Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Asia Vets Holdings Ltd.

Stock code: 5RE

Meeting details:
Date: 3 June 2020
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 vision is to be the trusted partner at the forefront of pet care in Asia.

Currently, the group operates three veterinary clinics which provide a full range of general veterinary services including medical, surgical and dental care for small animals and after-hours emergency services.

In the chairman's statement & operations review, it was disclosed that, in addition to organic growth, the company "has been actively exploring various acquisition opportunities and options available to maximise value for its shareholders although no material decisions had been made" (page 3 of the annual report).

(i) **Can management help shareholders understand if there are large/mid-scale veterinary clinic chains that already exist in the market that would be possibly synergistic to the group?**

(ii) **What is the group's market share in Singapore?**

(iii) **Would management provide shareholders with better visibility on the group's operations?** For example, management could showcase the three clinics and profile the group's veterinarians in the annual report to help shareholders better understand the group's operations.

(iv) **Has the group evaluated organic growth opportunities, i.e to set up new clinics in Singapore?**

(v) **How is the group conducting its M&A search?**

(vi) **How has the group's operations been affected by the pandemic, especially since the start of the circuit breaker?**

Q2. As shown in Note 10 (pages 64 to 66 – Investment in a subsidiary), when the company acquired the subsidiary, the aggregate purchase consideration was $9.3 million, consisting of an initial payout of 80% and a retention sum of 20%.

The purchase consideration was to be fully satisfied by 70% in cash and 30% via the issuance and allotment of the company's shares.

The retention sum was also subject to several adjustment mechanism (page 66) that was based on the EBIT of the business.

As at 31 December 2019, the fair value of the contingent consideration decreased by $561,556 to $1,317,666.

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(i) **Can the board confirm that the reduction in the fair value of the contingent consideration was due to the clinics not meeting its EBIT expectation? If so, has the board reviewed and determined the reasons for the shortfall?**

(ii) As the end of the retention period is February 2021, the contingent consideration will only be determined after its final measurement for the 30 months period. **Can the board confirm that it is still possible for the contingent amount to be revised upwards if the operating performance improves?**

(iii) **How is the board pro-actively providing its entrepreneurial leadership to help management achieve its targets?**

Q3. Would the board provide shareholders with better clarity on the following corporate governance matters? Specifically:

(i) **Remuneration disclosure**: Directors fees amounted to $109,500 for 2019. In Note 20 (page 71 – Related party transaction), it was noted that the compensation paid to directors amounted to $315,109 in 2019.

20. Related party transactions

	Group		Company	
	2019 $	2018 $	2019 $	2018 $
Compensation of key management personnel				
Short-term employee benefits	668,123	481,694	–	193,961
Central Provident Fund contributions	38,802	33,267	–	12,933
	706,925	514,961	–	206,894
Comprise amounts paid to:				
Directors	315,109	312,240	–	169,092
Other key management personnel	391,816	202,721	–	37,802
	706,925	514,961	–	206,894

Since directors' fees amounted to $109,500, it can be estimated that the executive director received $205,609 in 2019. Yet in the Corporate Governance report, it is shown that the executive director received a remuneration of between $250,000 and $500,000.

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Remuneration of Directors and key management personnel

The level and mix of remuneration of the Company's Directors and key management personnel (who are not Directors or the Chief Executive Officer) for FY2019 are as follows:

Remuneration band and Name of Director	Base/Fixed salary* (%)	Bonus (%)	Directors' fees (%)	Benefits-in-kind (%)	Total (%)
Directors					
Between S$250,000 and S$500,000					
Tan Tong Guan	92	8	–	–	100
Below S$250,000					
Teo Yi-Dar	–	–	100	–	100
Chan Kum Kit[1]	–	–	100	–	100
Tan Geok Moey	–	–	100	–	100
Kim Seah Teck Kim	–	–	100	–	100
Henry Tan Song Kok[2]	–	–	–	–	–

Would the board help shareholders reconcile this apparent discrepancy?

(ii) In addition, in the Consolidated statement of cash flows, it was stated that more information on the "Fair value adjustment on contingent consideration for business combination" could be found in Note 23 (see extract below).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $	2018 $
Cash flows from operating activities			
Profit/(loss) before tax		788,681	(2,314,299)
Adjustments for:			
Depreciation of plant and equipment	9	136,053	52,636
Depreciation of right-of-use assets	21	255,084	–
Equity-settled share-based payment		–	1,030,000
Interest income	5	(191,205)	(142,540)
Interest expenses		17,354	–
Fair value adjustment on contingent consideration for business combination	23	(561,556)	27,881
Unrealised exchange loss/(gain)		178	(252)
Operating cash flows before working capital changes		444,589	(1,346,574)

(Source: company annual report; page 47; emphasis added)

However, Note 23 details the group's "Financial risk management objectives and policies" whereas Note 24 has the additional information on the "Fair value of assets and liabilities". **Would the company clarify if the note in the consolidated statement of cash flows should be Note 24 instead of Note 23? If so, can the directors, especially the independent directors, help shareholders understand their individual involvement in the preparation of the annual report?**

(iii) In the Corporate Governance report, the nominating committee ("NC") has noted the following:

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The NC noted that some Directors have other principal commitments, while others have both multiple listed company board representations and other principal commitments. In particular, the NC noted that each of Mr Teo Yi-Dar and Mr Henry Tan Song Kok hold a significant number of such listed company board representations and other principal commitments. Notwithstanding, the NC noted the aforesaid Directors' commitments and contributions to the Company, which are evident in their level of attendance and active participation at Board and Board Committee meetings. Based on the above, the NC has reviewed and is of the opinion that all the Directors are able to and have adequately carried out their duties as Directors of the Company, as well as sufficient time and attention are given by the Directors to the affairs of the Company in FY2019, and for Mr Henry Tan Song Kok, since his date of appointment as a Director on 1 January 2020.

Both of the above-mentioned directors would be seeking their re-election/appointment by a shareholder vote at the annual general meeting scheduled to be held on 3 June 2020.

Should the directors be re-elected, would the directors be reviewing their other commitments with a view of reducing them?

^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)