

Asia Vets Holdings Ltd. and its subsidiary

Condensed interim financial statements for the six months and full year ended 31 December 2022

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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A. Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	Group					
		2H2022*	2H2021*	Increase / (decrease)	FY2022**	FY2021**	Increase / (decrease)
		\$'000 (Unaudited)	\$'000 (Unaudited)	%	\$'000 (Unaudited)	\$'000 (Audited)	%
Revenue		1,176	1,276	(8)	2,421	3,066	(21)
Cost of sales		(817)	(905)	(10)	(1,573)	(1,925)	(18)
Gross profit		359	371	(3)	848	1,141	(26)
Other operating income	6.1	91	77	18	114	158	(28)
Administrative expenses		(773)	(761)	2	(1,715)	(1,584)	8
Other expenses		(11)	-	N.M.	(11)	-	N.M.
Finance costs		(6)	(7)	(14)	(14)	(10)	40
Loss before tax	6	(340)	(320)	6	(778)	(295)	164
Income tax credit	7	2	31	(94)	11	18	(39)
Loss for the period/year		(338)	(289)	17	(767)	(277)	>100
Other comprehensive income for the period/year, net of tax		-	-	-	-	-	-
Total comprehensive income attributable to owners of the Company		(338)	(289)	17	(767)	(277)	>100
Loss per share (in \$ cents)	8						
Basic		(0.23)	(0.20)		(0.52)	(0.19)	
Fully diluted		(0.23)	(0.20)		(0.52)	(0.19)	

N.M. denotes Not Meaningful

* "2H2022" denotes six months ended 31 December 2022 and "2H2021" denotes six months ended 31 December 2021.

** "FY2022" denotes full year ended 31 December 2022 and "FY2021" denotes full year ended 31 December 2021.

B. Condensed interim statements of financial position

Note	Group		Company	
	As at		As at	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	\$'000 (Unaudited)	\$'000 (Audited)	\$'000 (Unaudited)	\$'000 (Audited)
Non-current assets				
Plant and equipment	11	123	153	-
Right-of-use assets		291	416	-
Investment in a subsidiary	12	-	-	3,371
Goodwill	13	8,405	8,405	-
Amount due from a subsidiary	14	-	-	4,959
		8,819	8,974	8,330
Current assets				
Inventories		108	105	-
Trade and other receivables		349	47	311
Prepayments		28	25	10
Cash and cash equivalents		10,099	11,097	9,999
		10,584	11,274	10,320
Total assets		19,403	20,248	18,650
Current liabilities				
Trade payables		63	50	-
Other payables and accruals		443	406	160
Lease liabilities		185	157	-
		691	613	160
Net current assets		9,893	10,661	10,160
Non-current liabilities				
Lease liabilities		120	265	-
Deferred tax liabilities		-	11	-
		120	276	-
Total liabilities		811	889	160
Net assets		18,592	19,359	18,490
Equity attributable to equity holders of the Company				
Share capital	16(a)	21,333	21,333	21,333
Capital reserve	16(b)	228	228	228
Revenue reserve		(2,969)	(2,202)	(3,071)
Total equity		18,592	19,359	18,490
Total equity and liabilities		19,403	20,248	18,650

C. Condensed interim statements of changes in equity

Group	Share Capital	Capital Reserves	Revenue Reserves	Total Equity
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 January 2022 (audited)	21,333	228	(2,202)	19,359
Loss for the year, representing total comprehensive income for the year	-	-	(767)	(767)
Total comprehensive income for the year	-	-	(767)	(767)
Closing balance at 31 December 2022 (unaudited)	21,333	228	(2,969)	18,592
Opening balance at 1 January 2021 (audited)	20,777	228	(1,633)	19,372
Loss for the year, representing total comprehensive income for the year	-	-	(277)	(277)
Total comprehensive income for the year	-	-	(277)	(277)
<u>Contributions by and distributions to owners</u>				
Issuance of new ordinary shares	558	-	-	558
Share issuance expense	(2)	-	-	(2)
Dividends on ordinary shares (Note 9)	-	-	(292)	(292)
Total transactions with owners in their capacity as owners	556	-	(292)	264
Closing balance at 31 December 2021 (audited)	21,333	228	(2,202)	19,359

C. Condensed interim statements of changes in equity (cont'd)

Company	Share Capital	Capital Reserves	Revenue Reserves	Total Equity
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 January 2022 (audited)	21,333	228	98	21,659
Loss for the year, representing total comprehensive income for the year	-	-	(3,169)	(3,169)
Total comprehensive income for the year	-	-	(3,169)	(3,169)
Closing balance at 31 December 2022 (unaudited)	21,333	228	(3,071)	18,490
Opening balance at 1 January 2021 (audited)	20,777	228	292	21,297
Profit for the year, representing total comprehensive income for the year	-	-	98	98
Total comprehensive income for the year	-	-	98	98
<u>Contributions by and distributions to owners</u>				
Issuance of new ordinary shares	558	-	-	558
Share issuance expense	(2)	-	-	(2)
Dividends on ordinary shares (Note 1)	-	-	(292)	(292)
Total transactions with owners in their capacity as owners	556	-	(292)	264
Closing balance at 31 December 2021 (audited)	21,333	228	98	21,659

D. Condensed interim consolidated statement of cash flows

	Group	
	FY2022 \$'000 (Unaudited)	FY2021 \$'000 (Audited)
Cash flows from operating activities		
Loss before tax	(778)	(295)
Adjustments for:		
Depreciation of plant and equipment	84	93
Depreciation of right-of-use assets	176	193
Loss on disposal of plant and equipment	1	4
Gain on termination of lease	-	(2)
Bad debt written-off	-*	3
Loss on inventory written-off	-	8
Interest income	(105)	(36)
Interest expense	14	10
Unrealised exchange loss/(gain)	-*	-*
Other income arising from rental relief	-	(4)
Operating cash flows before working capital changes	(608)	(26)
(Increase)/decrease in inventories	(3)	6
(Increase)/decrease in trade and other receivables	(283)	46
(Increase)/decrease in prepayments	(3)	13
Increase/(decrease) in trade and other payables	50	(50)
Decrease in deferred government grant	-	(46)
Cash used in operations	(847)	(57)
Interest received	86	36
Income tax paid	-	(65)
Net cash flows used in operating activities	(761)	(86)
Cash flows from investing activities		
Purchase of plant and equipment	(56)	(18)
Payment of contingent liabilities	-	(1,302)
Net cash flows used in investing activities	(56)	(1,320)
Cash flows from financing activities		
Repayment of lease liabilities	(181)	(197)
Share issuance expense	-	(2)
Dividends paid	-	(292)
Net cash flows used in financing activities	(181)	(491)
Net decrease in cash and cash equivalents	(998)	(1,897)
Cash and cash equivalents at beginning of the year	11,097	12,994
Effect of exchange rate changes on cash and cash equivalents	-*	-*
Cash and cash equivalents at end of the year	10,099	11,097

* Between \$500 and (\$500)

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

Asia Vets Holdings Ltd. (the “**Company**”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Company is considered to be a de facto subsidiary of Tan Gee Beng Pte. Ltd. In this connection, the immediate and ultimate holding company of the Company is Tan Gee Beng Pte. Ltd., which is incorporated in Singapore.

The registered office and principal place of business of the Company is located at 95 Amoy Street, Singapore 069915.

The principal activity of the Company is investment holding. The principal activities of the subsidiary are disclosed in Note 12 to the condensed interim consolidated financial statements below.

2. Basis of Preparation

The condensed interim consolidated financial statements for the six months and full year ended 31 December 2022 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last condensed interim consolidated financial statements for the six months financial period ended 30 June 2022.

The accounting policies and methods of computation adopted are consistent with those adopted by the Group in its most recently audited consolidated financial statements for the year ended 31 December 2021, which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1 to the condensed interim consolidated financial statements below.

The condensed interim consolidated financial statements are presented in Singapore Dollar (\$) or SGD) and all values in the tables are rounded to the nearest thousand (\$’000), except when otherwise indicated.

2.1. New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial period, the Group has adopted all the new and amended standards which are relevant to the Group and effective for annual financial periods beginning on or after 1 January 2022. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2.2. Use of judgements and estimates

In preparing the condensed interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the condensed interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Carrying value of goodwill

As disclosed in Note 13 to the condensed interim consolidated financial statements below, the recoverable amount of the cash generating unit (“CGU”) which goodwill has been allocated to is determined based on value in use calculation. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 13 to the condensed interim consolidated financial statements below.

The carrying amount of the goodwill as at 31 December 2022 is disclosed in Note 13 to the condensed interim consolidated financial statements below.

(b) Impairment assessment of investment in a subsidiary

An impairment exists when the carrying value of an investment in a subsidiary exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years. The recoverable amount is most sensitive to the annual growth rate of the business, the budgeted gross profit margin, the discount rate and the terminal growth rate used for the discounted cash flow model. The carrying amount of the investment as at 31 December 2022 is disclosed in Note 12 to the condensed interim consolidated financial statements below.

(c) Impairment assessment of loan to a subsidiary

The loan to a subsidiary is subject to expected credit loss (“ECL”) assessment at year end. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of the actual default in the future. The information about the ECL on the loan due from a subsidiary is disclosed in Note 14 to the condensed interim consolidated financial statements below.

3. Seasonal operations

The Group’s businesses are not affected significantly by seasonal or cyclical factors during the financial period reported on.

4. Segment and revenue information

The Group operates in Singapore in one business segment, that of provision of veterinary services and sales of veterinary medicines and products to its customers in Singapore.

	Group			
	2H2022	2H2021	FY2022	FY2021
	\$'000 (Unaudited)	\$'000 (Unaudited)	\$'000 (Unaudited)	\$'000 (Audited)
Veterinary services	517	556	1,082	1,491
Sales of veterinary medicines and products	659	720	1,339	1,575
Total revenue recognised at point in time	1,176	1,276	2,421	3,066

No geographical segment information has been prepared as the Group’s assets and operations are all located in Singapore.

A breakdown of sales as follows:

	Group		
	FY2022	FY2021	Decrease
	\$'000	\$'000	%
	(Unaudited)	(Audited)	
(a) Sales reported for first half year	1,245	1,790	(30)
(b) Operating (loss)/profit after tax before deducting non-controlling interests reported for first half year	(429)	12	N.M.
(c) Sales reported for second half year	1,176	1,276	(8)
(d) Operating loss after tax before deducting non-controlling interests reported for second half year	(338)	(289)	(17)

N.M. denotes Not Meaningful

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2022 and 31 December 2021:

	Group		Company	
	As at		As at	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<u>Financial assets</u>				
Trade and other receivables	349	47	311	3
Cash and cash equivalents	10,099	11,097	9,999	10,964
Amount due from a subsidiary	-	-	4,959	6,808
Total financial assets carried at amortised cost	<u>10,448</u>	<u>11,144</u>	<u>15,269</u>	<u>17,775</u>
<u>Financial liabilities</u>				
Trade payables	63	50	-	-
Other payables and accruals	443	406	160	134
Lease liabilities	305	421	-	-
	811	877	160	134
Less: Goods and services tax ("GST") payable, net	(25)	(28)	-	-
Total financial liabilities carried at amortised cost	<u>786</u>	<u>849</u>	<u>160</u>	<u>134</u>

6. Loss before tax

6.1. Significant items

	Group					
	2H2022	2H2021	Increase / (decrease)	FY2022	FY2021	Increase / (decrease)
	\$'000 (Unaudited)	\$'000 (Unaudited)	%	\$'000 (Unaudited)	\$'000 (Audited)	%
Income						
Interest income	91	18	406	105	36	192
Government grants	-	59	N.M.	9	123	(93)
Expenses						
Foreign exchange loss	-*	1	N.M.	-*	1	N.M.
Professional fee	85	63	35	387	130	200
Depreciation of plant and equipment	41	44	(7)	84	93	(10)
Depreciation of right-of-use assets	89	87	2	176	193	(9)
Loss on disposal of plant and equipment	1	-	N.M.	1	4	(75)
Loss on inventory written-off	-	-	-	-	8	N.M.
Bad debt written-off	-*	1	N.M.	-*	3	N.M.
Key management and employee benefits expense	788	872	(10)	1,445	1,718	(16)
Interest expense	6	7	(14)	14	10	40

* Between \$500 and (\$500)

N.M. denotes Not Meaningful

6.2. Related party transactions

	Group			
	2H2022	2H2021	FY2022	FY2021
	S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Audited)
Compensation of key management personnel				
Short term benefits	308	352	568	680
CPF contributions	25	28	43	45
Directors' fees	77	70	146	139
	410	450	757	864
Comprises amounts paid to:				
Directors of the Company	255	243	474	458
Other key management personnel	155	207	283	406
	410	450	757	864

There are no material related party transactions apart from those disclosed elsewhere in the condensed interim consolidated financial statements.

7. Taxation

The Group calculates the period/year income tax (credit)/expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax (credit)/expense in the condensed interim consolidated statement of profit or loss are:

	Group			
	2H2022	2H2021	FY2022	FY2021
	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Current income tax				
Current year	-	(12)	-	-
Under provision in prior period/year	-	1	-	-
Deferred income tax				
Origination and reversal of temporary differences	(2)	(20)	(11)	(18)
Total income tax credit	(2)	(31)	(11)	(18)

8. Loss per share

Basic loss per share (“LPS”) is computed by dividing the loss attributable to the owners of the Company in each financial period/year by the weighted average number of ordinary shares outstanding during the respective financial period/year.

For computation of fully diluted LPS, the weighted average number of ordinary shares in issue has been adjusted, where applicable, for any dilutive effect of potential ordinary shares arising from the settlement of contingent liabilities.

	Group			
	2H2022	2H2021	FY2022	FY2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Loss attributable to owners of the Company (\$'000)	(338)	(289)	(767)	(277)
LPS, based on loss attributable to owners of the Company				
- Basic (\$ cents)	(0.23)	(0.20)	(0.52)	(0.19)
- Fully diluted (\$ cents)	(0.23)	(0.20)	(0.52)	(0.19)
Weighted average number of ordinary shares in issue ('000):				
- Basic	146,146	144,761	146,146	144,761
- Fully diluted	146,146	144,761	146,146	144,761

9. Dividends

	Group			
	2H2022	2H2021	FY2022	FY2021
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Ordinary dividends paid:				
First and final tax exempt (one-tier) cash dividend of \$0.002 per ordinary share for financial year ended 31 December 2020 (FY2021: Nil)	-	-	-	292
Dividend per share (net of tax) (\$ cents)	-	-	-	0.20

10. Net Asset Value (“NAV”)

	Group		Company	
	As at		As at	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
NAV per ordinary share (\$ cents)	12.72	13.25	12.65	14.82
Number of shares used in computation of NAV per share ('000)	146,146	146,146	146,146	146,146

11. Property, plant and equipment

During FY2022, the Group acquired assets amounting to \$56,000 (2021: \$18,000) and disposed of assets amounting to \$11,000 (FY2021: \$7,000).

12. Investment in a subsidiary

	Group	
	As at	
	31/12/2022	31/12/2021
	\$'000	\$'000
	(Unaudited)	(Audited)
Shares, at cost	-*	-*
Additional investment in a subsidiary	4,294	2,083
Transaction cost relating to the acquisition	1,926	1,926
Allowance for impairment loss	(2,849)	-
	3,371	4,009

* Less than \$1,000

As at the end of FY2022, the Company carried out a review of the investment in subsidiary, having regard for indicators of impairment on investment in subsidiary based on the existing performance of subsidiary. Following the review, an impairment loss of approximately S\$2,849,000 was recognised for the subsidiary for FY2022. The recoverable amount of the impaired subsidiary of approximately S\$3,371,000 was determined from value-in-use calculations using management-approved discounted cash flow projections which covers a period of 5 years and

projection to terminal year. The key assumptions for these value-in-use calculations regarding the discount rates and revenue growth rates are disclosed in Note 13 below.

Details of the Company's subsidiary as at 31 December 2022 are as follows:

Name of subsidiary	Country of incorporation and principal place of business	Principal activities	31/12/2022	31/12/2021
			%	%
Held by the Company				
AVH Animal Ark Pte.Ltd.	Singapore	Own and operate veterinary clinics	100%	100%

Acquisition of a subsidiary

In 2017, the Company entered into a sale and purchase agreement ("**Sales and Purchase Agreement**") with Hu Zhi Investments Limited ("**Hu Zhi**") and David Wendyl Karl Jenkins in relation to the acquisition of the entire issued share capital of AVH Animal Ark Pte. Ltd. (the "**Subsidiary**" or "**AVHAA**") ("**Acquisition**"). On 13 August 2018, the Subsidiary completed the Acquisition by obtaining a loan of \$5,680,726 from the Company to finance the acquisition of the relevant businesses and assets (consisting of moveable plant and equipment, inventories and cash and cash equivalents) of the following entities.

- (i) The Animal Ark (TCM) Pte. Ltd.;
- (ii) The Animal Ark (Tampines) Pte. Ltd.;
- (iii) The Animal Ark (Binjai) Pte. Ltd.; and
- (iv) The Animal Ark Pte. Ltd. (collectively, the "**Animal Ark Group**").

In consideration for the Acquisition, the Company shall pay to Hu Zhi, an aggregate purchase consideration of \$9,300,000. The purchase consideration consists of 80% of initial payout and 20% of retention sum. The purchase consideration shall be fully satisfied by 70% in cash and 30% via the issuance and allotment of the Company's shares.

The initial payout and retention sum of the purchase consideration is as follows:

(a) Initial payout

- (i) 56% of the purchase consideration to be settled via cash immediately upon completion; and
- (ii) 24% of the purchase consideration to be paid via the issuance and allotment of the new shares of the Company.

(b) Retention sum

- (i) 14% of the purchase consideration to be paid in cash and which shall be held in escrow by the Company for the retention period of 30 months after the completion date (the "**Retention Period**") and the average earnings before interest and tax (the "**EBIT**") determination period being 20 days after the expiry of the Retention Period (the "**Average EBIT Determination Period**"); and
- (ii) 6% of the purchase consideration to be paid via the issuance and allotment of the new shares of the Company at an issue price based on the 10-day volume-weighted average price of the Company's shares prior to the 30-month anniversary of the completion date (the "**Deferred Consideration Shares**").

Contingent consideration arrangement

The retention sum will be adjusted based on the following adjustment mechanism:

- (a) If the EBIT (on an annualised basis) derived from the business and assets of the Company over the Retention Period (the “**Average EBIT**”) is less than the agreed EBIT as specified in the Sales and Purchase Agreement (the “**Agreed EBIT**”), Hu Zhi shall fully indemnify the Company for the difference between the Average EBIT and the Agreed EBIT by way of adjustment of the retention sum to be paid by the Company to Hu Zhi at the end of the Average EBIT Determination Period. The retention sum shall be adjusted downwards proportionately in accordance with the mechanism specified in the Sales and Purchase Agreement to reflect the lower EBIT, provided that in all circumstances, the amount to be adjusted shall be capped at the retention sum.
- (b) If the Average EBIT is more than 105% of the Agreed EBIT, the retention sum to be paid at the end of the Average EBIT Determination Period shall be increased proportionally in accordance with the mechanism specified in the Sales and Purchase Agreement to account for any additional average EBIT (on an annualised basis) exceeding 105% of the Agreed EBIT.

The contingent consideration was settled in March 2021 at \$1,860,000. The Group settled 30% of the contingent consideration by the issuance and allotment of new shares of the Company at \$558,000 on 11 March 2021 and the remaining 70% by cash at \$1,302,000 on 10 March 2021.

13. Goodwill

	Group	
	As at	
	31/12/2022	31/12/2021
	\$'000	\$'000
	(Unaudited)	(Audited)
Cost	8,405	8,405

Impairment testing of goodwill

As at 31 December 2022, the recoverable amount of the CGU, AVH Animal Ark Pte. Ltd., has been determined based on value-in-use calculations using management-approved discounted cash flow projections covering a period of 5 years (31 December 2021: 5 years) and projected to terminal year. Management assessed 5 years cash flows and projection to terminal year for the financial forecast of the CGU is appropriate considering management’s plan for its business plan in the near future. The forecasted growth rate, gross profit margin and post-tax discount rate used in the cash flow projections over the 5-year period are as follows:

	FY2022	FY2021
Revenue growth rate	5.00% - 21.50%	7.30% - 14.00%
Terminal growth rate	1.50%	1.70%
Budgeted gross profit margin	35.00 – 37.00%	41.40%
Post-tax discount rate	10.00%	10.50%

Key assumptions used in the value in use calculations

The calculations of value in use are most sensitive to the following assumptions:

Revenue growth rates – The forecasted growth rates are based on management’s expectations with reference to the historical trends.

Terminal growth rate – Management estimates terminal growth rate reflects current market assessment of the time value of money and the risks specific to the CGUs.

Budgeted gross profit margin – Gross margin of 35.00% for FY2023 to FY2024 and 37.00% for FY2025 to FY2027 (2021: 41.40% applied over the 5 years period) based historical gross profit margins.

Post-tax discount rates – Discount rates represent the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and derived from its weighted average cost of capital (“**WACC**”). The WACC takes into account both debt and equity. The

cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Sensitivity to changes in assumptions

With regards to the assessment of value in use for the veterinary business, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

14. Amount due from a subsidiary

	Company	
	As at	
	31/12/2022	31/12/2021
	\$'000	\$'000
	(Unaudited)	(Audited)
Non-current:		
Loans due from subsidiary at cost*	5,061	6,808
Allowance for expected credit loss	(102)	-
Net carrying amount	<u>4,959</u>	<u>6,808</u>

* This represents the two loans obtained from the Company to finance the Acquisition of the subsidiary (please refer to Note 12 to the condensed interim consolidated financial statements above) with the following details:

No.	Purpose	As at	
		31/12/2022	31/12/2021
		\$'000	\$'000
1	Initial payment	3,900	5,307
2	Retention sum	1,059	1,501
		<u>4,959</u>	<u>6,808</u>

The loans due from the subsidiary are unsecured, interest-free and repayable in August 2023 and March 2026 respectively. In February 2022, the Board has approved the extension of the repayment dates to December 2030 and December 2031 respectively. All amounts are expected to be settled in cash.

Management has performed impairment assessment for the amount due from subsidiary using the three-stage expected credit loss ("ECL") model. Following the review, an ECL allowance of \$102,000 (31 December 2021: Nil) is recognised.

15. Borrowings

The Group and the Company do not hold any borrowings and debt securities as at 31 December 2022 and 31 December 2021.

16. Share capital and capital reserve

(a) Share capital

	Group and Company			
	As at			
	31/12/2022		31/12/2021	
	Number of shares	Resultant issued share capital	Number of shares	Resultant issued share capital
	'000	\$'000	'000	\$'000
Beginning of year	146,146	21,333	138,928	20,777
Issuance of new ordinary shares - Deferred Consideration Shares	-	-	7,218	556 [#]
Beginning of second half of year and end of year	146,146	21,333	146,146	21,333

[#] Net of share issuance expense of \$2,000

On 11 March 2021, the authorised share capital increased by \$558,000 via the issue of 7,217,694 ordinary shares of \$0.07731 each as settlement of the contingent consideration. The contingent consideration arrangement is disclosed in Note 12 to the condensed interim consolidated financial statements.

There was no movement in the Company's issued and paid-up share capital since the end of the previous financial period reported on.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

The Company has no shares that may be issued on conversion of outstanding convertibles as 31 December 2022 and 31 December 2021.

The Company has neither treasury shares nor subsidiary holdings as at 31 December 2022 and 31 December 2021.

There was no sale, transfer, cancellation and/or use of treasury shares and subsidiary holdings during FY2022.

(b) Capital reserve

Capital reserve represents the value ascribed to the bonus issue warrants and will be transferred to the share capital account when the bonus issue warrants are exercised. The balance as at period/year end is net of subscription fee and issuance expenses. The bonus issue warrants have expired on 30 June 2020 and not exercised.

17. Subsequent events

There are no known subsequent events which have led to adjustments to this set of condensed interim consolidated financial statements.

F Other Information Required Pursuant to Appendix 7C of the Catalyst Rules

1. Review

The condensed consolidated statement of financial position of Asia Vets Holdings Ltd. and its subsidiary as at 31 December 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months and full year ended 31 December 2022 and explanatory notes have not been audited or reviewed by the Company's auditors.

1A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—

- (a) Updates on the efforts taken to resolve each outstanding audit issue.**
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The Group's latest audited consolidated financial statements for the financial year ended 31 December 2021 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the Company's auditors.

2. Review of performance of the Group

(a) Statement of Profit and Loss and Other Comprehensive Income

Revenue, Cost of sales and Gross profit

The Group's revenue is predominantly derived from rendering of veterinary services and sales of veterinary medicine. It decreased by \$0.7 million or 21%, from \$3.1 million for FY2021 to \$2.4 million for FY2022. The decrease was mainly due to (i) the closure of the Group's Traditional Chinese Medicine veterinary clinic in March 2021; (ii) the departure of the former Medical Director and General Manager of AVHAA, Dr Eugene Lin, in September 2021; (iii) the lesser revenue contribution from existing veterinarians as compared to the previous year, exacerbated by one of them who went on maternity leave; and (iv) the increased market competition.

The Group's cost of sales includes purchase of veterinary medicine and consumables, and employee benefits paid to veterinarians, vet technicians and vet nurses. It decreased by \$0.3 million or 18%, from \$1.9 million for FY2021 to \$1.6 million for FY2022. The decrease was in line with the decrease in revenue in FY2022.

Gross profit for FY2022 was \$0.8 million and gross profit margin was 35.0%. Gross profit for FY2021 was \$1.1 million and gross profit margin was 37.2%. The decrease in gross profit margin by 2.2 percentage points was mainly attributable to the decrease in revenue being less than the proportionate decrease in cost of sales in FY2022.

Other operating income

Other operating income comprises mainly interest income from short-term deposits and government grants. The amount decreased from approximately \$158,000 for FY2021 to approximately \$114,000 for FY2022. It was mainly due to a decrease in government grants, and partially offset by an increase in interest income as a result of higher interest rate in FY2022.

Government grants relate to:

- (i) the Jobs Support Scheme announced at the Budget 2020 and three supplementary budgets ("**JSS Grant**");
- (ii) the Job Growth Incentive for supporting local hiring; and
- (iii) the Wage Credit Scheme.

Government grants decreased from approximately \$123,000 for FY2021 to approximately \$9,000 for FY2022 mainly due to absence of JSS Grant in FY2022.

The interest income increased from approximately \$36,000 for FY2021 to approximately \$105,000 for FY2022 mainly due to higher interest rate for FY2022, as compared to FY2021.

Please refer to Note 6.1 to the condensed interim consolidated financial statements above for details.

Administrative expenses

Administrative expenses mainly relate to general office expenses, administrative staff costs, professional fees, listing expenses and depreciation charges. It increased from \$1.6 million for FY2021 to \$1.7 million for FY2022, mainly due to increase in professional fees, repair and maintenance, training expenses and general office expenses. The increase in professional fees was mainly due to the professional fees amounting to S\$0.3 million incurred for the proposed acquisition of the entire issued and paid-up share capital in AIDigi Holdings Pte. Ltd. (the "**Target**") from RHT AIDigi Financial Holdings Pte. Ltd. (the "**Vendor**") (the "**Proposed Acquisition**"), details of the Proposed Acquisition as set out in the Company's announcements dated 30 December 2021, 28 April 2022, 5 August 2022, 30 November 2022 and 14 December 2022. The increase was partially offset by a decrease in administrative staff costs, merchant charges, depreciation of right-of-use assets and the absence of loss incurred in relation to the closure of the TCM clinic in 2021, which included, loss on disposal of plant and equipment, inventory written-off and penalty from early termination of lease.

Please refer to Note 6.1 to the condensed interim consolidated financial statements above for details.

Other expenses

Other expenses in FY2022 relate to cash donations made by the Company to the approved Institution of a Public Character to support the local communities. Such expenses were nil in 2021.

Finance costs

Finance costs relate to interest expenses on lease liabilities arising from right-of-use assets. It increased from approximately \$10,000 for FY2021 to approximately \$14,000 for FY2022 due to renewal of leases for veterinary clinics in August 2021.

Income tax credit

Income tax credit comprises deferred taxation mainly in relation to a taxable temporary difference on plant and equipment which are subject to capital allowance. Income tax credit decreased from approximately \$18,000 for FY2021 to approximately \$11,000 for FY2022.

Loss for the year

As a result of the above, the Group recorded a loss for the year of approximately \$767,000 for FY2022, as compared to a loss for the year of approximately \$277,000 for FY2021.

(b) Statement of Financial Position

Non-current assets

Plant and equipment comprise veterinary and medical equipment, office equipment, computer and software and furniture and fixtures. It decreased from approximately \$153,000 as at 31 December 2021 to approximately \$123,000 as at 31 December 2022, mainly due to depreciation charges incurred in FY2022.

Right-of-use assets relate to leases of veterinary clinic and office premises occupied by the Group. It decreased from approximately \$416,000 as at 31 December 2021 to approximately \$291,000 as at 31 December 2022, mainly due to depreciation charges incurred in FY2022.

Goodwill arising from the Acquisition of AVHAA remains unchanged.

Current assets

Inventories mainly comprise veterinary medicine, clinic consumables and pet food. It increased from approximately \$105,000 as at 31 December 2021 to approximately \$108,000 as at 31 December 2022. The increase in inventories was due to stock up of veterinary items as some of the Group's major suppliers have closed their operations during the Chinese New Year holiday period in January 2023.

Trade and other receivables mainly comprise trade receivables, interest receivables, deposit, and other receivables in relation to the Proposed Acquisition. It increased from approximately \$47,000 as at 31 December 2021 to approximately \$349,000 as at 31 December 2022. Trade receivables decreased from approximately \$5,000 as at 31 December 2021 to approximately \$2,000 as at 31 December 2022 due to a decrease in revenue and shorter debt collection period in FY2022. Other receivables increased from approximately \$42,000 as at 31 December 2021 to approximately \$347,000 as at 31 December 2022, mainly due to other receivables amounting to approximately \$290,000 in relation to the professional fees incurred for the Proposed Acquisition which will be reimbursed from the Vendor, and this was partially offset by the absence of government grant receivables as at 31 December 2022.

Prepayments increased from approximately \$25,000 as at 31 December 2021 to approximately \$28,000 as at 31 December 2022.

Current liabilities

Trade payables increased from approximately \$50,000 as at 31 December 2021 to approximately \$63,000 as at 31 December 2022, due to the higher purchases made in December 2022 for stocking up of inventories.

Other payables and accruals comprise mainly professional fees, directors' fees and GST. Other payables and accruals increased from approximately \$406,000 as at 31 December 2021 to approximately \$443,000 as at 31 December 2022. The increase was mainly due to an increase in professional fee and accruals for directors' fees in FY2022.

Lease liabilities (current portion) relate to veterinary clinic and office leases of premises occupied by the Group and due within the next 12 months after 31 December 2022. It increased from approximately \$157,000 as at 31 December 2021 to approximately \$185,000 as at 31 December 2022. The increase was due to the increase in clinic rental from August 2022 onwards.

Non-current liabilities

Lease liabilities (non-current portion) relate to veterinary clinic and office leases of premises occupied by the Group and due after the next 12 months after 31 December 2022. It decreased from approximately \$265,000 as at 31 December 2021 to approximately \$120,000 as at 31 December 2022, mainly due to a reclassification of amount due within the next 12 months after 31 December 2022 from non-current liabilities to current liabilities.

Deferred tax liabilities mainly relate to a taxable temporary difference on plant and equipment which are subject to capital allowance. The deferred tax liabilities amounting to approximately \$11,000 has been utilised as at 31 December 2022.

Working capital

The Group reported a positive working capital position of \$9.9 million as at 31 December 2022 (\$10.7 million as at 31 December 2021).

(c) Statement of Cash Flows

Net cash used in operating activities amounted to approximately \$761,000 for FY2022. The net cash used in operating activities was mainly due to (i) the operating cash flows before working capital changes used in 2022 of approximately \$608,000; and (ii) net working capital outflow of approximately \$239,000. The net working capital outflow was mainly attributable to (i) an increase in trade and other receivables of approximately \$283,000; (ii) an increase in inventories of approximately \$3,000; and (iii) an increase in prepayments of approximately \$3,000; which was partially offset by an increase in trade and other payables of approximately \$50,000.

Net cash used in investing activities for FY2022 amounted to approximately \$56,000 and was due to the purchase of plant and equipment.

Net cash used in financing activities for FY2022 amounted to approximately \$181,000 and was due to the repayment of lease liabilities.

As a result of the above, the Group's cash and cash equivalents decreased from \$11.1 million as at 31 December 2021 to \$10.1 million as at 31 December 2022.

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

The unaudited consolidated financial results for FY2022 as set out in this announcement, are in line with the profit guidance announcement for FY2022 released by the Company on 25 January 2023.

4. 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 operating period and the next 12 months.

Currently, there is a shortage of veterinarian surgeons and nurses in the veterinary industry. However, the Group will continue to make efforts to employ more veterinarians and nurses.

In connection with the Proposed Acquisition, the Company has made announcements in FY2022 relating to the incorporations of new entities under the Target, the issuance of consideration shares to an advisor, the extension of the condition precedent fulfilment date from 30 November 2022 to 30 November 2023, and the intention of incorporation of new entities under the Vendor.

Please refer to the announcements dated 30 December 2021, 28 April 2022, 5 August 2022, 30 November 2022 and 14 December 2022 for more information on the Proposed Acquisition. The Company will make the necessary announcements as and when there are further material developments on the Proposed Acquisition.

5. Dividend information

5a. Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

No.

5b. Corresponding Period of the Immediate Preceding Financial Year

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

No.

5c. Date Payable

Not applicable.

5d. The date on which Registrable Transfers received by the Company (up to 5.00 pm) will be registered before entitlements to the dividend are determined

Not applicable.

5e. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision

No dividend has been declared (recommended) for FY2022 as the Board of Directors of the Company deems it appropriate to conserve cash for the Group's business activities and growth.

5f. Total Annual Dividend

Not applicable.

6. Interested person transactions ("IPTs")

The Group has not obtained a general mandate from shareholders of the Company for IPTs and there were no IPTs entered into in FY2022.

7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules

The Company hereby confirms that it has procured and received all the undertakings from all its directors and executive officers in the format as set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

8. Disclosure of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Pursuant to Rule 704(10) of the Catalist Rules, the Company confirms that there are no persons occupying a managerial position in the Company or in any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company.

9. Disclosure of acquisitions (including incorporations) and realisations of shares since the end of the previous reporting period pursuant to Rule 706A of the Catalist Rules

The Group does not have any acquisitions (including incorporations) and realisations of shares since the end of the previous reporting period, up to 31 December 2022.

**BY ORDER OF THE BOARD
ASIA VETS HOLDINGS LTD.**

Tan Tong Guan

Executive Chairman and Chief Executive Officer

Henry Tan Song Kok

Lead Independent Director

Singapore

24 February 2023