Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Synagie Corporation Ltd.

Stock code: V2Y

Meeting details:
Date: 28 May 2020
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the Corporate highlights (page 2 of the annual report), the group achieved many firsts in 2019, including:

- launch of on-demand lifestyle insurance application 'Kiasu.me'
- entry into travel & lifestyle e-commerce sector, partnering Samsonite
- appointment as regional Lazada partner

Revenue for the year increased to $19.4 million although loss for the year increased to $(8.5) million.

As noted in the Corporate profile, the group provides "end-to-end commerce enablement and fulfilment solutions through its cloud-based platform" (page 1).

(i) **Can management elaborate on the actual activities provided by the group in its "end-to-end solutions" to help shareholders better understand its operations?**

(ii) **What is the value-add of the group?** From Note 32 (page 112 – Segment information), the group recognised e-commerce revenue of $15.4 million but reported a segment loss from e-commerce of $(6.98) million.

(iii) **In particular, can management clarify if it is working with large fulfillment centers such as those by Amazon or competing against them?**

(iv) **Given that it neither owns the brands nor the customers/e-commerce platforms, how does the group ensure that its business model can generate superior and sustainable returns?**

(v) **Can management provide shareholders with greater detail of the group's path to profitability?**

Q2. The company carried out a renounceable non-underwritten rights issue that was completed on 6 January 2020 to raise net proceeds of $3.97 million. As at 31 December 2019, the group has cash and cash equivalents of $1.44 million. This already includes $2.166 million of the capital contribution from shareholders in the rights issue but excludes the $1.81 million withheld temporarily by The Central Depository (Pte) Limited at the end of the reporting period due to administrative procedures.

The company's "going concern" is a key audit matter ("KAM") highlighted by the Independent Auditor in the Report on the audit of the financial statements (page 49).

As noted in the KAM, the group has made consecutive losses since 2018. Losses after tax amounted to $(8.5) million in FY2019 and $(7.4) million in FY2018. Net cash used in operating activities was $4.6 million in FY2018 before increasing to $7.4 million in FY2019.

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As such, these conditions may cast significant doubt on the group's ability to continue as a going concern.

(i) **Can management help shareholders understand the cash flow generative ability of the group's business model?**

(ii) **How much inventory risk does the group take on?** In FY2019, the group recognised $322,000 in allowance for inventory obsolescence.

In particular, administrative expenses increased from $9.98 million to $12.99 million in FY2019.

(iii) **Can management provide a breakdown of the $12.99 million in administrative expenses? What are the reasons for the significant increase in administrative expenses?**

Q3. The group launched kiasu.me in March 2019, a new on-demand lifestyle insurance mobile app and cloud insurance platform that offered affordable and instant protection for consumers. The service was powered by artificial intelligence and backed by the world's leading insurers to provides customers with instant coverage and delivers "pay-as-you-use" lifestyle insurance coverage.

The insurtech subsidiary was acquired on 20 April 2018. It was disclosed that the insurtech subsidiary processed more than $500 million in insurance coverage and over 780,000 insurance policies in 2018.

(i) **Can management provide shareholders with an update on the volume of business carried out by the insurtech subsidiary in 2019?**

The consideration for 1Care Global Pte. Ltd. and its subsidiaries ("Insurtech Subsidiary") was for a total purchase consideration of $6.576 million. In the purchase price allocation, management has included $1.92 million of intangible assets pertaining to customer relationships and contracts, and $2.17 million has been recorded as goodwill.

As disclosed in Note 12 (page 98 – Goodwill), the recoverable amount of the CGU is determined from value in use calculations and accordingly, the company has recognised an impairment loss of $1.2 million. Even as the rate used to discount the forecast cash flows was lowered significantly from 11% to 9.8%, there was a shortfall in recoverable amount over enterprise value of the CGU. Hence an impairment of S$1,200,000 was recognised.

As at 31 December 2018, management held the opinion that the earn-out incentive of $3.3 million will be realised and recognised it as a contingent consideration in the financial statements. The targets were for revenue and profit after tax in each year of 2018 and 2019 to exceed $5.5 million ("Revenue Target") and $1.3 million ("NPAT Target").

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As shown in Note 32 (page 112 – Segment information), the insurtech segment generated $3.1 million in revenue and recognised a loss of $(282,000).

(ii) **What were the challenges and the difficulties faced by the insurtech subsidiary in 2019?**

(iii) **What experience has been gained by the group from the acquisition?**

(iv) **Should the group consider other acquisitions, what guidance has the board given to management to ensure that the company value the target companies prudently and that the company does not overpay for aggressive growth targets?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)