Sarine Technologies Ltd.
and its Subsidiaries

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

Condensed Consolidated Interim Financial Statements
For the six months ended 30 June 2022

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Sarine Technologies Ltd.
and its Subsidiaries

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

	Group		Company	
	June 30	December 31	June 30	December 31
	2022	2021	2022	2021
	US$ thousands			
Assets				
Property, plant and equipment	10,750	11,348	1,276	1,199
Right-of-use assets	4,455	4,719	4,189	4,450
Intangible assets	2,148	2,244	104	138
Long-term trade receivables	746	700	234	89
Investment in subsidiaries	--	--	43,381	46,308
Long-term income tax receivable	500	500	--	--
Deferred tax assets	546	573	--	--
Total non-current assets	19,145	20,084	49,184	52,184
Inventories	7,106	7,280	4,243	3,544
Trade receivables	23,557	23,061	8,075	7,154
Other current assets	1,753	1,601	1,082	669
Short-term investments (bank deposits)	10,742	9,055	8,528	7,017
Cash and cash equivalents	28,386	27,358	14,988	13,128
Total current assets	71,544	68,355	36,916	31,512
Total assets	90,689	88,439	86,100	83,696
Equity				
Share capital*	--	--	--	--
Share premium and reserves	34,173	34,014	34,173	34,014
Translation reserve	(3,643)	(2,896)	(3,643)	(2,896)
Dormant shares, at cost	(4,123)	(3,935)	(4,123)	(3,935)
Retained earnings	46,402	43,368	46,402	43,368
Total equity	72,809	70,551	72,809	70,551
Liabilities				
Long-term lease liabilities	4,022	4,743	3,940	4,625
Employee benefits	245	275	234	264
Total non-current liabilities	4,267	5,018	4,174	4,889
Trade payables	2,798	2,324	2,302	1,892
Other payables	7,770	7,735	5,896	5,408
Current lease liabilities	897	974	682	722
Current tax payable	1,818	1,504	--	--
Warranty provision	330	333	237	234
Total current liabilities	13,613	12,870	9,117	8,256
Total liabilities	17,880	17,888	13,291	13,145
Total equity and liabilities	90,689	88,439	86,100	83,696

* No par value

Sarine Technologies Ltd.
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B. Condensed Consolidated Interim Statements of Profit or Loss and Other Comprehensive Income:

	Group Six months ended June 30,		
	2022	2021	change
	US$ thousands		%
Revenue	**31,172**	**35,963**	**(13.3)**
Cost of Sales	8,931	9,115	(2.0)
Gross profit	**22,241**	**26,848**	**(17.2)**
Research and development expenses	4,194	3,919	7.0
Sales and marketing expenses	6,257	5,387	16.1
General and administrative expenses	4,289	3,774	13.6
Other income from lease termination	--	(267)	NM
Profit from operations	**7,501**	**14,035**	**(46.6)**
Net finance income	73	62	17.7
Profit before income tax	**7,574**	**14,097**	**(46.3)**
Income tax expense	1,029	1,518	(32.2)
Profit for the period	**6,545**	**12,579**	**(48.0)**
Other comprehensive loss			
Foreign currency translation differences from foreign operations	(747)	(192)	289.1
Total comprehensive income for the period	**5,798**	**12,387**	**(53.2)**
Earnings per share			
Basic earnings per share (US cents)	1.86	3.60	(48.3)
Diluted earnings per share (US cents)	1.86	3.60	(48.3)

Sarine Technologies Ltd.
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C. Condensed Consolidated and Company Statements of Changes in Equity for the period ended June 30:

Group and Company	**Share capital***	**Share premium and reserves**	**Translation reserve**	**Retained earnings**	**Dormant shares**	**Total**
	US$ thousands					
Balance at January 1, 2021	--	33,149	(2,699)	33,930	(3,689)	60,691
Profit for the period ended June 30, 2021	--	--	--	12,579	--	12,579
Other comprehensive loss for the period ended June 30, 2021	--	--	(192)	--	--	(192)
Dormant shares, acquired at cost (350,000 shares)	--	--	--	--	(159)	(159)
Share-based payment expenses	--	139	--	--	--	139
Exercise of options	--	24	--	--	--	24
Dividend paid	--	--	--	(1,749)	--	(1,749)
Balance at June 30, 2021	--	33,312	(2,891)	44,760	(3,848)	71,333
Balance at January 1, 2022	--	34,014	(2,896)	43,368	(3,935)	70,551
Profit for the period ended June 30, 2022	--	--	--	6,545	--	6,545
Other comprehensive loss for the period ended June 30, 2022	--	--	(747)	--	--	(747)
Dormant shares, acquired at cost (577,600 shares)	--	--	--	--	(188)	(188)
Share-based payment expenses	--	123	--	--	--	123
Exercise of options	--	36	--	--	--	36
Dividend paid	--	--	--	(3,511)	--	(3,511)
Balance at June 30, 2022	--	34,173	(3,643)	46,402	(4,123)	72,809

* No par value

Sarine Technologies Ltd.
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D. Condensed Consolidated Statements of Cash Flows

	Group	
	Six months ended June 30,	
	2022	2021
	US$ thousands	
Cash flows from operating activities		
Profit for the period	**6,545**	12,579
Adjustments for:		
Share-based payment expenses	**123**	139
Income tax expense	**1,029**	1,518
Depreciation of property, plant & equipment and right-of-use assets	**1,190**	1,267
Amortisation of intangible assets	**96**	222
Revaluation of lease liabilities from exchange rate differences	**(611)**	(205)
Revaluation of bank financing liabilities from exchange rate differences	**--**	(47)
Other net finance expense	**480**	96
Changes in working capital		
Inventories	**174**	(411)
Trade receivables	**(542)**	(4,739)
Other current assets	**(152)**	(552)
Trade payables	**474**	2,058
Other liabilities	**(416)**	2,427
Employee benefits	**(30)**	(3)
Income tax paid	**(688)**	(28)
Net cash from operating activities	**7,672**	14,321
Cash flows used in from investing activities		
Acquisition of property, plant and equipment	**(420)**	(421)
Proceeds from realisation of property, plant and equipment	**45**	64
Short-terms investments, net	**(1,687)**	(6,214)
Restricted short-term investments (bank deposits)	**--**	126
Interest received	**64**	53
Net cash used in investing activities	**(1,998)**	(6,392)
Cash flows used in financing activities		
Proceeds from exercise of share options	**36**	24
Purchase of Company's shares by the Company	**(188)**	(159)
Repayment of bank financing	**--**	(2,454)
Dividends paid	**(3,511)**	(1,749)
Payment of lease liabilities	**(439)**	(630)
Interest paid	**(63)**	(143)
Net cash used in financing activities	**(4,165)**	(5,111)
Net increase in cash and cash equivalents	**1,509**	2,818
Cash and cash equivalents at beginning of year	**27,358**	21,081
Effect of exchange rate fluctuations on cash and cash equivalents	**(481)**	(6)
Cash and cash equivalents at end of period	**28,386**	23,893

E. Notes to the Condensed Interim Financial Statements as at June 30, 2022

Note 1 – General

Sarine Technologies Ltd. (hereinafter “Sarine” or the “Company”) is a company domiciled in Israel. The address of the Company’s registered office is 4 Haharash Street, Hod Hasharon 4524075, Israel. The condensed interim financial statements of the Company, as at, June 30, 2022 and for the six months ended June 30, 2022, comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Company was incorporated on November 8, 1988. On April 8, 2005, the Company was admitted to the Main Board list of the Singapore Exchange Securities Trading Ltd. and on July 5, 2021, the Company dual listed its shares for trading on the Tel Aviv Stock Exchange.

Note 2 - Basis of Preparation

A. Statement of compliance

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The condensed interim financial statements for the six months ended June 30, 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed interim financial statements were authorised for issue by the Company’s Board of Directors on August 8, 2022.

B. Basis of measurement

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

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

C. Functional and presentation currency

These condensed interim financial statements are presented in United States (US) dollars, or US$, which is the Company’s functional currency. The US dollar is the currency that represents the principal economic environment in which the Company and most Group entities operate. All financial information presented in US dollars has been rounded to the nearest thousand, except where otherwise indicated.

D. Use of estimates and judgments

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

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

E. Changes in accounting policies

The accounting policies applied in these condensed interim financial statements for the six months ended June 30, 2022 are the same as those applied by the Company in audited financial statements for the year ended December 31, 2021.

Note 3 - Operating Segments

The Group is a worldwide leader in the development, manufacturing, marketing and sale of precision technology products for the planning, processing, evaluation and measurement of diamonds and gems. India is the principal market for these products. In accordance with IFRS 8, the Group determines and presents operating segments based on the information that is provided internally to the CEO, who is the Group's chief operating decision maker. The measurement of operating segment results is generally consistent with the presentation of the Group's condensed interim statements of comprehensive income. The Group operates in only one operating segment. Presented below are revenues broken out by geographic distribution (India, Africa, Europe, USA, Israel and Other).

	Group			
	Six months ended June 30,			
	US$ thousands			
Region	2022	2021	$ change	%
India	15,947	25,146	(9,199)	(36.6)
Africa	6,986	4,551	2,435	53.5
Europe	2,100	1,080	1,020	94.4
USA	534	253	281	111.1
Israel	752	1,253	(501)	(40.0)
Other*	4,853	3,680	1,173	31.9
Total	31,172	35,963	(4,791)	(13.3)

* Primarily Asia, excluding India

Note 4 - Revenue

	Group	
	Six months ended June 30,	
	US$ thousands	
Composition	2022	2021
Sale of products[1]	26,734	31,143
Maintenance & services	4,438	4,820
Total	31,172	35,963

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

Note 5 – Income Taxes

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

	Group	
	Six months ended June 30,	
	US$ thousands	
	2022	2021
Current tax expense	1,034	1,505
Taxes in respect of previous years	(13)	--
Deferred tax expense	8	13
Total income tax expense	1,029	1,518

Note 6 – Share Capital – The Company

	June 30, 2022	December 31, 2021	June 30, 2021
	No. of shares	No. of shares	No. of shares
Authorised:			
Ordinary shares of no par value	2,000,000,000	2,000,000,000	2,000,000,000
Issued and fully paid:			
Ordinary shares of no par value	355,677,875	355,480,480	353,765,876
Dormant shares (out of the issued and fully paid share capital)**:**			
Ordinary shares of no par value	(4,967,800)	(4,390,200)	(4,190,200)
Total number of issued shares (excluding dormant shares)	350,710,075	351,090,280	349,575,676

For the six months ended June 30, 2022, 197,395 share options were exercised into ordinary shares. For the six months ended June 30, 2022, the Company purchased 577,600 of its ordinary shares at an aggregate cost of US$ [188,000]. There was no sale, transfer, disposal, cancellation and/or use of treasury shares by the Company.

As at June 30, 2022, the total number of issued shares excluding dormant shares was 350,710,075 (as at December 31, 2021- 351,090,280 and June 30, 2021 – 349,575,676). As at June 30, 2022, the total number of dormant shares was 4,967,800 (as at December 31, 2021- 4,390,200 and June 30, 2021 – 4,190,200). In accordance with Israeli Companies Law, Company shares that have been acquired and are held by the Company are dormant shares (treasury shares in Singaporean terms) as long as the Company holds them, and, as such, they do not bear any rights until they are transferred to a third party. The issued and fully paid shares as at June 30, 2022, December 31, 2021 and June 30, 2021 included 4,967,800, 4,390,200 and 4,190,200 dormant shares, respectively.

For the six months ended June 30, 2022, the Company paid a final dividend in respect of FY2021, in the amount of US$ 3.5 million amounting to US cents 1.0. See also Note 11 – Subsequent Events.

Note 7 - Share-Based Payments

Details of changes in share options:

	Average exercise price in US$ per share	**Options**
At January 1, 2022	0.657	17,078,523
Granted	0.369	2,530,000
Cancelled	0.987	(3,111,178)
Exercised	0.185	(197,395)
At June 30,2022	0.534	16,299,950

During the six months ended June 30, 2022, the Company granted 2,530,000 options to employees and directors under the Company's 2015 Option Plan, with vesting conditions of one to three years and a contractual life of six years. The options vest subject to service-based conditions and performance-based conditions, relating to sales targets.

The Company measured the fair value of the share options granted using a lattice-based valuation model. The following assumptions under this method were used for the share options granted during the six months ended June 30, 2022: weighted average expected volatility of: 45.87%; weighted average risk-free interest rates (in US dollar terms) of 2.44%; dividend yield of 4.48%. The weighted average fair value of the share options granted during six months ended June 30, 2022 using the model was US$ 0.113 per share option.

Note 8 – Earnings Per Share

Basic earnings per share

The calculation of basic earnings per share for the six months ended June 30, 2022 was based on the profit attributable to ordinary shareholders of US$ 6,545,000 (six months ended June 30, 2021-- US$ 12,579,000) and a weighted average number of ordinary shares outstanding of 351,043,672 (six months ended June 30, 2021 – 349,825,020, calculated as follows:

	Six months ended June 30,	
	2022	2021
Basic earnings per share (US cents)	1.86	3.60
Issued ordinary shares at beginning of period	351,090,280	349,831,926
Effect of share options exercised	60,354	12,431
Effect of dormant shares purchased	(106,962)	(19,337)
Weighted average number of ordinary shares during period	351,043,672	349,825,020

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended June 30, 2022 was based on the profit attributable to ordinary shareholders of US$ 6,545,000 (six months ended June 30, 2021-- US$ 12,579,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 351,111,879 (six months ended June 30, 2021 -349,856,870), calculated as follows:

	Six months ended June 30,	
	2022	2021
Diluted earnings per share (US cents)	1.86	3.60
Weighted average number of ordinary shares (basic)	351,043,672	349,825,020
Effect of share options on issue	68,207	31,850
Weighted average number of ordinary shares (diluted) during period	351,111,879	349,856,870

The average market value of the Company's ordinary shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

Note 9 – Leases

	Group		Company	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
	US$ thousands			
Right-of-use assets	4,455	4,719	4,189	4,450
Current lease liabilities	897	974	682	722
Long-term lease liabilities	4,022	4,743	3,940	4,625
Total lease liabilities	4,919	5,717	4,622	5,347

Maturity analysis of the Group's and Company's lease liabilities as at June 30, 2022.

	Group	Company
	US$ thousands	
Less than one year	897	682
One to five years	2,805	2,723
More than five years	1,217	1,217
Total lease liabilities	4,919	4,622

The Group has lease agreements with respect to office facilities mainly in Israel and India. The Group also has lease agreements in respect to vehicles in Israel. In measurement of the lease liabilities, the Group discounted lease payments using the nominal incremental borrowing rate as at the lease inception, or at January 1, 2019 for leases in effect prior to December 31, 2018. In April 2021, the Group executed a renegotiated lease agreement for its leased office space at the Group's headquarters in Israel. Under the terms of the agreement, the leased space was downsized by approximately 30% and the financial terms were improved. Under the revised terms, the lease was extended for a period of four years, with an option for a second four-year period. As a result, for the six months ended June 30, 2021, the Group recorded a non-cash gain of US$ 267,000 in the condensed interim consolidated statements of comprehensive income.

Note 10 – Commitments

The Group has entered into certain short-term leases for office facilities (less than 1 year). The future minimum non-cancellable lease payments relating to those leases are in the amount of approximately US$ 25,000.

Note 11 – Subsequent Events

On August 8, 2022, the Board of Directors of the Company declared an interim dividend of US cents 1.5 per ordinary share for the half-year ended June 30, 2022. The Company expects to pay a US$ 5,261,000 on September 2, 2022, with record date on August 19, 2022.

F. Other Information Required by Listing Rule Appendix 7.2

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

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

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

Not applicable.

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

The same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended December 31, 2021 have been applied in the preparation for the financial statements for period ended June 30, 2022.

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

Not applicable.

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

	Group		Company	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Net asset value (US$ thousands)	72,809	70,551	72,809	70,551
Net asset value per ordinary share:				
US cents	20.76	20.09	20.76	20.09
Singapore cents*	28.89	27.96	28.89	27.96

At June 30, 2022, net asset value per share is calculated based on the number of ordinary shares in issue at June 30, 2022 of 350,710,075 (not including 4,967,800 dormant ordinary shares at June 30, 2022). At December 31, 2021, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2021 of 351,090,280 (not including 4,390,200 dormant ordinary shares at December 31, 2021).

* Convenience translation based on exchange rate of US$ 1=S$ 1.3918 at June 30, 2022.

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

Overview

H1 2022 was affected by uncertainties stemming from the hostilities in the Ukraine, which commenced in late February, the renewed outbreak of Covid-19 in China with the ongoing policy of lockdowns ordered there, and an inflationary economic environment. Sanctions impacted the flow of rough diamonds from Russia into the value chain in April and May, with decreasing impact from June onwards.

The Group reported in H1 2022, revenues of US$ 31.2 million, profit from operations of US$ 7.5 million, and net profit of US$ 6.5 million, as compared to an exceptional H1 2021 driven by a post-pandemic surge of revenues of US$ 36.0 million, profit from operations of US$ 14.0 million, and net profit of US$ 12.6 million.

Overall recurring revenues for H1 2022 (including Galaxy® inclusion scanning, Quazer® services, polished diamond related services, annual maintenance contracts, etc.) were over 50% of our overall revenue (approximately 40% for H1 2021), an increase of approximately 12%. Overall rough and polished diamond wholesale and retail related ("Trade") revenues, mostly from digital tenders, the Sarine Profile™, the Sarine Diamond Journey™, our AI-derived grading and other technologies applied to the flow and trade of rough and polished diamonds were approximately 11% of our overall revenue for H1 2022 compared to just under 6% in H1 2021, an increase of approximately 70%.

Midstream polishing activities were robust, as evidenced by the continued expansion of the utilisation of our inclusion mapping systems, (average weekly usage in H1 2022 exceeded those realised on average throughout FY2021) However the aforementioned global geopolitical and economic uncertainties did contribute to a decline in capital equipment sales, as compared to what had been an exceptionally strong resurgence of sales in H1 2021 on the backdrop of robust consumer ("revenge") demand for luxury items, following the general recovery from the worst of the Covid-19 world crisis.

The decline in profitability in H1 2022 was mainly due to lower sales, a slightly lower gross profit margin, associated with the lower sales and the absence of the sale of inventory previously written-off in prior, as realised in H1 2021, and the overall increase in operating expenses as activities further returned to normal (e.g., the resumption of trade shows).

The Group delivered 32 Galaxy®-family inclusion mapping systems in H1 2022 comprising an unusual mix of 13 systems for larger stones, primarily to customers in Africa. Just over half of the systems for smaller stones were sold under the one-off paradigm with no follow-on per-use revenues to be generated from them in the future. As of June 30, 2022, our installed base was 743 systems.

Balance Sheet and Cash Flow Highlights

As at June 30, 2022, cash, cash equivalents, short-term investments (bank deposits) ("Cash Balances") increased to US$ 39.1 million as compared to US$ 36.4 million as of December 31, 2021. The increase in Cash Balances was primarily due to the Group's profitability in H1 2022, offset somewhat by the payment of a US$ 3.5 million final FY2021 dividend in May 2022, the repurchase of US$ 0.2 million of Sarine shares in the open market, and a slight increase in trade receivables to US$ 24.3 million as at June 30, 2022 (US$23.8 million as at December 31, 2021), due primarily to credit terms offered to customers.

Revenues

Revenues for H1 2022 of US$ 31.2 million, decreased by 13%, as compared to revenues of US$ 36.0 million reported in H1 2021. The decrease in revenues, mainly in India, was due to an approximate 30% decline in capital equipment sales, offset by an approximate 22% increase in recurring revenues. The decline in capital equipment sales, mainly for smaller sized stones, resulted from the geopolitical uncertainties, particularly the sanctioning of Alrosa sourced rough diamonds, as well as ongoing piracy in India. The increase in recurring revenues was mainly due to increased trade related revenues, but also due to the ongoing scanning of progressively higher quantities of rough diamonds scanned on our Galaxy® technologies throughout H1 2022, seemingly regardless of the aforementioned sanctions.

Cost of sales and gross profit

Cost of sales for H1 2022 of US$ 8.9 million, decreased by 2% (on a decrease in revenues of 13%), as compared to US$ 9.1 million in H1 2021, with a gross profit margin of 71% in H1 2022 compared to 75% in H1 2021. The decrease in cost of sales in H1 2022 was primarily due to decreased capital equipment sales. The decrease in gross profit and the corresponding decrease in gross profit margin were primarily due to decreased overall sales. H1 2021 also benefited from the sale of inventory previously written-off in prior periods.

Research and development expenses

Research and development expenses for H1 2022 of US$ 4.2 million increased by 7% as compared to US$ 3.9 million in H1 2021. The increase in research and development expenses, as planned, was primarily due to higher employee costs, offset somewhat by lower outsourcing expenses.

Sales and marketing expenses

Sales and marketing expenses for H1 2022 of $6.3 million increased by 16% as compared to US$ 5.4 million in H1 2021. The increase in sales and marketing expenses was due primarily to increased advertising and trade-show related expenses, returning partially to pre-Covid-19 levels, and also due to increased sales commissions on higher revenues outside of India in H1 2022. Trade show activities have yet to return to normalised levels in the Asia Pacific region.

General and administrative expenses

General and administrative expenses for H1 2022 of US$ 4.3 million, increased by 14%, as compared to US$ 3.8 million in H1 2021. The increase in general and administrative expenses was primarily due to increased third-party legal and professional fees related to ongoing multiple patent and copyright litigations and related activities in India.

Other income from lease termination

H1 2021 results benefited from a U$ 0.3 million, non-cash gain associated with the downsizing of leased office space at the Group's headquarters in Israel in April 2021.

Profit from operations

The Group reported a decline in profit from operations of US$ 7.6 million in H1 2022, as compared to US$ 14.0 million in H1 2021. The decrease in profit from operations was mainly due to the lower gross profit in H1 2022 resulting from lower revenues and increased operating expenses at more normalised pre-Covid-19 spending levels, as detailed above.

Net finance income

Net finance income for H1 2022 was US$ 73,000 as compared US$ 62,000 in H1 2021. The increase in net finance income was due to higher interest income during H1 2022 as compared to H1 2021.

Income tax expense

The Group recorded an income tax expense of US$ 1.0 million for H1 2022 as compared to income tax expense of US$ 1.5 million in H1 2021. The decrease in income tax expense was primarily due to decreased profitability in H1 2022, affected by the profitability being realised in various entities of the Group, each subject to different jurisdictions, applicable incentives, and income tax loss carryforwards.

Profit for the period

The Group reported a decline in net profit to US$ 6.5 million in H1 2022, as compared to US$ 12.6 million in H1 2021. The decrease in net profit was mainly due to lower profit from operations in H1 2022, as detailed above.

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

Not applicable.

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

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

a. Geopolitical uncertainties continue. The Covid-19 virus and its mutations, though still with us, are not, perhaps with the exception of China and its "zero Covid-19" policy, a cardinal issue affecting the global economy. Having said that, because of China's policy, there are still serious supply chain issues affecting many industries, including our suppliers.

b. Consumer demand for diamond jewellery continues to be strong, though inflationary conditions may have a further dampening effect going forward. US retailers remain cautiously optimistic regarding the end-of-year holiday season.

c. Our Galaxy® family scans, which remain at previously realised high levels, seem to indicate the flow of rough diamonds into the value chain pipeline has not diminished significantly, reducing concerns regarding the impact of sanctions on the major Russian producer, Alrosa. Our revenues from our digital tender services remain strong, with the exception of Alrosa. The ongoing adoption of our digital tenders opens the door for additional collaboration, e.g., on our Sarine Diamond Journey™ provenance solution.

d. The Sarine Profile™, the umbrella term for our digital paradigms providing “profiling” data pertaining to a polished diamond, including light performance and imaging techniques, continues to expand, as exemplified by the recently announced launch in China by China's National Gem Testing Centre (NGTC), China's largest gemmological laboratory, of a new light performance grading standard for China utilising our technology.

e. We are seeing expanding adoption of our Sarine Diamond Journey™ provenance and traceability solution by key industry players. We believe the Sarine Diamond Journey™ remains the only viably scalable solution for diamond provenance. As environmental, social and governance (ESG) issues are becoming core considerations with consumers, leading luxury brands are increasingly seeking realistic solutions. We are extremely pleased that leading luxury global brands, including Maison Boucheron and the Aura Consortium comprising LVMH, Cartier and OTB, among others, have adopted our Sarine Diamond Journey™ as their traceability solution of choice, as announced earlier this year. Other high-end luxury brands are also evaluating the adoption of our solution. Our Sarine AutoScan™, a robotic system for the high speed scanning of rough stones, is in beta-testing in India. The Sarine AutoScan™ will avail the economical documentation of the sourcing of rough diamonds for their subsequent traceability, and also addresses acute internal inventory control issues miners experience today.

f. e-Grading™ continues its transition from beta-testing to broader introduction to midstream customers. We continue to enhance its functionality with more advanced hardware and more sophisticated software. We are pleased that additional retail brands are adopting our AI-derived grading, as exemplified by Maison Bouscheron's selection earlier this year.

g. The market for lab-grown diamonds (LGD) expanded significantly in 2021, due to a segment of consumers, especially in the U.S., accepting LGD as an alternative product at a lower price point per carat. The market acceptance of LGD jewellery has created, as we have in the past forecast, a new opportunity for the Group, as virtually all our technologies are applicable to LGD. We believe our business from this growing segment will continue to expand in 2022.

We will focus on the following objectives in the second half of 2022:

- Continue beta-testing and first pilot sites of our Sarine AutoScan™ system;
- Continue rollout of our Advisor® 8.0 software;
- Introduce enhancements to our Meteorite™ system;
- Further refine our e-Grading™ AI-based technology; and
- Expand rollout of our e-Grading technology to the midstream.

9. Dividend

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

The Board of Directors has declared an interim dividend of US cents 1.5 per ordinary share for the half-year ended June 30, 2022, constituting a US cents 1.0 dividend, as per the stated dividend policy, and an additional special interim dividend of US cents 0.5

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

On August 4, 2021, the Board of Directors declared an interim dividend of US cents 1.5 per ordinary share for the half-year ended June 30, 2021, constituting a US cents 1.0 dividend, as per the stated dividend policy, and an additional special interim dividend of US cents 0.5.

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

	Amount before tax	Tax rate applicable to shareholders
	US$ thousands	Percent
2022	5,261	20%/0%[1] / 10%[2,3]
2021	5,269	20%/0%[1] / 10%[2,3]

[1] The tax rate will be 20% (20% in 2021) for individual Israeli shareholders and 0% (0% in 2021) for Israeli corporate shareholders.
[2] The tax rate for the dividends for individual and corporate Singaporean shareholders is 10% (10% in 2021.
[3] Payments to shareholders of dividends distributed by the Company will be subject to a tax deduction at source at the rate of 20%, in compliance with Israeli tax directives. Tax amounts deducted from dividend payments will be deposited with a trustee. A shareholder claiming eligibility for preferential tax treatment on dividend payments pursuant to Israeli tax laws or international tax treaties may apply to the trustee within 30 days of the distribution date providing all necessary details and documents, for reimbursement of excess deduction, subject to verification of such eligibility. Details regarding the application procedure shall be provided by the Company in the formal dividend announcement posted on the SGX.

(d) Date Payable

	Amount
	US$ thousands
2 September, 2022	5,261
3 September, 2021	5,269

(e) Record Date

5:00 PM on:

	Amount
	US$ thousands
19 August, 2022	5,261
16 August, 2021	5,269

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

Not applicable.

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

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

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

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial results of the Group for the period ended June 30, 2022, to be false or misleading, in any material aspect.

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

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

On behalf of the Directors

Daniel Glinert

Daniel Benjamin Glinert
Executive Chairman

8 August, 2022