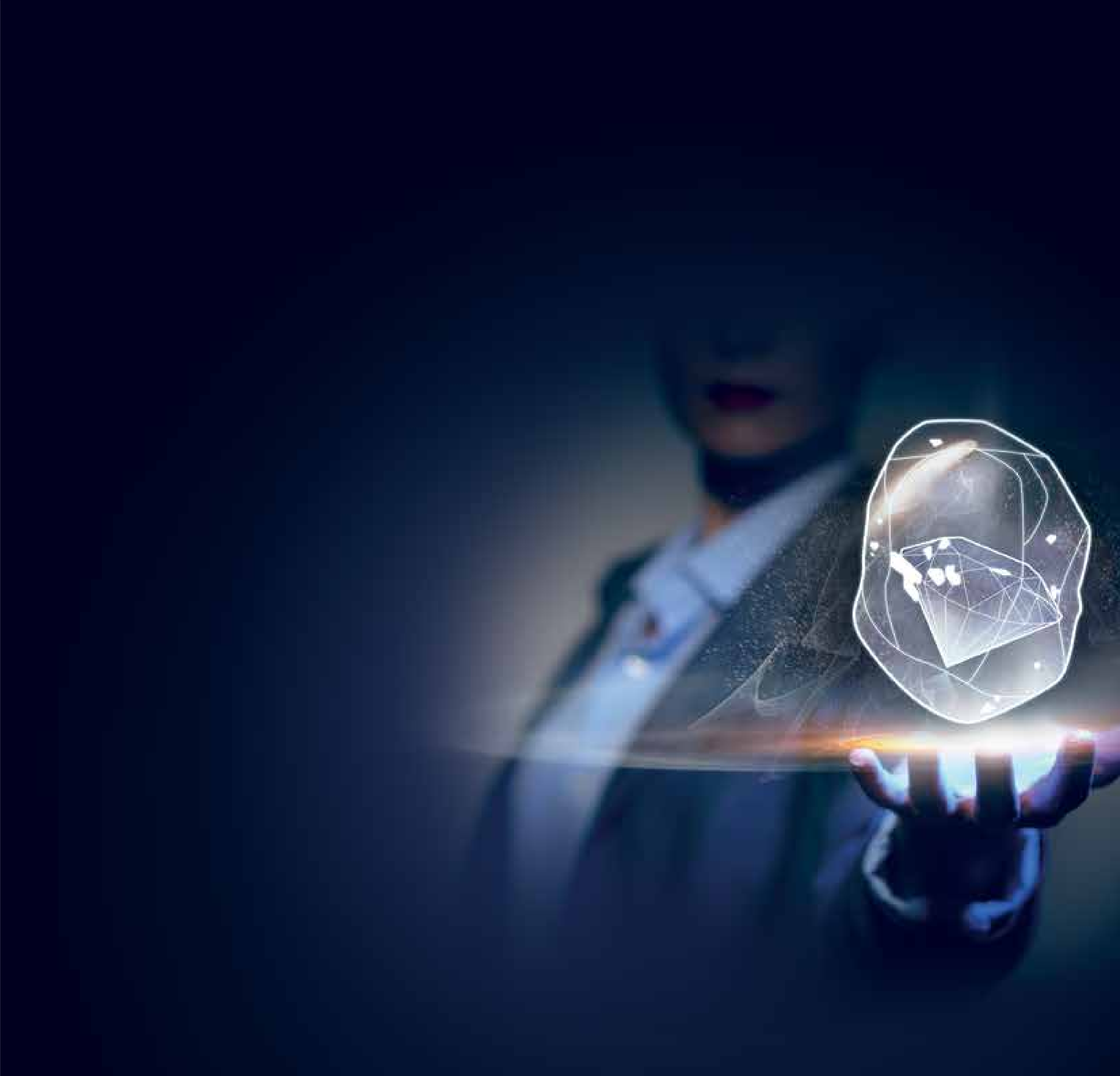

SARINE ANNUAL REPORT 2019

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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 financial condition, 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 can 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; and the other factors that are described in "Risk Factors" in our Annual Report for the year ended December 31, 2019. 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 and gemstones, utilised throughout the diamond industry value chain.

Rough Stone Evaluation (the "Upstream")

We assist diamond mining companies, also termed "producers", to evaluate their rough stones. Our DiaExpert® family of platforms, detailed in the Business Review section, 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 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.

Alrosa, the Russian producer, and largest miner of diamonds worldwide in carat terms, and Lucara, a Canadian-based producer operating in Botswana, as well as other producers, have adopted these technologies for certain categories of rough production, subsequently offered for sale via digital tenders or other focused sale paradigms.

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 our technology's introduction in 2010. To allow the industry to fully benefit from this cutting edge technology, various models (see Business Review section) offer inclusion mapping of rough stones across the entire spectrum of sizes – from 10 points (0.10 carats) through 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), Gaborone (Botswana), Guangzhou (China), Johannesburg (South Africa), Moscow, New York, Ramat-Gan (Israel) and Windhoek (Namibia). Commencing 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 science. It has raised the optimally achievable yield of the polished stones combined weights from typically under 40% of the original rough stone’s 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 "programs".

Polished Diamond Grading and Trade (the "Downstream")

We also provide technologically advanced standard-setting solutions for key aspects of the polished diamond trade. Having pioneered the 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 provide automated grading of the 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 operate using the Instructor® software package, the first to be thoroughly evaluated by the Gemological Institute of America (GIA) and qualified as being accurate in excess of 98%.

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.

Since mid-2018, we offer comprehensive polished diamond 4Cs grading, utilising our groundbreaking AI-based technology and two new devices, the Sarine Clarity™ and Sarine Color™. The ability to provide automated grading of a polished stone's Clarity is an industry first. Clarity grading is a very complex four-dimensional classification, derived from the number of inclusions, their sizes, types and locations, and has always been a subjective and manual labor-intensive process. At least two manual graders 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 even three different grades. The utilisation of technology enables objective, consistent grading, and, as the AI-based algorithms are self-teaching, consistency continuously improves over time. It is our aim to ultimately enable the fine-sorting of a diamond's Clarity 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. We are currently working with Tiffany to adapt our automated AI-based grading technology to Tiffany's stringent grading guidelines and criteria.

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. The ability to tell the polished gem's "story" online, and demonstrate its unique features in-store, differentiating it from the near-commoditised standard cuts and stones, are becoming universal goals amongst e-tailers and retailers alike. Non-intuitive data, as formulated in the historic 4Cs, is no longer sufficient for the younger generation of internet-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, and light performance analyses and grading, as provided by the industry-leading Sarine Light™, along with other information such as - Hearts and Arrows graphics, Cut proportions graphics in 2D or 3D, laser inscription viewing, etc. Sarine Profile™ also supports the importation of other customer-provided data, such as the stone's gemmological laboratory report, the retailer's promotional branding material and even the buyer'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 enthusiasm 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 and also enhances the in-store buying experience by empowering the consumer to make a truly informed decision.

In 2019 we introduced an additional technology for the imaging of jewellery – Verto™. Verto™, is 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 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 marketplace, responsible and sustainable sourcing and manufacturing are also key to a retailer's success. The Sarine Diamond Journey™ provides accurate verifiable documentation of the rough diamond's provenance and its journey from rough stone to polished jewel, which are increasingly important to today's consumers. Critical to its unique proposition as a provenance solution is its access to actual verifiable data from end to end of the polishing process. We have a unique and extensive presence in the diamond industry's midstream, wherein the critical transition from rough to polish occurs. In 2019 over 17 million stones were scanned for inclusion mapping using our systems and close to a hundred million rough stones were planned using our platforms. Of these 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 uniquely provide a conclusive certified testimonial of the polished stone's derivation. The mined rough stone's source data is optionally provided by the producer (miner), or, if not, key data pertaining to its weight, form, inclusions, etc. can be derived independently by our technologies, as it is accurately modelled for the analysis, planning and manufacturing processes. Its form is retained in video format for presentation to the consumer and, as an option, it can also be provided as a real 3D-printed model for the consumer's fascination – the 3D-Origin™. Subsequently through various stages of the stone's processing, to the level desired, authentic graphic/video data are collated culminating in its final polished form. 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 it was fashioned, reinforcing their confidence in the value of their unique natural jewel.

Our proprietary technology for "fingerprinting" the polished stone, 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

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 gemological 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.

Sarine develops an add-on for its Galaxy® inclusion mapping scanning systems 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® family inclusion mapping 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 program 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 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, 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.

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

Shining House, a leading jewellery retailer in China based in Shanghai, launches its new premium cut diamond, the octagonal Shining Star, underpinned by Sarine's uniquely accurate and consistent light performance grading and Sarine Profile™ digital sales solution, to provide an all-new level of customer experience and value, in-store and online.

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.

OUR MILESTONES

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.

Rosy Blue, a leading international manufacturer of high quality polished diamonds and finished jewellery, announces the upgrading of its worldwide manufacturing facilities to Sarine systems only, replacing all inclusion mapping, rough planning, proportion measurement and grading equipment of other equipment vendors.

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 gemologists 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.

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.

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

Sarine Polishing Technologies Ltd. (formerly known as Romedix) purchases third-party know-how and technology used in the development and manufacture of disposable polishing discs for diamonds and gemstones.

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.

OUR MILESTONES

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 actual utilisation of the planning solution by the 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.

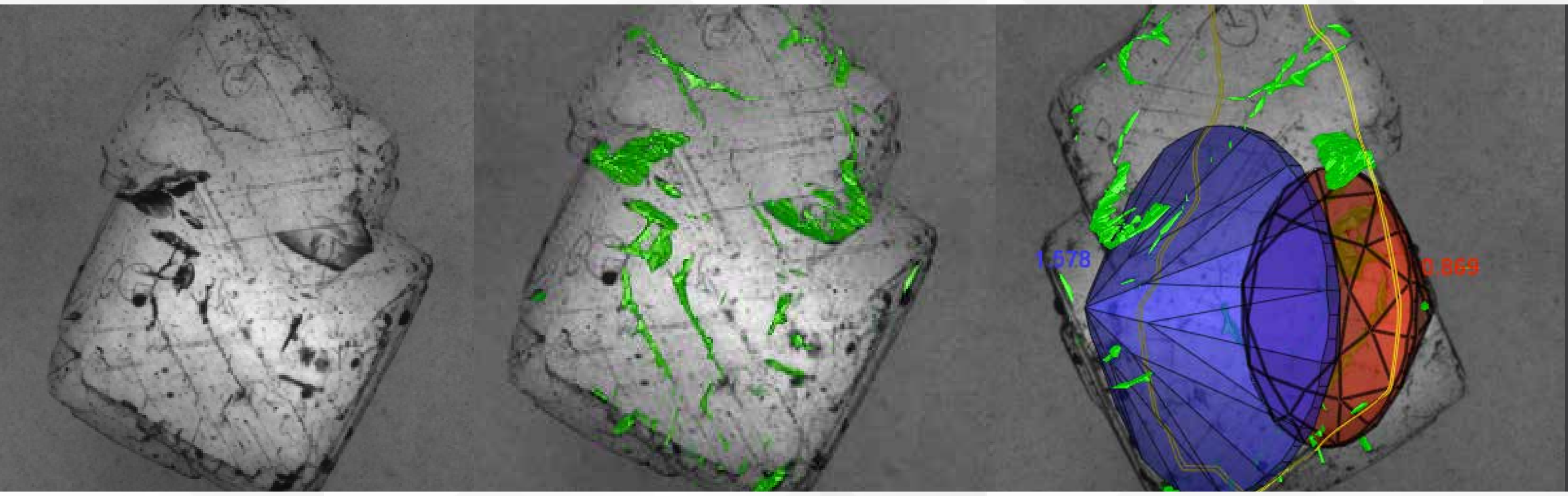
1992
The DiaMension®, a pioneering grading product for determining the Cut of polished diamonds, is introduced – an automated computerised product for accurately assessing a diamond's proportions, the key parameter in the grading of a diamond's Cut. A significant advancement for the diamond industry, the DiaMension® changed the way polished diamonds are bought and sold by providing the first-ever accurate means of measuring the proportion and deriving the Cut grade.

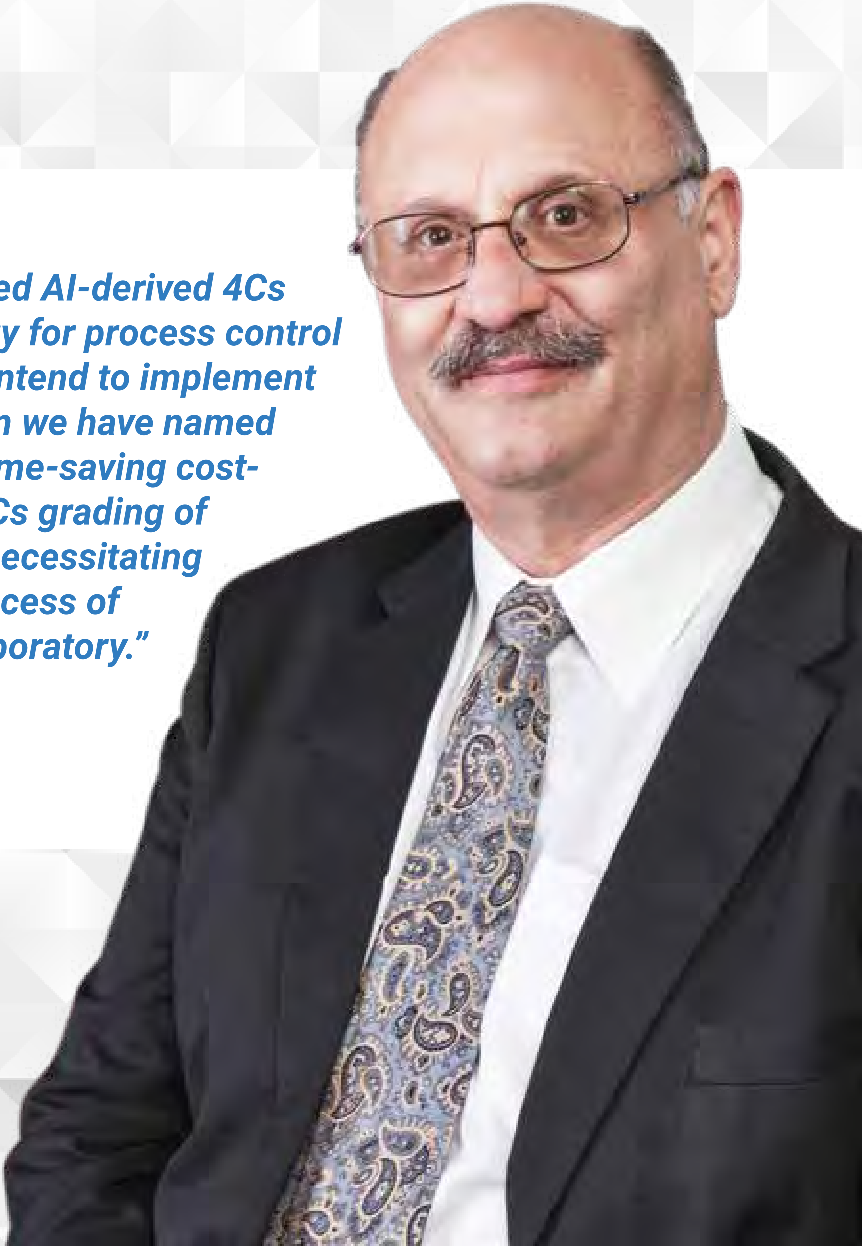
1989
Our Company changes its name to Sarin Research, Development and Manufacture (1988) Ltd.

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.

ROUGH DIAMOND SCANNING AND PLANNING SEQUENCE





"By enhancing our technology-based AI-derived 4Cs grading with additional functionality for process control and intra-process verification, we intend to implement a completely new grading paradigm we have named e-Grading™. We will implement a time-saving cost-cutting in-house solution for the 4Cs grading of most polished diamonds, without necessitating the time-consuming and costly process of going offsite to a gemmological laboratory."

Dear Fellow Shareholders

2019 in Perspective

The challenges facing our industry midstream diamond polishing customers, still the source of 97% of our revenues, which commenced in the second half of 2018, continued into 2019 peaking in Q3 2019. The mutual trade tariffs imposed by the U.S. and China, and more importantly the civil unrest in Hong Kong, impaired the retail jewellery trade in China, the world's second most important consumer market for polished diamonds. In India the banking system's reduction of credit lines constrained polishers' access to working capital. And DeBeers' disruptive launch of their Lightbox line of jewellery based on lab-grown diamonds created uncertainties as to the future dynamics of the natural diamond industry, in general, and particularly so for very small natural stones. All these factors were intensified by the imprudent pricing of rough diamonds entering the pipeline. The end result was the reduction of polishing activity in the midstream by over 25% on an annual basis, as compared to 2018. The second half of the year saw a sharp drop of some 40% in DeBeers' sights' volumes coupled with rough price reductions in Q3, before excess inventories eased, and the industry value chain work flow started stabilising in Q4. With the easing of inventory overhang, the midstream's working capital issues also eased somewhat towards year's end.

CHAIRMAN'S STATEMENT

These factors impaired our business results in the first two quarters of 2019, to the point of our reporting losses for those quarters, with a marginal return to profitability in Q3 and more robust results in Q4. As the diamond industry entered 2020 with reduced inventories and accordingly more polishing activity, the Group benefited from continued recovery in the sales of capital equipment and continuing demand for Galaxy® family inclusion mapping systems, as well as growing interest for Sarine's products and services for the wholesale and retail trade of polished diamonds. The Group has thus started FY2020 on a positive note with increased revenues from all product lines and accelerating traction for its Sarine Diamond Journey™ provenance traceability solution. However, the outbreak of the Covid-19 coronavirus in China and its pandemic spread elsewhere has cast uncertainty over the retail market and, as of this writing, the full extent and effects are still not clear.

Notwithstanding the challenging industry conditions, we scanned a new record of over 17 million stones with our Galaxy® family of inclusion mapping systems in 2019, 40% more than our record performance in 2018. This despite the ongoing illicit IP-infringing competition discussed below. We estimate that throughout 2019 close to a hundred million stones were planned utilising our DiaExpert® family of planning platforms and our Advisor® software. Over 60 million stones were planned using our online Advisor® 6.0/7.0 software from which data is directly verifiable, and several tens of millions more stones were no doubt processed on our older offline versions. In 2019 we delivered a record 145 Galaxy® family systems to customers, all of them the models for smaller stones – the Meteor™ and Meteorite™ (29 and 116, respectively), more than double the previous year's delivery of 65 systems. The Group had an installed base of 555 Galaxy® family systems as of 31 December 2019.

In 2018 we established our initial footholds in the mining/producing upstream of the diamond industry. With Dominion Diamond Mines ULC ("Dominion"), Canada's largest independent diamond producer, we introduced an enhanced CanadaMark™ website incorporating the new Sarine Diamond Journey™. For Lucara, a Canadian miner operating in Botswana, renowned for their finds of extremely large rough diamonds, we provided the technology for their launching of their Clara initiative. Clara's aim is to enhance the value of Lucara's mined rough diamonds by scanning the rough stones at source on our Galaxy® systems, planning them with a special version of our Advisor® planning software and matching them to their customers' specific needs, as per retail demand. In 2019 we broadened our cooperation with the upstream segment of the diamond industry. Alrosa adopted our Galaxy®, Advisor® and additional technologies for their new digital tenders, aimed at enhancing their returns by enabling customers to offer informed bids based on a rough stone's actual characteristics. Lucara has, as recently announced, adopted our Sarine Diamond Journey™ to provide verifiable provenance (sourcing) accountability for their Clara diamonds. Additional producers are evaluating our unique traceability solution, some already running pilot tests.

The Sarine Diamond Journey™ is the industry's most robust solution for polished diamonds provenance documentation. Leveraging on the prevalent 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 a verifiable testimonial of the polished stone's derivation. Critically, this is done with minimal disruption to the work-flow, thus causing virtually no indirect additional cost and overhead. The Sarine Diamond Journey™ 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 are expressing interest, and we expect them to soon be testing our distinctive solution with pilot programs. Retailers in Japan, China, other APAC markets and the U.S. are already today adopting the story-telling facet of our Sarine Diamond Journey™ paradigm. As a result, midstream suppliers are seeing demand for "Journey-ready" stones and are joining our Sarine Diamond 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. This allows them to offer their retail customers the option to handily subscribe to the Sarine Diamond Journey™ service based on data already available in our cloud repository. This incurs no direct cost to our midstream partners, while creating new sales channel opportunities. We are remunerated when the actual Sarine Diamond Journey™ report is generated at the retailer's request. The Sarine Diamond Journey™ is further augmented by our proprietary technologies for "fingerprinting" the polished stone, which can easily be ascertained in the retail outlet by our TruMatch™ device. Overall, a demonstrable definitive history of the polished diamond is created, which can also be utilised by other industry players – whether insurers for documentation or by service providers to resolve issues pertaining to warranty and service.

Following growing positive market feedback to our various polished diamond retail trade offerings, we have expanded our sales staff in the APAC geographies– in China (Beijing, Shanghai and Shenzen), Hong Kong, Japan and Singapore, and also in Australia and the U.S. In 2020 we intend to add additional staff, as warranted (e.g., in west China).

Intellectual Property (IP) Infringement

Intellectual property infringement is still, regrettably, an unfortunate reality of our doing business in India. Most illicit IP infringements continue to be centred on our industry-leading inclusion mapping and rough planning systems. The primary infringing parties are Diyora & Bhanderi Corporation and a number of their related entities (hereinafter collectively, "DBC") in Surat, India. We continue to litigate these issues, claiming that DBC have essentially copied Sarine's patented Galaxy® inclusion mapping technology and are using pirated and manipulated versions of Sarine's proprietary and copyrighted Advisor® software for rough diamond planning, to operate an illicit rough diamond scanning service centre. DBC are, of course, disputing this. We have made headway this past year in that the patent infringement suit against DBC has progressed quickly through trial and is entering into the oral arguments phase after which the court will render its judgement in the matter. In addition, we recently filed lawsuits against Sahajanand Technologies Pvt. Ltd. and M. Kantilal who have also begun to utilise and sell infringing inclusion mapping products and/or services in India.

However, we are not only relying on judicial recourse. We are also leveraging the numerous technological and commercial advantages we have. The Advisor® version that the infringing parties are using is over four 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 retailers, primarily as relating to the Sarine Diamond Journey™ Official Partner Program, to initiate same only with suppliers who have migrated to Advisor® 7.0 and are not involved in IP infringement. As a further impediment to our illicit competition, we have very successfully launched aggressive sales promotions of the Meteor™ and Meteorite™ systems, and our record deliveries of 145 systems in 2019 attests to our ongoing success against the piracy. We expect to deliver significantly more systems in 2020, though the virus breakout may impact these expectations.

Looking Ahead to 2020

The Upstream Sector

As responsible sourcing gains importance amongst high-end retailers catering to concerned consumers, our Sarine Diamond Journey™ solution garnishes more attention. We intend to broaden our cooperation with key producers already in various stages of assessing our provenance solution. We believe that our streamlined solution, as explained above, will empower us to become a significant player in this evolving market. In addition, we expect to expand the benefits realised by Lucara and Alrosa in their respective Clara and digital tender initiatives to additional categories of stones and to additional producers. There are additional issues of concern to miners, in which we believe we can provide added value, and which are currently being explored with interested parties.

The Midstream Sector

A new configuration of our mobile tender rough diamond evaluation system DiaMobile® XXL was launched in Q1 2020. It can handle stones up to 37mm (instead of 32mm) – as large as 260 carats in weight (previously the system's limit was around 150 carats).

We will continue to leverage our technological lead and widen the gap between the older Advisor® planning releases, utilised by our illicit competition, and our newer versions. The new Advisor® 8.0, including tension mapping and its utilisation, is scheduled for launch in Q2 2020.

Most importantly, we have announced our intent to revolutionise the way polished diamond grading is done. By enhancing our technology based AI-derived 4Cs grading with additional functionality for process control and intra-process verification, we intend to implement a completely new grading paradigm we have named e-Grading™. We will implement a time-saving cost-cutting in-house solution for the 4Cs grading of most polished diamonds, without necessitating the time-consuming and costly process of going offsite to a gemmological laboratory (hence the "e-Grading™" term, just like e-Learning is from the comfort of your home). We aim to execute initial beta-testing of this innovative industry-changing solution in the second half of 2020.

The Downstream Sector

In 2020 we will continue refining the Sarine Clarity™ and Sarine Color™ AI-based grading capabilities, our Sarine Diamond Journey™ and related (e.g., fingerprinting) capabilities. We are also continuing our longer-term effort to be able to provide advanced fine-sorting of Clarity per varied retailer-specific requirements. We will continue working with high-end global brands on the adaptation of our technologies to their requirements, whether that be the adaptation of our AI-derived grading to Tiffany & Co.'s or leading Chinese grading lab NGTC's grading criteria, or other retail brands sourcing traceability or marketing paradigms.

Dividend

The Board of Directors has recommended that a final ordinary dividend of US 0.5 cent per ordinary share (approximately US$ 1.75 million) be distributed for FY2019. This will bring total dividends for FY2019 to US 1.0 cent per share, approximately US$ 3.5 million. This sum is in line with our free cash flow generated this year and demonstrates the Board's and Management's continued faith in the Group's ongoing sustainable business.

Acknowledgements

On behalf of the Board of Directors, I would like to again thank our ever-growing circle of customers, conscientious suppliers and business partners, and our devoted management team and employees for their ongoing support of and dedication to the Group. 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 2020 and beyond, as we inspire confidence in the industry's players, its global consumers and in our loyal shareholders.

Respectfully Yours,

Daniel Glinert

Daniel Benjamin Glinert
Executive Chairman

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

SARINE TECHNOLOGY LAB

DIAMOND REPORTS

SARINE TECHNOLOGY LAB

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

1

1. 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. He is also a Director in the Group's subsidiaries Galatea, Sarin India, Sarine Color Technologies, Sarine Polishing Technologies and Sarine Holdings USA. 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) on a development program 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.

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2. 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.

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3. UZI LEVAMI

Non-Executive Director

Uzi Levami is a Non-Executive Director of the Group, as of January 2018. 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 subsidiaries Sarin Hong Kong, Sarine North America, Sarine IGT H, Sarine IGT I and Sarine IGT JKL. 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.

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4. CHAN KAM LOON

Lead Independent Director

Chan Kam Loon is the Lead Independent Director of the Group and was appointed to the Board in March 2005 (he is stepping down from the Board as of the AGM to be held on 20 April 2020). He holds a degree in Accountancy from the London School of Economics and is a qualified Chartered Accountant with the Institute of Chartered Accountants in England and Wales. From July 2001 to July 2004, Mr. Chan headed the Listings Function of the Markets Group at the Singapore Exchange. Before that he spent 10 years in investment banking and in private equity funding within the ASEAN region. Mr. Chan was a member of the Singapore Accounting Standards Committee, the Singapore Zhejiang Business Council and the Singapore Shandong Business Council. Aside from serving on Sarine's board, he is a Non-Executive Independent Director of several other companies listed on the Singapore Exchange.

5. YEHEZKEL PINHAS BLUM

Independent Director

Yehezkel Pinhas Blum is an Independent Director of the Group and was appointed to the Board in March 2005 (he is stepping down from the Board as of the AGM to be held on 20 April 2020). He holds a Bachelor's degree in Economics and Business Administration from the Bar-Ilan University in Ramat Gan, Israel. As of the end of 2015, in continuation to his having served from 2003 until 2011 for four terms and from 2013 to 2015 for an additional term (between 2011 and 2013 Mr. Blum was subject to a mandatory two-year hiatus), Mr. Blum is a Member of the Board and the Executive Vice President of the Israel Diamond Exchange in Ramat Gan, Israel. He is Chairman of the Banking and Tax committees, responsible for liaison with the various banks operating in the exchange and with the tax authorities pertaining to issues of concern to exchange members (during previous Board memberships he served as a Vice President and the Chairman of various committees, including Audit, Budget, Finance and Legal). Mr. Blum is also a Director in the Israeli Diamond Institute. Mr. Blum has served as a lead arbitrator in various Diamond Industry Association mediations. He has 35 years of diamond and gemstone manufacturing and trading experience. Prior to that, from 1980 to 1983, he was an economist with the United Mizrachi Bank Ltd and was responsible for managing the bank's economic research unit and advising the bank's management with regard to new investments and business opportunities. In 2018, Mr. Blum was appointed to the "Directors' Pool" – a pool of eligible directors administered by the Israeli Ministry of Finance from which individuals are appointed as Independent Directors in Israeli governmental companies, and he is the Vice President for Economic Affairs at Lahav – the Organisation of Independent and Small Businesses.

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6. VALERIE ONG CHOO LIN

Independent Director

Valerie Ong Choo Lin is an Independent Director of the Group and was appointed to the Board in March 2005 (she is stepping down from the Board as of the AGM to be held on 20 April 2020). She graduated with a Bachelor of Law (Honours) from the National University of Singapore in 1987 and obtained a Master's degree in Law (with Distinction) from the London School of Economics in 1991. Ms. Ong is a capital markets and mergers & acquisitions Senior Partner at Dentons Rodyk & Davidson. She is ranked in Chambers Asia Pacific 2019 and has been cited in numerous lawyers' publications, including IFLR1000 Leading Lawyer 2019 for Mergers and Acquisitions. Valerie served on the Singapore Income Tax Board of Review until 2013. She is a member of the ASEAN Committee of the Singapore International Chamber of Commerce and serves on the Government Parliamentary Committee for Finance Trade and Industry Resource Panel.

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7. VARDA SHINE

Independent Director

Ms. Varda Shine is an Independent Director of the Group, having been appointed to the Board in April 2017. 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 a non-executive Director on the Boards of Petra Diamonds PLC and Lonmin PLC. In addition, Ms. Shine is a Trustee of the Teenage Cancer Trust (UK) and of the Diamond Empowerment Fund. She is also an executive mentor at Merryck & Co., working with C-suite executives of listed companies, and is the CEO of her own company, Sky Ink Ltd., which helps take businesses from concept development through to execution and commercialisation.

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NOTE: - Please refer to the Notice of Annual General Meeting and appendix thereto for information regarding directors nominated for election to the Board for the three year period commencing 2020.

KEY MANAGEMENT

1. DAVID BLOCK is the Group’s CEO as of May 2017. Prior to that 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. 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 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.

2. 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 participated in 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.

3. 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.

4. 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.

5. MICHAEL GOREN is the Vice President for Global Sales and Marketing, having been appointed in 2018, and a Director in the Group's Sarin Hong Kong subsidiary. Prior to that appointment, commencing 2015, Michael was the Managing Director of Sarin Hong Kong, responsible for expanding the penetration of Sarine's polished diamond solutions for retailers and suppliers in the Asia-Pacific region (excluding India). Michael has just under 25 years of global experience in various industries and geographies, in operations and business development. Prior to joining Sarine, from April 2012 until March 2015, Michael was based in Singapore while managing a Hewlett Packard (Nasdaq:HPQ) Asia-Pacific business unit comprising 120 managers and professionals across the region. From January 2011 until April 2012 Michael was employed by Orbotech (Nasdaq:ORBK) as a Business Processes Manager, implementing corporate initiatives and processes in the Asia-Pacific region to better cater to this important market. Michael also spent many years working in Israel, the USA and Australia in various customer interfacing leadership roles, mainly at Elbit Systems (Nasdaq: ESLT) between 1995 to 1997 and Orbotech (Nasdaq: ORBK) from 1997 through 2004, where he progressively advanced from its regional California office to manage their New York facility and later assumed an operations management role in their corporate U.S. headquarters in Boston. From 1991 until 1995 Michael served in a special technological unit in the Israeli Air Force. Michael participated in an Executive Leadership program at Stanford University, focusing on business innovation and transformation, has an MBA in International Business (focus on the Asia-Pacific region) from Flinders University, Australia, a Bachelor's degree in Computer Information Systems from Southern New Hampshire University, USA and an Associate degree in Electronic Engineering from the Technion - Israel Institute of Technology.

6. OREN BEN-KOCHAV 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. Oren holds a Bachelor's degree in Business Management, with specialisation in information systems, from Touro College in New York.

7. TZAFRIR YEHUDA ENGELHARD was appointed the Group's Vice President of Business Development in 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.

8. WILLIAM WEISEL is the Group's General Counsel since mid-2016. In this 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 Willliam 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

9. RAN ZISKIND is General Manager of Sarine's subsidiary, Galatea Ltd., since 2004, being 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 program 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.

10. YOAV EFRAT has been the Managing Director of Sarin India since mid-2017. Prior to his relocation to India, Mr. Efrat served for two years as the Group's Director of Program 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.

11. BEENITA RITESH CHAURASIA has been the Vice President of Sales, Sarin India, since 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.

12. 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.

13. RAJESHWARI HOMI MEHTA has been Vice President of Business Development Polished Diamond Trade of Sarin India, since 2013. Ms. Mehta is responsible for all activities relating to the Group's new polished diamond products and services in India. Prior to this appointment, during 2010, Ms. Mehta took personal leave and then, from 2011 through 2012 she consulted for the Group on its shaping of its polished diamond strategies, doing market research and product testing in India, the U.S. and Hong Kong. Prior to 2009 Ms. Mehta served as Vice President of Sales at Sarin India from 2004, when the Group's Indian subsidiary was established. Prior to joining the newly established Sarin India, she was employed by the Company for two years doing various market surveys in India. From 1999 to 2002 Ms. Mehta was the Vice President of Marketing at Sahajanand Technologies P. Limited, at that time our Indian distributor, where she led the marketing team tasked with the sales of our Group's products in India. Ms. Mehta holds a Master's degree in Organic Chemistry and an MBA from the South Gujarat University, India.


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14. 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 Mumbai, 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.


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15. NOY ELRAM was appointed the Managing Director of Sarin Hong Kong in 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 17 years of experience in development, integration and providing customer support and service for complex solutions in various industries in various territories globally. Between 2014 and 2018 Noy served as Head of Professional Services for Verint (Nasdaq:VRNT), stationed in Singapore, providing pre- and post-sales support to the Singaporean law enforcement authorities, while building and training the local teams to provide on-site services. Prior to that, from 2012 to 2014, Noy worked in Israel as Lead Software Engineer analysing and implementing security protocols at Verint. From 2006 to 2011 Noy managed the R&D at Marvell Semi-Conductors (Nasdaq: MRVL), developing full system solutions for the mobile cellular industry. Noy started his career at Intel Corporation (Nasdaq: INTC) in 2001, as a real-time, embedded, mobile network protocol developer. Noy holds a Bachelor's degree in Computer Science from the Academic College of Tel Aviv–Yafo in Israel.


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16. ALON SHAFIR has been the General Manager of Sarine North America since 2016 and is Sarine's Lead Gemmologist, responsible for global standards. Mr. Shafir joined the Sarine Group in 2014, as a Diamond Research Expert and was part of Sarine's research team working on the automated solutions for Color and Clarity grading. Before joining Sarine, Alon spent four years in New Zealand as an independent dealer of fancy coloured diamonds. Prior to that Mr. Shafir served as the General Manager of the European Gemmological Center (EGC) in Israel for almost ten years, responsible for the definition and introduction to the international market of Gemewizard, patented software for the online definition and communication of colour in gemstones and fancy coloured diamonds. Mr. Shafir also served in Business Development for the College of Gemmology in Israel for two years establishing consumer service protocols and formalising quality control procedures. Mr. Shafir holds a Bachelor's degree in Law (LLB) from the Shaari-Mishpat College in Israel (and is admitted to practice law in Israel) and a Gemmology Diploma GG from the Gemological Institute of America (GIA).


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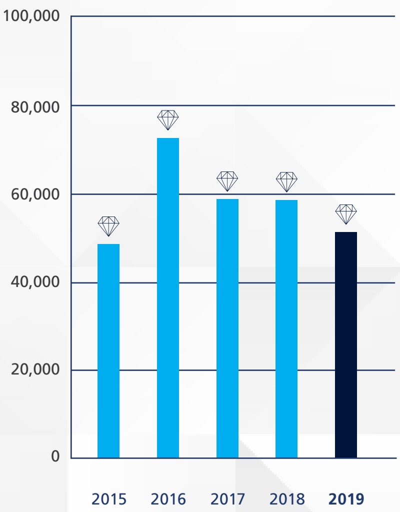
FINANCIAL HIGHLIGHTS

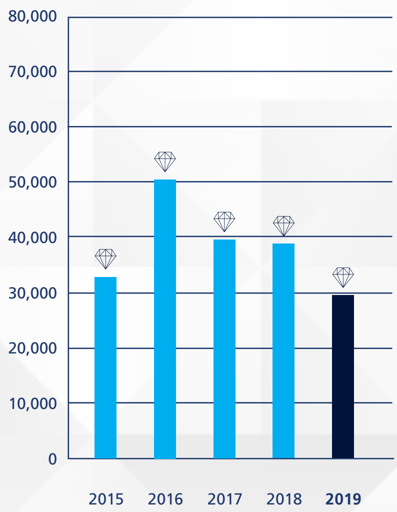
PERFORMANCE AT GLANCE
Financial Year Ended 31 December

(US$ '000)	2015	2016	2017	2018	**2019**
Revenues	48,453	72,524	58,644	58,504	**51,323**
Gross Profit	32,549	50,289	39,346	38,568	**29,584**
Net Profit	3,587	17,980	5,764	7,602	**(1,372)**
Gross Profit Margin	67.2%	69.3%	67.1%	65.9%	**57.6%**
Net Profit Margin	7.4%	24.8%	9.8%	13.0%	**-2.7%**
Cash and Investments (no debt)	32,596	37,987	29,117	28,853	**29,474**
EPS (US cents, fully diluted)	1.02	5.14	1.64	2.17	**(0.39)**
Dividend Per Share (US cents)	3.00	4.50	3.50	3.00	**1.00**
EBITDA	9,539	25,070	12,931	13,661	**5,496**

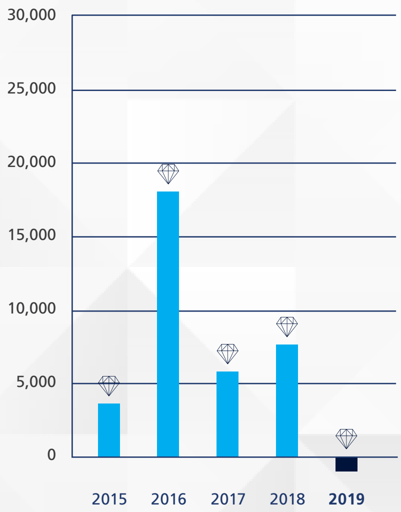
Revenues
(US$ '000)



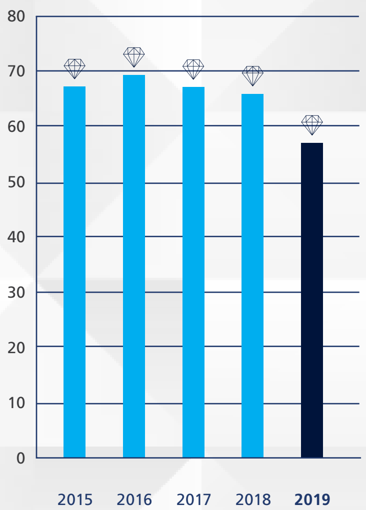
Gross Profit
(US$ '000)



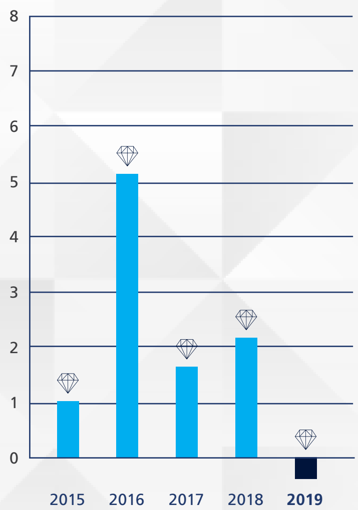
Net Profit
(US$ '000)



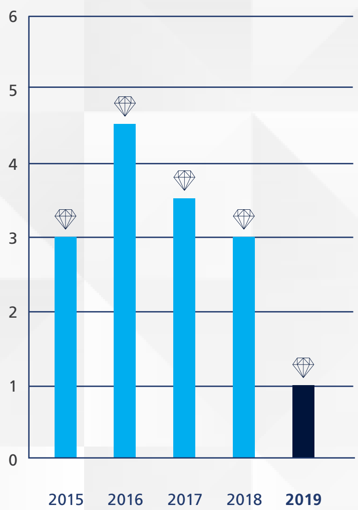
Gross Profit Margin
(%)



EPS
(US cents)



Dividend Per Share
(US cents)



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 optional 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.

Alrosa, the Russian producer, and largest miner of diamonds in carat terms, and Lucara, a Canadian-based producer operating in Botswana, as well as other producers, are utilising this technology for certain categories of their rough production, subsequently offered for sale via digital tenders or other focused sale paradigms.

Rough Stone Polishing (the "Midstream")

Rough diamonds go through a prescribed series of processes, commencing with their evaluation derived 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$ 20.0 billion in 2018 (the latest full year for which data are available), with added value of some US$ 5.0 billion.

Sustained by these basic industry value-chain economics, the 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.

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 0.05 through 200 carats in weight. In addition, the Galaxy® Ultra offers high resolution microscopic-level inspection for very high quality stones. Commencing 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 the safer planning, cutting and polishing. The Galaxy® family of products generate a significant recurring revenue stream (just under 40% of overall Group sales in 2019), 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 per machine).

- 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.

MANAGEMENT'S BUSINESS, OPERATION & FINANCIAL REVIEW

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 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 introducing polished diamond grading technologies for more than twenty-five 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, and 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 by the Gemological Institute of America (GIA) - it has been certified as being accurate and compliant to the GIA's methodology, in excess of 98% of 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, and has virtually become the fifth C in Japan.

In 2018, we launched the world's first system for the automated grading of a polished diamond's Clarity, along with the introduction of improved 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 four-dimensional classification, based on the number of inclusions, their sizes, types and locations within the polished stone, the 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 get 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 (exceptionally even three) different grades. Utilising technology enables much more consistent grading, and, as the AI-based software is self-teaching, consistency improves over time. It is our aim to augment our Clarity grading with the fine-sorting a diamond's Clarity 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"), etc. 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. These labs also apply cutting-edge technology to ascertain whether the diamond is natural or lab-grown and whether treatments have been applied to them.

The next natural evolution will be the introduction of e-Grading™. By enhancing our technology based AI-derived 4Cs grading with additional functionality for process control and intra-process verification, we aim to implement 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-4Cs™" term, just like e-Learning is from the comfort of your home). The systems utilised for the 4Cs grading process are all cloud linked. The 4Cs grading data will be uploaded to the cloud and the results will be derived without human intervention. The 4Cs grading results will then be available on the cloud for online B2B access and subsequent report generation. Intra-process automated verification of the polished diamond at each station will ensure consistent and dependable data flow, optionally along with our TruMatch™ fingerprinting. Our new grading paradigm will enable truly objective 4Cs grading at a fraction of the time currently required and at lower direct and virtually no indirect costs. Furthermore, our new paradigm will connect seamlessly with our Sarine Diamond Journey™.

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 more than ten times that figure – more than US$ 58 billion in 2018. 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 represents a market with considerable growth potential for the Group. The global diamond jewellery trade in 2018 amounted to some US$ 78 billion, with the U.S. (some 38% of global sales) and China (approximately 19% in volume) the two key markets.

MANAGEMENT'S BUSINESS, OPERATION & FINANCIAL REVIEW

Courtesy the 17th edition of Bain & Company's Annual Global Luxury Study of November 2018, the global personal luxury goods retail trade exceeded €260 billion in 2018 with real growth of some 5% year over year in constant exchange rate terms. It is projected to continue growing at 3-5% annually through 2025 to reach €320-365 billion annually, though short term geo-political and commercial trade issues may disrupt this trend temporarily. Sales in 2018 were again driven by "flourishing luxury demand from Chinese consumers, the continued rise of online channels and increasing influence of younger generations of consumers", stated Claudia D'Arpizio, a Bain partner and the lead author of the study. Chinese consumers are the single largest market for personal luxury goods - 33%, up from 32% in 2017 and forecast to be 45% in 2025. Personal luxury goods sales grew in Mainland China in 2018 by a whopping 20% in constant exchange rates to €23 billion, driven by rising demand, not price increases. Europe remains the top region for sales of luxury goods by value, €84 billion, mostly due to tourist spending, which was actually negatively impacted in 2018 by a strong Euro. The Americas remain the second highest regional market for luxury goods, having grown by 5% in 2018 to €80 billion, primarily due to a positive U.S. economy, along with strength in Canada and Mexico offset by weakness in Brazil. Online sales of luxury items continue to expand dramatically, at an impressive 22% (down from 24% in 2017), all of said expansion driven by the younger Generations Y and Z (the latter willing to shop in physical stores but expecting a digitally enhanced experience). The U.S. market continues to account for nearly half (44%) of all global online sales, with Asia emerging as the second strongest market for online sales, ahead of Europe. Brands continue to account for 31% online sales (e-tailers 39% and retailers 30%). Federica Levato, a Bain partner and co-author of the study, said "New technologies are at once enriching online and mobile shopping experiences, while potentially putting the role of physical channels at risk. (…) Brands must therefore rethink their physical channels and evolve from point-of-sale to point-of-touch, and use technology to enhance customers' in-store experiences." Bain expects online sales to comprise 25% of all the luxury market value by 2025 (up from 10% today). More importantly, 100% of luxury purchases will be influenced by online experiences, with 50% of future luxury purchases digitally enabled. Ms. D'Arpizio opined that luxury brands will need to "be proactive in developing approaches to serve new customers… and be next-gen minded. The underpinning of all these strategies is the emergence of new technologies… a fundamental enabler for brands through 2025".

As noted in the previous paragraph, retail chains today must adapt themselves and use technology 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. 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 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, as discussed in the Bain report noted above, 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 necessity, 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. Initially, the Sarine Profile™ enables significantly more informative online searches, whether B2B or B2C, at a completely new level of transparency, creating the confidence necessary to go forward to the next level in the buying process. Subsequently, the Sarine Profile™ 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. These options include the various levels of imagery produced by the Sarine Loupe™, provenance certification provided by Sarine Diamond Journey™, 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 described below. Of course, our Sarine Technology Lab AI-based 4Cs grading report is also an integral option of the Sarine Profile™ package. We further allow the importation of retailer-provided data, such as retailer promotional material, as well as the customer's own personalsation message to the intended recipient of the diamond.

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 our unique 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™ – 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 2019 over 17 million stones were scanned for inclusion mapping using our installed base of 555 Galaxy® family systems, and close to a hundred million rough stones were planned using our DiaExpert® family of platforms. Of these over 60 million stones were planned using our online Advisor® cloud-based software which, optionally, records the actual planning stages. Based on these data, we have launched a new captivating paradigm providing a conclusive certified testimonial of the polished stone's derivation. We provide an unmatched solution for documenting and showing the consumer the entire actual process that his/her very own diamond underwent. The mined rough stone's source data is optionally provided by the producer, or, if not, key data pertaining to its weight, form, inclusions, etc. can be derived independently by our technologies, as it is accurately modelled for the analysis and planning processes. Its rough form is retained in true video format for presentation to the consumer and, as an option, it can also be provided as a real 3D-printed model for the consumer's fascination – the 3D-Origin™. Subsequently through various stages of the stone's processing, to the level desired, actual graphic data is collated - as the rough was scanned for inclusions, as it was planned, as cut, as "blocked" and as faceted, culminating in its final polished form. 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™ can verify for the consumer where their diamond was mined and how (and by who) it was fashioned, reinforcing their confidence in the value of their unique natural jewel.

- TruMatch™– Our proprietary technology for "fingerprinting" a polished stone, 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 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 creates an offering that is far superior to any 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 selected options available (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 expanded our regional presence in the APAC market this year, and have bolstered our team with additional staff in Shenzen (HQ), Beijing and Shanghai in China, additional staff in India (vis-a-vis both midstream and retail segments) and direct sales personnel in Japan, Australia and Singapore, covering neighbouring countries, as well.

Sarine Products by Application and Customer Type

ACTIVITY	TARGET CUSTOMER	SARINE PRODUCTS
Rough diamond evaluation	Producer, Wholesaler and Manufacturer	Galaxy®, Galaxy® XL, Galaxy® Tension, 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™, Sarine Connect™, TruMatch™ and Verto™

TruMatch™ Diamond Verification System

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 diverse geographies. 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, whom we believe infringe our patents on laser marking (as used in the rough planning process), as well as against those who have infringed on or fraudulently made use of our Galaxy® inclusion mapping patents and Advisor® planning software copyright.

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 unauthorised use by having key components remotely located on cloud servers. Using proprietary in-house developed cyber protection creates a higher level of defense 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-2020) 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, and more importantly, 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 decline said infringing technologies. Very significantly, as their adoption expands, the midstream participation in programs for our downstream retail customers implementing the Sarine Profile™ and, more importantly, the Sarine Diamond Journey™, both for the branding of polished diamonds as well as for their provenance traceability, in conjunction also with upstream producers, is becoming a key factor in manufacturers' decisions, as these programs generate immediate revenues, thus creating direct tangible upside.

Objectives

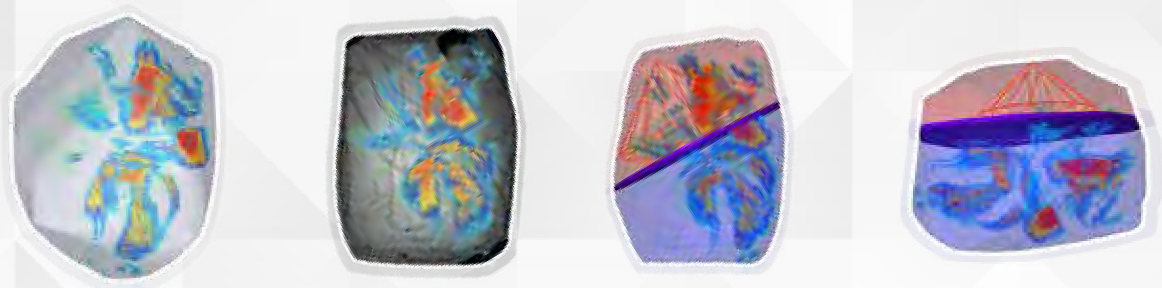
The Group's main objectives for 2020 are:

- Continue our aggressive campaigns against IP infringement by legal means, technological innovation and commercial leveraging;
- Assertively drive the expanding market penetration of our Galaxy® family of inclusion and tension mapping systems - in 2019 we delivered a record 145 systems and believe this record can and will be outdone in 2020;
- 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 and tension 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;
- Accelerate the market adoption of our unique polished diamond trade supporting services – 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 traceability, as key issues for high-end retailers and producers, as issues of sustainability and responsible sourcing become continually more important to today's consumers. As noted above, due to our prevalent presence in the manufacturing midstream, we are uniquely positioned to provide actual verifiable documentation, which addresses these concerns.
    - We will beta-test a new technological paradigm enabling the 4Cs grading of polished diamonds in-house at source, without necessitating the outsourcing of this process to third-party external labs. By enhancing our AI-based technologically-enabled 4Cs grading with additional functionality for process control and verification, we will provide a time-saving cost-cutting solution for the 4Cs grading of most polished diamonds.

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.



MANAGEMENT'S BUSINESS, OPERATION & FINANCIAL REVIEW

GALAXY® 1000 INCLUSION MAPPING SYSTEM

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 refining our Advisor® planning proposition and its IP protection features to be released as Advisor® 8.0;
  - Enhance our AI-based technologically-enabled 4Cs grading with additional functionality for process control and verification, to provide time-saving cost-cutting in-house solution for the 4Cs grading of most polished diamonds.
- Downstream products and services:
  - Continue refining the Sarine Clarity™ and Sarine Color™ AI-based grading capabilities, such as enhanced fluorescence grading and milky stones detection;
  - Continue refining our provenance (Sarine Diamond Journey™) offering;
  - Continue developing our ability to fine-sort a diamond's Clarity 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 criteria (brownish, greenish, etc.).

Focus the Group's marketing efforts on:

- Continuing our aggressive marketing campaigns on our Galaxy® family Meteor™ and Meteorite™ models and strive to expand the initiative to the Solaris model as well.
- The broader adoption of the Group's Sarine Profile™, Sarine Diamond Journey™ (especially broadening our cooperation with producers) and Sarine Technology Lab AI-based 4Cs grading solutions for the wholesale and retail online and in-store polished diamond trade primarily in the APAC market.
- 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 2019 - we have scanned over 17 million (12 million in 2018) stones with our inclusion mapping family of systems, despite illicit IP-infringing competition and over 60 million (45 million in 2018) stones have been planned by our online Advisor® 6.0/7.0 software installations alone. 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) is working to derive their light performance standard based on it. We are seeing extensive interest in our Sarine Diamond Journey™ story-telling and provenance offerings and have launched pilot programs with numerous producers. We have had initial successes with and are expanding awareness of the potential benefits of our AI-based Sarine Technology Lab, and Tiffany & Co. has initiated an effort to adapt our technology to their stringent grading criteria.
Product and Service Offerings	During the year in review we continued research and development of new products and services and enhancements of existing ones across all our product lines. We will continue this strategy into 2020 and beyond. The thrust in the midstream will be the continued enhancement of the rough diamond inclusion and tension scanning and planning processes for the manufacturing industry. At the junction of the midstream and downstream segments ongoing R&D will enhance the AI capabilities of our unique Clarity grading solution, and we will implement the necessary infrastructure to allow the 4Cs grading of polished diamonds on-site without the time consuming and costly need to engage with an offsite third-party lab (incurring shipping, customs clearance, insurance and high grading costs and a delay of an average 2 weeks). In the downstream, we will continue enhancing our provenance capability, the Sarine Diamond Journey™, and continue development of our Clarity fine sorting capability.
Brand Strength	Our brand strength allows us to command premium prices for our products in a competitive market. Our brand strength also 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, primarily in the downstream industry sector. We intend to continue strengthening our brand in 2020 with ongoing initiatives in social media and other means to boost end-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.*

Financial Indicators
During 2019 the midstream of the diamond industry again experienced inventory oversupply issues, ultimately leading to a reduction in rough diamond sales by producers into the polishing pipeline (and a minimal 5-7% reduction in rough stone prices), and a subsequent drop in polishing activity by over 25%. In India, continued restraint by the banking system continued to limit the midstream's access to working capital. As inventory surpluses decreased during the year, the working capital shortfalls were alleviated somewhat, at least in the near term. On the geopolitical front, civil unrest impaired luxury retail activity in Hong Kong, with many retailers reporting reductions of 40-50% in their sales. Trade disputes notwithstanding, diamond jewellery demand in China, the second largest market globally, actually increased by single digit percentages, as reported by major retail chains, possibly due to consumer spending staying in China mainland rather than being spent in Hong Kong. In the U.S., benefiting from a robust economy, near-record low unemployment and significant increases in take-home pay, demand was also strong. DeBeers launch of their Lightbox line of jewellery based on lab-grown diamonds in late 2018, continued to be a disrupting factor in the retail segment worldwide in 2019, as retailers strived to position themselves, often by adapting with parallel diamond jewellery lines based on both natural and lab-grown stones. Some of these issues (e.g., credit issues in India and unrest in Hong Kong) may continue to affect the industry going into 2020.

INDICATOR	PERFORMANCE
Revenues	Revenues for FY2019 dropped by 12% to US$ 51.3 million from US$ 58.5 million in FY2018, due to the over 25% reduced midstream polishing activity, which drove Galaxy® family related per-carat usage revenues down some 15% and also impaired other capital equipment sales (excluding , Galaxy® family systems). In FY2019 we delivered a record 145 Galaxy® family systems to customers, all of them Meteor™ and Meteorite™ models, more than double the previous year's sales of 65, a quarter of which were sold under the one-time paradigm with no follow-on per-use revenues. This dramatic increase in deliveries is significant, as we are confident it indicates that our efforts to curtail the impact of the illicit competition are bearing fruit. As of 31 December 2019, the Group had an installed base of 555 Galaxy® family systems. Indeed, we continue to scan ever more stones – over 17 million in FY2019 as compared to 12 million in FY2018. Overall recurring revenues, including Galaxy® family related per-carat usage, Quazer® services, annual maintenance contracts and the polished-diamond retail-related services (i.e., our Sarine Profile™ and Sarine Diamond Journey™), constituted approximately 50% of overall FY2019 revenues (in line with FY2018). Sarine polished diamond services remained virtually flat at 3% of our overall reduced revenues, again contributing less than we had anticipated. With the continued refinement of our Sarine Diamond Journey™ provenance solution and the AI capabilities of our unique Clarity automated grading, and with pilot programs in place with producers, gem labs (e.g., NGTC) and leading retailers (e.g., Tiffany), we believe that these revenues should expand meaningfully in FY2020.
Gross Profit	Gross profit for FY2019 decreased by just over 23% to US$ 29.6 million, as compared to US$ 38.6 million for FY2018, primarily due to lower revenues and the product mix. For FY2019 the Group recorded a gross profit margin of 58%, significantly less than the 66% realised in FY2018.
Operational Profit	Profit from operations for FY2019 dropped by 89% to US$ 1.1 million, as compared to US$ 10.0 million in FY2018. For FY2019 the Group's operating margin was only 2% as compared to 17% for FY2018. The fall in our operating profits and margin was due primarily to our reduced gross profitability.
Net Profit	For FY2019 the Group reported a net loss of US$ 1.4 million (which included over US$ 5 million in non-cash expenses) as compared to a net profit of US$ 7.6 million realised in FY2018. This was due to lower operational profitability.

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

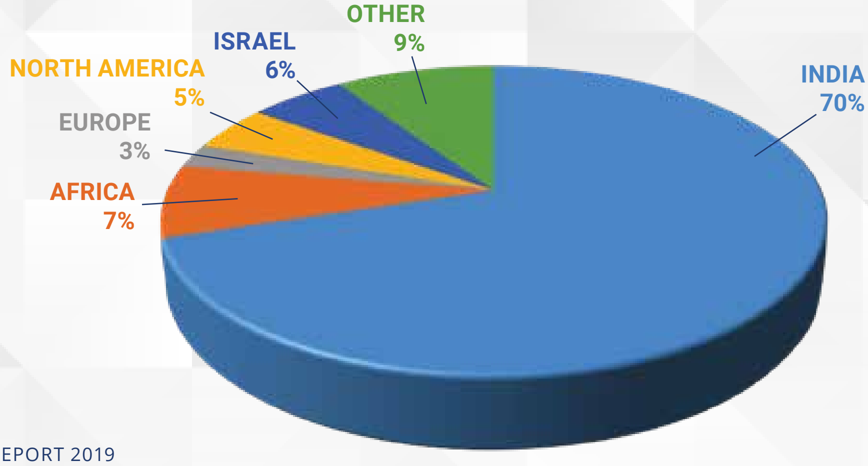
Operating Review

Opportunities

Market-driven Opportunities:
Fundamental global demand for diamond jewellery continues to be overall positive. In the U.S. diamond jewellery sales during 2019 were up 3.6% over 2018 figures, indicating continued expansion in line with 2018's 3.8% increase year over year, but less than the overall retail spending increase of 4%. In the second largest market for polished diamond jewellery, China, spending increased by high single digit percentages in 2019, as noted above, also possibly due to a shift in consumer spending from Hong Kong, where sales were slashed in half due to the civil unrest, to the mainland. In other key Asia Pacific (APAC) markets, sales remain robust. In the short-term, retail sales will be impacted by the outbreak of the Covid-19 virus.

As quoted above in the excerpts from the 17th edition of Bain & Company's Annual Global Luxury Study, Claudia D'Arpizio, a Bain partner and lead author of the study noted that luxury brands will need to "be proactive in developing approaches to serve new customers… and be next-gen minded. The underpinning of all these strategies is the emergence of new technologies… a fundamental enabler for brands through 2025". Our Sarine Profile™, Sarine Diamond Journey™, Sarine Connect™, TruMatch™ and Verto™ specifically address this strategy. Our AI-based 4Cs report is also generated digitally and uniquely provides interactive displays to present the derived information, in general, and Clarity specifically, intuitively. 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.

Revenue by Geographic Segment



Company-driven Opportunities:
With deliveries in 2019 of 145 Galaxy® family systems to customers, the Group had an installed base of 555 Galaxy® family systems as of 31 December 2019. We delivered significantly more systems than in 2018, all of the models for smaller stones – the Meteor™ and Meteorite™ (29 and 116, respectively). We believe this is indicative of our aggressive efforts against the illicit IP-infringing competition bearing results. Looking forward to 2020 we expect even stronger sales, as we continue to leverage our technological lead and widen the gap between the older planning paradigms which we no longer support, and used by the infringing party, and the new Advisor® 8.0, including tension mapping utilisation, to be launched during the year. In addition, we are leveraging our polished diamond trade supporting technologies, the Sarine Profile™ and the Sarine Diamond Journey™ in particular, and their growing adoption by retailers, to induce midstream players to abandon their use of the illicit solutions. These strategies, along with aggressive pricing promotions, on the Meteorite and Meteor currently, are clearly generating positive results, as we have seen even very small players, previously not our customers, opt to buy our equipment and adopt our technology.

Marketing programs 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 well. As responsible sourcing gains importance amongst high-end retailers catering to concerned consumers, our solution, based on actual documented information, garnishes more attention. We believe that partnering with key producers currently assessing our provenance solution, along with our uniquely extensive online technological presence in the midstream polishing process, create an exceptional proposition providing actual verifiable data with minimal disruption to the work flow, thus causing virtually no indirect additional cost and overhead. High-end retailers with a global presence are expressing interest, and we expect they will soon be testing our distinctive solution with pilot programs. Retailers in Japan, China, other APAC markets and the U.S. are already today adopting the Sarine Diamond Journey™ paradigm. 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 to 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 positive market feedback, we have expanded our sales staff in APAC geographies in China (Beijing, Shanghai and Shenzen) and have also added staff in Hong Kong, Japan, Singapore, Australia and the U.S. In 2020 we intend to add additional staff, as warranted (e.g., in west China).

Risk Factors
Expanding consumer appetite for luxury goods including diamond jewellery, as long-term trend in all key markets, provides a strong underpinning for the diamond industry in 2020 and beyond.

As of this writing, we are in the midst of a global pandemic of the Covid-19 virus. It has already impaired economic activity in many countries and continues to do so. In the APAC market, the Lunar New Year holiday, which is typically a period of robust retail sales, was negatively impacted by the initial outbreak in China in January-February, and retailers have reported y-o-y drops of up to 50-60% in their sales. Additionally, China's outbreak disrupted global supply chains and the current situations in Europe and the U.S. may cause similar effects. Though we too have experienced certain delays in the delivery of parts, these have not to date significantly impaired our ability to meet and deliver our customers' orders (including all Galaxy® family systems requested). The situation in China has seemingly passed its worst crisis mode, and its civic and economic activity is returning to a more normal level (e.g., Chow Tai Fook has re-opened 80% of their stores). Indeed, the supply of the aforementioned parts has been renewed. Reportedly, APAC consumers are still wary due to the continued negative news, now mainly from Europe and the U.S., which are now in the midst of their crises. Notably, governments are taking steps to stimulate economic activity, as recently announced in the U.S. and various affected European countries. Still, we expect negative impact on the diamond industry value chain to continue in the short term, as consumer demand in general slows, and particularly so in luxury goods. Inventories of polished diamonds at the retail level, affected by the slowdown in sales, will reduce demand from midstream manufacturing and upstream production, as was already evidenced by the ~30% reduction in DeBeers' February sight.

In India, increased requirements by the banking system for transparency in the midstream's business practises, as well as the injection of capital by the entities' owners, as preconditions for their continued issuing of business credit, continue to constrain the manufacturers' access to working capital. Notably, the reduction in 2019 of bloated inventories has alleviated the acuteness of this issue, at least in the short term. Responsible supply strategies by key producers will ensure a reasonable balance between supply and demand and preclude the repetition of industry imbalances and eventual disruption, as occurred in 2015 and 2019. The initial DeBeers sight of January 2020 at US$ 545 million was slightly higher (9%) than that of January 2019. Bearing in mind that the sight during the comparable period last year was dampened by some 25% due to inventory overhang at the end of 2018 and that the second half of 2019 saw a drastic 40% drop in sight volumes, this was very reasonable. The second February sight was impacted by the Covid-19 virus outbreak and was only US$ 355 million as compared to normal February sights of US$ 500 – 550 million.

Lab-grown diamonds (LGD) continue to generate uncertainties as to the future dynamics of the natural diamond industry, in general, and particularly so for very small natural stones. The acceptance of LGD will ultimately be driven by the consumers and will be influenced by many issues including basic economics, but also other considerations, such as retained value, sustainability concerns, cultural backgrounds and even psychological and emotional perceptions pertaining to the significance associated with a much less valuable LGD engagement ring, where the solitaire carat center stone may cost only several hundred US dollars. Clearly, manufacturers and retailers alike are pondering the longer-term issues LGD pose, and some are venturing into the LGD market with parallel separate offerings. We believe that there will be a market for both types of stones, but that they need to be distinctively marketed, as indeed mandated by the U.S. Federal Trade Commission.

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 will 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 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. The Audit Committee has 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 have been so audited in FY2019, and the internal controls fine-tuned appropriately as per the findings of said audits, have been Sarine Technology Lab and Galaxy® service centre procedures, process, security and billing in Israel, and in India the Sarine Technology Lab procedures, Galaxy® recurring revenue billing cycle, pre- and post-sale standard operating procedures and payment to vendors. In previous years the areas audited were 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, 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.

The Board of Directors has engaged KPMG to analyse issues pertaining to the sustainability of our business and the Group appropriately issued and posted a Sustainability Report pertaining to FY2017 on 13 November 2018 and an update to said report pertaining to FY2018 on 12 May 2019. A further update and enhancement pertaining to FY2019 will be issued and posted by 31 May 2020, as required by the Listing Rules.

Financial Review

Cash Flow

As at 31 December 2019, cash, cash equivalents and short-term investments (bank deposits) ("Cash Balances") increased to US$ 29.5 million as compared to US$ 28.9 million as of 31 December 2018. The increase in Cash Balances despite the FY2019 net loss of US$ 1.4 million, was primarily due to operating cash flow of US$7.9 million (which included non-cash operating expenses of US$ 5.0 million [depreciation, amortisation and share-based options compensation], along with lower inventories and higher trade payables), offset by the payment of US$ 5.3 million in dividends in 2019 (a US$ 3.5 million final dividend for 2018 paid in May 2019 and a US$ 1.8 million interim 2019 dividend paid in August 2019).

Cash Management and Liquidity

Throughout 2019 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 is usually a profitable company. Having weathered in FY2019 a very difficult year for the upstream and midstream segments of the industry, from which we derive 97% of our revenues, the Company lost US$ 1.4 million (US$ 7.6 million profit in FY2018), equivalent to basic loss per share of US cents 0.39 (US cents 2.17 earnings per share in FY2018) and fully diluted loss per share of US cents 0.39 (US cents 2.17 earnings per share in FY2018).

For FY2019 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. The Company paid an interim dividend of US cents 0.5, approximately US$ 1.75 million, in August 2019, and will pay (subject to approval at the Annual General Meeting on 20 April 2020) a final dividend of also US cents 0.5 per share, an estimated US$ 1.75 million, totaling approximately US$ 3.5 million for the year. This sum is in line with our free cash flow generation for the year.

As per the Board of Directors' decision of 23 February 2020, the dividend policy for 2020 will remain US cent 1.0 every six months (subject to market conditions and at the Board of Directors' discretion).

CORPORATE SOCIAL RESPONSIBILITY

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 the consumer public, by conceiving and producing systems and services that optimise production 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 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.

Paralympic Team

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

- We treat our business partners, customers and employees with fairness and dignity.
- To the best of our ability, we create a safe and protective work environment for our employees, and we offer our customers safe products, with which to similarly create a safe work environment for their employees.
- In order to ensure operator safety, our products and services undergo strict inspections, which are constantly revisited by our own engineers and by third-party experts. Operating instructions and/or training are provided, as applicable, with regard to the proper and safe use of our products and, where necessary, built-in safeguards are provided to prevent inadvertent unsafe operation.
- Wherever applicable, we ourselves employ, and we instruct our customers as to how to similarly take, all necessary measures for the safe and environmentally friendly use and disposal of even marginally hazardous materials, as per directions from appropriately authorised expert consultants.
- We believe our business does not impact the ecological balance of our environment and does not have any influence on the sustainability of the industry or the human/natural fabric in which we operate.
- Our human resources policies protect the rights and interests of the Group's employees, as dictated by all applicable laws in all the jurisdictions in which we have a permanent established presence. Moreover, we go beyond statutory requirements to ensure a beneficial employment environment for our employees. In India, for example, the Group's Indian subsidiary actively ensures that all its employees and their immediate families receive an annual expanded medical checkup, on the company's premises and at its expense, in lieu of working time, with a view to promote their healthcare.
- 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, national and international programmes for the support of the disadvantaged and less privileged segments of our society. Local and national projects are detailed below. On the international level we contribute to the Diamond Empowerment Fund, a charity that supports education in diamond producing countries.

Municipal School Board, Surat

To,
Head – CSR
Sarin Technologies India PVT LTD
A K Road, Surat

Date : 05/10/2019

Sub : Appreciation on work done at Sarin technologies India Pvt ltd adopted schools No. 136/143/289/290

We would like to say thank you to Sarin technologies India Pvt ltd for all work done at adopted schools (136/143/289/290) and also Special thanks to Mr. Ashish Bhadiyadra for continue follow-up with adopted school until the task get completed. We can see that the development of computer LAB is very best and we are happy to say that we are using this LAB as sample model and implementing in real school as well. This is the only LAB which maintained very well by sarin technologies with digital studies / internet on projections / LCD screens. We also appreciate the staff provided by sarin for maintaining the clean and healthy environment along with quality education for students. There are many other tasks which were done by sarin at all the above listed school and we hope it will be continued in future as well.

We also will continue to upgrade level of studies in government school with your great support. And we can say that whenever we talk about the development of school and education sarin has always implement it. This year we renovated school no 289/290 as result of large number of student's admission was done past year and this is offcourse the result of all efforts done by surat education samiti and sarin technologies India pvt ltd together.

(Vimal Desai)
Administrative Officer
Municipal School Board, Surat

Appreciation Letter - Surat School Administrative Officer

Surat India Computer Lab

In Israel during 2019, projects undertaken included:

- Contribution to the “Make a Wish®” foundation by sponsoring wishes for two children with critical illnesses and cooperating with the foundation in order to actualise each of their wishes;
- Collection of food from employees for needy families through “REIM”, a non-profit organisation that distributes food baskets to needy families in Hod-Hasharon;
- Purchasing of chocolate boxes on the Jewish High Holidays for employees and suppliers from “Nona”, a special organisation operating a facility that employs individuals with disabilities;
- Sponsorship of a team from the Israel Association for Special Athletes, who traveled to the Paralympics in Sochi, Russia, and trained for and participated in the snow-running category. Among the group was our very own Orit Mussli, Marketing Assistant from the Marketing team at Sarine headquarters in Israel. Sarine supplied the running team with warm clothes and uniforms (e.g., scarves, jackets, hats, etc.); and
- Cooperation with the Amal Sharonim High School for the establishment of a programme consisting of lectures and workshops intended to promote active and proactive social involvement among the students.

To demonstrate our commitment to these important functions, the Sarine Group underwrites these activities by permitting staff to participate at the expense of regular working hours.

In India, our most significant market, we have also adopted and implemented an active corporate social responsibility policy. In 2019 we continued our ongoing programme in Lalita Chokadi and Katargam localities in Surat, India’s diamond manufacturing center, where we have ‘adopted’ two government primary schools serving over 3,950 children. This past year, Sarin India participated in the upkeep and improvement of the schools by mounting the computer monitors in the computer lab on the wall, restoring the school’s amplifier for the public address system and recruitment of a teacher in the field of Information Technology (IT), who has also developed for the school an online examination software programme. In addition, Sarin India was involved in distributing gifts to the students that participated in the Republic Day event, providing water bottles and lunch boxes, and gifting printed birthday cards for all students on their birthdays.

Make a Wish - Skydiving

Make a Wish - Drag Racing

GROUP STRUCTURE

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

SARINE

- 100% Galatea Ltd[1]
- 100% Sarin Technologies India Pvt Ltd[2]
- 100% Sarine Color Technologies Ltd[3]
- 100% Sarine Polishing Technologies Ltd[4]
- 100% Sarin Hong Kong Ltd[5]
- 100% Sarine Holdings USA Ltd[6]
  - Sarine North America Inc.[7]
  - Sarine IGT 10I Inc.[9]
  - Sarine IGT 10H Inc.[8]
  - Sarine IGT 10JKL Inc.[10]
- 23% IDEX Online SA[11]

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 to the principles and guidelines of the Code. In the few instances, 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 recluse 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 and the Nominating Committee (see below in subsequent sections discussions with regard to their powers and authorities). 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 issues 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, material market and/or business development issues, potential material transactions, substantial capital investments, etc.) is brought to the attention of the Board.

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

The attendance (in person or by designated alternate) of the directors in the Board meetings held in 2019 was as follows (in addition, a written resolution was passed on one occasion):

	Board of Directors – 2019	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Daniel Benjamin Glinert	5	5
Mr. Yehezkel Pinhas Blum	5	5
Mr. Chan Kam Loon	5	5
Mr. Avraham Eshed	5	5
Mr. Uzi Levami	5	5
Ms. Valerie Ong Choo Lin	5	5
Ms. Varda Shine	5	5

The attendance of the directors in the Audit Committee meetings held in 2019 is as follows (in addition, a written resolution was passed on one occasion):

	Audit Committee – 2019	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Chan Kam Loon	4	4
Mr. Yehezkel Pinhas Blum	4	4
Ms. Valerie Ong Choo Lin	4	4

The attendance of the directors in the Remuneration Committee meetings held in 2019 is as follows:

	Remuneration Committee – 2019	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Yehezkel Pinhas Blum	2	2
Mr. Chan Kam Loon	2	2
Ms. Valerie Ong Choo Lin	2	2
Ms. Varda Shine	2	2
Mr. Uzi Levami	2	2

The attendance of the directors in the Nominating Committee meetings held in 2019 is as follows:

	Nominating Committee – 2019	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Yehezkel Pinhas Blum	1	1
Mr. Chan Kam Loon	1	1
Ms. Valerie Ong Choo Lin	1	1
Mr. Daniel Benjamin Glinert	1	1

The Management of the Company provides the Board with interim and periodical (quarterly/annual) financial reports, 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, 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.

As of the date of this Annual Report, all (but one) of the directors have been serving on the Board more than nine years. Therefore, the Board members have been instructed and trained, on many occasions, with regard to their roles, responsibilities, powers and duties. Such orientation included 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.

At the Company's upcoming Annual General Meeting, three of the four existing Independent Directors shall retire from office, and the candidacy of three new Independent Directors will be put to vote. Also – the candidacy of a new Non-Executive Director shall be presented to the Annual General Meeting. The Company shall assure that any new director appointed in such Annual General Meeting who has no prior experience as a director of a listed company shall undergo training as required under Rule 210(5) of the SGX Listing Rules (Mainboard). Also - any new member of the Board is provided with the required guidance, taking into account his or her background, experience and expertise. Such guidance refers, among others, to: (i) the Group's structure and activities; (ii) the director's powers and duties; and (iii) accounting, legal and other industry-specifics aspects (as required). The Company has already initiated such an internal orientation program – with regard to the said candidates.

Following the upcoming Annual General Meeting, the Board shall appoint a new Nominating Committee and set a policy and criteria for directors' development.

Principle 2: Board Composition and Guidance

As of the date of this report, the Board comprises seven directors, the majority of who are independent (two of those directors, namely Ms. Valerie Ong Choo Lin and Mr. Yehezkel Pinhas Blum also qualify as "External Directors", under Israeli law). 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.

Mr. Chan Kam Loon has been appointed by the Annual General Meeting as the Lead Independent Director.

As noted above, all of the Company's Independent Directors (other than Ms. Shine) will retire from office at the upcoming Annual General Meeting and the Board has submitted the candidacy of three new directors (namely, Ms. Neta Zruya HASHAI, Mr. SIN Boon Ann and Mr. LIM Yong Sheng) to the Annual General Meeting (in addition to the re-election of Ms. Shine). As specified in the AGM Notice, each of these three new candidates (as well as Ms. Shine) brings with him/her unique and vast knowledge and expertise. Ms. Shine is also proposed as the new Lead Independent Director, given her unique expertise and experience in general, and her experience as a director of the Company during the last three years.

The Nominating Committee and the Board have reviewed the independence of each of the above candidates and Ms. Shine and applied the Code's definition (as well as the definitions of Israeli law) of Independent Director qualifications in its review.

Following the upcoming Annual General Meeting and the appointment of the new and returning directors, the Board shall appoint the new Board committees, taking into account the 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.

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.

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

Executive	**Non-Executive**	**Independent**
Mr. Daniel Benjamin Glinert	Mr. Avraham Eshed	Mr. Chan Kam Loon (Lead)
(Chairman)	Mr. Uzi Levami	Mr. Yehezkel Pinhas Blum
		Ms. Valerie Ong Choo Lin
		Ms. Varda Shine

CORPORATE GOVERNANCE REPORT

There are no permanent alternate directors (in the past alternate directors have been appointed in very few cases and only for specific meetings; during 2019 an alternate director was appointed only twice).

The Board draws from a broad spectrum of competencies and disciplines: from the diamond and gemstones industry, the high-tech industry, the business community, capital markets, 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 may meet without the presence of the Management of the Company, to the extent necessary or advisable.

Mr. Chan Kam Loon has served as the Company's Lead Independent Director and upon his retirement, Ms. Varda Shine will assume such position.

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."

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/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, a majority of who, including the Chairman, is independent. As at the date of this Report, the Nominating Committee members are:

Ms. Valerie Ong Choo Lin	(Chairperson and Independent Director)
Mr. Yehezkel Pinhas Blum	(Independent Director)
Mr. Chan Kam Loon	(Lead Independent Director)
Mr. Daniel Benjamin Glinert	(Executive Chairman of the Board)

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 programs 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.

As of the date of this Annual Report, there are three directors (Mr. Chan Kam Loon, Ms. Valerie Ong Choo Lin and Ms. Varda Shine) who serve as directors in other publicly traded companies (further details, as well as details with regard to principal commitments of all directors are provided in the "Board of Directors" section of the Annual Report). 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.

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. The Board has implemented a process to be carried out by our Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution of each chairperson of a committee and of each individual director to the effectiveness of the Board. 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.

The Nominating Committee's findings and recommendations are brought before the Chairman of the Board, who, when applicable, may initiate the nomination of new directors or the resignation of existing directors.

As noted above, all of the current directors will step down from office on the upcoming Annual General Meeting, and the Nominating Committee is of the opinion that the four directors who are put for re-election are adequate candidates.

Principle 6: Procedures for Developing Remuneration Policies

The Remuneration Committee comprises five directors, the majority of who are independent. As at the date of this report, the Remuneration Committee members are:

Mr. Yehezkel Pinhas Blum	(Chairman and Independent Director)
Mr. Chan Kam Loon	(Lead Independent Director)
Ms. Valerie Ong Choo Lin	(Independent Director)
Ms. Varda Shine	(Independent Director)
Mr. Uzi Levami	(Non-Executive 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 three-year 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.

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 potion of the officers’ and the executive directors’ remuneration is performance-related and takes into account the Company’s 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 the 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. Given the expiry of the 2005 Plan, following the lapse of its ten-year term, 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.

Executive directors’ remuneration package and 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 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 for 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 the 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 remuneration policy may be found in the Company's 2018 Annual Report.

Principle 8: Disclosure of Remuneration

The remuneration (including performance cash-based incentives and non-cash option compensation) paid and accrued by us and our subsidiaries to each of our directors, our CEO and our top five (in terms of amount of remuneration) employees (not being directors) for services rendered to us in all capacities during 2019, 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	349	69%	23%	8%
Mr. Yehezkel Pinhas Blum	Independent Director	107	67%	–	33%
Mr. Chan Kam Loon	Independent Director	94	62%	–	38%
Ms. Valerie Ong Choo Lin	Independent Director	94	62%	–	38%
Ms. Varda Shine	Independent Director	115	69%	–	31%
Mr. Avraham Eshed	Non- Executive Director	8	100%	–	–
Mr. Uzi Levami	Non-Executive Director	23	49%	–	51%
Mr. David Block	CEO	639	64%	17%	19%

Key Management Personnel (Corporate Vice Presidents):

Name	Position	Remuneration (in bands)	Breakdown between Fixed Income and Performance Based Incentives		
			Fixed Income	Cash Performance Based Incentives	Options (Non-Cash, Based on Fair Value)
Mr. Roni Ben Ari	Deputy CEO and Executive VP Product Management	2	77%	9%	14%
Mr. William Kessler	CFO	2	77%	9%	14%
Mr. Oren Ben-Kohav	VP Global Operations	2	81%	5%	14%
Mr. Tzafrir Engelhard	VP New Business Development	2	84%	5%	11%
Mr. Michael Goren	VP Global Sales & Marketing	2	81%	5%	14%
Mr. Abraham Kerner	VP Research & Development	2	87%	5%	8%

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

The aggregate remuneration paid to the top five key Management personnel (who are not directors or the CEO) for the year ended 31 December 2019 was S$ 1,964,000 (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.

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 2019, all share options granted under the 2015 Plan were granted at the Market Price (as such term is defined in the 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 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. Since 13 November 2018 the Company started to release its annual Sustainability Reports. The Company’s most recent Sustainability Report was released on 12 May 2019 and the current Sustainability Report is in preparation and will be released in May 2020. Refer to the Sustainability Report and Corporate Social Responsibility section for further details.

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

The 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 three directors, all of who are independent. As at the date of this Report, the Audit Committee members are:

Mr. Chan Kam Loon	(Chairman and Lead Independent Director)
Mr. Yehezkel Pinhas Blum	(Independent Director)
Ms. Valerie Ong Choo Lin	(Independent Director)

The members of our Audit Committee possess vast and diverse accounting, financial, commercial and legal expertise and experience. Mr. Chan Kam Loon has a degree in accountancy and is qualified as a chartered accountant with the Institute of Chartered Accountants in England and Wales, Mr. Yehezkel Pinhas Blum has a degree in economics and business administration and Ms. Ong heads the Corporate Finance practice in the Singapore law firm of Dentons Rodyk. Each of them has more than twenty years' financial/business experience, and none of them is a present or former partner or director of the Company’s existing auditing firms. Further details with regard to the 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 assurances 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 investigations 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 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 may meet the External or the Internal Auditors without 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 have been 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 function according to the standards set by internationally recognised professional bodies. The role of the Internal Auditor is to independently examine, among other things, whether our activities comply with the law and orderly business procedures. Our Internal Auditor submits his work plans to the prior approval of the Audit Committee and presents his findings to the Audit Committee and to the Board of Directors. The Internal Auditor reports to the Chairman of the Audit Committee and the Chief Executive Officer of the Company. According to Israeli law, the Board appoints and removes the Internal Auditor, based on the Audit Committee's recommendations. The Internal Auditor's compensation is set by the Audit Committee. The Company cooperates fully with the Internal Auditor in terms of allowing access to documents and information and the Internal Auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee. The Audit Committee reviews annually the adequacy and effectiveness of the internal audit function.

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$ 295,000 for services rendered in 2019, out of which amount, US$ 226,000 (approximately 77%) were paid as audit fees, US$ 48,000 (approximately 16%) were paid for other audit related services, US$ 17,000 (approximately 6%) were paid as tax fees and US$ 4,000 (approximately 1%) were paid for travel expense reimbursement.

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

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

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 Chairman of the Board and the Singaporean directors of the Company attend each General Meeting in person, while the non-Singaporean directors and the external auditors attend such meetings using video conference technology. 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. frequently 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 him directly (and not through the Company).

DIRECTORS' REPORT
FOR THE YEAR END 31 DECEMBER 2019

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 2019.

Directors

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
Chan Kam Loon, Lead Independent Director
Yehezkel Pinhas Blum, Independent Director
Valerie Ong Choo Lin, Independent Director
Varda Shine, 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 2019 (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 2020.

Ordinary Shares of the Company of no par value each	**As at 1 Jan. 2019**	**As at 31 Dec. 2019**	**As at 21 Jan. 2020**
Daniel Benjamin Glinert[1]	12,359,156	12,359,156	12,359,156
Chan Kam Loon[2]	593,000	593,000	593,000
Avraham Eshed[3]	15,126,922	15,126,922	15,126,922
Uzi Levami[4]	12,335,406	12,335,406	12,335,406
Valerie Ong Choo Lin[5]	575,000	575,000	575,000

Note:
1. Daniel Benjamin Glinert is deemed a shareholder of the Company by virtue of his and his wife's (Michal Haya Glinert) indirect ownership through Glinert Projects Initiation and Execution, Ltd. of 633,953 shares held on their behalf by Bank Hapoalim (Israel) through HSBC Singapore custodians, by virtue of his and his wife's indirect ownership through Glinert Projects Initiation and Execution, Ltd. of 10,423,953 shares held on their behalf by UOB Kay Hian Pte. Ltd., by virtue of his indirect ownership of 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. Chan Kam Loon is deemed a shareholder of the Company by virtue of his direct holdings of 569,000 shares, and by virtue of the direct holdings of his wife (Au Yin Ling Patricia) of 24,000 shares.

3. 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.

4. 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.

5. Valerie Ong Choo Lin is deemed a shareholder of the Company by virtue of her indirect ownership of 575,000 shares held on her behalf by Bank of Singapore Nominees.

Outstanding options granted to directors under the Company's Option Plans (2015 Option Plan and 2005 Option Plan)

Name of Director	Options outstanding	Options vested	2019 share-based payment expenses	Years granted
Daniel Benjamin Glinert	1,346,123	346,123	US$ 21,000	2016 and 2019
Uzi Levami	623,611	623,611	US$ 8,000	2016
Yehezkel Pinhas Blum*	750,000	625,000	US$ 26,000	2014 and 2017
Chan Kam Loon*	750,000	625,000	US$ 26,000	2014 and 2017
Valerie Ong Choo Lin*	750,000	625,000	US$ 26,000	2014 and 2017
Varda Shine	350,000	225,000	US$ 26,000	2017

* For each of Yehezkel Pinhas Blum, Chan Kam Loon and Valerie Ong Choo Lin, the retiring Independent Directors, there are 400,000 outstanding and vested options (in total 1,200,000 options) which will expire on April 28, 2020, and there are an additional 350,000 outstanding options each (in total 1,050,000 options) that will expire 90 days after cessation of their respective terms, unless extended by a vote, as proposed in the Notice of the Annual General Meeting (AGM), being held on April 20, 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 (2019), 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 2019, a total of 28,149,000 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$0.349 to S$1.878 per option (according to the date of grant). As of 31 December 2019, there were 20,038,382 options outstanding under the 2015 Plan, with no options having been exercised to date (the balance, 8,110,618, 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 2019, 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 2019, there were 2,393,610 options outstanding under the 2005 Plan, and 23,311,854 options have been exercised under the 2005 Plan (the balance, 13,715,971, 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.

Audit Committee

The Audit Committee of the Company comprises three independent directors. The members of the Audit Committee are Mr. Chan Kam Loon (Chairperson), Mr. Yehezkel Pinhas Blum and Ms. Valerie Ong Choo Lin. 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 Cooperative, a Swiss entity, 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
03 April 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 47 to 85 are drawn up so as to give a true and fair view of the Company and of the Group as at 31 December 2019 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
3 April 2020

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, 2019 and 2018 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, 2019 and 2018 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 25, 2020

Chaikin, Cohen, Rubin and Co.
Certified Public Accountants

Tel-Aviv, Israel
March 25, 2020

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31

	Note	Group		Company	
		2019	2018	2019	2018
		US$ thousands			
Assets					
Property, plant and equipment	10	**13,474**	14,641	**1,241**	1,381
Right-of-use assets	24	**6,170**	–	**5,403**	–
Intangible assets	11	**3,625**	4,944	**274**	342
Long-term trade receivables	13	**756**	–	**686**	–
Investment in subsidiaries	28	**–**	–	**39,648**	44,437
Long-term income tax receivable	9	**916**	–	**–**	–
Deferred tax assets	9	**874**	998	**–**	–
Total non-current assets		**25,815**	20,583	**47,252**	46,160
Inventories	12	**5,452**	7,032	**3,276**	5,297
Trade receivables	13	**14,595**	16,406	**4,813**	3,980
Other current assets	14	**1,799**	3,037	**840**	835
Short-term investments (bank deposits)	15	**11,190**	12,021	**9,179**	7,787
Cash and cash equivalents	16	**18,284**	16,832	**7,433**	7,271
Total current assets		**51,320**	55,328	**25,541**	25,170
Total assets		**77,135**	75,911	**72,793**	71,330
Equity					
Share capital*	17	**–**	–	**–**	–
Share premium and reserves		**32,819**	32,199	**32,819**	32,199
Translation reserve		**(2,437)**	(2,212)	**(2,437)**	(2,212)
Dormant shares, at cost	17	**(3,576)**	(3,576)	**(3,576)**	(3,576)
Retained earnings		**32,614**	39,245	**32,614**	39,245
Total equity		**59,420**	65,656	**59,420**	65,656
Liabilities					
Long-term lease liabilities	24	**5,716**	–	**5,218**	–
Employee benefits	20	**234**	192	**223**	182
Total non-current liabilities		**5,950**	192	**5,441**	182
Trade payables		**3,907**	2,328	**2,306**	1,377
Other payables	19	**6,076**	6,831	**4,425**	3,889
Current lease liabilities	24	**1,311**	–	**972**	–
Current tax payable		**103**	589	**–**	–
Warranty provision	22	**368**	315	**229**	226
Total current liabilities		**11,765**	10,063	**7,932**	5,492
Total liabilities		**17,715**	10,255	**13,373**	5,674
Total equity and liabilities		**77,135**	75,911	**72,793**	71,330

* No par value

See Note 2 and Note 24 regarding initial application of IFRS 16, Leases; comparative data was not restated.

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31

		Group	
	Note	2019	2018
		US$ thousands	
Revenue	6,7	**51,323**	58,504
Cost of sales		**(21,739)**	(19,936)
Gross profit		**29,584**	38,568
Research and development expenses		**(8,184)**	(9,280)
Sales and marketing expenses		**(13,535)**	(13,263)
General and administrative expenses		**(6,764)**	(6,019)
Profit from operations		**1,101**	10,006
Finance income		**422**	455
Finance expense		**(1,084)**	(312)
Net finance income (expense)	8	**(662)**	143
Profit before income tax		**439**	10,149
Income tax expense	9	**(1,811)**	(2,547)
Profit (loss) for the year		**(1,372)**	7,602
Other comprehensive income (loss)			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plan		**(22)**	10
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(225)**	(826)
Total comprehensive income (loss) for the year		**(1,619)**	6,786
Earnings per share			
Basic earnings (loss) per share (US cents)	18	**(0.39)**	2.17
Diluted earnings (loss) per share (US cents)	18	**(0.39)**	2.17

See Note 2 and Note 24 regarding initial application of IFRS 16, Leases; comparative data was not restated.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital*	Share premium and reserves	Translation reserve	Retained earnings	Dormant shares	Total
	US$ thousands					
Group and Company						
Balance at January 1, 2018	–	31,235	(1,386)	43,924	(3,055)	70,718
Profit for the year ended December 31, 2018	–	–	–	7,602	–	7,602
Other comprehensive loss for the year ended December 31, 2018	–	10	(826)	–	–	(816)
Share-based payment expenses	–	874	–	–	–	874
Exercise of options	–	80	–	–	–	80
Dividend paid	–	–	–	(12,281)	–	(12,281)
Dormant shares acquired, at cost (746,400 shares)	–	–	–	–	(521)	(521)
Balance at December 31, 2018	–	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**

* No par value

See Note 2 and Note 24 regarding initial application of IFRS 16, Leases; comparative data was not restated.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	Group	
	2019	**2018**
	US$ thousands	
Cash flows from operating activities		
Profit (loss) for the year	**(1,372)**	7,602
Adjustments for:		
Share-based payment expenses	**642**	874
Income tax expense	**1,811**	2,547
Depreciation of property, plant & equipment and right-of-use assets	**3,076**	1,951
Amortisation of intangible assets	**1,319**	1,704
Net finance income	**6**	(143)
Revaluation of lease liabilities	**536**	—
Changes in working capital		
Inventories	**1,580**	168
Trade receivables	**1,055**	863
Other current assets	**229**	58
Trade payables	**1,579**	578
Other liabilities	**(502)**	(21)
Employee benefits	**42**	(16)
Income tax paid	**(2,080)**	(2,288)
Net cash from operating activities	**7,921**	13,877
Cash flows (used in) from investing activities		
Acquisition of property, plant and equipment	**(834)**	(1,810)
Proceeds from realisation of property, plant and equipment	**63**	248
Short-terms investments, net	**831**	360
Interest received	**422**	331
Net cash (used in) from investing activities	**482**	(871)
Cash flows used in financing activities		
Proceeds from exercise of share options	**—**	80
Purchase of Company's shares by the Company	**—**	(521)
Dividends paid	**(5,259)**	(12,281)
Payment of lease liabilities	**(1,264)**	—
Interest paid	**(497)**	—
Net cash used in financing activities	**(7,020)**	(12,722)
Net increase in cash and cash equivalents	**1,383**	284
Cash and cash equivalents at beginning of year	**16,832**	16,736
Effect of exchange rate fluctuations on cash and cash equivalents	**69**	(188)
Cash and cash equivalents at end of year	**18,284**	16,832

See Note 2 and Note 24 regarding initial application of IFRS 16, Leases; comparative data was not restated.

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

Note 1 - General

A. Reporting entity

Sarine Technologies Ltd. (hereinafter "Sarine" or the "Company") is a company domiciled in Israel. The address of the Company's registered office is 4 Haharash Street, Hod Hasharon 4524075, Israel. The consolidated financial statements of the Company, as at, and for the year ended December 31, 2019, 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.

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 25, 2020.

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.

Note 2 - Basis of Preparation (cont'd)

D. Use of estimates and judgments

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

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

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

- Note 9 – Income Tax (deferred tax assets) – determination of profit forecast which will be offset by carry forward losses;
- Note 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

IFRS 16, *Leases*

As from January 1, 2019 the Group applies IFRS 16 which replaced International Accounting Standard 17, Leases ("IAS 17"). The main effect of the standard's application is reflected in annulment of the existing requirement from lessees to classify leases as operating (off-balance sheet) or finance leases and the presentation of a unified model for lessees to account for all leases similarly to the accounting treatment of finance leases in the previous standard. Until the date of application, the Group classified most of the leases in which it is the lessee as operating leases, since it did not substantially bear all the risks and rewards from the assets.

In accordance with IFRS 16, for agreements in which the Group is the lessee, the Group recognises a right-of-use asset and a lease liability at the inception of the lease contract for all the leases in which the Group has a right to control identified assets for a specified period of time, other than exceptions specified in the standard. Accordingly, the Group recognises depreciation and amortisation expenses in respect of a right-of-use asset, tests a right-of-use asset for impairment in accordance with IAS 36 and recognises financing expenses on a lease liability. Therefore, as from the date of initial application, lease payments relating to assets leased under an operating lease, which were presented as expenses in Profit or Loss, are capitalised to assets and written down as depreciation expenses.

The Group elected to apply the standard using the modified retrospective approach, with an adjustment to the balance of retained earnings as at January 1, 2019 and without a restatement of comparative data. In respect of all the leases, the Group elected to apply the transitional provisions such that on the date of initial application it recognised a liability at the present value of the balance of future lease payments discounted at its incremental borrowing rate at that date calculated according to the average duration of the remaining lease period as from the date of initial application, and concurrently recognised a right-of-use asset at the same amount of the liability, adjusted for any prepaid or accrued lease payments that were recognised as an asset or liability before the date of initial application. Therefore, application of the standard did not have an effect on the Group's equity at the date of initial application.

Furthermore, as part of the initial application of the standard, the Group has chosen to apply the following expedients:

- applying the practical expedient regarding the recognition and measurement of leases where the underlying asset has a low value on an individual lease basis;
- not separating non-lease components from lease components and instead accounting for all the components as a single lease component;
- relying on a previous definition and/or assessment of whether an arrangement is a lease in accordance with the accounting principles that existed before IFRS 16 with respect to agreements that exist at the date of initial application;
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applying the practical expedient regarding the recognition and measurement of short-term leases, for both leases that end within 12 months from the date of initial application and leases for a period of up to 12 months from the date of their inception for all groups of underlying assets to which the right-of-use relates; and
- using hindsight when determining the lease term if the contract includes an extension or termination option.

Note 2 - Basis of Preparation (cont'd)

E. Changes in accounting policies (cont'd)

The table below presents the cumulative effects of the items affected by the initial application on the statement of financial position as at January 1, 2019:

	According to IAS 17	The change	According to IFRS 16
	US$ thousands		
Other payables	299,000	(299,000)	–
Right-of-use assets	–	7,016,000	7,016,000
Current lease liabilities	–	1,142,000	1,142,000
Long-term lease liabilities	–	6,173,000	6,173,000

In measurement of the lease liabilities, the Group discounted lease payments using the nominal incremental borrowing rate at January 1, 2019. The discount rates used to measure the lease liability range between 1.5% and 10.0%. This range is affected by differences in the length of the lease term, differences between the various groups of assets, different discount rates of Group companies, and so forth (see also Note 24 – Leases).

F. Company Statements of Financial Position

The Company's statements of financial position for the years ended December 31, 2019 and 2018 have been prepared on the same basis as the consolidated financial statements.

Note 3 - Significant Accounting Policies

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

A. Basis of consolidation

i. Subsidiaries

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

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

ii. Business combinations

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

iii. Transactions eliminated on consolidation

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

Note 3 - Significant Accounting Policies (cont'd)

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.

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.

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

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

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 and other short-term liabilities. 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.

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.

Note 3 - Significant Accounting Policies (cont'd)

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

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.

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.

Note 3 - Significant Accounting Policies (cont'd)

E. Intangible assets (cont'd)

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.

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.

Note 3 - Significant Accounting Policies (cont'd)

G. Impairment (cont'd)

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

Credit-impaired financial assets

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

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

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

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

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

Write-off

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

ii. Non-financial assets

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

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

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

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.

Note 3 - Significant Accounting Policies (cont'd)

H. Employee benefits

i. Defined contribution plans

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

ii. Defined benefit plans

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

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

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

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

iii. Short-term employee benefits

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

iv. Share-based payment transactions

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

Note 3 - Significant Accounting Policies (cont'd)

I. Provisions

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

i. Warranties

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

ii. Legal claims

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

J. Dividends

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

K. Revenue

Initial recognition and measurement of financial assets

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

Identifying the contract

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

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

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

Identifying performance obligations

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

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

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

Note 3 - Significant Accounting Policies (cont'd)

K. Revenue (cont'd)

Determining the transaction price

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

Satisfaction of performance obligations

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

L. Government grants

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.

M. Leases

i. Policy applicable as from January 1, 2019

Determining whether an arrangement contains a lease

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

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

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

Leased assets and lease liabilities

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

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

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

The lease term

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

Note 3 - Significant Accounting Policies (cont'd)

M. Leases (cont'd)

i. Policy applicable as from January 1, 2019 (cont'd)

Depreciation of right-of-use asset

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

- Office facilities 2-7 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.

ii. Policy applicable before January 1, 2019

Payments made by the Group under operating leases are recognised as expenses in profit or loss on a straight-line basis over the term of the lease.

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.

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, 2019, and have not been applied in preparing these financial statements.

i. Amendment to IFRS 3, Business Combinations (hereinafter – Amendment to IFRS 3)

The Amendment to IFRS 3 clarifies whether a transaction to acquire an operation is the acquisition of a "business" or an asset. For the purpose of this examination, the Amendment to IFRS 3 added an optional concentration test so that if substantially all of the fair value of the acquired assets is concentrated in a single identifiable asset or a group of similar identifiable assets, the acquisition will be of an asset. In addition, the minimum requirements for definition as a business have been clarified, such as for example the requirement that the acquired processes be substantive so that in order for it to be a business, the operation shall include at least one input element and one substantive process, which together significantly contribute to the ability to create outputs. Furthermore, the amendment narrows the reference to the outputs element required in order to meet the definition of a business and added examples illustrating the aforesaid examination. The Amendment is effective for transactions to acquire an asset or business for which the acquisition date is in annual periods beginning on or after January 1, 2020, with earlier application being permitted. In the opinion of the Group, application of the Amendment may have a material effect on the accounting treatment of future acquisitions of operations.

Note 3 - Significant Accounting Policies (cont'd)

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

ii. Amendment to IAS 1, Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (hereinafter – Amendment to IAS 1)

The Amendment replaces certain classification requirements for current or non-current liabilities. Thus for example, according to the Amendment to IAS 1, 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. A right is in existence at the end of the reporting period 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 to IAS 1 is effective for reporting periods beginning on or after January 1, 2022 and 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.

Note 4 - Determination of Fair Values

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

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

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

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

A. Property, plant and equipment

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

B. Intangible assets

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

C. Trade receivables and other current assets

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

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, 2019 and 2018, no guarantees were outstanding.

Market risk

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

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

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						
2019	**35,980**	**3,850**	**1,300**	**2,433**	**2,930**	**4,830**	**51,323**
2018	38,889	7,029	2,258	1,043	3,399	5,886	58,504

For the year ended December 31, 2019, one customer accounted for approximately 19% of Group revenue. For the year ended December 31, 2018, one customer accounted for approximately 11% 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, 2019	**6,254**	**8**	**2**	**5,023**	**2,133**	**54**	**13,474**
December 31, 2018	6,722	19	—	5,261	2,601	38	14,641

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

Note 7 - Revenue

Composition

	Group	
	Year ended December 31	
	2019	2018
	US$ thousands	
Revenue from sale of products[2]	**42,855**	48,130
Revenue from maintenance and services	**8,468**	10,374
	51,323	58,504

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

Note 8 - Net Finance Income

	Group	
	Year ended December 31	
	2019	2018
	US$ thousands	
Interest income on financial assets and bank deposits	**422**	382
Net interest income (expense) re income taxes*	**(92)**	64
Interest expense on lease liabilities	**(405)**	–
Bank charges	**(120)**	(115)
Revaluation of lease liabilities	**(536)**	–
Other net foreign exchange gain (loss)	**69**	(188)
	(662)	143

* 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 2019 and 2018 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 2019 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.

Note 9 - Income Tax (cont'd)

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

iii. Amendment to the Law for the Encouragement of Capital Investments – 1959 (cont'd)

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.

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, 2014. 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, 2014.

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, 2018. 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 and 2019, passed assessment orders for the Indian tax years ended March 31, 2014, 2015 and 2016 raising an aggregate tax demand (net of tax deducted at source) of approximately US$ 0.27 million and an additional interest liability of approximately US$ 0.4 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.

Similarly, in December 2019, for the Indian tax year ended March 31, 2017, Galatea received draft assessment orders proposing a tax demand (net of tax deducted at source) of approximately US$ 0.14 million and an additional interest liability of US$ 0.05 million. Galatea will contest the assessment order before the next level of appellate authority. Based on the said Tribunal's prior decisions, the Group believes that it is likely that the demand made in the draft assessment order 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.

Note 9 - Income Tax (cont'd)

B. Composition of income tax expense

	Group	
	Year ended December 31	
	2019	2018
	US$ thousands	
Current tax expense	**1,663**	1,860
Taxes in respect of previous years	**32**	90
Deferred tax expense	**116**	597
Total income tax expense	**1,811**	2,547

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

	Group	
	Year ended December 31	
	2019	2018
	US$ thousands	
Profit before income tax expense	**439**	10,149
Income tax using Israel tax rate of 23%	**101**	2,334
Non-deductible expenses	**206**	240
Effects of lower tax rates arising from "Approved and Beneficiary Enterprise" status	**(2,144)**	(2,827)
Current year tax losses and benefits for which deferred taxes were not created	**3,442**	2,117
Taxes in respect of previous years	**(32)**	90
Reassessment of utilisation of deferred asset	**–**	495
Different tax rate of foreign subsidiaries	**192**	76
Other differences	**46**	22
	1,811	2,547

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	
	2019	2018	2019	2018
	US$ thousands			
Other payables and employee benefits	**135**	166	**–**	–
Allowance for doubtful receivables	**25**	30	**–**	–
Know-how	**45**	35	**–**	–
Research and development expenses	**84**	98	**–**	–
Losses for tax purposes	**402**	370	**–**	–
Fixed assets	**183**	240	**–**	–
Other	**–**	59	**–**	–
	874	998	**–**	–

The deferred tax balances as at December 31, 2019 and 2018 were calculated at the tax rate expected to apply on the date of reversal.

Note 9 - Income Tax (cont'd)

D. Deferred tax assets and liabilities (cont'd)

Unrecognised deferred tax assets

For the years ended December 31, 2019 and 2018, Group deferred tax assets in respect of tax losses in the amount of US$ 65.7 million and US$ 49.8 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, 2019 a deferred tax liability for temporary differences in the amount of US$ 22.2 million (2018 - US$ 23.9 million) related to an investment in a subsidiary was not recognised because the Group controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

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

Note 10 - Property, Plant and Equipment

	Group					
	Computers and equipment	Demonstration equipment	Motor vehicles	Machinery and office equipment	Building, land, and leasehold improvements*	Total
	US$ thousands					
Cost						
Balance at January 1, 2018	2,950	3,315	171	7,176	14,470	28,082
Additions	292	252	7	754	505	1,810
Disposals	(123)	(491)	(28)	(81)	(62)	(785)
Effect of changes in exchange rates	(50)	–	(7)	(359)	(601)	(1,017)
Balance at December 31, 2018	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**
Depreciation						
Balance at January 1, 2018	2,374	2,568	113	5,654	1,727	12,436
Depreciation	364	445	17	491	634	1,951
Disposals	(117)	(297)	(28)	(33)	(62)	(537)
Effect of changes in exchange rates	(48)	–	(4)	(288)	(61)	(401)
Balance at December 31, 2018	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**
Carrying amounts						
At December 31, 2018	496	360	45	1,666	12,074	14,641
At December 31 , 2019	**410**	**351**	**56**	**1,331**	**11,326**	**13,474**

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

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

	Company					
	Computers and equipment	Demonstration equipment	Motor vehicles	Machinery and office equipment	Building, land, and leasehold improvements	Total
	US$ thousands					
Cost						
Balance at January 1, 2018	1,815	2,323	86	840	767	5,831
Additions	109	136	–	35	–	280
Disposals	(92)	(252)	(16)	(32)	–	(392)
Balance at December 31, 2018	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**
Depreciation						
Balance at January 1, 2018	1,435	1,747	59	505	124	3,870
Depreciation	233	286	10	72	77	678
Disposals	(92)	(80)	(16)	(22)	–	(210)
Balance at December 31, 2018	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**
Carrying amounts						
At December 31, 2018	256	254	17	288	566	1,381
At December 31, 2019	**203**	**241**	**34**	**274**	**489**	**1,241**

Note 11 - Intangible Assets

	Group				
	Goodwill	Development costs	Know-how and intellectual property	Other	Total
	US$ thousands				
Cost					
Balance at January 1, 2018	1,868	6,979	17,584	152	26,583
Additions	–	–	–	–	–
Balance at December 31, 2018	1,868	6,979	17,584	152	26,583
Additions	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2019	**1,868**	**6,979**	**17,584**	**152**	**26,583**
Amortisation					
Balance at January 1, 2018	–	4,650	15,250	35	19,935
Amortisation for the year	–	904	778	22	1,704
Balance at December 31, 2018	–	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**
Carrying amount					
At December 31, 2018	1,868	1,425	1,556	95	4,944
At December 31, 2019	**1,868**	**830**	**855**	**72**	**3,625**

	Company				
	Goodwill	Development costs	Know-how and intellectual property	Other	Total
	US$ thousands				
Cost					
Balance at January 1, 2018	–	411	–	–	411
Additions	–	–	–	–	–
Balance at December 31, 2018	–	411	–	–	411
Additions	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2019	**–**	**411**	**–**	**–**	**411**
Amortisation					
Balance at January 1, 2018	–	–	–	–	–
Amortisation for the year	–	69	–	–	69
Balance at December 31, 2018	–	69	–	–	69
Amortisation for the year	**–**	**68**	**–**	**–**	**68**
Balance at December 31, 2019	**–**	**137**	**–**	**–**	**137**
Carrying amount					
At December 31, 2018	–	342	–	–	**342**
At December 31, 2019	**–**	**274**	**–**	**–**	**274**

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).

Note 12 – Inventories

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$ thousands			
Raw materials and consumables	**3,450**	4,286	**2,055**	3,218
Work in progress	**1,607**	1,765	**1,012**	1,431
Finished goods	**395**	981	**209**	648
	5,452	7,032	**3,276**	5,297

In 2019 the write-down of Group inventories to net realisable value amounted to US$ 239 thousand (2018 - US$ 549 thousand). In 2019 the write-down of Company inventories to net realisable value amounted to US$ 92 thousand (2018 - US$ 326 thousand) (see also Note 3F).

Note 13 - Trade Receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$ thousands			
Short-term				
Trade receivables	**15,224**	17,083	**5,046**	4,211
Allowance for doubtful receivables	**(629)**	(677)	**(233)**	(231)
	14,595	16,406	**4,813**	3,980
Long-term				
Trade receivables	**756**	–	**686**	–
Allowance for doubtful receivables	**–**	–	**–**	–
	756	–	**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	
	2019	**2018**	**2019**	**2018**
	US$ thousands			
Government institutions	**595**	1,512	**327**	284
Advances to suppliers	**28**	102	**12**	28
Prepaid expenses	**842**	1,112	**501**	519
Other	**334**	311	**–**	4
	1,799	3,037	**840**	835

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 2.45% at December 31, 2019 (December 31, 2018 – 2.78%). Company short-term investments are comprised of bank deposits having weighted average interest rates of 2.46% at December 31, 2019 (December 31, 2018 – 2.77%)(see also Note 23).

Note 16 - Cash and Cash Equivalents

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$ thousands			
Bank balances	**12,198**	10,630	**3,231**	3,529
Bank deposits	**6,086**	6,202	**4,202**	3,742
	18,284	16,832	**7,433**	7,271

Group bank deposits denominated in US dollars have weighted average interest rates of 1.14% at December 31, 2019 (December 31, 2018 – 2.17%). Company bank deposits denominated in US dollars have weighted average interest rates of 0.86% at December 31, 2019 (December 31, 2018 – 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	
	2019	**2018**
	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	**(3,076,400)**	(3,076,400)
Total number of issued shares:		
(excluding dormant shares)	**350,595,726**	350,595,726

The following are the changes in the issued shares of the Company for the years ended December 31, 2019 and 2018:

	2019	**2018**
	Number of shares	
Issued ordinary shares at January 1	**350,595,726**	351,140,626
Share options exercised	–	201,500
Dormant shares purchased	–	(746,400)
Issued ordinary shares at December 31	**350,595,726**	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 April 30, 2019 and on April 24, 2018, 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.

Note 17 – Share Capital – The Company (cont'd)

For the year ended December 31, 2019, the Company did not purchase any of its ordinary shares in the market. For the year ended December 31, 2018, the Company purchased 746,400 ordinary shares, at a cost of US$ 521 thousand. In accordance with Israeli Companies Law, Company shares that have been acquired and are held by the Company are dormant shares as long as they are held by the Company, and as such they do not bear any rights until they are transferred to a third party.

For the year ended December 31, 2018, 201,500 shares were issued, respectively, upon the exercise of options for cash (see also Note 21).

For the years ended December 31, 2019 and 2018, the Company declared and paid dividends in the amount of US$ 5.3 million and US$ 12.3 million per year, respectively, amounting to US cents 1.5 and US cents 3.5 per year, respectively.

Note 18 – Earnings Per Share

Basic earnings (loss) per share

The calculation of basic loss per share for the year ended December 31, 2019 was based on the loss attributable to ordinary shareholders of US$ 1,372 thousand (versus the profit in 2018 attributable to ordinary shareholders of US$ – US$ 7,602 thousand) and a weighted average number of ordinary shares outstanding of 350,595,726 (2018 –350,919,208), calculated as follows:

	2019	2018
Issued ordinary shares at January 1	**350,595,726**	351,140,626
Effect of share options exercised	**–**	196,014
Effect dormant shares purchased	**–**	(417,432)
Weighted average number of ordinary shares at December 31	**350,595,726**	350,919,208

Diluted earnings (loss) per share

The calculation of diluted loss per share for the year ended December 31, 2019 was based on the loss attributable to ordinary shareholders of US$ 1,372 thousand (versus the profit in 2018 attributable to ordinary shareholders of US$ – US$ 7,602 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 350,595,726 (2018 -350,921,294), calculated as follows:

	2019	2018
Weighted average number of ordinary shares (basic)	**350,595,726**	350,919,208
Effect of share options on issue	**–**	2,086
Weighted average number of ordinary shares (diluted) at December 31	**350,595,726**	350,921,294

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	
	2019	2018	**2019**	2018
	US$ thousands			
Employees and institutions	**3,193**	3,271	**1,665**	1,564
Deferred revenue	**1,400**	1,455	**244**	208
Advances from customers	**685**	387	**527**	246
Accrued expenses	**657**	1,638	**391**	1,056
Subsidiaries	**—**	—	**1,474**	758
Related parties	**124**	57	**124**	57
Other	**17**	23	**—**	—
	6,076	6,831	**4,425**	3,889

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	
	2019	2018
	US$ thousands	
Present value of the obligation	**1,153**	1,118
Less fair value of assets	**919**	926
Recognised liability for defined benefit obligation	**234**	192

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.

Note 20 – Employee Benefits (cont'd)

A. Defined benefit plan (cont'd)

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

	Defined benefit obligation		Less Fair value of plan assets		Net defined benefit liability	
	2019	2018	2019	2018	2019	2018
	US$ thousands					
Balance as at January 1	**1,118**	1,361	**926**	1,153	**192**	208
Included in profit or loss	**(112)**	(109)	**36**	35	**(148)**	(144)
Included in other comprehensive income	**147**	(134)	**(43)**	(262)	**190**	128
Balance as at December 31	**1,153**	1,118	**919**	926	**234**	192

Principal actuarial assumptions:

	2019	2018
Discount rate (1)	**0.65%**	1.91%
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 2019 and 2018 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, 2019	
	One percentage point increase	One percentage point increase
	US$ thousands	
Future salary growth	**48**	**(42)**
Discount rate	**(36)**	**43**

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, 2019 amounted to US$ 559 thousand (2018 - US$ 563 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, 2019, 28,149,000 options have been granted under the 2015 Plan, of which 20,038,382 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, 2019, a total of 39,421,435 options have been granted under the 2005 Plan of which 2,393,610 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, 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. During the year ended December 31, 2018, the Company granted 7,970,000 options to employees 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, including, sales targets. (also see Note 27). Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019		**2018**	
	Weighted average exercise price in US$ per share	**Options**	**Weighted average exercise price in US$ per share**	**Options**
Outstanding at January 1	**1.11**	**19,876,884**	1.25	19,833,650
Granted	**0.27**	**7,070,000**	0.87	7,970,000
Forfeited	**0.96**	**(4,514,892)**	1.16	(7,725,266)
Exercised	**–**	**–**	0.40	(201,500)
Outstanding at December 31	**0.88**	**22,431,992**	1.11	19,876,884

The number of share options vested at December 31, 2019 and 2018 was 7,165,325 and 8,648,340, respectively. The weighted average share price at the date of exercise for share options exercised in 2018 US$ 0.85.

The Company measured the fair value of the share options granted using a lattice-based valuation model and a Monte-Carlo model for options that included a market price condition. The following assumptions under this method were used for the share options granted during the years ended December 31, 2019 and 2018: weighted average expected volatility of: 38.04% and 36.84%, respectively; weighted average risk-free interest rates (in US dollar terms) of 2.07 % and 2.19%, respectively; dividend yield of 2.59% and 2.32%, respectively. The weighted average fair value of the share options granted during the years ended December 31, 2019 and 2018 using the model was US$ 0.08 and US$ 0.27 per share option, respectively.

The average share price in 2019 was US$ 0.25 (2018 – US$ 0.64).

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

The following table summarises information about share options outstanding at December 31, 2019:

	Options outstanding			Options exercisable	
Range of exercise prices US$ per share	**Number outstanding**	**Weighted-average remaining contractual life (years)**	**Weighted-average exercise price US$**	**Number Exercisable**	**Weighted-average exercise price US$**
0.26 – 0.27	6,840,000	5.3	0.26	–	–
0.81 – 1.01	9,087,820	3.8	0.88	1,531,153	1.01
1.12 – 1.39	4,110,562	3.0	1.30	3,240,562	1.30
1.75 – 2.28	2,393,610	0.3	1.90	2,393,610	1.90
	22,431,992	3.7	0.88	7,165,325	1.44

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

	Year ended December 31	
	2019	**2018**
	US$ thousands	
Cost of sales	**75**	43
Research and development expenses	**60**	109
Sales and marketing expenses	**200**	236
General and administrative expenses	**307**	486
	642	874

Note 22 - Warranty Provision

The provision for warranty relates mainly to product sales during the years ended December 31, 2019 and 2018. 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	
	2019	**2018**	**2019**	**2018**
	US$ thousands			
Balance at the beginning of the year	**315**	294	**226**	218
Provisions made during the year	**349**	315	**199**	221
Provisions used during the year	**(296)**	(294)	**(196)**	(213)
Balance at the end of the year	**368**	315	**229**	226

Note 23 - Financial Instruments

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	Carrying amount			
	2019	**2018**	**2019**	**2018**
	US$ thousands			
Cash and cash equivalents	**18,284**	16,832	**7,433**	7,271
Short-term investments (bank deposits)	**11,190**	12,021	**9,179**	7,787
Trade receivables (current and long-term)	**15,351**	16,406	**5,499**	3,980
	44,825	45,259	**22,111**	19,038

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			
	2019	**2018**	**2019**	**2018**
	US$ thousands			
India	**11,782**	10,672	**3,031**	1,273
Europe	**129**	176	**26**	87
North America	**112**	147	**940**	250
Africa	**1,277**	2,085	**305**	693
Israel	**574**	799	**629**	428
Other	**1,477**	2,527	**568**	1,249
	15,351	16,406	**5,499**	3,980

For the years ended December 31, 2019 and 2018, a single customer comprised approximately 28% and 22%, respectively, of the Group's outstanding trade receivables. For the year ended December 31, 2019, a single customer comprised approximately 35% of the Company's outstanding trade receivables. For the year ended December 31, 2018, three customers comprised 14%, 19% and 24%, respectively of the Company's outstanding trade receivables.

Note 23 - Financial Instruments (cont'd)

Impairment losses

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$ thousands			
Not past due	**12,218**	10,494	**4,697**	2,680
Past due 0-30 days	**846**	1,194	**68**	245
Past due 31-90 days	**543**	2,400	**60**	771
More than 90 days*	**2,373**	2,995	**907**	515
	15,980	17,083	**5,732**	4,211
Allowance for doubtful receivables	**(629)**	(677)	**(233)**	(231)
	15,351	16,406	**5,499**	3,980

* The majority of the non-impaired balances over 90 days as at December 31, 2019 were paid subsequent to December 31, 2019.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$ thousands			
Balance at January 1	**677**	453	**231**	261
Movement	**(48)**	224	**2**	(30)
Balance at December 31	**629**	677	**233**	231

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, 2019 and 2018:

	Group			
	December 31, 2019		December 31, 2018	
	NIS	**Rupee**	**NIS**	**Rupee**
Cash and cash equivalents	**5,054**	**3,946**	4,334	2,906
Trade receivables	**—**	**715**	—	1,191
Other current assets	**1,060**	**470**	2,159	733
Current and long-term lease liabilities	**(6,623)**	**(264)**	—	—
Trade payables	**(3,332)**	**(42)**	(2,086)	—
Income tax payable	**—**	**(103)**	—	(589)
Other payables	**(2,315)**	**(1,737)**	(2,484)	(2,015)
Net balance sheet exposure	**(6,156)**	**2,985**	1,923	2,226

Note 23 - Financial Instruments (cont'd)

	Company			
	December 31, 2019		December 31, 2018	
	NIS	Rupee	NIS	Rupee
Cash and cash equivalents	**2,558**	**–**	2,090	–
Trade receivables	**–**	**–**	–	–
Other current assets	**692**	**–**	822	–
Current and long-term lease liabilities	**(6,191)**	**–**	–	–
Trade payables	**(1,673)**	**–**	(1,053)	–
Other payables	**(1,536)**	**–**	(1,658)	–
Net balance sheet exposure	**(6,150)**	**–**	201	–

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

	Average rate		As at December 31	
	2019	2018	2019	2018
NIS 1	**3.565**	3.595	**3.456**	3.748
Rupee 1	**70.42**	68.51	**71.27**	69.79

The Group is mainly exposed to changes in the exchange rates of the US dollar in relation to the NIS with regards to employee compensation and other expenses paid in NIS. For the year ended December 31, 2019, the Group maintained its portion of cash and cash equivalents held in NIS (equivalent to US$ 5.1 million at December 31, 2019 (US$ 4.3 million in 2018)) to match anticipated NIS linked expenses. An appreciation/depreciation of 10% of the NIS and Rupee relative to the US dollar will not result in any material loss/gain in the Statement of Profit and Loss and Other Comprehensive Income.

Fair values

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

Note 24 – Leases

The Group applies IFRS 16, Leases, as from January 1, 2019. The Group has lease agreements with respect to office facilities mainly in Israel and India.

The Group has lease agreements in respect to vehicles in Israel. 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.

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$ 273 thousand and US$ 310 thousand, respectively, have been recognized in the statement of financial positon as at December 31, 2019 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$ 6,754 thousand and US$ 5,860 thousand, respectively, have been recognized in the statement of financial positon as at December 31, 2019 in respect of those leases.

Note 24 – Leases (cont'd)

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

	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

C. Lease liabilities

Maturity analysis of the Group's and Company's lease liabilities as at December 31, 2019.

	Group	Company
	US$ thousands	
Less than one year	1,311	972
One to five years	5,378	4,880
More than five years	338	338
Balance at December 31, 2019	7,027	6,190

See also Note 2 - Basis of Preparation.

D. Additional information on leases

Amounts recognized in profit or loss

	2019
	US$ thousands
Interest expense on lease liabilities	405
Revaluation of lease liabilities	536
Depreciation of right-of-use assets	1,274
Total	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$ 150,000.

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, 2019. 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. Under the terms of the agreement, no royalties were due for the period ended December 31, 2019 and 2018.

Note 26 – Contingent Liabilities

The Group is currently a party to various civil litigation proceedings in different jurisdictions in which it does business. These proceedings include, among other matters, patent and intellectual property infringement litigation in India which were initiated either by us or third parties, a dispute with a previous distributor in India, and a claim for damage to goods in the United States. Based on the opinions of the Group's legal advisors, the Group believes that the claims mentioned above are without merit and its exposure to these disputed claims will not have a material impact on its business nor on its financial position or results of operation. Accordingly, no provision has been made in the Group's financial statements for such claims. As to tax disputes, see Note 9.

Note 27 – Related Parties

The following significant related party transactions between the Group and related parties were carried out in the normal course of business on terms agreed between the parties:

Remuneration of key management personnel

	Year ended December 31	
	2019	**2018**
	US$ thousands	
Remuneration of CEO and directors		
Fixed income-based	**698**	629
Share-based payments	**225**	359
Other performance based incentives	**138**	17
	1,061	1,005

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.

Pursuant to an Annual General Meeting and an Extraordinary General Meeting of the Company's shareholders held on April 24, 2018, the CEO was granted 1,200,000 options to purchase ordinary shares of the Company, exercisable upon the payment of S$1.096 per share (at no discount of the then Market Price – as such term is defined in the 2015 Plan), with vesting conditions of two to four years and a contractual life of six years. The options will vest subject to service based conditions. The fair value of the options granted was US$ 0.247 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, 2019 and 2018 %
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%

B. Movements in investments in subsidiaries:

	Company	
	2019	**2018**
	US$ thousands	
Balance at beginning of year	**44,437**	47,200
Movements during the year:		
Loans and credit granted to subsidiaries	**6,455**	7,782
The Company's share of profits	**4,756**	6,955
Dividend	**(16,000)**	(17,500)
Balance at end of year	**39,648**	44,437

Note 29 – Subsequent Events

On February 23, 2020, 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, 2019. Pursuant to the approval of the Annual General Meeting of the Company's shareholders to be held in April 2020, the Company expects to pay a US$ 1.75 million dividend on May 15, 2020, with record date on May 6, 2020.

SHAREHOLDING STATISTICS
AS AT MARCH 13 2020

Issued and fully paid-up	- 353,672,126
No. of Treasury Shares	- 3,076,400
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	15	0.97	409	0.00
100 – 1,000	116	7.53	82,460	0.02
1,001 - 10,000	690	44.78	3,851,184	1.09
10,001 - 1,000,000	704	45.68	41,203,722	11.65
1,000,001 and above	16	1.04	308,534,351	87.24
	1,541	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 46.24% 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	106,048,635	30.25
2	Citibank Nominees Singapore Pte Ltd	103,555,393	29.54
3	HSBC (Singapore) Nominees Pte Ltd	29,138,629	8.31
4	UOB Kay Hian Pte Ltd	14,824,475	4.23
5	BPSS Nominees Singapore (Pte.) Ltd.	12,927,450	3.69
6	Raffles Nominees(Pte) Limited	9,985,100	2.85
7	Eyal Avraham Khayat	7,986,227	2.28
8	OCBC Securities Private Ltd	7,005,000	2.00
9	DBSN Services Pte Ltd	3,891,642	1.11
10	BNP Paribas Nominees Singapore Pte Ltd	3,000,000	0.86
11	Phillip Securities Pte Ltd	2,292,900	0.65
12	Khoo Wooi Chee	2,069,800	0.59
13	Cheng Heng Seng	1,875,000	0.53
14	Soh Cheng Lin	1,400,000	0.40
15	ABN Amro Clearing Bank N.V.	1,334,100	0.38
16	San Tai Construction (S) Pte Ltd	1,200,000	0.34
17	OCBC Nominees Singapore Pte Ltd	884,150	0.25
18	Lim And Tan Securities Pte Ltd	639,800	0.18
19	Low Geok Lin Judith	620,000	0.18
20	Lam Kwan Kin	600,000	0.17
		311,278,301	88.79

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 13 March 2020 of 350,595,726 shares (which excludes 3,076,400 shares which are held as treasury shares representing approximately 0.88% of the total number of issued shares excluding treasury shares).

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name	No. of Shares	%*	No. of Shares	%*
Axxion S.A	–	–	32,193,900	9.18
Ehud Harel[1]	–	–	25,796,348	7.36
Hanoh Stark[2]	–	–	24,590,524	7.01

*The percentage of issued ordinary shares is calculated based on the number 350,595,726 of issued ordinary shares of the company as at 13 March 2020 (excluding 3,076,400 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.

2 Hanoh Stark is deemed a shareholder of the Company by virtue of his indirect ownership through Stark Hanoh Holdings Ltd. of 24,590,524 shares held on his behalf by the Israel Discount Bank through Citibank N.A. Singapore custodians.

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 2019	As at 31 December 2019	As at 21 January 2020	As at 1 January 2019	As at 31 December 2019	As at 21 January 2020
Daniel Benjamin Glinert	–	–	–	12,359,156	12,359,156	12,359,156
Yehezkel Pinhas Blum	–	–	–	–	–	–
Chan Kam Loon	569,000	569,000	569,000	24,000	24,000	24,000
Avraham Eshed	–	–	–	15,126,922	15,126,922	15,126,922
Uzi Levami	–	–	–	12,335,406	12,335,406	12,335,406
Valerie Ong Choo Lin	–	–	–	575,000	575,000	575,000
Varda Shine	–	–	–	–	–	–

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at the Wangz Business Centre, The Penthouse #44-01, Suntec Tower One, 7 Temasek Blvd., Singapore 038987 on the 20th day of April 2020 at 3:00 PM Singapore time (10:00 AM Israel time) to transact the business enumerated below.

NOTE: As per the directives of the Singapore Ministry of Health, as relayed to us by the SGX Reg Co., social distancing *must* be observed at the Annual General Meeting. We regret that under these circumstances the venue we had already booked to accommodate 50-60 persons will now only accommodate the participation of some 20 shareholders in person. Other shareholders in Singapore and elsewhere are invited to participate in the Annual General Meeting by way of a Zoom meeting (number 400 650 831- use link https://zoom.us/j/400650831 to join meeting or use Zoom app and enter meeting number 400650831 or dial in by phone [find local number: https://zoom.us/u/abTjEz7yrq] and follow instructions), on their electronic device of choice, which will allow them to watch and hear the proceedings, as well as to pose questions. However, voting, as it needs to be by poll and properly scrutinised, will be restricted only to those shareholders participating in person at the venue noted above. For that reason, and to also ensure all our shareholders' health, the Company STRONGLY urges and encourages shareholders to take avail of the Proxy mechanism delineated in the following pages and to submit their votes in due time prior to the actual meeting. Shareholders who do wish to attend the meeting in person are advised to register accordingly with the Company's Singapore Share Transfer Agent (attention James Cheong at jamescheong@mncsingapore.com) as early as possible, and await confirmation of their registration by return e-mail, as entry to the meeting will be allowed on a first come (first registered) – first served basis.

Ordinary Business

1. To receive and consider the audited accounts for the year ended 31 December 2019 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 2019.

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 elect the following two new nominees as Independent Directors under Singapore law and as External Directors under Israeli law – see Appendix 1 for the relevant disclosures as per Listing Rule 704 (7)(a):

   a. Neta Zruya HASHAI
   b. SIN Boon Ann

5. To elect the following two Independent Directors, one of who, Mr. Lim, being a new nominee and one, Ms. Shine, being a retiring Independent Director of the Company - see Explanatory Note (a) and Appendix 1 for the relevant disclosures as per Listing Rule 704 (7)(a):

   a. LIM Yong Sheng
   b. Varda SHINE

6. To elect THREE of the following four Non-Independent Director nominees, three of who, Messrs. Eshed, Glinert and Levami being retiring Non-Independent Directors of the Company and one, Ms. Stark, being a new nominee - see Explanatory Note (a) and Appendix 1 for the relevant disclosures as per Listing Rule 704 (7)(a):

   a. Avraham ESHED
   b. Daniel Benjamin GLINERT
   c. Uzi LEVAMI
   d. Talia STARK-RONEN

7. To appoint Ms. Varda Shine, if re-elected as an Independent Director, as Lead Independent Director [see Explanatory Note (b)].

8. To approve the extension of the exercise period of the 1,050,000 options granted on April 28, 2017 at an exercise price of S$ 1.878, 350,000 each to Yehezkel Pinhas Blum, Chan Kam Loon and Valerie Ong Choo Lin, the retiring Independent Directors, so that they not expire 90 days after cessation of the Directors terms of service, as stipulated in the Sarine 2015 Option Plan (the “2015 Plan”), but be exercisable for their full six-year life, up until April 28, 2023.

9. To approve the grant of 1,400,000 options to the Independent Directors, under the 2015 Plan [See Explanatory Note (c)].

10. To approve the Independent Directors' remuneration and participation fees [see Explanatory Notes (d) and (e)]:

11. To approve the Non-Executive Director's participation fees (i.e., excluding Executive Chairman of the Board, Mr. Daniel Benjamin Glinert, if re-elected; Mr. Glinert’s remuneration will continue as approved by the Annual General Meeting of 30 April 2019) [see Explanatory Notes (d) and (f)].

Special Business

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

12.1 Authority to issue shares [see Explanatory Note (g)]

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.

12.2 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 (h)]

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.

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

BY ORDER OF THE BOARD

AMIR JACOB ZOLTY
Company Secretary

Israel,
3 April 2020

Proxies:-

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

An instrument appointing a proxy must be deposited at the office of the Company's main offices at 4 Ha'Harash St., Hod Hasharon 4524075, Israel or at the Singapore Share Transfer Agent at 112 Robinson Road #05-01 The Corporate Office Singapore 068902 not less than 24 hours before the time fixed for the meeting.

Explanatory Notes:-

(a) Article 37(c) of the Company's Articles of Association provides that:
"Each Director shall serve, subject to Articles 39 and 40 hereof, and unless the Annual General Meeting appointing him provides otherwise, until the third Annual General Meeting following the Annual General Meeting at which such Director was appointed, or his earlier removal pursuant to this Article 37. A Director who has completed his term of service or has been removed as aforesaid (a "Retiring Director") shall be eligible for re-election."

All of the Company's Directors were appointed by the Annual General Meeting held on 25 April, 2017 and, as such have completed their three-year tenure and are retiring. It is proposed to re-appoint certain of the current Directors of the Company. The proposed Directors' CVs, new nominees as well as directors proposed for re-appointment, and other requisite information, including the Board's rationale for their election / re-election may be found in Appendix 1 to this Notice.

(b) According to Provision 3.3 of the 2018 Code of Corporate Governance:
"The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate."

As Mr. Daniel Benjamin Glinert, the Executive Chairman of the Board of the Company, if re-elected, is part of the management team and is not an Independent Director, it is proposed to appoint Ms. Varda Shine, an Independent Director (once re-elected, as aforesaid), as the lead Independent Director.

(c) The Company's Remuneration Committee and Board of Directors have resolved, subject to the AGM's approval, to grant 1,400,000 options, under the 2015 Plan to the Independent Directors of the Company, as follows:

350,000 options to purchase Ordinary Shares under the 2015 Plan to each of Messrs. Neta Zruya Hashai, Lim Yong Sheng, Varda Shine and Sin Boon Ann. It was further resolved that the exercise price of these options shall be the Market Price (as such term is defined in the 2015 Plan) and that the aforementioned options shall vest over a three-year period - 100,000 options upon the lapse of one year and 125,000 options upon the lapse of each of the second and third years from the date of grant. Under the Companies Law, the grant of options to Directors requires the approval of the Company's General Meeting.

(d) A 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 appointment of Mr. Sin and Ms. Hashai (resolution No. 4) and the approval of the Non-Executive Directors' participation fees (resolution No. 11), on the agenda of this Annual General Meeting, 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 and 11. 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 and 11 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 and 11. 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 and 11, you should not indicate in the appropriate box that there exists no personal interest on the enclosed proxy form. If you hold your shares through a bank, broker or other nominee and believe that you possess a personal interest in the approval of either resolution, you may also contact the representative managing your account, who could then contact us on your behalf.

(e) It is proposed that, further to the approval of the Company's Remuneration Committee and the Board, subject to the AGM's approval, as applicable, Ms. Neta Zruya Hashai and Messrs. Sin Boon Ann and Lim Yong Sheng be remunerated as External and/or Independent Directors, respectively, with an annual fixed fee of US$ 33,000.

The Company's Remuneration Committee and Board of Directors have further resolved, subject to the AGM's approval, as applicable, to set participation fees payable to External and/or Independent Directors to US$ 1,100 per participation in a day of meetings in person, US$ 660 per participation over audio/video conference means and US$ 550 per a written resolution.

It is proposed that, further to the approval of the Company's Remuneration Committee and the Board, subject to the AGM's approval, Ms. Shine be remunerated as an Independent Director with an annual fixed fee of US$ 50,000. The Remuneration Committee and the Board are of the opinion, that given Ms. Shine's qualifications, expertise, experience, and standing in the diamond industry, the proposed remuneration is more than justified.

(f) The Company's Remuneration Committee and Board of Directors have resolved, subject to the AGM's approval, to set participation fees payable to Non-Executive Directors to US$ 1,100 per participation in a day of meetings in person, US$ 660 per participation over audio/video conference means and US$ 550 per a written resolution.

(g) The shareholders' resolution set out in item 12.1 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.

(h) The shareholders' resolution set out in item 12.2 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.

NOTICE OF ANNUAL GENERAL MEETING

APPENDIX 1 - NOMINEES FOR BOARD OF DIRECTORS

GENERAL

The Nominating Committee of the Board of Directors, 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.

NOMINEES (in alphabetical order)

Avraham ESHED (retiring Non-Executive Director standing for re-election)

Age: 74
Country of Residence: Israel
Nominated as: Non-Executive Director
Last Reappointment: 2017
Title(s): Not Applicable
Working Experience: Please refer to the Board of Directors section of the Annual Report
Shareholdings Interest: Please refer to Directors Shareholdings in the Annual Report
Family Relationship to any Director / Substantial Shareholder: Mr. Eshed, Mr. Glinert and Mr. Levami may be deemed as “persons acting in concert” under the Singapore Code on Takeovers and Mergers.
Other Directorships: 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.
Conflict of Interest: None
Board’s Comments: Mr. Eshed has over 50 years of experience in the polishing and wholesale trade of polished diamonds and gemstones (emeralds, primarily) and meets the criteria set by the Nominating Committee as a diamond industry midstream segment expert. Mr. Eshed was one of the Group's founders and has been a member of the Board (both executive and non-executive) since 2006. The Board believes his expertise and experience should continue to contribute to achieving the Group’s business goals. Mr. Eshed has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed his response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual, except, of course, as per his prior experience as a director of a listed company (Sarine)

Daniel Benjamin GLINERT (retiring Executive Chairman of the Board standing for re-election)

Age: 69
Country of Residence: Israel
Nominated as: Executive Director
Last Reappointment: 2017
Title(s): Chairman of the Board and Member of the Nominating Committee
Working Experience: Please refer to the Board of Directors section of the Annual Report
Shareholdings Interest: Please refer to Directors Shareholdings in the Annual Report
Family Relationship to any Director / Substantial Shareholder: Please see above, in reference to Mr. Eshed.
Other Directorships: Interhightech (1982) Ltd., a founding shareholder of the Group.
Conflict of Interest: None
Board’s Comments: Mr. Glinert has just under 50 years of experience in technological systems development and meets the criteria set by the Nominating Committee as a technology expert. Mr. Glinert has been the Executive Chairman of the Board since 1999, and the Board believes his expertise and experience should continue to contribute to achieving the Group’s business goals. Mr. Glinert has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed his response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual, except, of course, as per his prior experience as a director of a listed company (Sarine)

Neta Zruya HASHAI

Age:	44
Country of Residence:	Israel
Nominated as:	Independent Director (and also an External Director under the Israeli Companies Law, 5759-1999)
Last Reappointment:	Not Applicable
Title:	Chairperson of the Audit Committee and Member of the Remuneration Committee
Working Experience:	Ms. Hashai 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. Ms. Hashai worked on IPOs of equity and debt issuances, as well as on already publicly traded companies listed on the US and Israeli exchanges, alongside Israeli subsidiaries of international companies and private firms. From 2012 through 2018 Ms. Hashai served as the CEO of PWC Israel's Trust Company. Ms. Hashai holds a BA in Accounting and Communications and an MBA in Finance Management, both from Tel Aviv University, and is a Certified Public Accountant (Israel).
Shareholdings Interest:	None
Family Relationship to any Director / Substantial Shareholder: None	
Other Directorships:	Chairman of the Audit committee of two non-profit organizations: ● The Association for the Advancement of Education in Israel – "One of Ours" ● The Big Brother Association for Solitary Soldiers
Conflict of Interest:	None
Board's Comments:	Ms. Hashai has nearly 20 years of experience in accounting, auditing and financial reporting and meets the criteria set by the Nominating Committee as an accounting / financial review and reporting expert. The Board believes her expertise and experience will fill the need for a qualified Chairperson of the Audit Committee and contribute to achieving the Group's business goals. Ms. Hashai has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed her response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual.

Uzi LEVAMI (retiring Non-Executive Director standing for re-election)

Age:	68
Country of Residence:	Israel
Nominated as:	Non-Executive Director
Last Reappointment:	2017
Title:	Member of the Remuneration Committee
Working Experience:	Please refer to the Board of Directors section of the Annual Report
Shareholdings Interest:	Please refer to Directors Shareholdings in the Annual Report
Family Relationship to any Director / Substantial Shareholder: Please see above, in reference to Mr. Eshed.	
Other Directorships:	Interhightech (1982) Ltd., a founding shareholder of the Group and Ayin Lev Ami (2000) Ltd., a family-owned asset holding company and Yummi Ltd., a family-owned foodie internet marketplace
Conflict of Interest:	None
Board's Comments:	Mr. Levami has over 45 years of experience in technological systems development and meets the criteria set by the Nominating Committee as a technology expert. Mr. Levami was a member of the Group's founding engineering team and has been a member of the Board (both executive and non-executive) since 2008. He was also the Group's Chief Executive Officer (CEO) from 2009 through 2017. The Board believes his expertise and experience should continue to contribute to achieving the Group's business goals. Mr. Levami has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed his response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual, except, of course, as per his prior experience as a director of a listed company (Sarine).

LIM Yong Sheng

Age:	51
Country of Residence:	Singapore
Nominated as:	Independent Director
Last Reappointment:	Not Applicable
Title:	Member of the Audit and Nominating Committees
Working Experience:	Group Chief Executive Officer of SK Jewellery Group Ltd., a leading Singaporean retail jewellery chain with over 60 branches across Singapore, China, Malaysia and Thailand. The SK Jewellery Group is a publicly traded company, listed on the Singapore Exchange (42G:SI). Mr. Lim Yong Sheng is one of the group's founders and an Executive Director of the company and the group CEO since 2015. Since the group's establishment, Mr. Lim has been a critical contributor to the group's growth and continued success. As group CEO, he is responsible for the overall strategic planning, management, and business development of the group, monitoring the development and performance of the group's operations, driving the operational efficiency of the group's work processes, and identifying new opportunities for the group's expansion. In particular, the group's brand management and marketing strategy are spearheaded by Mr. Lim. Mr. Lim holds a Bachelor of Science in Electrical Engineering from the National University of Singapore.
Shareholdings Interest:	None
Family Relationship to any Director / Substantial Shareholder: None	
Other Directorships:	Executive Director of Singapore Mainboard listed SK Jewellery Group Ltd., and Non-Executive Director of Singapore Catalist listed MoneyMax Financial Services Ltd.
Conflict of Interest:	None
Board's Comments:	Mr. Lim has over just under 30 years of experience in the retail trade of polished diamond jewellery and meets the criteria set by the Nominating Committee as a diamond industry downstream retail expert. The Board believes his expertise and experience should bring a facet of understanding currently lacking on the Board and thus contribute to achieving the Group's primary business goals in the retail segment of the industry. Mr. Lim has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed his response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual, except, of course, as per his prior experience as a director of a listed company (SK Jewellery Group and MoneyMax Financial Services).

NOTICE OF ANNUAL GENERAL MEETING

Varda SHINE (retiring Independent Director standing for re-election)

Age:	56
Country of Residence:	United Kingdom
Nominated as:	Independent Director
Last Reappointment:	2017
Title:	Lead Independent Director, Chairperson of the Remuneration Committee and Member of the Audit and Nominating Committees
Working Experience:	Please refer to Board of Directors section of the Annual Report
Shareholdings Interest:	Please refer to Directors Shareholdings in the Annual Report

Family Relationship to any Director / Substantial Shareholder: None

Other Directorships:	London Exchange listed Petra Diamonds PLC and Lonmin PLC (retired as of June 2019)
Conflict of Interest:	None
Board's Comments:	Ms. Shine has over 30 years of experience in the production and wholesale trade of rough diamonds, as well as in the retail trade of polished diamonds and meets the criteria set by the Nominating Committee as a diamond industry expert across all segments of the industry. Ms. Shine has been an Independent Director of the Group since 2017 and the Board believes her expertise and experience should continue to contribute to achieving the Group's business goals. Ms. Shine has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed her response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual, except, of course, as per her prior experience as a director of a listed company (Sarine, Lonmin and Petra Diamonds).

SIN Boon Ann

Age:	61
Country of Residence:	Singapore
Nominated as:	Independent Director (and also an External Director under the Israeli Companies Law, 5759-1999)
Last Reappointment:	Not Applicable
Title:	Chairperson of the Nominating Committee and Member of the Audit and Remuneration Committees
Working Experience:	Mr. Sin has had a legal career spanning over 30 years. Since 1992 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 also acts as counsel to listed companies on secondary equity offerings and debt offerings and advises companies on regulatory compliance. He also specialises in corporate finance and mergers and acquisitions. Mr. Sin is recognised in industry publications as an industry leader and for his expertise in capital markets. Between 1996 and 2011 Mr. Sin was a member of the Singapore Parliament representing the Tampines GRC. Mr. Sin holds a Bachelor of Arts and a Bachelor of Law (Cum Laude) both from the National University in Singapore, and a Masters of Law from the University of London. He is admitted to practice law in Singapore.
Shareholdings Interest:	None

Family Relationship to any Director / Substantial Shareholder: None

Other Directorships:

(I) Present -	Name of Company	Position
	Balkan Holdings Pte. Ltd.	Director
	Healthway Medical Corp Limited*	Independent Non-Executive Chairman
	The Farrer Park Company Limited	Director
	Datapulse Technology Limited*	Independent Director
	W Capital Markets Pte. Ltd.	Director
	TIH Limited*	Independent and Non-Executive Director
	Sunrice GlobalChef Academy Pte. Ltd.	Director
	Esseplore Pte. Ltd.	Director
	HRnetGroup Limited*	Lead Independent Director
	Rex International Holding Limited*	Lead Independent Director
	SE Hub Ltd.	Director
	OUE Limited*	Lead Independent Director
	CSE Global Limited*	Independent Director
	Singapore Centre for Social Enterprise Ltd.	Board Member
	Tampines Central Community Foundation	Director
	* Denotes a publicly listed Company	

(II) Past Directorships (last 5 years)

DrewCorp Services Pte Ltd
Drew & Napier LLC
OSIM International Pte. Ltd.
UT REIT (Pte.) Ltd.
UT TRUST (Pte.) Ltd.
Transcorp Holdings Limited* (a publicly listed company)

Conflict of Interest:	None
Board's Comments:	The Board believes Mr. Sin's expertise and experience will fill the need for a qualified Corporate Governance and Compliance expert as well as providing expertise on possible future secondary listings, raises of capital via equity or debt listings, mergers and acquisitions, etc., and will contribute to achieving the Group's business goals. Mr. Sin has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed his response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual, except, of course, as per his prior experience as a director of a listed company (see extensive list above).

Talia STARK RONEN

Age:	48
Country of Residence:	Israel
Nominated as:	Non-Executive Director
Last Reappointment:	Not Applicable
Title:	Not Applicable
Working Experience:	Ms. Stark has served since 2013 as a Business Development executive at MothersChoice Ltd., a biotech start-up that is focused on developing innovative biochemical solutions aimed at replacing unsafe synthetic chemicals in consumer goods. She oversaw the launch of its first commercial product (in cooperation with Unilever) and entered into Proof of Concept agreements with other global personal care product industry players. She Identified and led their entrance into two new markets with high demand, which resulted in two new breakthrough technologies. Prior to that, between 2008 and 2012, Ms. Stark served as the strategy and business development leader at the Central Bottling Company in Israel, franchisee of Coca Cola, Tuborg and Muller and the second biggest food and beverage group in Israel, reporting directly to the group Chairman, where she orchestrated their entry into Eastern Europe and African markets. From 2004 to 2008 she worked for the Keshet Media Group, one of Israel's leading digital media groups, as Head of Strategy, Research & Business Development. She led the team which won the Israeli Government tender for the Second Channel broadcasting spot, as well as having launched Keshet's leading Mako news and information Internet site. Prior to that Ms. Stark worked for Israel's Antitrust Authority and as an economist at KPMG Israel. Ms. Stark holds a Bachelor of Finance & Business Management degree (Cum Laude) from the Tel Aviv Management College and an MBA in Integrative Management (Cum Laude) from the Hebrew University in Jerusalem.
Shareholdings Interest:	None
Family Relationship to any Director / Substantial Shareholder:	Ms. Stark is the daughter of Mr. Hanoh Stark and the niece of Mr. Ehud Harel, respectively the son-in-law and son of the Group's founding visionary, the late Mr. Ben-Zion Harel, and substantial shareholders of the Group.
Other Directorships:	Beverage Containers Collection Corporation Ltd.
Conflict of Interest:	None
Board's Comments:	Ms. Stark has 15 years of experience in business development at various Israeli companies working on innovative ventures in Israel and overseas. She does not fit the profile formulated by the Nominating Committee per se, but has knowledge and experience of merit. She was nominated by the aforementioned substantial shareholders, along with Mr. Israel Eliezri and Mr. Ilan Weismann (a brother-in-law of Mr. Hanoh Stark), both also founding shareholders of the Group, who believe her business acumen can contribute to achieving the Group's business goals. Ms. Stark has executed the undertaking in the format set out in Appendix 7.7 under Rule 720(1) and has affirmed her response in the negative to all the yes/no questions in Appendix 7.4.1 of the Listing Manual.

NOTE: In accordance with the requirement for a majority of Independent Directors, both as per the recommendation of the Nominating Committee and the SGX Code of Corporate Governance, in order to maintain an independent majority in the Board, ONLY THREE of the four non-independent nominees, Mr. Eshed, Mr. Glinert, Mr. Levami and Ms. Stark, may be elected to the Board, as per the instructions on the Proxy Form.

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SARINE TECHNOLOGIES LTD.

(Incorporated in Israel)
Israel Registration No. 51 1332207

PROXY FORM

I/We____,NRIC/Passport no._________________________________

of ____

being a member/members of Sarine Technologies Ltd. (the "Company"), hereby appoint

Name	Address	NRIC/Passport No.	No. of Shares

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	No. of Shares

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the Wangz Business Centre, The Penthouse #44-01, Suntec Tower One, 7 Temasek Blvd., Singapore 038987 on the 20th day of April 2020 at 3:00 PM Singapore time and at any adjournment thereof.

Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/she/it/they may think fit, as he/she/it/they will on any other matters arising at the Annual General Meeting.

No.	Resolution		For	Against	Abstain
1	Adoption of reports and accounts				
2	Declaration of a final dividend for the year ended 31 December 2019				
3	Re-appointment of Somekh Chaikin Certified Public Accountants (Isr.), Member firm of KPMG International and Chaikin, Cohen, Rubin and Co., Certified Public Accountants (Isr.) as external auditors				
4	Election of Independent and External Directors a. Neta Zruya HASHAI b. SIN Boon Ann I hereby declare that (check the applicable circle): o I/we am/are a controlling shareholder and/or I/we have a personal interest in the approval of Resolution No. 4 (Appointment of Ms. Hashai and of Mr. Sin as Independent and External Directors) o I/we do not have a personal interest in the approval of Resolution No. 4 (Appointment of Ms. Hashai and of Mr. Sin as Independent and External Directors)	4a 4b			
5	Election of Independent Directors a. LIM Yong Sheng b. Varda SHINE	5a 5b			
6	Election of Non-Independent Directors – ***YOU MAY ONLY VOTE "FOR" FOR 3 OF THE FOLLOWING 4 NOMINEES**** a. Avaraham ESHED b. Daniel Benjamin GLINERT c. Uzi LEVAMI d. Talia STARK RONEN	6a 6b 6c 6d			
7	Appointment of Ms. Varda Shine as Lead Independent Director				
8	Approval of extension of exercise period of 1,050,000 options of retiring Independent Directors				
9	Approval of grant of 1,400,000 options to the Independent Directors				
10	Approval of Independent Directors Remuneration and participation fees a. LIM Yong Sheng b. Varda SHINE	10a 10b			
11	Approval of Non-Executive Directors' participation fees * 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. 11 (Approval of Non-Executive Directors' participation fees) o I/we do not have a personal interest in the approval of Resolution No. 11 (Approval of Non-Executive Directors' participation fees)				
12.1	Authority to issue shares				
12.2	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				

(*) NOTE: - Voting FOR for more than three nominated directors under resolution 6 will disqualify your vote on resolution 6 in its entirety

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 and 11. 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 and 11 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 and 11. 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 and 11, you should not indicate in the appropriate box that there exists no personal interest on the enclosed proxy form. If you hold your shares through a bank, broker or other nominee and believe that you possess a personal interest in the approval of either resolution, you may also contact the representative managing your account, who could then contact us on your behalf.

Dated this ________ day of ____________ 2020

Total Number of Shares Held

____

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

Notes

1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register, you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2 A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3 The instrument appointing a proxy or proxies must be deposited either at the offices of the Company at 4 HaHarash Street (3rd Floor), Hod Hasharon, Israel or at the office of the Company's Singapore Share Transfer Agent at 112 Robinson Road #05-01 Singapore 068902 not less than 24 hours before the time appointed for holding the meeting.

4 Where a member appoints more than one proxy, he/she/it shall specify the number of shares to be represented by each proxy, failing which, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

5 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her/its attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a company or other body corporate, it must be executed under its common seal or stamp or under the hand of its duly authorised agent or attorney on behalf of the corporation.

6 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney or other authority, the power of attorney or authority or a notarially certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.

7 A company or other body corporate which is a member may authorise, by resolution of its directors or any other managing body, such person as it thinks fit to act as its representative at the meeting.

8 The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 24 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

9. According to the Israeli Companies Law, 5759-1999, a "personal interest" is: "a personal interest of any person in an act or transaction of a company, including a personal interest of his relative or of a corporate body in which such person or a relative of such person has a personal interest, but excluding a personal interest stemming from the fact of a shareholding in the company, including a personal interest of the person voting according to a proxy given to him by another person, even if the appointer does not have a personal interest, and including a personal interest of the appointer, even if the appointee does not have a personal interest, all whether or not the appointee is granted any discretion with regard to the subject matter of the voting.

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

Chan Kam Loon
Lead Independent Director

Yehezkel Pinhas Blum
Independent Director

Valerie Ong Choo Lin
Independent Director

Varda Shine
Independent Director

AUDIT COMMITTEE

Chan Kam Loon – Chairperson
Yehezkel Pinhas Blum
Valerie Ong Choo Lin

NOMINATING COMMITTEE

Valerie Ong Choo Lin - Chairperson
Yehezkel Pinhas Blum
Chan Kam Loon
Daniel Benjamin Glinert

REMUNERATION COMMITTEE

Yehezkel Pinhas Blum – Chairperson
Chan Kam Loon
Uzi Levami
Valerie Ong Choo Lin
Varda Shine

REGISTERED OFFICE

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www.sarine.com
Israel Registration Number: 51-133220-7

COMPANY SECRETARY

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