

ASIA VETS HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number: 201003501R)

UPDATE ON THE PAYMENT OF THE RETENTION SUM IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF AVH ANIMAL ARK PTE. LTD.

1. INTRODUCTION

The board of directors (“**Board**” or “**Directors**”) of Asia Vets Holdings Ltd. (“**Company**”) refers to the Company’s announcement dated 8 September 2017 and the Company’s circular to its shareholders dated 29 June 2018 (“**Circular**”) in relation to, *inter alia*, the acquisition by the Company of the entire issued and paid-up share capital of AVH Animal Ark Pte. Ltd. (“**Acquisition**”), which was completed on 13 August 2018.

Unless otherwise defined herein or the context requires otherwise, all capitalised terms used herein shall have the same meanings ascribed to them in the Circular.

The Board wishes to provide an update to shareholders of the Company on the payment by the Company of the Retention Sum of the Consideration.

2. RETENTION SUM OF THE CONSIDERATION

In accordance with the Sale and Purchase Agreement and as disclosed on pages 20 to 21 of the Circular (under Section 2.3(b) entitled “Principal Terms of the Proposed Acquisition”), the Retention Sum of the Consideration shall be satisfied in the following manner:-

- (a) 14% of the Consideration (amounting to S\$1,302,000) to be paid in cash shall be held in escrow by the Company (or such other third party appointed by the Company) for the Retention Period and the Average EBIT Determination Period. Such cash (without any interest) shall be released to the Vendor and/or such other person(s) as may be specified by the Vendor on the date immediately falling after the expiry of the Average EBIT Determination Period; and
- (b) 6% of the Consideration (amounting to S\$558,000) to be paid via the issuance and allotment of such number of new shares (the “**Deferred Consideration Shares**”) to the Vendor and/or such other person(s) as may be specified by the Vendor, on the date immediately falling after the expiry of the Average EBIT Determination Period, at an issue price that is based on the 10-day VWAP of the Shares prior to the 30th month anniversary of the Completion Date,

(collectively, the “**Retention Sum**”).

The Consideration may be adjusted upon determination of the Average EBIT after the Retention Period, and the Retention Sum shall be adjusted accordingly as detailed below:

Retention Sum Adjustment Mechanism

- (a) If the average EBIT (on an annualised basis) derived from the business and assets of the Target over the Retention Period (the “**Average EBIT**”) is less than 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 (and/or its nominee(s)) 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 Sale and Purchase Agreement to reflect the lower EBIT provided that in all circumstances, such adjustment amount to 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 Sale and Purchase Agreement to account for any additional average EBIT (on an annualised basis) exceeding 105% of the Agreed EBIT.

Further to the determination of the Average EBIT after the Retention Period, such number of Deferred Consideration Shares determined in accordance with the terms and conditions of the Sale and Purchase Agreement (i.e. determined based on the 10-day VWAP of the Shares prior to the end of the Retention Period), shall be allotted and issued to Dr Lin Chung Chieh Eugene (Lin Zhongjie Eugene) (“**Dr Eugene Lin**”) and Ms. Poh E-lynn Elaine (Fu Yilin Elaine) (“**Ms Elaine Poh**”) in equal proportion.

3. UPDATE ON THE PAYMENT OF THE RETENTION SUM

Based on the Average EBIT as determined by the Company after the Retention Period, it is determined that the Average EBIT falls above the Agreed EBIT and is not more than 105% of the Agreed EBIT. Accordingly, no adjustment is required to be made to the Retention Sum in accordance with the Retention Sum Adjustment Mechanism.

The Retention Sum, comprising the following, will be paid to Dr Eugene Lin and Ms Elaine Poh:-

- (a) 14% of the Consideration payable in cash

Based on the aggregate amount payable of S\$1,302,000 (being 14% of the Consideration) payable in cash, the Company had, on 10 March 2021, made cheque payments of such amount to Dr Eugene Lin and Ms Elaine Poh as partial satisfaction of the Retention Sum in connection with the Acquisition.

- (b) 6% of the Consideration payable via the issuance and allotment of the Deferred Consideration Shares

The issue price for each Deferred Consideration Share had been determined by the Company and agreed upon with Dr Eugene Lin and Ms Elaine Poh to be S\$0.07731 (“**Issue Price**”), which is based on the 10-day VWAP of the Shares prior to the 30th month anniversary of the Completion Date¹, being 12 February 2021, in accordance with the Sale and Purchase Agreement.

Based on the aggregate amount payable of S\$558,000 (being 6% of the Consideration) and the Issue Price of S\$0.07731 per Deferred Consideration Share, the Company shall issue and allot an aggregate of 7,217,694 Deferred Consideration Shares to Dr Eugene Lin and Ms Elaine Poh as payment of the balance of the Retention Sum in connection with the Acquisition. Dr Eugene Lin and Ms Elaine Poh will each receive 3,608,847 Deferred Consideration Shares.

4. DEFERRED CONSIDERATION SHARES

The Deferred Consideration Shares, when allotted and issued, shall be credited as fully-paid and free from any encumbrances and shall rank *pari passu* in all respects with, and carry all rights similar to, the existing Shares, except that they will not rank for any dividend, right, allotment or other distribution, the record date for which falls on or before the date of issue of the Deferred Consideration Shares.

¹ For avoidance of doubt, the relevant period shall cover dates from 29 January 2021 to 11 February 2021 (both dates inclusive).

As at the date of this announcement, (i) the Company has an existing issued and paid-up share capital of 138,928,002 Shares (the “**Existing Share Capital**”); and (ii) the Company has no treasury shares, subsidiary holdings or any outstanding convertibles. Upon issuance and allotment of an aggregate of 7,217,694 Deferred Consideration Shares (and assuming no further issuance of Shares by the Company), the Company’s issued and paid-up share capital will increase to 146,145,696 Shares (the “**Enlarged Share Capital**”). The 7,217,694 Deferred Consideration Shares represent approximately 5.20% of the Existing Share Capital, and approximately 4.94% of the Enlarged Share Capital.

Mandate for the Issue of the Deferred Consideration Shares

The issue of the Deferred Consideration Shares shall be made pursuant to the general mandate obtained from the Company’s shareholders at its annual general meeting held on 3 June 2020 (“**2020 AGM**”), pursuant to which authority was granted to the Directors of the Company to, *inter alia*, issue Shares whether by way of rights, bonus or otherwise, provided that the aggregate number of Shares to be issued does not exceed 100% of the total number of issued Shares whether on a *pro rata* or *non pro rata* basis (“**2020 Share Issue Mandate**”). At the 2020 AGM, the Company had 138,928,002 Shares in issue. Pursuant to the 2020 Share Issue Mandate, the Company can issue up to 69,464,001 new Shares from the 2020 AGM until the conclusion of the next annual general meeting of the Company. Since the 2020 AGM, the Company has not issued any new Shares up to the date of this announcement.

Based on the foregoing, the proposed issue and allotment of the 7,217,694 Deferred Consideration Shares in connection with the Acquisition will fall within the maximum number of new Shares that may be issued pursuant to the 2020 Share Issue Mandate, and as such, prior approval of the Company’s shareholders is not required for the allotment and issuance of the Deferred Consideration Shares.

Receipt of Approval In-Principle from the SGX-ST for the Listing and Quotation of the Deferred Consideration Shares

The Company had submitted an application to the SGX-ST, through the Sponsor, for the listing of and quotation for the Deferred Consideration Shares on the Catalist board of the SGX-ST (“**Catalist**”).

The SGX-ST had, on 10 March 2021, granted its approval in-principle (“**AIP**”) for the listing and quotation of the Deferred Consideration Shares on the Catalist, subject to compliance with the SGX-ST’s listing requirements.

The AIP is not to be taken as an indication of the merits of the Deferred Consideration Shares, the Company and/or its subsidiaries.

The Company will make further announcements to update its shareholders on the issuance and allotment of the Deferred Consideration Shares in due course.

By Order of the Board

Tan Tong Guan
Executive Chairman and CEO

10 March 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.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.