



**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](mailto:admin@sias.org.sg) [www.sias.org.sg](http://www.sias.org.sg)

UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Asia Vets Holdings Ltd.

**Stock code:** 5RE

**Meeting details:**

Date: 25 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.

**Q1.** On 30 December 2021, the company announced the proposed acquisition of 100% of the issued and paid-up share capital in Aldigi Holdings Pte Ltd that will constitute a “reverse takeover” transaction pursuant to Chapter 10 of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalist.

The announcement can be found here:

[https://links.sgx.com/FileOpen/AVH%20-%20Annct%20-%20RTO\\_final%2030.12.21%20clean.ashx?App=Announcement&FileID=696193](https://links.sgx.com/FileOpen/AVH%20-%20Annct%20-%20RTO_final%2030.12.21%20clean.ashx?App=Announcement&FileID=696193)

The subsidiaries of the Aldigi Holdings have the following principal activities:

- Business consultancy services on the development and use of distributed ledger technologies platforms and digital assets solutions
  - Provision of intellectual property advisory services
  - Provision of continuing sponsorship services for Catalist-listed companies and corporate governance advisory services, and provision of corporate finance related services such as capital raising, merger and acquisition advisory and initial public offering / reverse takeover advisory
- (i) **What is the progress of the proposed RTO? If things proceed smoothly, when does the board expect the RTO to be concluded?**
- (ii) **What is the level of commercial due diligence carried out by the board/management?**
- (iii) **What is the experience and track record of the board in deal structuring and valuation? How will the proposed deal structure safeguard the interests of the company and of the shareholders? (see Question 2(vi))**

The unaudited proforma combined net asset value of the target group is \$1.86 million. The company has entered into the conditional sale and purchase agreement for a consideration of \$45 million.

- (iv) **How did the company agree on the consideration of \$45 million?**
- (v) **Did the board review the forecasted profits of the targets? What is the level of confidence in the forecasted profit numbers? Will the vendors be providing any profit guarantees?**
- (vi) **Can the board help shareholders understand the risks associated with this proposed RTO? Will the proposed acquisition result in significant goodwill?**

As at 31 December 2021, the group has cash and cash equivalent of \$11.1 million.

- (vii) **When will the company be declaring a dividend or a distribution of approximately \$6 million such that a minimum of \$5 million in cash is left in the bank accounts of the group as a condition of the proposed RTO?**

**Q2.** On 16 Jun 2021, the company announced the cessation of Dr Lin Chung Chieh Eugene with effect from 12 September 2021. Dr Eugene Lin had entered into a service agreement for a period of at least 30 months following the completion of the acquisition on 13 August 2018.

Dr Lin had first tendered his resignation in March 2021, soon after the end of the 30 months minimum employment period.

For the financial year ended 31 the group's revenue decreased by 29% year-on-year to \$3.0 million. The group suffered a loss after tax of \$(277,000) for FY2021. The Chinese Medicine veterinary clinic was closed in March 2021 and the group has faced challenges in recruiting veterinarian surgeons, affecting the group's business growth.

- (i) **Other than Dr Joyce Lauw who has been promoted to the Medical Director and General Manager of AVH Animal Ark, how many other veterinarians are there in the group?**
- (ii) **Did the board identify key-man risk as a main risk factor for the group? If so, what were the efforts by the board to mitigate such risks?**
- (iii) The group incurred net loss of \$26,000 in relation to the closure of the TCM veterinary clinic, which included loss on disposal of plant and equipment, inventory written-off and penalty from early termination of lease. **Was the TCM clinic closed because of the cessation of Dr Eugene Lin?**
- (iv) **Has the board assessed the long-term commercial viability of the veterinary business given the current scale and growth potential?**
- (v) **Will the veterinary business be retained as a core business, along with the proposed acquisition of Aldigi Holdings Pte. Ltd, a financial and technology business?**
- (vi) The company acquired AVH Animal Ark Pte. Ltd in August 2018 for an aggregate purchase consideration of \$9.3 million, which included goodwill of \$8.4 million. **Will the board be reviewing the deal structure and applying the lessons learnt to the proposed acquisition of Aldigi Holdings Pte. Ltd.?**

**Q3.** As mentioned above, the carrying amount of goodwill from the acquisitions of AVH Animal Ark is \$8.4 million. For impairment testing, the recoverable amount has been determined based on value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate used to extrapolate cash flow projections beyond five-year period are as follows:

	2021	2020
Growth rate	1.70%	1.70%
Pre-tax discount rate	10.50%	10.50%

(Source: company annual report)

- (i) **Can the audit committee (AC) help shareholders understand if the growth rate of 1.7% is realistic given the challenges faced by the group, including the loss of an experienced veterinarian who has not been replaced?**
- (ii) Another key assumption is the budgeted gross margin of 41%. **Similarly, given the inflationary environment, and the recent performance, how reasonable is the use of a gross margin of 41%?**
- (iii) **Can the AC show the sensitivity analysis of the recoverable amount based on the value-in-use calculation?**

^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.

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.

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

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