fair value through profit or loss (see also Note 3);
- assets and liabilities relating to employee benefits;
- deferred tax assets and liabilities; and
- provisions.

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.

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

Note 2 - Basis of Preparation (cont'd)

D. Use of estimates and judgments (cont'd)

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 10 – Property, plant and equipment (assessment of estimated useful lives);
- Note 11 – Intangible Assets (measurement of amortisation of intangible assets) – assessment of estimated useful lives;
- 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

1. Amendment to IFRS 3, Business Combinations

The Amendment clarifies when a transaction to acquire an operation is the acquisition of a "business" and when it is the acquisition of a group of assets that according to the standard is not considered the acquisition of a "business". For the purpose of this examination, the Amendment added an optional concentration test which determines that if substantially all of the fair value of the acquired assets is attributable to a group of similar identifiable assets or to a single identifiable asset, this will not be the acquisition of a business. In addition, the minimum requirements for definition as a business have been clarified, and examples illustrating the aforesaid examination were added. The Amendment is effective for transactions to acquire assets or businesses occurring in annual periods beginning on or after January 1, 2020. In the opinion of the Group, application of the Amendment may have a material effect on the accounting treatment of future acquisitions of operations.

2. Amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors and to IAS 1, Presentation of Financial Statements

The Amendment redefines the term "materiality" so that it be used consistently in the Conceptual Framework and in the other various standards. According to the Amendment, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users on the basis of the financial statements. The Amendments are applicable on a prospective basis for annual periods beginning on or after January 1, 2020. In the opinion of the Group, application of the Amendments is not expected to have a material effect on the financial statements.

F. Company Statements of Financial Position

The Company's statements of financial position for the years ended December 31, 2020 and 2019 have been prepared on the same basis as the consolidated financial statements.

Note 3 - Significant Accounting Policies

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

A. Basis of consolidation

i. Subsidiaries

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

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

Note 3 - Significant Accounting Policies (cont'd)

A. Basis of consolidation (cont'd)

ii. Business combinations

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

iii. Transactions eliminated on consolidation

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

B. Foreign currency

i. Foreign currency transactions

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

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

ii. Foreign operations

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

C. Financial instruments

i. Non-derivative financial assets

Initial recognition and measurement of financial assets

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

Derecognition of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

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

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

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

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

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

Subsequent measurement and gains and losses

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

ii. Non-derivative financial liabilities

Initial recognition of financial liabilities

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

Derecognition of financial liabilities

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

iii. Share capital

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

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

D. Property, plant and equipment

i. Recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

D. Property, plant and equipment (cont'd)

ii. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. 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
Building and office improvements	Estimated useful lives

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

E. Intangible assets

i. Know-how and intellectual property

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

ii. Goodwill

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

iii. Research and development

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

E. Intangible assets (cont'd)

iii. Research and development (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

Note 3 - Significant 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

G. Impairment (cont'd)

ii. Non-financial assets (cont'd)

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.

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

H. Employee benefits (cont'd)

iii. Short-term employee benefits

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

iv. Share-based payment transactions

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

I. Provisions

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

i. Warranties

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

ii. Legal claims

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

J. Dividends

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

K. Revenue

Initial recognition and measurement of financial assets

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

Identifying the contract

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

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

K. Revenue (cont'd)

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

Identifying performance obligations

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

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

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

Determining the transaction price

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

Satisfaction of performance obligations

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

L. Government grants

1. 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.

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

M. Leases

Determining whether an arrangement contains a lease

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

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

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

Note 3 - Significant Accounting Policies (cont'd)

M. 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	2-7 years
•	Motor vehicles	3 years

Reassessment of lease liability

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

Lease modifications

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

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

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

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

N. Finance income and expenses

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

O. Income tax

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

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

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

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

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

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

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

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

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

P. Earnings per share

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

Q. New standards 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, 2020, and have not been applied in preparing these financial statements.

1. Amendment to IAS 1, Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current

   The Amendment replaces certain requirements for classifying liabilities as current or non-current. Thus for example, 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, this instead of the requirement that there be an "unconditional" right. According to the Amendment, a right is in existence at the reporting date only if the entity complies with conditions for deferring settlement at that date. 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 is effective for reporting periods beginning on or after January 1, 2023 with earlier application being permitted. The Amendment is applicable retrospectively, including an amendment to comparative data. The Group has not yet commenced examining the effects of applying the Amendment on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

Note 3 - Significant Accounting Policies (cont'd)

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

2. Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets

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 is 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. Early application is permitted. Upon application of the Amendment, the entity will not restate comparative data, but will adjust the opening balance of retained earnings at the date of initial application, by the amount of the cumulative effect of the Amendment. The Group has not yet commenced examining the effects of the Amendment on the financial statements.

3. 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 effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The Amendment shall be applied on a retrospective basis, 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. The cumulative effect of the Amendment will adjust the opening balance of retained earnings for the earliest reporting period presented. The Group has not yet commenced examining the effects of the Amendment on the financial statements.

4. Amendment to IFRS 3, Business Combinations

The Amendment replaces the requirement to recognise liabilities from business combinations in accordance with the conceptual framework, the reason being that the interaction between those instructions and the guidance provided in IAS 37 regarding recognition of liabilities was unclear in certain cases. The Amendment adds an exception to the principle for recognising liabilities in IFRS 3. According to the exception, contingent liabilities are to be recognised according to the requirements of IAS 37 and IFRIC 21 and not according to the conceptual framework. The Amendment prevents differences in the timing of recognising liabilities that could have led to the recognition of gains and losses immediately after the business combination (day 2 gain or loss). The Amendment also clarifies that contingent assets are not to be recognised on the date of the business combination. The Amendment is effective for annual periods beginning on or after January 1, 2022. The Group has not yet commenced examining the effects of the Amendment on the financial statements.

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.

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

B. Intangible assets

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

C. Trade receivables and other current assets

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

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 behaviour, 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.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables, certain other current assets and investments. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The Group employs reasonable measures to mitigate credit risk such as customer-specific enquiries prior to the extension of credit.

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, 2020 and 2019, no guarantees were outstanding.

Note 5 - Financial Risk Management (cont'd)

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.

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, North America, Israel and Other).

	Group Revenues						
	India	Africa	Europe	North America	Israel	Other[1]	Consolidated
	US$ thousands						
2020	**28,561**	**3,108**	**1,471**	**1,396**	**2,340**	**4,092**	**40,968**
2019	35,980	3,850	1,300	2,433	2,930	4,830	51,323

For the year ended December 31, 2020, one customer accounted for approximately 33% of Group revenue. For the year ended December 31, 2019, one customer accounted for approximately 19% of Group revenue.

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

	Group Property, plant and equipment						
	India	Africa	Europe	North America	Israel	Other[1]	Consolidated
	US$ thousands						
December 31, 2020	**5,607**	**30**	**1**	**4,813**	**1,738**	**90**	**12,279**
December 31, 2019	6,254	8	2	5,023	2,133	54	13,474

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

Note 7 - Revenue

Composition

	Group	
	Year ended December 31	
	2020	2019
	US$ thousands	
Revenue from sale of products[1]	**34,097**	42,855
Revenue from maintenance and services	**6,871**	8,468
	40,968	51,323

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

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Note 8 - Net Finance Expense

	Group	
	Year ended December 31	
	2020	2019
	US$ thousands	
Interest income on financial assets and bank deposits	**194**	422
Net interest income (expense) - income taxes*	**25**	(92)
Interest expense on lease liabilities	**(399)**	(405)
Bank charges	**(75)**	(120)
Revaluation of lease liabilities from exchange rate differences	**(429)**	(536)
Other net foreign exchange gain (loss)	**(71)**	69
	(755)	(662)

* 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 2020 and 2019 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.

According to various amendments to the ordinance, IFRS shall not apply when determining the taxable income for the 2007 through 2020 tax years, even if IFRS was applied when preparing the financial statements.

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, 2015. 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, 2017. 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, 2015.

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, 2016. Sarin Hong Kong Ltd. received final tax assessments for all fiscal tax years through December 31, 2019. 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, 2019 and 2020, the Indian tax authorities passed assessment orders for the Indian tax years ended March 31, 2014, 2015, 2016 and 2017 raising an aggregate tax demand (net of tax deducted at source) of approximately US$ 0.27 0.41 million and an additional interest liability of approximately US$ 0.44 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 likely 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, 2017.

B. Composition of income tax expense

	Group	
	Year ended December 31	
	2020	2019
	US$ thousands	
Current tax expense	**1,420**	1,663
Taxes in respect of previous years	**(40)**	32
Deferred tax expense	**263**	116
Total income tax expense	**1,643**	1,811

NOTES TO THE FINANCIAL STATEMENTS
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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	
	2020	2019
	US$ thousands	
Profit before income tax expense	**4,008**	439
Income tax using Israel tax rate of 23%	**922**	101
Non-deductible expenses	**74**	206
Effects of lower tax rates arising from "Approved and Beneficiary Enterprise" status	**(2,559)**	(2,144)
Current year tax losses and benefits for which deferred taxes were not created	**2,963**	3,442
Taxes in respect of previous years	**(40)**	(32)
Reassessment of utilisation of deferred asset	**270**	–
Different tax rate of foreign subsidiaries	**4**	192
Other differences	**9**	46
	1,643	1,811

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	
	2020	2019	2020	2019
	US$ thousands			
Other payables and employee benefits	**146**	135	–	–
Allowance for doubtful receivables	**38**	25	–	–
Know-how	**54**	45	–	–
Research and development expenses	**66**	84	–	–
Losses for tax purposes	**112**	402	–	–
Fixed assets	**188**	183	–	–
	604	874	–	–

The deferred tax balances as at December 31, 2020 and 2019 were calculated at the tax rate expected to apply on the date of reversal.

Unrecognised deferred tax assets

For the years ended December 31, 2020 and 2019, Group deferred tax assets in respect of tax losses in the amount of US$ 81.2 million and US$ 65.7 million, respectively, have not been recognised. 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, 2020 a deferred tax liability for temporary differences in the amount of US$ 28.0 million (2019 - US$ 22.2 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.

NOTES TO THE FINANCIAL STATEMENTS
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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, 2019	3,069	3,076	143	7,490	14,312	28,090
Additions	248	307	30	153	96	834
Disposals	(285)	(415)	–	(60)	–	(760)
Effect of changes in exchange rates	(12)	–	(1)	(94)	(138)	(245)
Balance at December 31, 2019	3,020	2,968	172	7,489	14,270	27,919
Additions	**196**	**453**	**–**	**78**	**38**	**765**
Disposals	**(130)**	**(279)**	**(70)**	**(329)**	**–**	**(808)**
Effect of changes in exchange rates	**(15)**	**–**	**(1)**	**(110)**	**(169)**	**(295)**
Balance at December 31, 2020	**3,071**	**3,142**	**101**	**7,128**	**14,139**	**27,581**
Depreciation						
Balance at January 1, 2019	2,573	2,716	98	5,824	2,238	13,449
Depreciation	332	257	19	467	727	1,802
Disposals	(284)	(356)	–	(57)	–	(697)
Effect of changes in exchange rates	(11)	–	(1)	(76)	(21)	(109)
Balance at December 31, 2019	2,610	2,617	116	6,158	2,944	14,445
Depreciation	**308**	**260**	**14**	**374**	**731**	**1,687**
Disposals	**(130)**	**(182)**	**(69)**	**(325)**	**–**	**(706)**
Effect of changes in exchange rates	**(13)**	**–**	**(1)**	**(87)**	**(23)**	**(124)**
Balance at December 31, 2020	**2,775**	**2,695**	**60**	**6,120**	**3,652**	**15,302**
Carrying amounts						
At December 31, 2019	410	351	56	1,331	11,326	13,474
At December 31, 2020	**296**	**447**	**41**	**1,008**	**10,487**	**12,279**

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

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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, 2019	1,832	2,207	70	843	767	5,719
Additions	133	200	30	52	–	415
Disposals	(243)	(291)	–	(34)	–	(568)
Balance at December 31, 2019	1,722	2,116	100	861	767	5,566
Additions	**131**	**331**	**–**	**19**	**8**	**489**
Disposals	**(107)**	**(195)**	**(69)**	**(11)**	**–**	**(382)**
Balance at December 31, 2020	**1,746**	**2,252**	**31**	**869**	**775**	**5,673**
Depreciation						
Balance at January 1, 2019	1,576	1,953	53	555	201	4,338
Depreciation	186	163	13	63	77	502
Disposals	(243)	(241)	–	(31)	–	(515)
Balance at December 31, 2019	1,519	1,875	66	587	278	4,325
Depreciation	**157**	**166**	**9**	**58**	**77**	**467**
Disposals	**(107)**	**(144)**	**(69)**	**(7)**	**–**	**(327)**
Balance at December 31, 2020	**1,569**	**1,897**	**6**	**638**	**355**	**4,465**
Carrying amounts						
At December 31, 2019	203	241	34	274	489	1,241
At December 31, 2020	**177**	**355**	**25**	**231**	**420**	**1,208**

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Note 11 - Intangible Assets

	Group				
	Goodwill	Development costs	Know-how and intellectual property	Other	Total
	US$ thousands				
Cost					
Balance at January 1, 2019	1,868	6,979	17,584	152	26,583
Additions	–	–	–	–	–
Balance at December 31, 2019	1,868	6,979	17,584	152	26,583
Additions	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2020	**1,868**	**6,979**	**17,584**	**152**	**26,583**
Amortisation					
Balance at January 1, 2019	–	5,554	16,028	57	21,639
Amortisation for the year	–	595	701	23	1,319
Balance at December 31, 2019	–	6,149	16,729	80	22,958
Amortisation for the year	**–**	**399**	**640**	**23**	**1,062**
Balance at December 31, 2020	**–**	**6,548**	**17,369**	**103**	**24,020**
Carrying amount					
At December 31, 2019	1,868	830	855	72	3,625
At December 31, 2020	**1,868**	**431**	**215**	**49**	**2,563**

	Company				
	Goodwill	Development costs	Know-how and intellectual property	Other	Total
	US$ thousands				
Cost					
Balance at January 1, 2019	–	411	–	–	411
Additions	–	–	–	–	--
Balance at December 31, 2019	–	411	–	–	411
Additions	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2020	**–**	**411**	**–**	**–**	**411**
Amortisation					
Balance at January 1, 2019	–	69	–	–	69
Amortisation for the year	–	68	–	–	68
Balance at December 31, 2019	–	137	–	–	137
Amortisation for the year	**–**	**68**	**–**	**–**	**68**
Balance at December 31, 2020	**–**	**205**	**–**	**–**	**205**
Carrying amount					
At December 31, 2019	–	274	–	–	274
At December 31, 2020	**–**	**206**	**–**	**–**	**206**

The amortisation of know-how, intellectual property, development costs and other intangible assets is recognised in cost of sale (see also Note 3E). The cash-generating unit's recoverable amount was based on fair value less costs of disposal. The fair value less costs of disposal was estimated using the discounted cash flow method. The fair value measurements are classified at level 3 of the fair value hierarchy (for a definition of the various hierarchy levels, see Note 4).

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Note 12 – Inventories

	Group		Company	
	2020	2019	2020	2019
	US$ thousands			
Raw materials and consumables	**4,406**	3,450	**2,135**	2,055
Work in progress	**1,143**	1,607	**601**	1,012
Finished goods	**698**	395	**542**	209
	6,247	5,452	**3,278**	3,276

In 2020 the write-down of Group inventories to net realisable value amounted to US$ 515 thousand (2019 - US$ 239 thousand). In 2020 the write-down of Company inventories to net realisable value amounted to US$ 511 thousand (2019 - US$ 92 thousand) (see also Note 3F).

Note 13 - Trade Receivables

	Group		Company	
	2020	2019	2020	2019
	US$ thousands			
Short-term				
Trade receivables	**22,946**	15,224	**5,432**	5,046
Allowance for doubtful receivables	**(980)**	(629)	**(296)**	(233)
	21,966	14,595	**5,136**	4,813
Long-term				
Trade receivables	**843**	756	**8**	686
Allowance for doubtful receivables	**–**	–	**–**	–
	843	756	**8**	686

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	
	2020	2019	2020	2019
	US$ thousands			
Government institutions	**310**	595	**183**	327
Advances to suppliers	**152**	28	**113**	12
Prepaid expenses	**710**	842	**417**	501
Other	**419**	334	**50**	–
	1,591	1,799	**763**	840

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 0.44% at December 31, 2020 (December 31, 2019 – 2.45%). Company short-term investments are comprised of bank deposits having weighted average interest rates of 0.45% at December 31, 2020 (December 31, 2019 – 2.46%)(see also Note 23).

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Note 16 - Cash and Cash Equivalents

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$ thousands			
Bank balances	**12,856**	12,198	**2,871**	3,231
Bank deposits	**8,225**	6,086	**7,275**	4,202
	21,081	18,284	**10,146**	7,433

Group bank deposits denominated in US dollars have weighted average interest rates of 0.26% at December 31, 2020 (December 31, 2019 – 1.14%). Company bank deposits denominated in US dollars have weighted average interest rates of 0.22% at December 31, 2020 (December 31, 2019 – 0.86%). 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	
	2020	**2019**
	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	**353,672,126**	353,672,126
Dormant shares (out of the issued and fully paid share capital):		
Ordinary shares of no par value	**(3,840,200)**	(3,076,400)
Total number of issued shares:		
(excluding dormant shares)	**349,831,926**	350,595,726

The following are the changes in the issued shares of the Company for the years ended December 31, 2020 and 2019:

	2020	**2019**
	Number of shares	
Issued ordinary shares at January 1	**350,595,726**	350,595,726
Share options exercised	**–**	–
Dormant shares purchased	**(763,800)**	–
Issued ordinary shares at December 31	**349,831,926**	350,595,726

On October 21, 2010, the Company's shareholders approved a share buyback mandate of up to 10% of the Company's then issued and fully paid up shares. On June 25, 2020 and on April 30, 2019, the Company's shareholders renewed the share buyback mandate of up to 10% of the Company's then issued and fully paid up shares. 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, 2020, the Company purchased 763,800 ordinary shares, at a cost of US$ 113 thousand. For the year ended December 31, 2019, the Company did not purchase any of its ordinary shares in the market. 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 years ended December 31, 2020, and 2019, no options were exercised and therefore no shares were issued in respect of the exercise of options (see also Note 21).

For the years ended December 31, 2020 and 2019, the Company declared and paid dividends in the amount of US$ 1.0 million and US$ 5.3 million per year, respectively, amounting to US cents 0.3 and US cents 1.5 per year, respectively.

In August 2020, as a result of the ongoing impact of Covid-19 on the diamond industry value chain in general and the Group's operation in particular, the Board of Directors of the Company temporarily suspended the payment of an interim dividend. See Note 31 – Subsequent Events re the planned resumption of Dividend payments, subject to approval of the shareholders at the Company's Annual General Meeting.

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Note 18 – Earnings Per Share

Basic earnings (loss) per share

The calculation of basic earnings per share for the year ended December 31, 2020 was based on the profit attributable to ordinary shareholders of US$ 2,365 thousand (versus the loss in 2019 attributable to ordinary shareholders of US$ – US$ 1,372 thousand) and a weighted average number of ordinary shares outstanding of 350,057,449 (2019 –350,595,726), calculated as follows:

	2020	2019
Issued ordinary shares at January 1	**350,595,726**	350,595,726
Effect of share options exercised	**–**	–
Effect dormant shares purchased	**(538,277)**	–
Weighted average number of ordinary shares at December 31	**350,057,449**	350,595,726

Diluted earnings (loss) per share

The calculation of diluted loss per share for the year ended December 31, 2020 was based on the profit attributable to ordinary shareholders of US$ 2,365 thousand (versus the loss in 2019 attributable to ordinary shareholders of US$ – US$ 1,372 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 350,057,449 (2019 -350,595,726), calculated as follows:

	2020	2019
Weighted average number of ordinary shares (basic)	**350,057,449**	350,595,726
Effect of share options on issue	**–**	–
Weighted average number of ordinary shares (diluted) at December 31	**350,057,449**	350,595,726

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	
	2020	2019	2020	2019
	US$ thousands			
Employees and institutions	**2,713**	3,193	**1,262**	1,665
Deferred revenue	**992**	1,400	**138**	244
Advances from customers	**1,038**	685	**813**	527
Accrued expenses	**982**	657	**674**	391
Subsidiaries	**–**	–	**2,859**	1,474
Related parties	**123**	124	**123**	124
Other	**55**	17	**–**	–
	5,903	6,076	**5,869**	4,425

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	
	2020	**2019**
	US$ thousands	
Present value of the obligation	**1,226**	1,153
Less fair value of assets	**983**	919
Recognised liability for defined benefit obligation	**243**	234

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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	US$ thousands					
Balance as at January 1	**1,153**	1,118	**919**	926	**234**	192
Included in profit or loss	**31**	(112)	**25**	36	**6**	(148)
Included in other comprehensive income	**42**	147	**39**	(43)	**3**	190
Balance as at December 31	**1,226**	1,153	**983**	919	**243**	234

Principal actuarial assumptions:

	2020	**2019**
Discount rate (1)	**0.87%**	0.65%
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 2020 and 2019 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, 2020	
	One percentage point increase	One percentage point increase
	US$ thousands	
Future salary growth	**48**	**(41)**
Discount rate	**(37)**	**44**

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Note 20 – Employee Benefits (cont'd)

B. Defined contribution plan

The Group provides post-employment benefits under which it pays fixed sums into a provident fund in respect of employee savings plans. The amounts deposited in the year ended December 31, 2020 amounted to US$ 506 thousand (2019 - US$ 559 thousand) and are recognised as personnel expenses in profit or loss. In addition, the Group has a defined contribution plan for employees who are subject to Section 14 of the Severance Pay Law – 1963.

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, 2020, 32,699,320 options have been granted under the 2015 Plan, of which 21,360,006 options are currently outstanding, with no options having 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.

In March 2005, the Company adopted a share option plan to allot options to directors and employees of the Company and its subsidiaries (the "2005 Plan"). As at December 31, 2015, no new options may be granted under the 2005 Plan. The vesting periods of the options granted under the 2005 Plan range from one year following the date of grant (as such term is defined in the 2005 Plan) and up to four years following the date of grant. As at December 31, 2020, a total of 39,421,435 options have been granted under the 2005 Plan of which 100,000 options are currently outstanding and 23,311,854 options have been exercised to date (with the balance having been forfeited).

Under the terms of the 2005 Plan and the 2015 Plan (hereinafter the "Plans"), 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 Plans 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, 2020, the Company granted 4,550,320 options to employees and directors under the 2015 Plan, with vesting conditions of one to four 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. During the year ended December 31, 2019, the Company granted 7,070,000 options to employees and directors under the 2015 Plan, with vesting conditions of two to four 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:

	2020		2019	
	Weighted average exercise price in US$ per share	**Options**	**Weighted average exercise price in US$ per share**	**Options**
Outstanding at January 1	**0.88**	**22,431,992**	1.11	19,876,884
Granted	**0.16**	**4,550,320**	0.27	7,070,000
Forfeited	**1.07**	**(5,522,306)**	0.96	(4,514,892)
Exercised	**–**	**–**	–	–
Outstanding at December 31	**0.68**	**21,460,006**	0.88	22,431,992

The number of share options vested at December 31, 2020 and 2019 was 6,635,053 and 7,165,325, respectively.

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

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, 2020 and 2019: weighted average expected volatility of: 43.83% and 38.04%, respectively; weighted average risk-free interest rates (in US dollar terms) of 0.65 % and 2.07 %, respectively; dividend yield of 3.30% and 2.59%, respectively. The weighted average fair value of the share options granted during the years ended December 31, 2020 and 2019 using the model was US$ 0.05 and US$ 0.08 per share option, respectively.

The average share price in 2020 was US$ 0.21 (2019 – US$ 0.25).

The following table summarises information about share options outstanding at December 31, 2020:

	Options outstanding			Options exercisable	
Range of exercise prices US$ per share	**Number outstanding**	**Weighted-average remaining contractual life (years)**	**Weighted-average exercise price US$**	**Number Exercisable**	**Weighted-average exercise price US$**
0.16 – 0.28	9,482,440	4.8	0.23	–	–
0.82 – 0.88	6,600,000	3.1	0.87	1,307,487	0.87
1.03 – 1.99	5,377,566	1.6	1.26	5,327,566	1.26
	21,460,006	3.5	0.68	6,635,053	1.19

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

	Year ended December 31	
	2020	**2019**
	US$ thousands	
Cost of sales	**41**	75
Research and development expenses	**66**	60
Sales and marketing expenses	**45**	200
General and administrative expenses	**169**	307
	321	642

Note 22 - Warranty Provision

The provision for warranty relates mainly to product sales during the years ended December 31, 2020 and 2019. 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	
	2020	**2019**	**2020**	**2019**
	US$ thousands			
Balance at the beginning of the year	**368**	315	**229**	226
Provisions made during the year	**276**	349	**234**	199
Provisions used during the year	**(354)**	(296)	**(266)**	(196)
Balance at the end of the year	**290**	368	**197**	229

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

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			
	2020	2019	2020	2019
	US$ thousands			
India	**17,851**	11,782	**2,985**	3,031
Europe	**575**	129	**44**	26
North America	**187**	112	**352**	940
Africa	**1,609**	1,277	**19**	305
Israel	**942**	574	**238**	629
Other	**1,645**	1,477	**1,506**	568
	22,809	15,351	**5,144**	5,499

For the years ended December 31, 2020 and 2019, a single customer comprised approximately 47% and 28%, respectively, of the Group's outstanding trade receivables. For the year ended December 31, 2020, a single customer comprised approximately 52% of the Company's outstanding trade receivables. For the year ended December 31, 2019, a single customer comprised approximately 35% 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	
	2020	2019	2020	2019
	US$ thousands			
Not past due	**17,295**	12,218	**3,759**	4,697
Past due 0-30 days	**1,051**	846	**90**	68
Past due 31-90 days	**1,600**	543	**403**	60
More than 90 days*	**3,843**	2,373	**1,188**	907
	23,789	15,980	**5,440**	5,732
Allowance for doubtful receivables	**(980)**	(629)	**(296)**	(233)
	22,809	15,351	**5,144**	5,499

* The majority of the non-impaired balances over 90 days as at December 31, 2020 were paid subsequent to December 31, 2020.

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

	Group		Company	
	2020	2019	2020	2019
	US$ thousands			
Balance at January 1	**629**	677	**233**	231
Movement	**351**	(48)	**63**	2
Balance at December 31	**980**	629	**296**	233

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

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, 2020 and 2019:

	Group			
	December 31, 2020		December 31, 2019	
	NIS	Rupee	NIS	Rupee
Cash and cash equivalents	**3,268**	**4,416**	5,054	3,946
Restricted short-term investments (bank deposits)	**171**	**–**	–	–
Trade receivables	**–**	**1,064**	–	715
Other current assets	**595**	**399**	1,060	470
Current and long-term lease liabilities	**(5,983)**	**(243)**	(6,623)	(264)
Current and long-term bank financing	**(3,421)**	**–**	–	–
Trade payables	**(1,161)**	**(48)**	(3,332)	(42)
Income tax payable	**(943)**	**(138)**	–	(103)
Other payables	**(1,906)**	**(1,660)**	(2,315)	(1,737)
Net balance sheet exposure	**(9,380)**	**3,790**	(6,156)	2,985

	Company			
	December 31, 2020		December 31, 2019	
	NIS	Rupee	NIS	Rupee
Cash and cash equivalents	**1,589**	**–**	2,558	–
Restricted short-term investments (bank deposits)	**62**	**–**	–	–
Trade receivables	**–**	**–**	–	–
Other current assets	**367**	**–**	692	–
Current and long-term lease liabilities	**(5,638)**	**–**	(6,191)	–
Current and long-term bank financing	**(1,244)**	**–**	–	–
Trade payables	**(689)**	**–**	(1,673)	–
Other payables	**(1,319)**	**–**	(1,536)	–
Net balance sheet exposure	**(6,872)**	**–**	(6,150)	–

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

	Average rate		As at December 31	
	2020	2019	2020	2019
NIS 1	**3.437**	3.565	**3.215**	3.456
Rupee 1	**74.03**	70.42	**73.05**	71.27

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, 2020, the Group maintained its portion of cash and cash equivalents held in NIS (equivalent to US$ 3.4 million at December 31, 2020 (US$ 5.1 million in 2019)) to match anticipated NIS linked expenses. An appreciation/depreciation of 10% of the NIS and Rupee relative to the US dollar will not result in any material loss/gain in the Statement of Profit and Loss and Other Comprehensive Income.

Fair values

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

NOTES TO THE FINANCIAL STATEMENTS
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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 range between 1.5% and 11.1%. 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 the leasing companies as a lease arrangement in the scope of IFRS 16 and 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$ 122 thousand and US$ 144 thousand, respectively, have been recognised in the statement of financial positon as at December 31, 2020 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$ 6,245 thousand and US$ 4,906 thousand, respectively, have been recognised in the statement of financial positon as at December 31, 2020 in respect of those leases.

B. Right-of-use assets

	Group		
	Office facilities	Motor vehicles	Total
		US$ thousands	
Balance at January 1, 2019	6,590	426	7,016
Additions	339	121	460
Disposals	–	(32)	(32)
Depreciation	(1,069)	(205)	(1,274)
Balance at December 31, 2019	5,860	310	6,170
Balance at January 1, 2020	**5,860**	**310**	**6,170**
Additions	**179**	**75**	**254**
Disposals	**(52)**	**(40)**	**(92)**
Depreciation	**(1,081)**	**(201)**	**(1,282)**
Balance at December 31, 2020	**4,906**	**144**	**5,050**

	Company		
	Office facilities	Motor vehicles	Total
		US$ thousands	
Balance at January 1, 2019	6,009	245	6,254
Additions	–	121	121
Disposals	–	(32)	(32)
Depreciation	(820)	(120)	(940)
Balance at December 31, 2019	5,189	214	5,403
Balance at January 1, 2020	**5,189**	**214**	**5,403**
Additions	**–**	**14**	**14**
Disposals	**–**	**(40)**	**(40)**
Depreciation	**(819)**	**(119)**	**(939)**
Balance at December 31, 2020	**4,370**	**69**	**4,439**

Note 24 – Leases (cont'd)

C. Lease liabilities

Maturity analysis of the Group's and Company's lease liabilities as at December 31, 2020.

	Group	Company
	US$ thousands	
Less than one year	1,023	724
One to five years	4,981	4,551
More than five years	363	363
Balance at December 31, 2020	6,367	5,638

D. Additional information on leases

Amounts recognised in profit or loss

	2020	2019
	US$ thousands	
Interest expense on lease liabilities	399	405
Revaluation of lease liabilities from exchange rate differences	417	536
Depreciation of right-of-use assets	1,282	1,274
Total	2,098	2,215

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$ 46,000.

B. The Group is committed to pay royalties at the rate of 3%-3.5% to the IIA on sales proceeds from products for which it received grants up to an amount not exceeding the grants received (linked to the exchange rate of the US dollar). The total grants received, net of royalties paid to the IIS, excluding Galatea, which was repaid in 2013, was approximately US$ 1.1 million through December 31, 2020. 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. No royalties were due for the period ended December 31, 2020 and 2019.

Note 26 – Contingent Liabilities

The Group is currently a party to various civil litigation proceedings in different jurisdictions in which it does business. These proceedings include, among other matters, patent and intellectual property infringement litigation in India, Belgium and Israel which were initiated either by us or third parties, commercial debt collection suits for non-payment by customers, and a claim for wrongful termination by a former employee in Israel. Based on the opinions of the Group's legal advisors, the Group believes that all pending claims against the Group are without merit and its exposure to these disputed claims will not have a material impact on its business nor on its financial position or results of operation. Accordingly, except for an accrual of US$47,000 relating to one of the matters, no provision has been made in the Group's financial statements for such claims. As to tax disputes, see Note 9.

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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	
	2020	**2019**
	US$ thousands	
Remuneration of CEO and directors		
Fixed income-based	**679**	698
Share-based payments	**125**	225
Other performance based incentives	**296**	138
	1,100	1,061

Pursuant to an Annual General Meeting and an Extraordinary General Meeting of the Company's shareholders held on June 25, 2020, the four independent directors were granted 1,400,000 options to purchase ordinary shares of the Company, exercisable upon the payment of S$0.223 per share (at no discount of the then Market Price – as such term is defined in the 2015 Plan), with vesting conditions of one to three years and a contractual life of six years. The options will vest subject to service based conditions. The fair value of the options granted was US$ 0.047 per share at the grant date.

Pursuant to an Annual General Meeting and an Extraordinary General Meeting of the Company's shareholders held on April 30, 2019, the Company's Chairman of the Board and the Group's CEO were granted 2,500,000 options to purchase ordinary shares of the Company, exercisable upon the payment of S$0.368 per share (at no discount of the then Market Price – as such term is defined in the 2015 Plan), with vesting conditions of two to four years and a contractual life of six years. The options will vest subject to service based conditions and performance based conditions, relating to sales targets. The fair value of the options granted was US$ 0.079 per share at the grant date.

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, 2020 and 2019 %**
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%

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Note 28 – Group Entities (cont'd)

B. Movements in investments in subsidiaries:

	Company	
	2020	**2019**
	US$ thousands	
Balance at beginning of year	**39,648**	44,437
Movements during the year:		
Loans and credit granted to subsidiaries	**6,652**	6,455
The Company's share of profits	**7,851**	4,756
Dividend	**(10,000)**	(16,000)
Balance at end of year	**44,151**	39,648

Note 29 – Government Grants

In 2020 the Group received several grants for participation in fixed expenses in the total amount of US$ 496 thousand. These grants were provided to the Group following its compliance with the terms of the economic safety net program issued by the Government of Israel, following the economic effects of the coronavirus pandemic and its impact on Group revenues thereof. The grants were recognised as a deduction from expenses, as outlined below.

	Group	
	Year ended December 31	
	2020	**2019**
	US$ thousands	
Cost of sales, gross	**14,109**	21,739
Less: grants in respect of fixed expenses	**(211)**	–
Cost of sales, as reported	**13,898**	21,739
Research and development, gross	**6,973**	8,184
Less: grants in respect of fixed expenses	**(177)**	–
Research and development expenses, as reported	**6,796**	8,184
Sales and marketing expenses, gross	**9,850**	13,535
Less: grants in respect of fixed expenses	**(77)**	–
Sales and marketing expenses, as reported	**9,773**	13,535
General and administrative expenses, gross	**5,769**	6,764
Less: grants in respect of fixed expenses	**(31)**	–
General and administrative expenses, as reported	**5,738**	6,764

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Note 30 - Loans and Borrowings

This note provides information regarding the contractual terms of the Group's interest bearing loans and borrowings measured at amortized costs as at December 31, 2020 and 2019. Further information on the Group's exposure to interest, foreign currency and liquidity risks is included in Note 23 on financial instruments.

	Group		Company	
	2020	2019	2020	2019
	US$ thousands			
Short-term bank financing	280	–	95	–
Long-term bank financing	3,141	–	1,149	–
	3,421	–	1,244	–

For the year ended December 31, 2020, the Group obtained Covid-19 support bank loans under an Israeli government guaranteed loan scheme to support companies' cash flow and mitigate uncertainties following the outbreak of the coronavirus pandemic. The loans, which are unsecured, were granted in New Israel Shekels for a period of 5 years, bearing an annual interest rate currently of 3.1% (being 1.5% plus Israeli prime) per year. There is a restriction on the distribution of dividends to Company shareholders relating to US$1,866 thousand of these loans. Principal and interest will be paid by the Group beginning from the second year, on a monthly basis. The government bears the cost of the first year's interest. The Group at its option can repay the loans at any time. As at December 31, 2020 the Group is in compliance with all the loan conditions and covenants.

As at December 31, 2020, the Group and Company have provided collateral in the form of bank deposits in the amount of US$ 171 thousand and US$ 62 thousand, respectively, for these Covid-19 support bank loans. The deposits are denominated in NIS and bear interest at rate of 0.01% on an annualised basis.

Note 31 – Subsequent Events

On February 28, 2021, the Board of Directors recommended the Annual General Meeting approve a final dividend of US 0.5 cent per ordinary share for the full year ended December 31, 2020. Pursuant to the approval of the Annual General Meeting of the Company's shareholders to be held in April 2021, the Company expects to pay a US$ 1.75 million dividend on May 14, 2021, with record date on May 4, 2021.

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SHAREHOLDING STATISTICS
AS AT 16 MARCH 2021

Issued and fully paid-up	- 353,672,126
No. of Treasury Shares	- 3,840,200
Class of shares	- ordinary shares of no par value
Voting rights	- on a show of hands, by written ballot or by any other means : 1 vote for each ordinary share

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	17	1.02	460	0.00
100 – 1,000	119	7.11	85,600	0.02
1,001 - 10,000	770	46.02	4,603,255	1.30
10,001 - 1,000,000	746	44.59	47,302,646	13.38
1,000,001 and above	21	1.26	301,680,165	85.30
	1,673	100.00	353,672,126	100.00

Shareholdings Held in Hands of Public

Based on information available to the Company as at 13 March 2020, approximately 61.52% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by Singapore Exchange Securities Trading Limited is complied with.

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%*
1	DBS Nominees Pte Ltd	93,957,230	26.86
2	Citibank Nominees Singapore Pte Ltd	79,861,869	22.83
3	HSBC (Singapore) Nominees Pte Ltd	27,288,044	7.80
4	Raffles Nominees (Pte) Limited	17,237,750	4.93
5	BPSS Nominees Singapore (Pte.) Ltd.	14,394,300	4.11
6	UOB Kay Hian Pte Ltd	13,638,903	3.90
7	OCBC Securities Private Ltd	9,040,500	2.58
8	Eyal Avraham Khayat	7,986,227	2.28
9	Maybank Kim Eng Securities Pte.Ltd	7,571,800	2.16
10	DBSN Services Pte Ltd	5,588,292	1.60
11	BNP Paribas Nominees Singapore Pte Ltd	3,800,000	1.09
12	Phillip Securities Pte Ltd	3,757,950	1.07
13	28 Holdings Pte. Ltd.	3,350,200	0.96
14	San Tai Construction (S) Pte Ltd	3,000,000	0.86
15	Khoo Wooi Chee	2,399,800	0.69
16	Cheng Heng Seng	2,245,000	0.64
17	Diana Sng Siew Khim	1,637,300	0.47
18	Soh Cheng Lin	1,400,000	0.40
19	ABN Amro Clearing Bank N.V.	1,377,000	0.39
20	Chow Kwok Hong	1,100,000	0.31
		300,632,165	85.93

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 16 March 2021 of 349,831,926 shares (which excludes 3,840,200 shares which are held as treasury shares representing approximately 0.88% of the total number of issued shares excluding treasury shares).

SHAREHOLDING STATISTICS
AS AT 16 MARCH 2021

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest No. of Shares	Direct Interest %*	Deemed Interest No. of Shares	Deemed Interest %*
Axxion S.A	–	–	32,193,900	9.20
Ehud Harel[1]	–	–	25,796,348	7.37

*The percentage of issued ordinary shares is calculated based on the number 349,831,926 of issued ordinary shares of the company as at 16 March 2021 (excluding 3,840,200 treasury shares).

1 Ehud Harel is deemed a shareholder of the Company by virtue of his indirect ownership through Hargem, Ltd. of 25,608,848 shares held on his behalf by the Israel Discount Bank through Citibank N.A. Singapore custodians and, by virtue of his indirect ownership of 187,500 shares held on his behalf by Eyal Khayat, Option Plan 2005 trustee, through UOB Kay Hian Pte. Ltd., pursuant to the Plan.

Directors' Interests in Shares of the Company

Name of Director	Shareholdings in the name of the Director			Shareholdings in which the Director is deemed to have an interest		
	As at 1 January 2020	As at 31 December 2020	As at 21 January 2021	As at 1 January 2020	As at 31 December 2020	As at 21 January 2021
Daniel Benjamin Glinert	–	–	–	12,359,156	12,359,156	12,359,156
Yehezkel Pinhas Blum (until 25 June 2020)	–	NA	NA	–	NA	NA
Chan Kam Loon (until 25 June 2020)	569,000	NA	NA	24,000	NA	NA
Avraham Eshed	–	–	–	15,126,922	15,126,922	15,126,922
Uzi Levami	–	–	–	12,335,406	12,335,406	12,335,406
Lim Yong Sheng (since 25 June 2020)	NA	–	–	NA	–	–
Valerie Ong Choo Lin (until 25 June 2020)	–	NA	NA	575,000	NA	NA
Varda Shine	–	–	–	–	–	–
Sin Boon Ann (since 25 June 2020)	NA	–	–	NA	–	–
Neta Zruya-Hashai (since 25 June 2020)	NA	–	–	NA	–	–

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Sarine Technologies Ltd. (“**Company**”) will be convened and held by way of electronic means only on **Tuesday, 27 April 2021 at 3:00 p.m.** (**Singapore time**) (**10:00 a.m. Israel time; 08:00 a.m. GMT**) by Live Webcast and Audio Only Means.

The AGM shall transact the business as follows:

Ordinary Business

1. To receive and consider the audited accounts for the year ended 31 December 2020 and the reports of the directors and auditors thereon.

2. To declare a final dividend of US cent 0.5 (gross) per share less tax (as applicable) for the year ended 31 December 2020.

3. To re-appoint Somekh Chaikin Certified Public Accountants (Isr.), Member firm of KPMG International and Chaikin, Cohen, Rubin and Co., Certified Public Accountants (Isr.) as external auditors and to authorise the Board of Directors to fix their remuneration.

4. To approve the Remuneration Policy 2021 as detailed in Appendix A attached hereto [see Explanatory Note (c)].

5. To approve the remuneration package delineated in Appendix B attached hereto for Mr. Daniel Benjamin Glinert, the Executive Chairman of the Board [see Explanatory Note (c)].

6. To approve the remuneration package delineated in Appendix B attached hereto for Mr. David Block, the CEO [see Explanatory Note (c)].

7. To approve the grant of 300,000 options under the 2015 Plan to Mr. Daniel Benjamin Glinert, the Executive Chairman of the Board, to vest over a period of three years as detailed in Explanatory Note (a) [also see Explanatory Note (c)].

8. To approve the grant of 700,000 options under the 2015 Plan to Mr. David Block, the CEO, to vest over a period of three years as detailed in Explanatory Note (b) [also see Explanatory Note (c)].

Special Business

9. To consider and, if thought fit, to pass the following shareholders’ resolutions with or without amendments:-

    9.1 Authority to issue shares [see Explanatory Note (d)]

    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 shareholders), 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 shareholders 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.

NOTICE OF ANNUAL GENERAL MEETING

9.2 Authority to offer and grant options and issue shares pursuant to the 2015 Plan and to issue shares upon the exercise of options, which were previously granted under the Sarin Technologies Ltd 2005 Share Option Plan. [See Explanatory Note (e)]

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 and/or under the Sarin Technologies Ltd 2005 Share Option Plan (the "2005 Plan"), provided always that the aggregate number of such shares to be issued pursuant to the 2015 Plan and the 2005 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.

10. To transact any other business, which may properly be transacted at an Annual General Meeting.

This Notice has been made available on the SGXNet and on the Company's website at: https://sarine.com/wp-content/uploads/2021/2021_AGM_notice.pdf. A printed copy of this Notice will **NOT** be despatched to members.

BY ORDER OF THE BOARD

AMIR JACOB ZOLTY
Company Secretary

Israel,
05 April 2021

NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT NOTE REGARDING THE CONDUCT OF THE COMPANY'S AGM

Please note the special meeting arrangements in light of:

(a) the COVID-19 (Temporary Measures) Act 2020 passed by Parliament on 7 April 2020 which enables the Minister for Law by order to prescribe alternative arrangements for listed companies in Singapore to, inter alia, conduct general meetings, either wholly or partly, by electronic communication, video conferencing, tele-conferencing or other electronic means;

(b) the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 which was gazetted on 13 April 2020 and is deemed to have come into operation on 27 March 2020, and which sets out the alternative arrangements in respect of, inter alia, general meetings of companies;

(c) the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) (Amendment No. 3) Order 2020 which extended the application of alternative arrangements in respect of, inter alia, general meetings of companies in the relevant order up to 30 June 2021; and

(d) the joint statement by the Accounting Corporate and Regulatory Authority, Singapore Exchange Regulations and the Monetary Authority of Singapore on 13 April 2020 (and subsequently updated on 27 April 2020, 22 June 2020 and 1 October 2020) which provide additional guidance on the conduct of general meetings during the period when elevated safe distancing measures are in place,

The Company will arrange for:

(e) A live webcast of the AGM (via Zoom), which allows Shareholders to view, hear and participate in the proceedings (i.e, pose questions to directors, management, the secretary and/or the auditors) of the AGM contemporaneously ("Live Webcast"); and

(f) Audio participation in the AGM (via telephone), which only allows Shareholders to listen to the proceedings of the AGM contemporaneously ("Audio Only Means").

Please note that Shareholders will not be able to attend the AGM in person. Shareholders can ONLY participate in the AGM via the Live Webcast or Audio Only Means.

Shareholders should note the following procedures and/or instructions to participate in the AGM via the Live Webcast or Audio Only Means:

1. Proxy Voting

(a) Voting at the AGM shall be done by way of proxy ONLY. Shareholders who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the AGM as their proxy to vote on their behalf by completing the proxy form attached to the Notice of AGM or by downloading the proxy form from the Company's announcement on SGXNet or on the Company's website at URL https://sarine.com/wp-content/uploads/2021/2021_AGM_proxy.pdf and completing it. Shareholders (whether individual or corporate) appointing the Chairman of the AGM as proxy must give specific instructions as to his manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.

(b) Shareholders must submit the completed and signed proxy form appointing the Chairman of the AGM as proxy:

(i) by email to the Company, addressed to IR@sarine.com; or
(ii) by post to the registered offices of the Company, at 4 HaHarash Street (3rd Floor), Hod Hasharon, Israel 4544075, Attention IR-Proxy Vote; or
(iii) by email to the Company's Singapore Share Transfer Agent, addressed to Gpb@mncsingapore.com; or
(iv) by post to the office of the Company's Singapore Share Transfer Agent, at 112 Robinson Road #05-01 Singapore 068902,

in any case, no later than 3.00pm (Singapore time) on 26 April 2021, being not less than twenty-four (24) hours before the time fixed for the AGM.

(c) In view of the current COVID-19 situation which may make it difficult for members of the Company to submit completed proxy forms by post, Shareholders of the Company are strongly encouraged to submit completed proxy forms electronically via email, as noted above.

(d) SRS investors, if any, who wish to vote should approach their respective Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 3.00 p.m. (Singapore time) on 15 April 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

(e) Please note that shareholders will not be able to vote through the Live Webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.

NOTICE OF ANNUAL GENERAL MEETING

2. Shareholders' Questions and Answers (Q&A)

(a) Shareholders 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) on 20 April 2021, by email to IR@sarine.com.

(b) Shareholders 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 shareholder or a corporate representative of a corporate shareholder. Any question omitting such identification details will be disregarded.

(c) All substantial questions and relevant comments from shareholders will be addressed by the Company either prior to the AGM on SGXNet, if deemed appropriate by the Company (e.g., a clarification to the agenda deemed of interest to all shareholders) or at the AGM via the Live Webcast and Audio Only Means.

(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 month after the conclusion of the AGM.

3. Registration to attend the Live Webcast or by Audio Only Means

(a) Shareholders who wish to attend the AGM by either the Live Webcast or Audio Only Means must pre-register by submitting their particulars (comprising emails, full names, NRIC/Passport No./Company Registration No., as applicable, and number of shares held) by email to Gpb@mncsingapore.com no less than 72 hours before the time fixed for the AGM, i.e., by 3.00 p.m. (Singapore time) on 24 April 2021 (the "Registration Deadline") to enable the Company to verify their shareholder's status. A registration form has been posted along with this Notice on the SGXNet and can be found on the Company's website at URL https://sarine.com/wp-content/uploads/2021/2021_AGM_EGM_registration.pdf

(b) After the verification process, a unique link and password, if applicable, will be sent to authenticated shareholders by 3.00 p.m. (Singapore time) on 25 April 2021. The link will be used by shareholders using smart phones, tablets or laptops/ computers to participate in the proceedings of the AGM via Live Webcast. In order to pose questions during the Live Webcast, an operational microphone is a prerequisite.

(c) Verified shareholders who wish to attend the AGM by listening only via Audio Only Means will receive an email confirmation containing the details of the Audio Only Means by 3.00 p.m. (Singapore time) on 25 April 2021. Shareholders are reminded that the details contained in the email confirmations are ONLY to be used by shareholders to participate in the proceedings of the AGM by either Live Webcast or Audio Only Means, and that the AGM is private. Invitations to attend the Live WebCast or Audio Only Means may not be forwarded to anyone who is not a shareholder of the Company or who is not authorised to attend the Live Webcast or Audio Only Means. Recording of the Live Webcast and Audio Only Means by any form of method shall strictly be prohibited.

(d) Shareholders who register by the Registration Deadline but do not receive an email response by 4.00 p.m. on 25 April 2021 should contact the Company by email to Gpb@mncsingapore.com or by phone at +65-62280530, if calling from Singapore, or to IR@sarine.com or by phone at +972-9-7903500. In the case of the latter, kindly select 'English menu' (dial 8), followed by 'Management and Reception' (dial 9).

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:-

(a) Daniel Benjamin Glinert will be granted 300,000 options to vest over three years as follows:

- 150,000 options will vest in three equal lots over three years – 50,000 options after year 1, 50,000 options after year 2 and 50,000 options after year 3.
- 150,000 options will vest provisionally upon the completion of the three year period, conditional upon meeting Board specified targets pertaining to the rollout of the new e-Grading™ offering (pro-rata vesting between a Board determined threshold and the full target goal).

(b) David Block will be granted 700,000 options to vest over three years as follows:

- 450,000 options will vest in three equal lots over three years – 150,000 options after year 1, 150,000 after year 2 and 150,000 after year 3.
- 250,000 options will vest provisionally upon the completion of the three year period, conditional upon meeting Board specified targets pertaining to the rollout of the new e-Grading™ offering (pro-rata vesting between a Board determined threshold and the full target goal).

(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 the Remuneration Policy, the remuneration packages and the grants of options to Mr. Daniel Glinert, the Executive Chairman of the Board, and to Mr. David Block, the CEO of the Company (resolutions No. 4 through 8) on the agenda of this AGM, require 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".

Please Note: according to an Israeli court ruling, a shareholder must positively inform the Company whether or not such shareholder has a personal interest in a proposal which is subject to approval by a majority vote of disinterested shareholders, as in the case of resolutions 4 through 8. Your failure to check the box on the proxy form indicating that you have no personal interest will therefore require the Company to assume that you have a personal interest in Resolutions 4 through 8 and disqualify your vote on such proposals.

We may no longer assume that a shareholder who signs and returns a proxy form without a specific indication as to the lack of personal interest of such shareholder has no personal interest with respect to resolutions 4 through 8. If you believe that you, or a related party of yours, is a controlling shareholder or possesses a personal interest and you wish to participate in the vote on resolutions 4 through 8, 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) The shareholders' resolution set out in item 9.1 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.

(e) The shareholders' resolution set out in item 9.2 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 2005 Plan and the 2015 Plan.

Personal Data Privacy:

By submitting a proxy form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company 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 appointment of the Chairman of the AGM as 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.

NOTICE OF ANNUAL GENERAL MEETING

Appendix A - Remuneration Policy 2021 – 2023
(“the Policy”)

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 authorizing 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 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 and such External Directors shall form the majority in such committee. The Remuneration Committee will be chaired by an External Director.

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.

NOTICE OF ANNUAL GENERAL MEETING

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 developing at high 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, 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.

"**Officers**" or "**Office Holders**" shall mean: Director, 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 Officers [Reminder – the term Officers, as defined above, includes Directors in all references throughout this document] in competitive labour markets.

The Remuneration Policy is intended to align the Company's objectives and work plans with appropriate goals and objectives of 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 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 Officers' remuneration and both Company and individual performance.
- Align 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 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 Officers are compensated fairly and best practices are implemented.

NOTICE OF ANNUAL GENERAL MEETING

6. **General Considerations**

The compensation of Officers shall be set (or updated, as the case may be) with reference to the follow-ing considerations:

- Role and business responsibilities.
- Professional experience, education, expertise and qualifications.
- Previous compensation paid to the Officer.
- The Company's financial circumstances .
- Internal comparables: (a) compensation packages of comparable Company's Officers; (b) the relationship between the 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 rela-tionship 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' Remuneration Package Components**

Officers' 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 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 will be structured in order to support the Company's philosophy of compensating Officers 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 to Officer. Further details about the remuneration structure of the Company's Officers 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 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.

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- 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/Chairman of the Board/Executive Directors	US$ 24,000
VPs	US$ 18,000

7.3. Benefits

The following benefits may be granted to the Officers 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.

[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 were computed based on the applicable exchange rate as of the Last Practicable Date (LPD), being 28 February 2021 (being 3.28NIS to US$1), and may be subject to increase in case of fluctuations in the applicable exchange rate.*

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7.4. Cash Bonus (STI)

Sarine's short-to-medium 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 based on the Company and his/her individually-defined results or based on measurement of the Officer'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 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 for achieving goals set by the Executive and Remuneration Committees of the Board and approved by the Board

Title	Maximum Cash Bonus Basic Tier
CEO	12 Months' Salary
EVP/CFO/Chairman of the Board/Executive Directors	12 Months' Salary
VPs	4 Months' Salary

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

During the fourth 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, based on the relevant inputs from the CEO as pertaining to his subordinates, for the following 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 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.

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 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' 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 and developing future pipeline products.
- Operating plan targets such as manage corporate operations to the approved annual budget and meet human resources objectives.
- Financials objectives such as revenue, operational profit, EBITDA, net profit 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 minimal threshold was not achieved, will not be paid.

The Stretch Tier Bonuses may be awarded 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 or Officers shall not be entitled to any Target Bonus.

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7.5. Equity-based Remuneration (LTI)

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

The Company shall be entitled to grant Officers 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 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 Peri-od) (up to)
CEO	Up to 75% of the grant	At least 25% of the grant	US$ 500,000
EVP/CFO/Chairman of the Board/Executive Directors	Up to 75% of the grant	At least 25% of the grant	US$ 300,000 (per person)
VPs	Up to 75% of the grant	At least 25% of the grant	US$ 200,000 (per person)

General guidelines for the grant of Equity-Based Awards:

- Equity Based Awards basic goal is "to retain Officers, align Officers 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 or 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 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.

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

  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 Remuneration Recovery

Cash and Equity Bonuses to Officers 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, the amount of the bonus payment received by such Officer. 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 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.

7.7. 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 up to 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).

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7.8. 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

Position	Average	Median
CEO / EVP/ CFO	3.0	3.0
VPs	2.6	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.

7.9. 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.

Non-Executive Directors (who are not Independent Directors)

The cash remuneration shall be paid based on actual participation in Board and committee meetings, not to exceed US$1,100 (per meeting) for participation in person, 60% of same, i.e., US$660, for participation over the phone and 50% of same, i.e., US$550, for a written resolution.

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 of such grant shall not exceed US$150,000 (per each Non-Executive Director) over three years. Such grants may be made no more frequently than once every three years.

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 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 147,095 for Expert External Directors and NIS 110,235 for other External Directors).
2. Additional remuneration based on actual participation in Board and committee meetings, not to exceed US$1,100 (per meeting) for participation in person, 60% of same, i.e., US$660, for participation over the phone and 50% of same, i.e., US$550, 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 4,240).
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.

[2] As the payments to Israeli directors may be effected (in whole or in part) in New Israeli Shekels (NIS), the amounts specified herein were computed based on the applicable exchange rate as of the Last Practicable Date (LPD), being 28 February 2021 (being 3.28 NIS to US$1), and may be subject to increase in case of fluctuations in the applicable exchange rate.

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7.10 Insurance, Indemnification and Release

The Company will 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$ 0.5 million.

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.

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Appendix B - Remuneration Packages 2021 – 2023

- All costs are given in annualised terms.
- Illustrative options costs are estimated as per share price (S$0.56) and currency conversion rates (US$1 = NIS 3.28 and US$1 = S$1.3279) as per the Last Practicable Date (LPD) being 28 February 2021, 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 Monthly compensation NIS 56,250 plus out-of-pocket expenses according to current practice (~ US$800 a month in 2020). Estimated monthly cost to Sarine as of LPD currency conversion rates - US$17,950,

o Annual bonus as derived by the Remuneration Committee and the Board of Directors, as per criteria enumerated below, capped at 18 monthly salaries annually (US$308,700).

o Annual 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 2021 through 2023, to be granted in three annual grants up to a third each time, 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$63,000. Estimated average annual cost (actual accounting rules frontload costs to earlier years based on closing share price on LPD) - US$12,600.

o Target based options – up to a total of 450,000 options over the three years from 2021 through 2023, to be grantedin three annual grants up to a third each time, 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$63,000. Estimated average annual cost (actual accounting rules frontload costs to earlier years based on closing share price on LPD) - US$12,600.

o Estimated average annual expense, excluding cash bonus, if any - US$240,600.

o Comparatives:

- To Israeli benchmark (Tzviran Israeli Public Company Remuneration Survey) – less than the 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 (see agenda item 7) 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.

b. Non-Executive Directors –

- Payment for participation in person in meeting – US$1,100 ((60% for participation over the phone – US$ 660, 50% for signing a written resolution – US$550).

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 2020) [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 Monthly salary NIS 71,000 (~US$21,646 as of LPD currency conversion rates) plus benefits as per the Policy. Estimated cost to Sarine in 2021 - US$381,000.

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 as of LPD currency conversion rates - US$390,000.

o Time based options – – up to a total of 950,000 options over the three years from 2021 through 2023, to be granted in three annual grants up to a third each time, 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$133,000. Estimated average annual cost (actual accounting rules frontload costs to earlier years based on closing share price on LPD) - US$26,600.

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- o Target based options – up to a total of 750,000 options over the three years from 2021 through 2023, to be granted in three annual grants up to a third each time, 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$105,000. Estimated average annual cost (actual accounting rules frontload costs to earlier years based on closing share price on LPD) - US$21,000. o Estimated average annual expense, excluding cash bonus, if any - US$430,000.
- o Comparatives on salaries, benefits and non-cash option compensation:

  - To Israeli benchmark (Tzviran Israeli Public Company Remuneration Survey) – just over the 25th percentile, below par
  - To Sarine median compensation – 4.0
  - To Sarine average compensation – 3.6

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 (see agenda item 8) 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 Director and the CEO) or 8 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 provenance, 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. 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.

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.

SARINE TECHNOLOGIES LTD.

(Incorporated in Israel)
Israel Registration No. 51 1332207

PROXY FORM - ANNUAL GENERAL MEETING

This form of proxy has been made available on SGXNet and the Company's website at the URL https://sarine.com/wp-content/uploads/2021/2021_AGM_proxy.pdf

IMPORTANT

1. The Annual General Meeting ("**AGM**") is being convened, and will be held, by electronic means only pursuant to (i) the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020; and (ii) the Additional Guidance on the Conduct of General Meetings During Ele-vated Safe Distancing Period jointly issued by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore, and Singapore Exchange Regulation on 13 April 2020 and updated thereafter on 27 April 2020, 22 June 2020 and 01 October 2020.
2. Alternative arrangements relating to amongst others, (i) registration and attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via Live Webcast and Audio Only Means); (ii) submission of questions to the Company in advance of the AGM; (iii) addressing of substantial and relevant questions at the AGM; and (iv) voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Company's Notice of Annual General Meeting ("**Notice**") which has been uploaded together with this proxy form on the SGXNet and on the Company's website on the same day at the https://sarine.com/wp-content/uploads/2021/2021_AGM_notice.pdf
3. A member will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chair-man of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
4. SRS investors, if any, who wish to appoint the Chairman of the AGM as proxy should approach their respective SRS Operators to submit their votes by 3.00 p.m. (Singapore time) on 15 April 2021.
5. By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice dated 5 April 2021.
6. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the AGM as a member's proxy to vote on his/her/its behalf at the AGM.**

I/We____,NRIC/Passport no.____________________

of ____

being a member/members of Sarine Technologies Ltd. (the "**Company**"), hereby appoint the Chairman of the AGM as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the AGM to be held electronically on the 27th day of April 2021 at 3:00 p.m. (Singapore time) (10:00 a.m. Israel time; 8:00 a.m. GMT) and at any adjournment thereof.

Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for, against or in abstention on the resolutions as set out in the Notice of Annual General Meeting. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution(s) will be treated as invalid.**

No.	Resolution		For	Against	Abstain
1	Adoption of reports and audited accounts for the year ended 31 December 2020				
2	To declare a final dividend of US cent 0.5 (gross) per share less tax (as applicable) for the year ended 31 December 2020.				
3	Re-appointment of Somekh Chaikin Certified Public Accountants (Isr.), Member firm of KPMG International and Chaikin, Cohen, Rubin and Co., Certified Public Accountants (Isr.) as external auditors				
4	To approve the Remuneration Policy 2021 * I hereby declare that (check the applicable circle): o I/we am/are a controlling shareholder and/or I/we have a personal interest in the approval of Resolution No. 4 (Approval of the Remuneration Policy 2021) o I/we do not have a personal interest in the approval of Resolution No. 4 (Approval of the Remuneration Policy 2021)				
5	To approve the remuneration package for Mr. Daniel Benjamin Glinert, the Executive Chairman of the Board. * I hereby declare that (check the applicable circle): o I/we am/are a controlling shareholder and/or I/we have a personal interest in the approval of Resolution No. 5 (Approval of the remuneration package for Mr. Daniel Benjamin Glinert, the Executive Chairman of the Board) o I/we do not have a personal interest in the approval of Resolution No. 5 (Approval of the remuneration package for Mr. Daniel Benjamin Glinert, the Executive Chairman of the Board)				
6	To approve the remuneration package for Mr. David Block, the CEO * I hereby declare that (check the applicable circle): o I/we am/are a controlling shareholder and/or I/we have a personal interest in the approval of Resolution No. 6 (Approval of the remuneration package for Mr. David Block, the CEO) o I/we do not have a personal interest in the approval of Resolution No. 6 (Approval of the remuneration package for Mr. David Block, the CEO)				
7	To approve the grant of 300,000 options to Mr. Daniel Benjamin Glinert, the Executive Chairman of the Board * I hereby declare that (check the applicable circle): o I/we am/are a controlling shareholder and/or I/we have a personal interest in the approval of Resolution No. 7 (Approval of grant of options Mr. Daniel Benjamin Glinert, the Executive Chairman of the Board) o I/we do not have a personal interest in the approval of Resolution No. 7 (Approval of grant of options to Mr. Daniel Benjamin Glinert, the Executive Chairman of the Board)				

No.	Resolution		For	Against	Abstain
8	To approve the grant of 700,000 options to Mr. David Block, the CEO * I hereby declare that (check the applicable circle): o I/we am/are a controlling shareholder and/or I/we have a personal interest in the approval of Resolution No. 8 (Approval of grant of options Mr. David Block, the CEO) o I/we do not have a personal interest in the approval of Resolution No. 8 (Approval of grant of options Mr. David Block, the CEO)				
9.1	Authority to issue shares				
9.2	Authority to grant options pursuant to the Sarine Technologies Ltd 2015 Share Option Plan and issue shares pursuant to the Sarine Technologies Ltd 2005 Share Option Plan and the Sarin Technologies Ltd 2015 Share Option Plan				

Dated this ________ day of ____________ 2021

Total Number of Shares Held

____

Signature(s) of Member(s) or Common Seal

Important: Please Read Following 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 will not be able to vote through the Live Webcast or Audio Only Means, and voting is only through submission of a proxy form. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM.** In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

3. A member must submit the completed and signed proxy form appointing the Chairman of the AGM as proxy:

   (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 (3rd Floor), Hod Hasharon, Israel 4544075, Attention IR-Proxy Vote; or
   (iii) by email to the Company's Singapore Share Transfer Agent, addressed to **Gpb@mncsingapore.com**; or
   (iv) by post to the office of the Company's Singapore Share Transfer Agent, at 112 Robinson Road #05-01 Singapore 068902,

   in any case, no later than 3.00pm (Singapore time) on 26 April 2021, being not less than twenty-four (24) hours before the time fixed for the AGM.

   In view of the current COVID-19 situation which may make it difficult for members of the Company to submit completed proxy forms by post, Shareholders of the Company are strongly encouraged to submit completed proxy forms electronically via email, as noted above.

4. The instrument appointing the proxy must be under the hand of the appointor or of his/her/its attorney duly authorised in writing. Where the instrument appointing the proxy 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.

5. Where an instrument appointing the proxy 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.

6. 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.

AGM/EGM PRE-REGISTRATION FORM

PRE-REGISTRATION FORM FOR THE ANNUAL GENERAL MEETING AND THE EXTRAORDINARY GENERAL MEETING OF SARINE TECHNOLOGIES LIMITED TO BE HELD ON TUESDAY, 27 APRIL 2021 AT 3:00 PM AND 4:00 PM (OR SUCH TIME IMMEDIATELY FOLLOWING THE CONCLUSION OR ADJOURMENT OF THE ANNUAL GENERAL MEETING), RESPECTIVELY.

Details of Shareholder

Name : ______________________

NRIC / FIN / Passport No.
(in the case of individual shareholder) : ______________________

Company Registration No.
(in the case of corporate shareholder) : ______________________

Address : ______________________

Contact number : ______________________

Email Address : ______________________
(Please provide email address of corporate representative in the case of corporate shareholder)

☐ * I / We will be attending the Annual General Meeting ("**AGM**") *and/or the Extraordinary General Meeting ("**EGM**") via electronic means.
☐ * I / We will be appointing the Chairman of the Meeting as *my/our proxy to attend the AGM *and/or EGM on *my/our behalf.

* Delete as applicable

Questions for the Directors or Management (if any):

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____

____

Signature : ______________________
Company stamp
(in the case of corporate shareholder)

Notes:

1. Shareholders who wish to attend the "live" webcast or "live" audio feed of the AGM and/or the EGM are to submit the completed and signed pre-registration form to the Company as directed in the Notice of the AGM / EGM.

Personal Data Privacy

By submitting this pre-registration form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM and Notice of EGM dated 05 April 2021.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Daniel Benjamin Glinert
Executive Director and Chairman of the Board

Avraham Eshed
Non-Executive Director

Uzi Levami
Non-Executive Director

Varda Shine
Lead Independent Director

Neta Zruya Hashai
Independent Director

Lim Yong Sheng
Independent Director

Sin Boon Ann
Independent Director

AUDIT COMMITTEE

Neta Zruya Hashai – Chairperson
Lim Yong Sheng
Varda Shine
Sin Boon Ann

NOMINATING COMMITTEE

Sin Boon Ann - Chairperson
Daniel Benjamin Glinert
Lim Yong Sheng
Varda Shine

REMUNERATION COMMITTEE

Varda Shine – Chairperson
Neta Zruya Hashai
Uzi Levami
Sin Boon Ann

REGISTERED OFFICE

Sarine Technologies Ltd.
4 Haharash Street
Hod Hasharon 4524075
Israel
Tel: +972-9-7903500
Fax: +972-9-7903501
www.sarine.com
Israel Registration Number: 51-133220-7

COMPANY SECRETARY

Amir Jacob Zolty (Adv.)

SHARE REGISTRAR

M&C Services Private Limited
112 Robinson Road #05-01,
The Corporate Office
Singapore 068902
Singapore

JOINT AUDITORS OF THE GROUP

Somekh Chaikin Certified Public Accountants (Isr.)
Member firm of KPMG International
KPMG Millennium Tower
17 Ha'arba'a Street
Tel Aviv 6473917 Israel
Partner-in-charge: Guy Anavi
(appointed with effect from 1 January, 2019)

Chaikin, Cohen, Rubin and Co.
Certified Public Accountants (Isr.)
Kiryat Atidim Building No. 4
Tel Aviv 6158002 Israel
Partner-in-charge: Dani Aviram
(appointed with effect from 1 January, 2017)

INTERNAL AUDITOR

Doron Cohen (CPA, CIA)
Fahn Kanne Control Management Ltd.
Subsidiary of Fahn Kanne and Co.
Certified Public Accountants (Isr.)
Member firm of Grant Thornton International
Hamasger 32
Tel Aviv 6721118 Israel

PRINCIPAL BANKERS

Bank Leumi Le-Israel Ltd.
Dan Business Center
7 Menachem Begin Street
Ramat Gan 5268102
Israel

Bank Hapoalim Ltd.
Herzliya Business Center
15 Hamenofim Street
Herzliya 4672566
Israel

THE DIAMOND INDUSTRY, REIMAGINED™

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info@sarinehk.com

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