Asia Vets Holdings Ltd. and its subsidiary

Condensed interim consolidated financial statements

for the six months and full year ended

31 December 2023

*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 Catalist.*

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

		Group					
	Note	**2H2023***	**2H2022***	**Increase / (decrease)**	**FY2023****	**FY2022****	**Increase / (decrease)**
		$'000	$'000	%	$'000	$'000	%
		(Unaudited)	(Unaudited)		(Unaudited)	(Audited)	
Revenue		1,198	1,176	2	2,326	2,421	(4)
Cost of sales		(858)	(817)	5	(1,628)	(1,573)	3
Gross profit		340	359	(5)	698	848	(18)
Other operating income	6.1	181	91	99	375	114	>100
Administrative expenses		(1,010)	(773)	31	(1,806)	(1,715)	5
Other expenses		-	(11)	N.M.	(3)	(11)	(73)
Finance expenses		(3)	(6)	(50)	(8)	(14)	(43)
Loss before tax	6	(492)	(340)	46	(744)	(778)	(4)
Income tax credit	7	-	2	N.M.	-	11	N.M.
Loss for the period/year, representing total comprehensive income attributable to owners of the Group		**(492)**	**(338)**	**46**	**(744)**	**(767)**	**(3)**
Loss per share (in $ cents)	8						
Basic		(0.34)	(0.23)		(0.51)	(0.52)	
Fully diluted		(0.34)	(0.23)		(0.51)	(0.52)	

N.M. denotes Not Meaningful

* "**2H2023**" denotes six months ended 31 December 2023 and "**2H2022**" denotes six months ended 31 December 2022.

** "**FY2023**" denotes full year ended 31 December 2023 and "**FY2022**" denotes full year ended 31 December 2022.

B. Condensed interim statements of financial position

	Note	Group		Company	
		As at		As at	
		31/12/2023	31/12/2022	31/12/2023	31/12/2022
		$'000	$'000	$'000	$'000
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
Non-current assets					
Plant and equipment	10	131	123	-	-
Right-of-use assets		142	291	-	-
Investment in a subsidiary	11	-	-	3,071	3,371
Goodwill	12	8,405	8,405	-	-
Loan due from a subsidiary	13	-	-	4,819	4,959
		8,678	**8,819**	**7,890**	**8,330**
Current assets					
Inventories		103	108	-	-
Trade and other receivables		763	349	1,162	311
Prepayments		27	28	9	10
Cash and cash equivalents		9,010	10,099	8,842	9,999
		9,903	10,584	10,013	10,320
Total assets		**18,581**	**19,403**	**17,903**	**18,650**
Current liabilities					
Trade payables		59	63	-	-
Other payables and accruals		524	443	152	160
Provision for taxation		-	-	5	-
Lease liabilities		131	185	-	-
		714	691	157	160
Net current assets		**9,189**	**9,893**	**9,856**	**10,160**
Non-current liabilities					
Lease liabilities		19	120	-	-
		19	120	-	-
Total liabilities		**733**	**811**	**157**	**160**
Net assets		**17,848**	**18,592**	**17,746**	**18,490**
Equity attributable to equity holders of the Company					
Share capital	15(a)	21,333	21,333	21,333	21,333
Capital reserve	15(b)	228	228	228	228
Revenue reserve		(3,713)	(2,969)	(3,815)	(3,071)
Total equity		**17,848**	**18,592**	**17,746**	**18,490**
Total equity and liabilities		**18,581**	**19,403**	**17,903**	**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 2023 (audited)	21,333	228	(2,969)	18,592
Loss for the year, representing total comprehensive income for the year	-	-	(744)	(744)
Total comprehensive income for the year	-	-	(744)	(744)
Closing balance at 31 December 2023 (unaudited)	21,333	228	(3,713)	17,848
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 (audited)	21,333	228	(2,969)	18,592

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 2023 (audited)	21,333	228	(3,071)	18,490
Loss for the year, representing total comprehensive income for the year	-	-	(744)	(744)
Total comprehensive income for the year	-	-	(744)	(744)
Closing balance at 31 December 2023 (unaudited)	21,333	228	(3,815)	17,746
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 (audited)	21,333	228	(3,071)	18,490

D. Condensed interim consolidated statement of cash flows

	Group	
	FY2023	**FY2022**
	$'000	$'000
	(Unaudited)	(Audited)
Cash flows from operating activities		
Loss before tax	(744)	(778)
Adjustments for:		
Depreciation of plant and equipment	55	84
Depreciation of right-of-use assets	180	176
Loss on disposal of plant and equipment	-*	1
Gain on termination of lease	(1)	-
Bad debt written-off	1	-*
Interest income	(321)	(105)
Interest expense	8	14
Unrealised exchange loss/(gain)	-*	-*
Operating cash flows before working capital changes	(822)	(608)
Decrease/(increase) in inventories	5	(3)
Increase in trade and other receivables	(436)	(283)
Decrease/(increase) in prepayments	1	(3)
Increase in trade and other payables	77	50
Cash used in operations	(1,175)	(847)
Interest received	343	86
Net cash flows used in operating activities	**(832)**	**(761)**
Cash flows from investing activities		
Purchase of plant and equipment	(63)	(56)
Net cash flows used in investing activities	**(63)**	**(56)**
Cash flows from financing activities		
Repayment of lease liabilities	(186)	(167)
Interest paid	(8)	(14)
Net cash flows used in financing activities	**(194)**	**(181)**
Net decrease in cash and cash equivalents	(1,089)	(998)
Cash and cash equivalents at beginning of the year	10,099	11,097
Effect of exchange rate changes on cash and cash equivalents	-*	-*
Cash and cash equivalents at end of the year	**9,010**	**10,099**

** 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 of the Group for the six months and full year ended 31 December 2023 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 of the Group 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 since the last condensed interim consolidated financial statements for the six months financial period ended 30 June 2023.

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 2022, 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 2023. 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 2022.

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 2023 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 2023 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			
	2H2023	**2H2022**	**FY2023**	**FY2022**
	$'000 (Unaudited)	$'000 (Unaudited)	$'000 (Unaudited)	$'000 (Audited)
Veterinary services	543	517	1,027	1,082
Sales of veterinary medicines and products	655	659	1,299	1,339
Total revenue recognised at point in time	1,198	1,176	2,326	2,421

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		
		FY2023	FY2022	Decrease
		$'000	$'000	%
		(Unaudited)	(Audited)	
(a)	Sales reported for first half year	1,128	1,245	(9)
(b)	Operating loss after tax before deducting non-controlling interests reported for first half year	(252)	(429)	(41)
(c)	Sales reported for second half year	1,198	1,176	2
(d)	Operating loss after tax before deducting non-controlling interests reported for second half year	(492)	(338)	46

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 2023 and 31 December 2022:

	Group		Company	
	As at		As at	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	$'000	$'000	$'000	$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Financial assets				
Trade and other receivables	763	349	1,162	311
Cash and cash equivalents	9,010	10,099	8,842	9,999
Loan due from a subsidiary	-	-	4,819	4,959
Total financial assets carried at amortised cost	9,773	10,448	14,823	15,269
Financial liabilities				
Trade payables	59	63	-	-
Other payables and accruals	524	443	152	160
Lease liabilities	150	305	-	-
	733	811	152	160
Less: Goods and services tax ("**GST**") payable, net	(32)	(25)	-	-
Total financial liabilities carried at amortised cost	701	786	152	160

6. Loss before tax

6.1. Significant items

	Group					
	2H2023	**2H2022**	**Increase / (decrease)**	**FY2023**	**FY2022**	**Increase / (decrease)**
	$'000	$'000	%	$'000	$'000	%
	(Unaudited)	(Unaudited)		(Unaudited)	(Audited)	
Income						
Interest income	156	91	71	321	105	>100
Government grants	24	-	N.M.	53	9	>100
Expenses						
Foreign exchange loss	-*	-	N.M.	-*	1	N.M.
Professional fee	271	85	>100	454	387	17
Depreciation of plant and equipment	22	41	(46)	55	84	(35)
Depreciation of right-of-use assets	91	89	2	180	176	2
Loss on disposal of plant and equipment	-*	1	N.M.	-*	1	N.M.
Bad debt written-off	-	-*	N.M.	1	-*	N.M.
Key management and employee benefits expense	908	788	15	1,572	1,445	9
Interest expense	3	6	(50)	8	14	(43)

** Less than $500*

N.M. denotes Not Meaningful

6.2. Related party transactions

	Group			
	2H2023	**2H2022**	**FY2023**	**FY2022**
	$'000	$'000	$'000	$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Compensation of key management personnel				
Short term benefits	393	308	671	568
CPF contributions	34	25	51	43
Directors' fees	67	77	135	146
	494	410	857	757
Comprises amounts paid to:				
Directors of the Company	312	255	538	474
Other key management personnel	182	155	319	283
	494	410	857	757

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

7. Income Tax Credit

The major components of income tax credit in the condensed interim consolidated statement of profit or loss are:

	Group			
	2H2023	**2H2022**	**FY2023**	**FY2022**
	$'000 (Unaudited)	$'000 (Unaudited)	$'000 (Unaudited)	$'000 (Audited)
Deferred income tax				
Origination and reversal of temporary differences	-	2	-	11
Income tax credit recognised in profit or loss	-	2	-	11

8. Loss per share

Basic loss per share (**"LPS"**) is computed by dividing the loss attributable to the owners of the Group 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			
	2H2023	**2H2022**	**FY2023**	**FY2022**
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Loss attributable to owners of the Group ($'000)	(492)	(338)	(744)	(767)
LPS, based on loss attributable to owners of the Group				
- Basic ($ cents)	(0.34)	(0.23)	(0.51)	(0.52)
- Fully diluted ($ cents)	(0.34)	(0.23)	(0.51)	(0.52)
Weighted average number of ordinary shares in issue ('000):				
- Basic	146,146	146,146	146,146	146,146
- Fully diluted	146,146	146,146	146,146	146,146

9. Net Asset Value ("NAV")

	Group		Company	
	As at		As at	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
NAV per ordinary share ($ cents)	12.21	12.72	12.14	12.65
Number of shares used in computation of NAV per share ('000)	146,146	146,146	146,146	146,146

10. Property, plant and equipment

During FY2023, the Group acquired assets amounting to approximately $63,000 (FY2022: approximately $56,000) and disposed of assets amounting to approximately $86,000 (FY2022: approximately $11,000).

11. Investment in a subsidiary

	Company	
	As at	
	31/12/2023	31/12/2022
	$'000	$'000
	(Unaudited)	(Audited)
Shares, at cost	-*	-*
Investment in a subsidiary	4,294	4,294
Transaction cost relating to the acquisition	1,926	1,926
Allowance for impairment loss	(3,149)	(2,849)
	3,071	3,371

** Less than $500*

As at the end of FY2023, 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 additional impairment loss of approximately $0.30 million was recognised for the subsidiary for FY2023 ($2.85 million for FY2022). The recoverable amount of the impaired subsidiary of a $3.07 million 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 2023 are as follows:

Name of subsidiary	Country of incorporation and principal place of business	Principal activities	31/12/2023	31/12/2022
			%	%
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 70% of the contingent consideration by cash of $1,302,000 on 10 March 2021 and the balance 30% of the contingent consideration by the issuance and allotment of new shares of the Company at $558,000 on 11 March 2021.

12. Goodwill

	Group	
	As at	
	31/12/2023	31/12/2022
	$'000	$'000
	(Unaudited)	(Audited)
Cost	8,405	8,405

Impairment testing of goodwill

As at 31 December 2023, 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 2022: 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:

	FY2023	**FY2022**
Revenue growth rate	3.5% - 39.9%	5.0% - 21.5%
Terminal growth rate	1.9%	1.5%
Budgeted gross profit margin	32.6% - 36.7%	35.0% - 37.0%
Post-tax discount rate	10.0%	10.0%

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 32.6% is applied for FY2024 and 36.7% for FY2025 to FY2028 based on 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.

13. Loan due from a subsidiary

	Company	
	As at	
	31/12/2023	**31/12/2022**
	$'000	$'000
	(Unaudited)	(Audited)
Non-current:		
Loans due from subsidiary at cost*	5,336	5,061
Allowance for expected credit loss	(517)	(102)
Net carrying amount	4,819	4,959

* This represents the loan obtained from the Company to finance the Acquisition of the subsidiary (please refer to Note 12 to the condensed interim consolidated financial statements above).

The loans due from the subsidiary are unsecured, interest-free and repayable in August 2023 and March 2026 respectively. In February 2023, 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.

The impairment assessment has been performed for the amount due from subsidiary using the three-stage expected credit loss ("**ECL**") model. Following the review, an additional ECL allowance of $415,000 is recognised for FY2023 (FY2022: $102,000).

14. Borrowings

The Group and the Company do not hold any borrowings and debt securities as at 31 December 2023 and 31 December 2022.

15. Share capital and capital reserve

(a) Share capital

	Group and Company			
	2023		**2022**	
	Number of shares	**Resultant issued share capital**	**Number of shares**	**Resultant issued share capital**
	'000	$'000	'000	$'000
At 1 January, 30 June and 31 December	146,146	21,333	146,146	21,333

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 2023 and 31 December 2022.

The Company has neither treasury shares nor subsidiary holdings as at 31 December 2023 and 31 December 2022.

There was no sale, transfer, cancellation and/or use of treasury shares and subsidiary holdings during FY2023.

(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.

16. 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 Catalist Rules

1. Review

The condensed consolidated statement of financial position of Asia Vets Holdings Ltd. and its subsidiary as at 31 December 2023 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 2023 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 2022 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) <u>Statement of Profit and Loss and Other Comprehensive Income</u>

Revenue, Cost of sales and Gross profit

The Group's revenue is derived from rendering of veterinary services and sales of veterinary medicines and products. It decreased by $0.09 million or 4%, from $2.42 million for FY2022 to $2.33 million for FY2023. The decrease was mainly due to a decrease in revenue from surgery and procedures as a result of reduction in the number of veterinary technicians, and a decrease in revenue from the sale of veterinary medicines and products.

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 increased by $0.06 million or 3%, from $1.57 million for FY2022 to $1.63 million FY2023. The increase was mainly due to the increased veterinary staff cost in FY2023.

Gross profit for FY2023 was $0.70 million and gross profit margin was 30.0%. Gross profit for FY2022 was $0.85 million and gross profit margin was 35.0%. The decrease in gross profit margin by 5.0 percentage points was mainly attributable to the decrease in revenue and the increase in cost of sales in FY2023.

Other operating income

Other operating income comprises mainly interest income from short-term deposits and government grants. The amount increased from $0.11 million for FY2022 to $0.38 million for FY2023, mainly due to an increase in government grants and an increase in interest income.

Government grants relate to:

(i) The Government-Paid Maternity Leave Scheme;
(ii) the Progressive Wage Credit Scheme; and
(iii) the CPF Transition Offset.

Government grants increased from approximately $9,000 for FY2022 to $0.05 million for FY2023 mainly due to the grant of the Government-Paid Maternity Leave Scheme in FY2023, which was absent in FY2022.

Interest income increased from $0.11 million for FY2022 to $0.32 million for FY2023 mainly due to higher interest rate for FY2023, as compared to FY2022.

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 $1.72 million for FY2022 to $1.81 million for FY2023. The increase in professional fees, administrative staff costs, recruitment expenses, depreciation of right-of-use assets and IT expenses in FY2023 was partially offset by the decrease in repair and maintenance and general office expenses. Professional fees included fees 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**") (the "**RTO Expenses**"), 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, 14 December 2022 and 29 November 2023. RTO Expenses increased from $0.29 million for FY2022 to $0.35 million for FY2023.

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

Other expenses

Other expenses in FY2023 relate to cash donations made by the Company to the approved Institution of a Public Character to support the local communities. It decreased from $0.01 million for FY2022 to $3,000 for FY2023.

Finance expenses

Finance expenses relate to interest expenses on lease liabilities arising from right-of-use assets. It decreased from $0.01 million for FY2022 to approximately $8,000 for FY2023.

Income tax credit

There was no income tax expense in FY2023 due to loss incurred for the Group. The Group recorded income tax credit of approximately $11,000 in FY2022.

Loss for the year

As a result of the above, the Group recorded a loss for the year of $0.74 million for FY2023, as compared to a loss for the year of $0.77 million for FY2022.

(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 increased from $0.12 million as at 31 December 2022 to $0.13 million as at 31 December 2023, mainly due to purchase of veterinary and medical equipment and computers in FY2023.

Right-of-use assets relate to leases of veterinary clinic and office premises occupied by the Group. It decreased from $0.29 million as at 31 December 2022 to $0.14 million as at 31 December 2023, mainly due to depreciation charges incurred in FY2023.

Goodwill arising from the Acquisition of AVHAA remains unchanged.

Current assets

Inventories mainly comprise veterinary medicine, clinic consumables and pet food. It decreased from $0.11 million as at 31 December 2022 to $0.10 million as at 31 December 2023. The decrease in inventories was due to the lower purchases of inventories in December 2023.

Trade and other receivables mainly comprise trade receivables, interest receivables, deposits, and other receivables in relation to the Proposed Acquisition. It increased from $0.35 million as at 31 December 2022 to $0.76 million as at 31 December 2023, mainly due to an increase in other receivables in relation to professional fees incurred for the Proposed Acquisition of $0.43 million, which will be reimbursed from the Target.

Prepayments slightly decreased from approximately $28,000 as at 31 December 2022 to approximately $27,000 as at 31 December 2023.

Current liabilities

Trade payables decreased from approximately $63,000 as at 31 December 2022 to approximately $59,000 as at 31 December 2023, due to the lower purchases of inventories in December 2023.

Other payables and accruals comprise mainly professional fees, directors' fees, staff bonus and GST payable. Other payables and accruals increased from $0.44 million as at 31 December 2022 to $0.52 million as at 31 December 2023. The increase was mainly due to an increase in staff bonus and GST payables in FY2023.

Lease liabilities (current portion) relate to veterinary clinic and office premise leases and due within the next 12 months after 31 December 2023. It decreased from $0.19 million as at 31 December 2022 to $0.13 million as at 31 December 2023mainly due to the expiry of clinic leases in the third quarter of 2024.

Non-current liabilities

Lease liabilities (non-current portion) relate to veterinary clinic and office premise leases and due after the next 12 months after 31 December 2023. It decreased from $0.12 million as at 31 December 2022 to $0.02 million as at 31 December 2023, mainly due to a reclassification of amount due within the next 12 months after 31 December 2023 from non-current liabilities to current liabilities.

Working capital

The Group reported a positive working capital position of $9.19 million as at 31 December 2023 ($9.89 million as at 31 December 2022).

(c) Statement of Cash Flows

Net cash used in operating activities amounted to $0.83 million for FY2023. The net cash used in operating activities was due to (i) the operating cash outflows before working capital changes of $0.82 million; (ii) net working capital outflow of $0.35 million; and (iii) interest received of $0.34 million. The net working capital outflow was attributable to an increase in trade and other receivables of $0.44 million, which was partially offset by (i) an increase in trade and other payables of $0.08 million, (ii) a decrease in inventories of approximately $5,000; and (iii) a decrease in prepayments of approximately $1,000.

Net cash used in investing activities for FY2023 amounted to $0.06 million and was due to the purchase of veterinary and medical equipment, and computers.

Net cash used in financing activities for FY2023 amounted to $0.19 million and was mainly due to the repayment of lease liabilities.

As a result of the above, the Group's cash and cash equivalents decreased from $10.10 million as at 31 December 2022 to $9.01 million as at 31 December 2023.

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

No forecast or prospect statement was previously disclosed to shareholders.

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.

Shortage of veterinarian surgeons and nurses in the veterinary industry continues. However, the Group continues its efforts to employ more veterinarians and nurses.

In view of the Group's clinic leases expiring in the third quarter of 2024, the Group is reviewing its options to renew the clinic leases or to relocate.

In connection with the Proposed Acquisition, the Company has made announcements on 29 November 2023 relating to the Updated Consideration Mechanism, the Capital Reduction, the Updated Cost-sharing Arrangement, and the Extension of the Amended CP Fulfilment Date.

Please refer to the announcements dated 30 December 2021, 28 April 2022, 5 August 2022, 30 November 2022, 14 December 2022 and 29 November 2023 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 FY2023 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 FY2023.

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 relatives of 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 are 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 2023.

BY ORDER OF THE BOARD
ASIA VETS HOLDINGS LTD.

Tan Tong Guan	Henry Tan Song Kok
Executive Chairman and Chief Executive Officer	Lead Independent Director

Singapore

21 February 2024