Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Sarine Technologies Ltd

Stock code: U77

Meeting details:
Date: 26 April 2022
Time: 3.00 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. The group's milestones for FY2021 could be seen on page 6 of the annual report. It was a watershed year as the Galaxy® family of scanning and inclusion mapping systems processed a record 33 million stones, a 73% surge during 2021.

In addition, as disclosed in the chairman's statement, the diamond jewellery value chain rebounded dramatically and exceeded forecasts for the scale of the recovery. Diamonds, along with luxury goods, made a quick return to pre-pandemic levels.

The group's revenues grew by 51% to US$62.1 million. Gross profit margin was 73.8% while profit from operations increased significantly by 303% to US$19.2 million. Net profit surged by 600% to US$16.5 million with net profit margin increasing to 26.5% (FY2020: 5.8%).

The group's main objectives for 2022 can be seen on page 13 of the annual report in the chairman's statement and on page 27 in the management's review.



(Source: company corporate presentation – February 2022)

(i) As seen from the diagram above, the group already spans the entire diamond value chain. **Are there still gaps in the market for the group to expand into? Does it mean that innovation and/or growth will be more evolutionary in nature (such as upgrading Advisor® 7.0 to Advisor® 8.0) and less revolutionary?**

With 80 deliveries in 2021, the group's installed base of 711 Galaxy® systems (as of 31 December 2021) gives management the confidence that Galaxy® usage will hit a new high again in 2022. This is due to the larger installed base as well as new services and features.

(ii) **What is management's strategy to further reduce the friction for potential customers to adopt its Galaxy® systems?**

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(iii) **Similarly, what are the barriers management has to overcome to scale up e-Grading™?**

The group expects trade revenue (i.e. rough and polished diamond wholesale and retail related), digital tenders, the Sarine Profile™ and the Sarine Diamond Journey™, to continue to scale up. In FY2021, these amounted to 8% of the group's total revenue, up from 4-5% in the previous year (page 12).

(iv) **Can management help shareholders better understand the growth trajectory?**

The company also made significant headway in its IP enforcement activities and is successful against a diamond manufacturer, Rudra Diam, that was using pirated versions of the Advisor® diamond planning software.

(v) **What is the financial impact of the judgement to the group?**

Q2. The environmental and sustainability issues are becoming core considerations, or even the top priority for certain consumers. There is an identified gap for the industry to demonstrate its sustainability credentials to the new generation of consumers.

As noted in the De Beers report, there is a premium of up to 20% if brands are able to provide evidence of sustainability credentials.

(i) **Can the board/management help shareholders better understand the value proposition of the group's services/products in provenance traceability? Are there established industry standards? Or is the group one of the leaders in providing provenance traceability and thus setting the industry standards?**

(ii) **Does management see lab-grown diamonds (LGD) "cannibalising" the demand for mined diamonds or will LGD expand the market and attract a new segment of customers who would not have bought mined diamonds?**

(iii) **Will the group have to alter its business model given the lower price point of LGD to perhaps focus on volume? If so, does this affect the group's future profitability as the volume of LGD increases?**

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Q3. On 31 March 2021, the company announced that it was seeking to apply for a dual listing on the Tel-Aviv Stock Exchange (TASE).

The company noted that it was domiciled in Israel and it was leveraging the new tie-up between TASE and the Singapore Exchange ("SGX") to facilitate the ease of dual listings of companies already with primary listing on either venue.

The company expected the dual listing to broaden the potential investment base of the company and improve the share's liquidity. It was also advised that such a dual listing will also broaden the potential investing audience to the U.S. market as the time difference between Tel-Aviv and the U.S. is only 7 hours, as opposed to the 12-13 hour time difference to Singapore.

The Israeli equity and debt (bond) markets are considered to be highly sophisticated markets with attractive terms for raising capital through the issuance of equities or debt.

The company commenced its dual listing trading on the TASE on 5 July 2021 under the symbol SARN.TA.

(i) **What are the realised benefits (tangible and intangible) since the company's listing on TASE on 5 July ?**

(ii) **In particular, has the board/management reviewed if the share's liquidity has improved?**

(iii) **How much was spent on professional fees for the dual listing? Are there recurring professional fees to be incurred to maintain its dual (secondary) listing on TASE?**

(iv) **Is there a change in the profile of the shareholders, especially any increase in investors from the U.S. market?**

(v) **Are there plans to raise capital on TASE or SGX in the near term?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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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