

Asia Vets Holdings Ltd. and its subsidiary

(Company Registration No: 201003501R)

Condensed interim financial statements for the six months and full year ended 31 December 2021

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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Table of Contents

A.	Condensed interim consolidated statement of profit or loss and other comprehensive income	3
B.	Condensed interim statements of financial position	4
C.	Condensed interim statements of changes in equity	5
D.	Condensed interim consolidated statement of cash flows	7
E.	Notes to the condensed interim consolidated financial statements	8
F.	Other information required pursuant to Appendix 7C of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst ("Catalist Rules")	18

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

	Note	Group					
		2H2021*	2H2020*	Increase / (decrease)	2021**	2020**	Increase / (decrease)
		\$'000 (Unaudited)	\$'000 (Unaudited)	%	\$'000 (Unaudited)	\$'000 (Audited)	%
Revenue		1,276	2,173	(41)	3,065	4,323	(29)
Cost of sales		(905)	(1,278)	(29)	(1,924)	(2,471)	(22)
Gross profit		371	895	(59)	1,141	1,852	(38)
Other operating income	6.1	77	200	(62)	158	388	(59)
Administrative expenses		(761)	(831)	(8)	(1,584)	(1,602)	(1)
Other expenses	12	-	(227)	(100)	-	(542)	(100)
Finance costs		(7)	(5)	40	(10)	(10)	-
(Loss)/profit before tax	6	(320)	32	N.M.	(295)	86	N.M.
Income tax credit/(expense)	7	31	(43)	N.M.	18	(73)	N.M.
(Loss)/profit for the period/year, net of tax		(289)	(11)	> 100	(277)	13	N.M.
Other comprehensive income for the period/year, net of tax		-	-	-	-	-	-
Total comprehensive income attributable to owners of the Company		(289)	(11)	> 100	(277)	13	N.M.
(Loss)/earnings per share (in \$ cents)	8						
Basic		(0.20)	(0.01)		(0.19)	0.01	
Fully diluted		(0.20)	(0.01)		(0.19)	0.01	

N.M. denotes Not Meaningful

* "2H2021" denotes six months ended 31 December 2021 and "2H2020" denotes six months ended 31 December 2020.

** "2021" denotes full year ended 31 December 2021 and "2020" denotes full year ended 31 December 2020.

B. Condensed interim statements of financial position

Note	Group		Company	
	As at		As at	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	\$'000 (Unaudited)	\$'000 (Audited)	\$'000 (Unaudited)	\$'000 (Audited)
Non-current assets				
Plant and equipment	11	153	231	-
Right-of-use assets		416	284	-
Investment in a subsidiary	12	-	-	4,009
Goodwill	13	8,405	8,405	-
Amount due from a subsidiary	14	-	-	6,808
		8,974	8,920	10,817
Current assets				
Inventories		105	119	-
Trade and other receivables		47	95	3
Prepayments		26	39	9
Amount due from a subsidiary	14	-	-	-
Cash and cash equivalents		11,096	12,994	10,964
		11,274	13,247	10,976
Total assets		20,248	22,167	21,793
Current liabilities				
Trade payables		50	89	-
Other payables and accruals		406	2,277	134
Deferred government grant		-	46	-
Lease liabilities		157	200	-
Provision for taxation		-	65	-
		613	2,677	134
Net current assets		10,661	10,570	10,842
Non-current liabilities				
Lease liabilities		264	89	-
Deferred tax liabilities		12	29	-
		276	118	-
Total liabilities		889	2,795	134
Net assets		19,359	19,372	21,659
Share capital	16(a)	21,333	20,777	21,333
Capital reserve	16(b)	228	228	228
Revenue reserve		(2,202)	(1,633)	98
Total equity		19,359	19,372	21,659
Total equity and liabilities		20,248	22,167	21,435

C. Condensed interim statements of changes in equity

Group	Share Capital \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Total Equity \$'000
Opening balance at 1 January 2021 (audited)	20,777	228	(1,633)	19,372
Loss for the period, representing total comprehensive income for the period	-	-	(277)	(277)
Total comprehensive income for the period	-	-	(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 1)	-	-	(292)	(292)
Total transactions with owners in their capacity as owners	556	-	(292)	264
Closing balance at 31 December 2021 (unaudited)	21,333	228	(2,202)	19,359
Opening balance at 1 January 2020 (audited)	20,777	228	(1,646)	19,359
Profit for the period, representing total comprehensive income for the period	-	-	13	13
Total comprehensive income for the period	-	-	13	13
Closing balance at 31 December 2020 (audited)	20,777	228	(1,633)	19,372

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

Company	Share Capital \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Total Equity \$'000
Opening balance at 1 January 2021 (audited)	20,777	228	292	21,297
Profit for the period, representing total comprehensive income for the period	-	-	98	98
Total comprehensive income for the period	-	-	98	98
<u>Contributions by and distributions to owners</u>				
Issuance of new ordinary shares	558	-	-	558
Share issuance expenses	(2)	-	-	(2)
Dividends on ordinary shares	-	-	(292)	(292)
Total transactions with owners in their capacity as owners	556	-	(292)	264
Closing balance at 31 December 2021 (unaudited)	21,333	228	98	(21,659)
Opening balance at 1 January 2020 (audited)	20,777	228	(50)	20,955
Profit for the period, representing total comprehensive income for the period	-	-	342	342
Total comprehensive income for the period	-	-	342	342
Closing balance at 31 December 2020 (audited)	20,777	228	292	21,297

D. Condensed interim consolidated statement of cash flows

	Group	
	2021 \$'000 (Unaudited)	2020 \$'000 (Audited)
Cash flows from operating activities		
(Loss)/profit before tax	(295)	86
Adjustments for:		
Depreciation of plant and equipment	93	132
Loss on disposal of plant and equipment	4	5
Gain on termination of lease	(2)	-
Bad debt written-off	3	-
Loss on inventory written-off	8	-
Depreciation of right-of-use assets	193	254
Fair value adjustment on contingent consideration for business combination	-	542
Interest income	(35)	(112)
Interest expense	10	10
Other income arising from rental relief	(4)	(42)
Operating cash flows before working capital changes	(25)	875
Decrease/(increase) in trade and other receivables	45	(26)
Decrease/(increase) in inventories	6	(32)
Decrease in prepayments	13	5
(Decrease)/increase in trade and other payables	(50)	22
(Decrease)/increase in deferred government grant	(46)	46
Cash (used in)/generated from operations	(57)	890
Interest received	35	132
Income tax paid	(65)	(18)
Net cash flows (used in)/generated from operating activities	(87)	1,004
Cash flows from investing activities		
Purchase of plant and equipment	(18)	(65)
Payment of contingent liabilities	(1,302)	-
Net cash flows used in from investing activities	(1,320)	(65)
Cash flows from financing activities		
Repayment of lease liabilities	(197)	(222)
Share issuance expense	(2)	-
Dividends paid	(292)	-
Net cash flows used in financing activities	(491)	(222)
Net (decrease)/increase in cash and cash equivalents	(1,898)	717
Cash and cash equivalents at beginning of the year	12,994	12,278
Effect of exchange rate changes on cash and cash equivalents*	-	-
Cash and cash equivalents at end of the year	11,096	12,994

* 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 2021 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 2021.

The accounting policies and methods of computation adopted are consistent with those adopted by the Company in its most recently audited consolidated financial statements for the year ended 31 December 2020, 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 2021. 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 2020.

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 2021 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 2021 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 includes but is not limited to the review of the subsidiary’s business performance, historical and future cash flows generating ability of the subsidiary, impact associated with COVID-19 pandemic, and repayments made during the year and up till the date of the financial statements. Accordingly, the Group determined that the ECL is insignificant and no impairment loss on the loan to the subsidiary was recognised for the year ended. The carrying amount of the loan to a subsidiary as at 31 December 2021 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 the customers in Singapore.

	Group			
	2H2021	2H2020	2021	2020
	\$'000 (Unaudited)	\$'000 (Unaudited)	\$'000 (Unaudited)	\$'000 (Audited)
Veterinary services	557	1,076	1,491	2,315
Sales of veterinary medicines and products	719	1,097	1,574	2,008
Total revenue recognised at point in time	1,276	2,173	3,065	4,323

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		
	2021	2020	Increase/ (Decrease)
	\$'000	\$'000	%
	(Unaudited)	(Audited)	
(a) Sales reported for first half year	1,789	2,150	(17)
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	12	24	(50)
(c) Sales reported for second half year	1,276	2,173	(41)
(d) Operating loss after tax before deducting non-controlling interests reported for second half year	(289)	(11)	> 100

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 2021 and 31 December 2020:

	Group		Company	
	As at		As at	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<u>Financial assets</u>				
Trade and other receivables	47	95	3	3
Cash and cash equivalents	11,096	12,994	10,964	12,645
Amount due from a subsidiary	-	-	6,808	5,191
Total financial assets carried at amortised cost	<u>11,143</u>	<u>13,089</u>	<u>17,775</u>	<u>17,839</u>
<u>Financial liabilities</u>				
Trade payables	50	89	-	-
Other payables and accruals	406	2,277	134	138
Lease liabilities	421	289	-	-
	877	2,655	134	138
Less: Goods and services tax ("GST") payable, net	(28)	(53)	-	-
Less: Other payables carried at fair value through profit or loss	-	(1,860)	-	-
Total financial liabilities carried at amortised cost	<u>849</u>	<u>742</u>	<u>134</u>	<u>138</u>

6. (Loss)/profit before taxation

6.1. Significant items

	Group					
	2H2021	2H2020	Increase / (decrease)	2021	2020	Increase / (decrease)
	\$'000 (Unaudited)	\$'000 (Unaudited)	%	\$'000 (Unaudited)	\$'000 (Audited)	%
Income						
Interest income	18	24	(25)	35	112	(69)
Government grants	59	176	(66)	123	276	(55)
Expenses						
Foreign exchange loss	1	-	N.M.	1	-	N.M.
Professional fee	63	64	(2)	130	108	20
Loss on fair value adjustment on contingent consideration for business combination	-	227	(100)	-	542	(100)
Depreciation of plant and equipment	44	64	(31)	93	132	(30)
Depreciation of right-of-use assets	87	127	(31)	193	254	(24)
Loss on disposal of plant and equipment	-	5	(100)	4	5	(20)
Loss on inventory written-off	-	-	-	8	-	N.M.
Bad debt written-off	1	-	N.M.	3	-	N.M.
Key management and employee benefits expense	862	1,076	(20)	1,709	2,020	(15)
Interest expense	7	5	40	10	10	-

N.M. denotes Not Meaningful

6.2. Related party transactions

	Group			
	2H2021	2H2020	2021	2020
	S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Audited)
Compensation of key management personnel				
Short term benefits	352	340	679	682
CPF contributions	31	19	48	42
Directors' fees	69	84	139	139
	<u>452</u>	<u>443</u>	<u>866</u>	<u>863</u>
Comprises amounts paid to:				
Directors of the Company	242	230	458	445
Other key management personnel	210	213	408	418
	<u>452</u>	<u>443</u>	<u>866</u>	<u>863</u>

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			
	2H2021	2H2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Current income tax				
Current year	(12)	40	-	65
Under/(over) provision in prior period/year	1	(1)	-	(1)
Deferred income tax				
Origination and reversal of temporary differences	(19)	4	(18)	9
Total income tax (credit)/expense	(30)	43	(18)	73

8. Loss/earnings per share

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

For computation of fully diluted LPS/EPS, 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			
	2H2021	2H2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
(Loss)/profit attributable to owners of the Company (\$'000)	(289)	(11)	(277)	13
LPS/EPS, based on (loss)/profit attributable to owners of the Company				
- Basic (\$ cents)	(0.20)	(0.01)	(0.19)	0.01
- Fully diluted (\$ cents)	(0.20)	(0.01)	(0.19)	0.01
Weighted average number of ordinary shares in issue:				
- Basic	144,761,481	138,928,002	144,761,481	138,928,002
- Fully diluted	144,761,481	144,471,725	144,761,481	144,471,725

9. Dividends

	Group			
	2H2021	2H2020	2021	2020
	\$'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 (2021: Nil)	-	-	292	-
Dividend per share (net of tax) (\$ cents)	-	-	0.20	-

10. Net Asset Value ("NAV")

	Group		Company	
	As at		As at	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
NAV per ordinary share (\$ cents)	13.25	13.94	14.82	15.33
Number of shares used in computation of NAV per share	146,145,696	138,928,002	146,145,696	138,928,002

11. Property, plant and equipment

During 2021, the Group acquired assets amounting to \$18,000 (2020: \$65,000) and disposed of assets amounting to \$7,000 (2020: \$18,000).

12. Investment in a subsidiary

	Group	
	As at	
	31/12/2021	31/12/2020
	\$'000	\$'000
	(Unaudited)	(Audited)
Shares, at cost	_*	_*
Additional investment in a subsidiary	2,083	1,660
Transaction cost relating to the acquisition	1,926	1,926
	4,009	3,586

* Less than \$1,000

The additional investment arose from the difference between the transaction price and the fair value of the interest free loan to the subsidiary. The fair value of the loan is estimated by discounting future cash flows at prevailing market rate.

Details of the Company's subsidiary as at 31 December 2021 are as follows:

Name of subsidiary	Country of incorporation and principal place of business	Principal activities	31/12/2021	31/12/2020
			%	%
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 with Hu Zhi Investments Limited (the "Vendor") 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 the Vendor, 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"), the vendor 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 the vendor 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	
	31/12/2021	31/12/2020
	\$'000	\$'000
	(Unaudited)	(Audited)
Cost	8,405	8,405

Impairment testing of goodwill

Goodwill acquired from the Acquisition had been allocated to one CGU, AVH Animal Ark Pte. Ltd., 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%

Key assumptions used in the value in use calculations

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

Growth rates – The forecasted growth rates are based on industry research and do not exceed the long-term average growth rate for the industry relevant to the CGU.

Budgeted gross margin – Gross margin of 41% (2020: 43%) are based on values targeted to be achieved over the five-year period.

Pre-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	
	31/12/2021	31/12/2020
	\$'000	\$'000
	(Unaudited)	(Audited)
Non-current:		
Loans due from subsidiary*	6,808	5,113
Current:		
Dividend receivable from subsidiary	-	78

* 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	Amount repayable after one year	
		As at	
		31/12/2021	31/12/2020
		\$'000	\$'000
1	Initial payment	5,307	5,113
2	Retention sum	1,501	-
		6,808	5,113

The loans due from the Subsidiary are unsecured, interest-free and repayable in 2023 and 2026, respectively. Subsequent to the end of 2021, the repayment dates are further extended to 2030 and 2031, respectively. All amounts are expected to be settled in cash.

The Group assessed the latest performance and financial position of the Subsidiary, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant and no impairment loss on the loan to the Subsidiary was recognised for the year ended.

15. Borrowings

The Group and the Company do not hold any borrowings and debt securities as at 31 December 2021 and 31 December 2020.

16. Share capital and capital reserve

(a) Share capital

	Group and Company			
	As at			
	31/12/2021		31/12/2020	
	Number of shares	Resultant issued share capital	Number of shares	Resultant issued share capital
	'000	\$'000	'000	\$'000
Beginning of year	138,928	20,777	138,928	20,777

	Group and Company			
	31/12/2021		31/12/2020	
	Number of shares	Resultant issued share capital	Number of shares	Resultant issued share capital
	'000	\$'000	'000	\$'000
Issuance of new ordinary shares - Deferred Consideration Shares	7,218	556 [#]	-	-
Beginning of second half of year	146,146	21,333	138,928	20,777
Issuance of new ordinary shares	-	-	-	-
End of year	146,146	21,333	138,928	20,777

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

On 11 March 2021, the Company issued and allotted an aggregate of 7,217,694 Deferred Consideration Shares (please refer to Note 12 to the condensed interim consolidated financial statements above) at the issue price of \$0.07731 per Deferred Consideration Share to Dr Lin Chung Chieh Eugene (Lin Zhongjie Eugene) ("**Dr Eugene Lin**") and Ms Poh E-lynn Elaine (Fu Yilin Elaine) ("**Ms Elaine Poh**"). Dr Eugene Lin and Ms Elaine Poh each receives 3,608,847 Deferred Consideration Shares.

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 at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The Company has neither treasury shares nor subsidiary holdings as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no sale, transfer, cancellation and/or use of treasury shares and subsidiary holdings during the current financial period reported on.

(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 Company issued 5,300,000 bonus issue warrants at an issue price of \$0.0001 per bonus issue warrant, each bonus issue warrant carrying the right to subscribe for one new share at an exercise price of \$0.25. The bonus issue warrants have expired on 31 December 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 2021 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 2021 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 2020 are 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 \$1.3 million or 29%, from \$4.3 million for 2020 to \$3.0 million for 2021. The decrease was mainly due to the reduction in the number of veterinarians in 2021, as compared to 2020 and the closure of the Group's Traditional Chinese Medicine ("TCM") veterinary clinic in March 2021.

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 \$0.6 million or 22%, from \$2.5 million for 2020 to \$1.9 million for 2021. The decrease was mainly due to decreased sales in 2021.

Gross profit for 2021 was \$1.1 million and gross profit margin was 37.2%. Gross profit for 2020 was \$1.8 million and gross profit margin was 42.8%. The decrease in gross profit margin by 5.6 percentage points was mainly attributed to higher decrease in revenue, as compared to the decrease in cost of sales in 2021.

Other operating income

Other operating income comprises mainly interest income from short-term deposits and government grants. The amount decreased from \$388,000 for 2020 to \$158,000 for 2021 due to the decrease in interest income from short-term deposits and government grants.

The interest income decreased from \$112,000 for 2020 to \$35,000 for 2021 mainly due to lower interest rate and fewer short-term deposits for 2021, as compared to 2020.

Government grants relate to:

- (i) the Jobs Support Scheme announced at the Budget 2020 and three supplementary budgets ("**JSS Grant**");
- (ii) the Rental Support Scheme and the Rental Waiver Framework 2021 for Small and Medium Enterprises (SMEs) introduced by the Ministry of Law ("**Rental Relief Grant**");
- (iii) the Productivity Solution Grant ("**PSG**");
- (iv) the Job Growth Incentive ("**JGI**") and the Job Placement Programme for supporting local hiring; and
- (v) the Wage Credit Scheme and Special Employment Credit Scheme.

Government grants decreased from \$276,000 for 2020 to \$123,000 for 2021 mainly due to lower JSS Grant and Rental Relief Grant in 2021, which are part of the COVID-19 government relief measures announced by the Singapore government from time to time.

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 fee, listing expenses and depreciation charges. It decreased slightly by \$18,000 for 2021, as compared to 2020. The decrease was mainly due to the decrease in (i) depreciation of plant and equipment of \$39,000 as a result of increased proportion of fully depreciated fixed assets; and (ii) depreciation of right-of-use assets of \$61,000 as a result of the termination of the TCM veterinary clinic's lease in March 2021, partially offset by (a) the increase in professional fee of \$22,000; and (ii) the net loss of \$26,000 incurred 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. Please refer to Note 6.1 to the condensed interim consolidated financial statements above for details.

Other expenses

Other expenses relate to loss on fair value adjustment of contingent consideration in connection with the Acquisition, which is a non-cash item and had been settled in March 2021 at \$1,860,000. Please refer to Note 12 to the condensed interim consolidated financial statement above for details.

Finance costs

Finance costs relate to interest expenses on lease liabilities arising from right-of-use assets. It remained stable at \$10,000 for 2020 and 2021.

Income tax credit/(expense)

Income tax credit/(expense) comprises current income tax expense and the deferred taxation mainly in relation to a taxable temporary difference on plant and equipment which are subject to capital allowance. Income tax credit of \$18,000 was recorded for 2021 due to tax loss incurred for 2021. Income tax expense of \$73,000 was incurred for 2020 due mainly to chargeable income recorded for 2020.

(Loss)/profit, net of tax

As a result of the above, the Group recorded a loss after tax of \$277,000 for 2021 from a profit after tax of \$13,000 for 2020.

(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 \$231,000 as at 31 December 2020 to \$153,000 as at 31 December 2021, mainly due to depreciation charges incurred in 2021.

Right-of-use assets relate to leases of veterinary clinic and office premises occupied by the Group. It increased from \$284,000 as at 31 December 2020 to \$416,000 as at 31 December 2021, mainly due to renewal of the leases for two veterinary clinics in August 2021. The increase was partially offset by the termination of the TCM veterinary clinic's lease in March 2021 and depreciation charges incurred in 2021.

Goodwill arising from the Acquisition of AVHAA remains unchanged.

Current assets

Inventories mainly comprise veterinary medicine, clinic consumables and pet food. It decreased from \$119,000 as at 31 December 2020 to \$105,000 as at 31 December 2021. The decrease was due to lower customer demand and closure of the TCM veterinary clinic in 2021.

Trade and other receivables decreased from \$95,000 as at 31 December 2020 to \$47,000 as at 31 December 2021. Trade receivables decreased from \$14,000 as at 31 December 2020 to \$5,000 as at 31 December 2021 due to higher amount of debt collection during 2021. Other receivables mainly comprise interest receivables and deposits, as well as government grant receivables relating to the COVID-19 government relief measures (in 2020). It decreased from \$81,000 as at 31 December 2020 to \$42,000 as at 31 December 2021 mainly due to absence of government grant receivables as at 31 December 2021.

Prepayments decreased from \$39,000 as at 31 December 2020 to \$26,000 as at 31 December 2021. The decrease was mainly due to reclassification of prepaid operating expenses when they were incurred in 2021.

Current liabilities

Trade payables decreased from \$89,000 as at 31 December 2020 to \$50,000 as at 31 December 2021, due to lower purchases in 2021, which was in line with the decrease in revenue.

Other payables and accruals comprise mainly professional fees, directors' fees and GST which are to be paid within the next 12 months after 31 December 2021. As at 31 December 2020, it also comprised the contingent consideration payable to the vendors for the Acquisition, amounting to \$1.9 million. The contingent consideration was fully settled in March 2021. Other payables and accruals (excluding the aforesaid contingent consideration) decreased from \$417,000 as at 31 December 2020 to \$406,000 as at 31 December 2021.

Deferred government grant amounting to \$46,000 as at 31 December 2020 (Nil as at 31 December 2021) related to the JSS Grant as part of the COVID-19 government relief measures announced by the Singapore government.

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 2021. The decrease was due to the termination of lease relating to the closure of the TCM veterinary clinic in March 2021.

Provision for taxation decreased from \$65,000 as at 31 December 2020 to Nil as at 31 December 2021, due to tax loss incurred for 2021.

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 2021. It increased from \$89,000 as at 31 December 2020 to \$264,000 as at 31 December 2021, due to renewal of the leases for two veterinary clinics in August 2021.

Deferred tax liabilities mainly relate to a taxable temporary difference on plant and equipment which are subject to capital allowance. It decreased from \$29,000 as at 31 December 2020 to \$12,000 as at 31 December 2021.

Working capital

The Group reported a positive working capital position of \$10.7 million as at 31 December 2021 (\$10.6 million as at 31 December 2020).

(c) Statement of Cash Flows

Net cash used in operating activities amounted to \$87,000 for 2021. The net cash used in operating activities was mainly due to (i) the operating cash flows before working capital changes used in 2021 of \$25,000; (ii) a decrease in trade and other payables of \$50,000; (iii) a decrease in deferred government grant of \$46,000; and (iv) income tax paid of \$65,000. The decrease was partially offset by (i) a decrease in trade and other receivables of \$45,000; (ii) a decrease in inventories of \$6,000; (iii) a decrease in prepayments of \$13,000; and (v) interest received of \$35,000.

Net cash used in investing activities for 2021 amounted to \$1.3 million due to (i) the purchase of plant and equipment of \$18,000; and (ii) the payment of contingent consideration relating to the Acquisition of \$1.3 million.

Net cash used in financing activities for 2021, amounting to \$491,000, related to (i) the repayment of lease liabilities of \$197,000; (ii) the issuance of first and final tax exempt (one-tier) cash dividend of \$292,000 for the financial year ended 31 December 2020; and (iii) share issuance expenses of \$2,000.

As a result of the above, the Group's cash and cash equivalents decreased from \$13.0 million as at 31 December 2020 to \$11.1 million as at 31 December 2021.

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 of the Group for FY2021 as set out in this announcement, are in line with the profit guidance announcement for FY2021 released by the Company on 14 February 2022.

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

The prolonged COVID-19 pandemic and the continued application of operational guidelines on queue management, crowd management, safe-distancing measures as well as implementing good hygiene practices in the Group's veterinary clinics have caused a degree of inconvenience to the Group's clients and impacted the efficiency of the operations of the Group's veterinary clinics, as compared with pre-COVID-19 pandemic times.

Notwithstanding the current shortage of veterinarian surgeons in the veterinary industry, the Group will continue to make efforts to employ more veterinarians.

On 30 December 2021 ("**Announcement**"), the Company announced that it had, on the same day, entered into a conditional sale and purchase agreement ("**SPA**") with RHT Aldigi Financial Holdings Pte. Ltd. (the "**Vendor**") and Aldigi Holdings Pte. Ltd. (the "**Target**"), pursuant to which the Company will acquire from the Vendor 100% of the ordinary shares in the issued and paid-up share capital of the Target as at the Completion Date (as defined in the Announcement), subject to the terms and conditions of the SPA (the "**Proposed Acquisition**"). Through the Proposed Acquisition, with the injection of the new business of the Target Group (as defined in the Announcement), the Group will have an additional revenue stream as well as an opportunity to diversify the Group's portfolio of businesses in addition to the current business of providing veterinary care. The Proposed Acquisition will constitute a "reverse takeover" transaction pursuant to Chapter 10 of the Catalist Rules and is subject to, *inter alia*, the approval of the SGX-ST and the approval of the shareholders of the Company at an extraordinary general meeting to be convened. Please refer to the Announcement 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 and other matters contemplated by the Announcement.

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?

Yes. First and final tax exempt (one-tier) cash dividend of \$0.002 per ordinary share was declared for the financial year ended 31 December 2020.

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 2021 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

	2021	2020
	\$'000	\$'000
Ordinary	-	292*
Preference	-	-
Total	-	292

* Declared for 2020 and paid in 2021

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 2021.

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.

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

Tan Tong Guan
Executive Chairman and Chief Executive Officer

Teo Yi-dar
Lead Independent Director

Singapore
24 February 2022