Sarin Technologies Ltd.
and its Subsidiaries

(Incorporated in Israel)

1(a) An income statement (for the group) together with a comparative statement for the corresponding Period of the immediately preceding financial year.

Consolidated Profit and Loss Accounts (US$'000):

	GROUP			GROUP		
	Six months ended June 30,			Quarter ended June 30,		
	2007	2006	Change %	2007	2006	Change %
Revenue	18,553	14,875	24.7	9,257	6,327	46.3
Cost of sales	6,091	5,066	20.2	2,957	2,280	29.7
Gross profit	12,462	9,809	27.0	6,300	4,047	55.7
Research and development costs	2,001	1,820	9.9	1,049	1,007	4.2
Selling and marketing expenses	3,116	2,824	10.3	1,749	1,497	16.8
General and administrative expenses	1,719	1,560	10.2	937	746	25.6
Profit from operations	5,626	3,605	56.1	2,565	797	222.0
Net finance income	484	387	25.1	250	198	26.3
Profit from ordinary activities before income tax	6,110	3,992	53.1	2,815	995	183.0
Income tax expense	1,642	714	130.0	632	201	214.4
Profit for the period	4,468	3,278	36.3	2,183	794	174.9

Note to income statement:
Profit before income tax is stated after (crediting)/charging the following:

	GROUP			GROUP		
	Six months ended June 30,			Quarter ended June 30,		
	2007 US$'000	2006 US$'000	Change %	2007 US$'000	2006 US$'000	Change %
Allowance for doubtful trade receivables	12	(67)	NM	25	(43)	NM
Depreciation and amortization expense	709	495	43.2	357	225	58.7
Interest income, net	(576)	(406)	41.9	(298)	(223)	33.6
Foreign currency translation loss	92	19	384.2	48	25	92.0
Warranty provision	52	258	79.8	36	231	84.4

NM - Not Meaningful.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheet as at(US$'000)

	Group		Company	
	30.06.07	31.12.06	30.06.07	31.12.06
	US$'000	US$'000	US$'000	US$'000
Non-current assets				
Investment in subsidiaries	-	-	1,482	1,573
Property, plant and equipment	1,771	1,570	1,498	1,291
Intangible assets	1,530	534	1,511	510
Other receivables	-	113	-	113
Deferred tax assets	1,218	1,194	1,192	1,174
Fund for employee severance benefits	9	8	-	-
	4,528	3,419	5,683	4,661
Current Assets				
Inventories	4,371	3,309	3,803	2,813
Trade receivables	1,479	1,138	1,267	993
Other receivables	812	1,589	712	1,518
Short-term investments	13,901	11,268	13,901	11,268
Cash and cash equivalents	11,418	12,118	10,872	11,621
	31,981	29,422	30,555	28,213
Current liabilities				
Trade payables	2,090	2,330	2,004	2,224
Other payables	3,636	3,148	3,063	2,923
Current tax payable	710	83	540	-
Warranty provision	258	299	243	284
	6,694	5,860	5,850	5,431
Net current assets	25,287	23,562	24,705	22,782
Non-current liabilities				
Liability for employee severance benefits	202	74	183	74
Net assets	29,613	26,907	30,205	27,369
Capital and reserves				
Share capital*	-	-	-	-
Reserves	29,613	26,907	30,205	27,369
Equity attributable to shareholders	29,613	26,907	30,205	27,369

*Less than one thousand US $

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Zero borrowings from banks.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated cash flow statement (US$'000) for the

	GROUP		GROUP	
	Six months ended June		Quarter ended June	
	2007	2006	2007	2006
Profit for the period	4,468	3,278	2,183	794
Adjustments for:				
Share-Based payment expenses	175	117	93	56
Income tax expense	1,642	714	632	201
Amortization and depreciation	709	378	357	169
Interest expense	43	37	24	19
Interest income	(619)	(443)	(322)	(242)
Operating profit before working capital changes	6,418	4,081	2,967	997
Changes in working capital:				
Inventories	(1,062)	(271)	203	(243)
Trade receivables	(341)	(162)	(301)	(174)
Other receivables	890	(426)	738	(171)
Trade payables	(240)	719	(907)	217
Other payables	488	(73)	855	(88)
Warranty Provision	(41)	258	(5)	231
Employee severance benefits, net	127	13	87	(14)
Cash generated from operations	6,239	4,139	3,637	755
Income taxes paid	(1,039)	(2,390)	(82)	(609)
Cash flows generated from operating activities	5,200	(*)1,749	3,555	(*)146
Investing activities:				
Purchase of property, plant and equipment	(782)	(741)	(486)	(234)
Acquisition of intangible assets	(1,124)	-	(1,124)	-
Interest received	619	443	322	242
Short term investments, net	(2,633)	(*) (2,010)	(3,091)	(*)1,984
Cash flows generated from (used in) investing activities	(3,920)	(2,308)	(4,379)	1,992
Financing activities:				
Proceeds from exercise of share options, net	71	50	46	36
Interest paid	(43)	(37)	(24)	(19)
Dividends paid	(2,008)	(4,690)	(2,008)	(2,180)
Cash flows used in financing activities	(1,980)	(4,677)	(1,986)	(2,163)
Net decrease in cash and cash equivalents	(700)	(5,236)	(2,810)	(25)
Cash and cash equivalents at beginning of the period	12,118	20,601	14,228	15,390
Cash and cash equivalents at end of the period	11,418	15,365	11,418	15,365

(*) Reclassified

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in

equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity

Group

	Share Capital*	Share Premium	Capital Reserve	Retained Earnings	Total
	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000
Statement of Changes in Equity - Group					
Balance at January 1, 2006	-	10,525	223	10,945	21,693
Profit for the period ended June 30, 2006	-	-	-	3,278	3,278
Share-based payment expenses	-	-	117	-	117
Exercise of options	-	50	-	-	50
Dividend paid and declared	-	-	-	(2,180)	(2,180)
Balance at June 30, 2006	-	10,575	340	12,043	22,958
Balance at January 1, 2007	-	10,575	453	15,879	26,907
Profit for the period ended June 30, 2007	-	-	-	4,468	4,468
Share-based payment expenses	-	-	175	-	175
Exercise of options	-	71	-	-	71
Dividend paid and declared	-	-	-	(2,008)	(2,008)
Balance at June 30, 2007	-	10,646	628	18,339	29,613

* Less than one thousand dollars.

After balance sheet date, an interim dividend for 2007 of US$0.0065 per share was declared by the Board of Directors on August 12, 2007 totalling US$1,648,000.

	Share Capital*	Share premium	Capital Reserve	Retained Earnings	Total
	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000
Statement of Changes in Equity - Company					
Balance at January 1, 2006	-	10,525	223	10,753	21,501
Profit for the period ended June 30, 2006	-	-	-	3,598	3,598
Share-based payment expenses	-	-	117	-	117
Exercise of options	-	50	-	-	50
Dividend declared & paid	-	-	-	(2,180)	(2,180)
Balance at June 30, 2006	-	10,575	340	12,171	23,086
Balance at January 1, 2007	-	10,575	453	16,341	27,369
Profit for the period ended June 30, 2007	-	-	-	4,598	4,598
Share-based payment expenses	-	-	175	-	175
Exercise of options	-	71	-	-	71
Dividend paid and declared	-	-	-	(2,008)	(2,008)
Balance at June 30, 2007	-	10,646	628	18,931	30,205

* Less than one thousand dollars.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	As at June 30	
	2007	2006
	No. of shares	No. of shares
Authorized:		
Ordinary Shares of no par value	2,000,000,000	2,000,000,000
Issued and fully paid:		
Ordinary Shares of no par value	253,555,500	252,425,500

Details of changes in share options

	Average Exercise in price in US$ per share	Options
At January 1, 2007	0.135	8,993,000
Granted	0.385	1,260,000
Cancelled	0.262	90,000
Exercised	0.063	1,130,000
At June 30, 2007	0.018	9,033,000

2. **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.

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

   Not applicable.

4. **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 31 December, 2006 have been applied in the preparation for the financial statements for the three and six month period ending June 30, 2007.

5. **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

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	For the six months ended June 30		For the three months ended June 30	
	2007	2006	2007	2006
Basic profit per share (US$)	0.0177	0.013	0.00861	0.00315
Diluted profit per share (US$)	0.0174	0.0127	0.00847	0.00307

Basic earnings per share for the six months ended June 30 are calculated based on the weighted average number of 253,050,500 ordinary shares issued during the current period and 251,914,492 during the preceding period.

Diluted earnings per share for the six months ended June 30 are calculated based on the weighted average number of 257,141,469 ordinary shares and outstanding options during the current period and 258,644,540 during the preceding period.

Basic earnings per share for the three months ended June 30 are calculated based on the weighted average number of 253,491,489 ordinary shares issued during the current period and 252,332,313 during the preceding period.

Diluted earnings per share for the three months ended June 30 are calculated based on weighted average number of 257,807,473 ordinary shares and outstanding options and 258,806,156 during the preceding period.

7. **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, 2007	December 31, 2006	June 30, 2007	December 31, 2006
Net asset value per ordinary share (US$)	0.1168	0.1066	0.1191	0.1084

Net asset value per share is calculated based on the number of 253,555,500 ordinary shares in issue at June 30, 2007 and 252,425,500 at December 31, 2006.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
   (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**

<u>1H 2007 vs. 1H 2006</u>

Revenue

Sarin Technologies is a worldwide leader in the development and manufacturing of advanced planning, evaluation and measurement equipment for diamond grading and production.

Revenue by geographic segment (US$ '000)

Region	Q2 2007	Q2 2006	$ change	% change
India	6,496	4,166	2,330	55.9
Europe	575	228	347	152.2
North America	583	452	131	29.0
Other	1,603	1,481	122	8.2
Total	9,257	6,327	2,930	46.3

For the three months ended June 30 2007 the Group experienced strong improvement of business conditions in key markets as compared to the previous corresponding period. As a result, Group revenue jumped 46.3% from US$ 6.3 million in Q2 2006 to US$ 9.3 million in Q2 2007.

By region, India registered a 55.9% increase in revenue to US$ 6.5 million in Q2 2007. The revenues from India came from our traditional products which continued to show strength and experience growth. The rest of the world expanded revenue by 27.8% to US$ 2.8 million from US$ 2.2 million in Q2 2006. The company realized a notable expansion of revenues from the sale of Quazer systems (predominantly from the rest of the world) in Q2 2007 as compared to those realized both in Q2 2006 and Q1 2007.

Region	1H 2007	1H 2006	$ change	% change
India	13,498	10,269	3,229	31.4
Europe	873	868	5	0.1
North America	899	972	-73	-7.5
Other	3,283	2,766	517	18.7
Total	18,553	14,875	3,678	24.7

The continued recovery of our key market in India and the development of new emerging markets supported revenue growth of 24.7% from US$ 14.9 million in 1H 2006 to US$ 18.6 million in 1H 2007.

1H 2007 revenues from India reached US$ 13.5 million, which represents growth of US$ 3.2 million or 31.4%, from US$ 10.3 million in 1H 2006. At the same time Sarin continued to increase revenues from the rest of the world. The Group recorded revenue growth of 9.7% from US$ 4.6 million in 1H 2006 up to US$ 5.1 in 1H 2007. For the first six months of 2007 North America registered revenue decrease of US$ 0.1 million or 7.5% to US$ 0.9 million. Sales to Europe remained flat and reached US$ 0.9 million.

Revenue from the other regions attained growth of 18.7% to US$ 3.3 million in comparison to US$ 2.8 million in 1H 2006. Significant growth was realized in China reaching approximately US$ 0.55 million in 1H 2007, up from approximately US$ 0.2 million in 1H 2006.

Cost of sales and gross profit

With the increase in revenues, cost of sales increased as well, but at a slower rate of 20.2% to US$ 6.1 million in 1H 2007 from US$ 5.1 million in 1H 2006. Our gross profit margin in 1H 2007 was 67.2% compared to 65.9% in 1H 2006. The increase in the gross profit margin was due to the mix of products delivered during 1H 2007 in comparison to 1H 2006 and to economies of scale.

Our gross profit margin in Q2 2007 was 68.1%, compared to 64.0% in Q2 2006. In Q2 2006 the company faced a higher level of expenses related to the Quazer activity including a provision of US$ 200,000 for necessary corrective actions that were implemented in the Quazer products that had already been sold in the previous quarters.

The current gross margin is in line with our traditional gross profit margins

Research and development costs

The increase in research and development costs in 1H 2007 in comparison to 1H 2006 was 9.9%, up from US$ 1.8 million to US$ 2.0 million. Our research and development in Q2 2007 in comparison to Q2 2006 increased 4.2% and reached US$ 1.05 million. During 1H2007 and Q2 2007 manpower expenses were higher, but we spent less on new applications for patents as well as on sub-contractor and materials costs (mainly related to the Quazer product).

Selling and marketing expenses

The increase in the selling and marketing expenses in 1H 2007 in comparison to 1H 2006 was 10.3%, up from US$ 2.8 million to US$3.1 million. The increase in the selling and marketing costs in Q2 2007 in comparison to Q2 2006 was 16.8%, up from US$ 1.5 million to US$ 1.75 million. Higher sales in India increased the compensation paid to our sales team there. In addition we faced higher operating expenses for our activities in India and in China as a result of our increased sales in those key markets.

General and administrative expenses

General and administrative expenses increased by 10.2%, or US$ 0.16 million, during 1H 2007 from US$ 1.56 million up to US$ 1.72 million. Higher investment in the disposable discs activity, compensation expenses, adjustment of the provision for doubtful amounts and our efforts to defend our intellectual property against infringement by its competitors were the main reasons for the increase, partially offset by lower payments to our directors.

Net finance income

Finance income increased in 1H 2007 to US$ 0.5 million from income of US$ 0.4 million in 1H 2006. The increase in financial income resulted from the higher cash levels maintained by the Company, along with higher interest rates on the Company's US$ financial investments. This income stems from the Company having invested portions of its cash reserves in high grade interest bearing commercial papers (included in short–term investments in the balance sheet).

Profit from ordinary activities before income tax

As a result of higher business activity and effective cost management, the company achieved an increase of 53.1% or US$ 2.1 million in our profit before tax in 1H 2007 in comparison to 1H 2006, from US$ 4.0 million up to US$ 6.1 million. For Q2 2007 we have recorded profits before tax of US$ 2.8 million compared to only US$ 1.0 million in Q2 2006, representing an increase of 183% or US$ 1.8 million. As a result, our profit before tax margin increased from 26.8% of revenue in 1H 2006 up to 32.9% in 1H 2007, and from 15.7% of revenue in Q2 2006 to 30.4% in Q2 2007

Income tax expense

During the previous two calendar years, the Company benefited from tax incentives from the last Approved Enterprise program granted by the Government of Israel in November 2005. In 1H 2007 those incentives continued but were much less pronounced. The Company is claiming new tax incentives, as from 2007, which will result in a tax holiday for two years and a further five years of reduced tax rates in respect of the proportionate increase in turnover over the base years of 2005 and 2006. These benefits are expected to be lower than the benefits from the 2005 program.

On the other hand, in 1H 2007 the Group recorded taxes on a dividend paid by Sarin India to the parent company in Israel, as reported in Q1 2007 and also provided for other possible tax exposures.

As a result of improved business performance and the abovementioned issues, the Group recorded an income tax expense of approximately US$1.6 million in 1H 2007 compared to US$ 0.7 million in 1H 2006, and US$ 0.6 million in Q2 2007 compared to US$ 0.2 million in Q2 2006. The effective income tax rate for 1H 2007 increased to 26.9 % in comparison to 17.9% in 1H 2006.

Profit for the period

In 1H 2007 we achieved a net profit of US$ 4.5 million, representing an increase of 36.3% or US$ 1.2 million from 1H 2006 and a margin of 24.1% from revenues in comparison to 22% in 1H 2006. In Q2 2007 we achieved a net profit of US$ 2.2 million, representing an increase of 174.9% or US$ 1.4 million from Q2 2006, and a margin of 23.6% from revenues compared to 12.5% in Q2 2006.

Balance Sheet

The stronger business activity, combined with the launch of several enhanced products during 1H 2007 resulted in higher inventory levels for the period.

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

Not applicable

10. 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.

Current industry trends:

a) As previously reported, the diamond manufacturing market recovery momentum, as had been expected by many industry leaders and followers, has carried through into the 1H2007. This recovery has created a better market for our products, not only in India but worldwide.
b) US and global diamond jewellery sales are expected to continue to grow during 2007, albeit at a somewhat slower rate than in 2006. More significant growth is expected in China, India and the Middle East countries. Indeed, the Group's sales into China have increased significantly in 1H2007. Management believes this trend will continue through 2H2007.

c) As noted in previous announcements, as a result of the South African and neighbouring governments' policies, to give increased incentives to diamond polishing activities in that region of the world, there has been and is an ongoing shift of diamond polishing plants to the southern African countries. This has created opportunities for the sale of the Group's products into these emerging manufacturing centres. Management believes this trend will continue through 2H2007.

d) And again, as previously noted, consumer confidence in diamonds' authenticity and quality is increasingly becoming an issue for jewellery retailers worldwide. This is especially true in the US, which, it is estimated, accounts for nearly 50% of all jewellery sales. The Group's marketing and sales activities targeting consumer confidence products for the retail trade in general, and in the US and on the West Coast in particular, have started generating revenues and Management believes this trend will continue through 2H2007 and into FY2008.

Company's plans for next period:

a) Sales and deliveries of our green-laser Quazer™ system have increased following significant performance improvements. Technical improvements in the green laser source already implemented by our US supplier in systems delivered commencing in May 2007, as planned, and additional improvements to be introduced in future systems, have and will further enhance our system's performance. Management expects sales and deliveries of the Quazer systems to continue to accelerate through 2H2007, as the benefits of this product become apparent to the market.

b) Shipments of our improved rough planning products in 1H2007, including, the new DiaExpert Eye™ and the innovative, patent-pending, TruScan™ products, were met with positive market response. Sarin is continuing to develop new derivatives of its rough diamond planning products to broaden the market for this product line. Management expects to introduce in 2H2007 a new product designed specifically to address the needs of manufacturers of smaller stones. We expect these new developments to continue to promote sales of these products, as the value proposition to our customers is increased.

c) Initial commercial sales of our innovative disposable disc product have commenced. In addition to agreements which have been finalised with our beta-site customers, the product has been successfully introduced to a number of key opinion-leading customers in India and South Africa. Broader marketing efforts for this new product will now commence. The preliminary procedural planning and authorization steps for building the full-scale production facility have commenced, so that we expect that, barring unforeseen circumstances, commercial production output will be available, as planned, in FY2008.

d) As previously reported, sales of Sarin's new product for the assessment and prediction of colour in rough diamonds (OrchiDia™) continue. Sales of Sarin's new product for the measurement of colour in polished diamonds (the Colibri™) are expected to commence, as planned, in Q3 FY2007. We expect the demand for the solutions provided by our subsidiary, Sarin Color Technologies to generate increased sales going forward into 2H 2007 and FY2008.

e) The research and development (R&D) of the automatic inclusion mapping system is ongoing. The Company continues to believe that the technology being developed in this project has the potential to be a breakthrough in diamond planning and processing, once commercialised. The commercialisation effort, entailing further technical development and the solution of many practical issues, continues. However, the overall schedule continues to be longer than previously anticipated.

f) The Company plans to continue its hitherto successful efforts to realise more sales from emerging market opportunities in the southern African countries and China. The process of the registration of Sarin's subsidiary in the People's Republic of China has made progress. When finally approved by the local authorities this subsidiary will bolster the Group's abilities to provide the necessary sales and support infrastructures needed to further these goals.

g) The Company continues to assess potential targets for investment and acquisition. Sarin continues to seek companies with products and/or services, which would complement our product offerings to customers in our industry, allowing us to fully leverage our established brand name and market presence. Joint ventures with companies with innovative proprietary technologies of significant commercial potential, leading to exclusive worldwide commercialisation rights, will also be pursued. Other investments may be in industry players with potential for expansion in areas in which the Group presently has limited or no presence.

11. Dividend

(a) Current Financial Period Reported

Any dividend declared/recommended for the current financial period reported on?

The Board of Directors declared, on August 12, 2007, an interim dividend of US$0.0065 per share

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

The Board of Directors declared, on August 13, 2006, an interim dividend of US$0.005 per share.

(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 US$'000	Tax rate applicable to shareholders %
1H 2006	1,262	~15%* / 10% ***
1H 2007	1,648	~12-16%** / 10% ***

* *The tax rate for the final cash dividend was 14.5% for Israeli corporate and 15.3% for Israeli individual shareholders.*

** *The tax rate for the interim cash dividend will be around 12% for Israeli corporate and around 16% for Israeli individual shareholders.*

*** *The tax rate for the interim cash dividend will be 10% for Singaporean shareholders.*

(d) Date Payable

		Amount US$' 000
2006	12.9.06	1,262
2007	11.9.07	1,648

(e) Books Closure Date

		Amount US$' 000
2006	1.9.06	1,262
2007	31.8.07	1,648

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

Not applicable.

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 Company for the period ended 30 June 2007, to be false or misleading.

On behalf of the Directors

Daniel Benjamin Glinert

Hanoh Stark