

Sarine Technologies Ltd

(Incorporated in Israel)

(Israel Registration No. 51 1332207)

RESPONSES TO THE QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Sarine Technologies Ltd (the “Company”, and together with its subsidiaries, the “Group”) wishes to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 15 April 2016, with reference to the Company’s annual report for the financial year ended 31 December 2015 (the “Annual Report”), as follows:

Question 1. We note the disclosure of interested person transaction (“IPT”) at page 35 is not in the format set out under Listing Rule 907 as follows:

Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to <u>Rule 920</u>)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to <u>Rule 920</u> (excluding transactions less than \$100,000)
---	--

In this regard, please disclose the IPT in the requisite format above.

Company's response:

Further to the disclosure made in the page 35 of the Annual Report and as per the SGX's instructions, please see below the requested information:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Avraham Eshed (Non-Executive Director)	US\$ 131,000	N/A (the Company never requested such shareholders' mandate).

The Company had also previously disclosed the details of the Company’s IPT for FY2015 in its FY2015 full year financial statements and dividend announcement dated 3 April 2016 (Note 27 to the Company’s financial statements – page 82 of the Annual Report).

Question 2. Guideline 11.3 of the Code recommends that the Board comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems.

We note the representation on page 33 that "indeed, the Audit Committee and Board are of the opinion, upon consultation with the Company's external auditors and the internal auditor of the Company (who conducted a follow up review, based on previous findings) and based on ongoing discussions with the management of the Company, that the Internal Control procedures of the Group are adequate.

In this regard, please disclose the Board's comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. Otherwise please provide specific reason(s) for the deviations from Guideline of the Code pursuant to Listing Rule 710.

Company's response:

The Board of Directors of the Company (the "Board") is of the opinion that current internal controls and risk management system are adequate and effective in addressing the financial, operational, compliance, IT risks and risk management systems, while noting that no system of internal control could provide absolute assurance against the occurrence of errors, cyber attacks, fraud or other irregularities.

As noted in page 22 of the Annual Report:

"The Audit Committee and Management have analysed many more risk factors and have compiled a matrix of risks pertaining to the Company'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 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... 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...repeat reviews have been executed to verify the necessary corrective actions due implementation.

The Board of Directors, with the concurrence of the Audit Committee, is of the opinion that the internal controls which have been and are being put in place should adequately address the aforementioned as well as other risks pertaining to our business operations, finance, IT and compliance with our regulatory environment."

Question 3. Guideline 2.4 of the Code recommends that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board

should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

We note the representations on page 26 (i) that with two exceptions (Mr Avraham Eshed, who joined the Board on 24 April 2006 and Mr Uzi Levami, who joined the Board on 11 December 2008), all the directors joined the Board in March 2005, prior to the listing of the Company, and (ii) the Nominating Committee reviews that independence of each directors annually.

In this regard, please (i) disclose the details of the particularly rigorous review of the independence of director who has served on the Board beyond nine years from the date of his first appointment and (ii) provide the Board's explanation why such directors should be considered independent. Otherwise please provide specific reason(s) for the deviations from Guideline of the Code pursuant to Listing Rule 710.

Company's response:

The Company's directors are appointed for three-year tenures. Under Israeli law, an external director may not be removed from office other than under extraordinary circumstances.

All of the Company's directors were reappointed in April 2014, for a three-year tenure (ending in 2017). The Company wrote in its 2013 Annual Report:

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

More particularly:

- Mr. Yehezkel Pinhas Blum brings with him a unique mixture of business skills and business experience, along with prolonged and deep involvement in the diamond industry. Specifically, Mr. Blum's senior position in the various institutions of the Israel Diamond Exchange in Ramat Gan, and his resulting interaction with international correspondents, grant him unique in-depth understanding of the diamond industry, industry trends and opinion leaders, in general, and as these pertain to the trading of polished diamonds, in particular.

Therefore, Mr. Blum's services, inputs and insights are highly appreciated by the Board, given the Company's strategic shift to the polished diamond trade. The Board is further of the opinion that Mr. Blum has always expressed his independent and impartial opinions at the Board meetings and has successfully maintained his independence.

- Mr. Chan Kam Loon 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. Thanks his formal education married with extensive experience in the fields of investment banking and private equity funding, and especially given his past position in the Singapore Exchange, Mr. Chan has been able to contribute greatly to the Board, in all aspects related to auditing of the financials, strategic decision-making and prioritizing, investors' relations and general ongoing business development. Throughout his years of service, Mr. Chan has maintained his independent position in the Company and has voiced independent opinions.
- Ms. Valerie Ong Choo Lin's senior position at Rodyk & Davidson, as well as her extensive practice in the fields of corporate and commercial law, enable her to voice a learned and well-founded opinion at the Board and to share her vast knowledge and insights with the Company on all issues pertaining to being a publicly listed company in Singapore, Listing Manual issues, proper Board functioning, etc.. Throughout her years of service, Ms. Ong has maintained her independent position in the Company, has voiced independent opinions and has always been able to provide added value to Board discussions."

The Board has also assessed and determined that there is no evidence of any matter which may prejudice the independence of the independent directors. The independent directors have generally no commercial interests in the Company and receive no payments, other than director fees. The independent directors also do not have any business relations with the controlling shareholders of the Company. They are fully aware of their roles and responsibilities as independent directors of the Company, and the duties they owe to the shareholders generally. The independent directors are experienced and hold prominent positions in their respective professions, and are subject to reputational damage if they do not discharge their Board duties properly. The Board is also able to confirm that each independent director is capable of engaging management robustly in Board discussions and assesses managerial decisions critically and impartially.

Upon additional deliberation the Company's Nominating Committee and the Board are of the opinion that the above reasoning is valid and are convinced that the independence of the Company's independent directors has not been compromised, despite their long years of service.

By order of the Board

Amir Zolty

Company Secretary