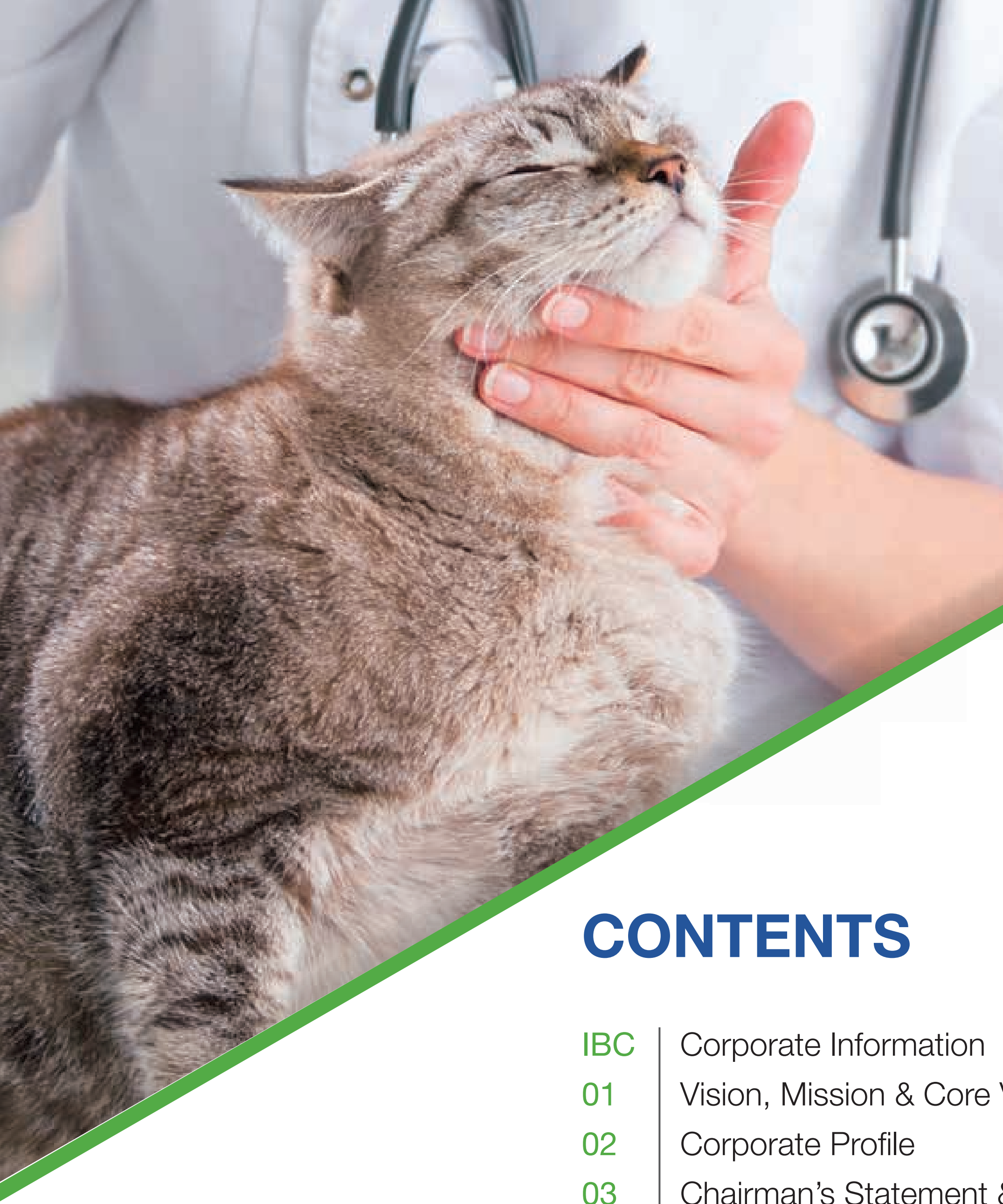
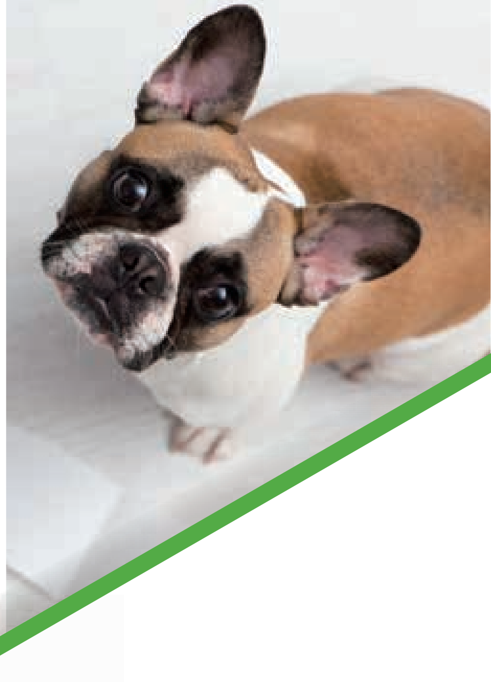
ASIA VETS HOLDINGS LTD.

ANNUAL REPORT 2019





CONTENTS

This annual report 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 (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.

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

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.

VISION

To be the trusted partner at the forefront of pet care in Asia

MISSION

To practise the highest standard of pet care with compassion

CORE VALUES

ADVANCEMENT

Advancement through continued education and technology

COMMITMENT

Commitment of being a trusted partner with professional ethics

EXCELLENCE

Excellence in knowledge, skills and customer experience

CORPORATE PROFILE

Asia Vets Holdings Ltd. (the "**Company**"), through its wholly-owned subsidiary, AVH Animal Ark Pte. Ltd. (together with the Company, the "**Group**"), provides veterinary care and clinical services to small animals in Singapore.

Currently, the Group operates three (3) veterinary clinics which provide a full range of general veterinary services including medical, surgical and dental care for small animals and after-hours emergency services. We pride ourselves in providing our patients with advanced diagnostic and the latest in surgical procedures such as key-hole surgery. Apart from providing surgical oncology and chemotherapy, we also utilise natural killer cell and stem cell therapies in the treatment of cancers. Complementary remedies and treatments such as acupuncture and traditional Chinese medicine are also available at our clinics.

The Group targets to be the trusted partner at the forefront of pet care in Asia through practising the highest standard of pet care with compassion. The Group will continue to expand its operations via organic growth and acquisitions in Asia.

The Company was incorporated in Singapore in February 2010 and has been admitted to the Official List of the SGX-Catalist since July 2010.

CHAIRMAN'S STATEMENT
& OPERATIONS REVIEW

Dear Shareholders,

On behalf of the Board of Directors, I would like to present the results of Asia Vets Holdings Ltd. (the "**Company**", and together with its subsidiary, the "**Group**") for the financial year ended 31 December 2019 ("**FY2019**").

THE YEAR IN REVIEW

Upon the completion of the acquisition of the entire issued and paid-up share capital of AVH Animal Ark Pte. Ltd. ("**AVHAA**") ("**Acquisition**") in August 2018, the Group has ventured into the veterinary industry. For the past year, several initiatives, such as collaboration with business partners, extension of clinic operating hours and introduction of new treatment method, had been introduced to increase our revenue stream. In addition to organic growth, the Company has been actively exploring various acquisition opportunities and options available to maximise value for its shareholders although no material decisions had been made.

FINANCIAL REVIEW

INCOME STATEMENT

The Group had no business operations before 13 August 2018 when the Company acquired the entire issued share capital of AVHAA. Therefore, revenue, cost of sales, and the subsidiary-related other operating expenses for the financial year ended 31 December 2018 ("**FY2018**") will only consist of approximately 4.5 months results from 13 August 2018 to 31 December 2018. The comparison between FY2019 and FY2018 may not be meaningful.

REVENUE, COST OF SALES AND GROSS PROFIT

The Group's revenue for FY2019 was approximately S$3.8 million, which was predominantly derived from rendering of veterinary services and sales of veterinary medicine. The revenue for FY2018 was approximately S$1.5 million.

CHAIRMAN'S STATEMENT & OPERATIONS REVIEW

The Group's cost of sales for FY2019 was approximately S$2.2 million, which includes purchase of veterinary medicine and consumables, and employee benefits paid to veterinarians, vet technicians and vet nurses. The cost of sales for FY2018 was approximately S$0.9 million.

Gross profit for FY2019 was approximately S$1.6 million and gross profit margin was 42%, which remained relatively consistent with FY2018.

OTHER OPERATING INCOME

Other operating income comprised mainly:

i) gain arise from fair value adjustment on contingent consideration of business combination (S$562,000 for FY2019 and nil for FY2018);

ii) interest income earned from the Company's escrow account (for FY2018 only) and short-term deposits; and

iii) government grant.

Other operating income increased from S$146,000 for FY2018 to S$757,000 for FY2019. The increase was mainly due to items i) and ii) above.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly relate to general office expenses, administrative staff costs, professional fee, listing expenses and depreciation charges. It increased from S$1.1 million for FY2018 to S$1.5 million for FY2019. The increase was mainly due to absence of operating expenses relating to AVHAA before the completion of the Acquisition for FY2018.

OTHER EXPENSES

Other expenses for FY2018 were the acquisition-related transaction cost and loss arise from fair value adjustment of contingent consideration in connection with the Acquisition.

FINANCE COSTS

Finance costs for FY2019 were related to the interest expenses on lease liabilities arising from the right-of-use ("**ROU**") assets.

INCOME TAX EXPENSE

Income tax expense for FY2019 comprised current income tax expense and deferred tax expense in relation to a taxable temporary difference on plant and equipment which are subject to capital allowance and provisions. There was no tax expense for FY2018. Income tax expense decreased from S$21,000 for FY2018 to S$19,000 for FY2019. The decrease was mainly due to the decrease in the deferred income tax expense, partially offset by the increase in current income tax expense as a result of the increase in chargeable income.

PROFIT/(LOSS), NET OF TAX

As a result of the above, the Group turned from a loss after tax of S$2.3 million for FY2018 to a profit after tax of S$0.8 million for FY2019.

FINANCIAL POSITION

NON-CURRENT ASSETS

Plant and equipment comprised veterinary and medical equipment, office equipment, computer and software and furniture and fixtures. It decreased from S$436,000 as at 31 December 2018 to S$303,000 as at 31 December 2019, mainly due to depreciation charges in FY2019.

ROU assets, amounting to S$325,000 as at 31 December 2019, relate to leases of clinics and office occupied by the Group. There were no ROU assets as at 31 December 2018 as SFRS(I) 16 was adopted on 1 January 2019.

Goodwill pertains to the Acquisition of AVHAA.

CURRENT ASSETS

Inventories, which mainly comprised veterinary medicine, clinic consumables and pet food, decreased from S$104,000 as at 31 December 2018 to S$86,000 as at 31 December 2019. The decrease was due to higher inventory turnover.

Trade and other receivables remained relatively stable at S$86,000 as at 31 December 2018 and S$90,000 as at 31 December 2019.

Prepayments remained relatively stable at S$53,000 as at 31 December 2018 and S$44,000 as at 31 December 2019.

CURRENT LIABILITIES

Trade payables decreased from S$104,000 as at 31 December 2018, to S$74,000 as at 31 December 2019, due to the shortened payment cycle to suppliers in FY2019.

CHAIRMAN'S STATEMENT & OPERATIONS REVIEW

Other payables and accruals comprised mainly professional fee, director fee, staff bonus and goods and services tax which are to be paid after 31 December 2019. It decreased from S$438,000 as at 31 December 2018 to S$410,000 as at 31 December 2019, mainly due to payment of accruals due in FY2019.

Lease liabilities arising from ROU assets (current portion) relate to leases of clinics and office occupied by the Group due within the next 12 months after 31 December 2019. There were no ROU assets as at 31 December 2018, thus no lease liabilities as at 31 December 2018 as SFRS(I) 16 was adopted on 1 January 2019.

Provision for taxation, amounting to S$19,000 as at 31 December 2019, relate to the estimated income tax expenses for FY2019.

NON-CURRENT LIABILITIES

Other payables (non-current portion) relate to deferred consideration payable to the vendors for the Acquisition, which will be due in 30 months from 13 August 2018, being the completion date of the Acquisition. Information regarding the deferred consideration is disclosed in the Company's circular to shareholders dated 29 June 2018. It decreased by S$562,000 due to a fair value adjustment in FY2019.

Lease liabilities arising from ROU assets (non-current portion), amounting to S$96,000 as at 31 December 2019, relate to leases of clinics and office occupied by the Group due after the next 12 months after 31 December 2019. There were no ROU assets as at 31 December 2018, thus no lease liabilities as at 31 December 2018 as SFRS(I) 16 was adopted on 1 January 2019.

Deferred tax liabilities relate to a taxable temporary difference on plant and equipment which are subject to capital allowance and provisions. It remained at S$21,000 as at 31 December 2018 and as at 31 December 2019.

WORKING CAPITAL

The Group reported a positive working capital position of S$11.8 million as at 31 December 2019 (S$11.7 million as at 31 December 2018).

TOTAL EQUITY

The Group's total equity increased from S$18.6 million as at 31 December 2018, to S$19.4 million as at 31 December 2019.

CASH FLOWS

Net cash generated from operating activities amounted to S$600,000 for FY2019, as compared to a cash outflow of S$963,000 for FY2018. The net cash generated from operating activities was mainly due to (i) the operating cash flows before working capital movement generated for FY2019 of S$445,000; (ii) decrease in inventories, trade and other receivables as well as prepayments of S$27,000; and (iii) interest received of S$185,000. The increase was partially offset by a decrease in trade and other payables of S$58,000.

Net cash used in investing activities for FY2019 amounted to S$3,000 due to the purchase of plant and equipment for clinic's use.

Net cash used in financing activities for FY2019, amounting to S$266,000, related to the repayment of lease liabilities.

As a result of the above, the Group's cash and cash equivalents increased from S$11.9 million as at 31 December 2018 to S$12.3 million as at 31 December 2019.

MOVING FORWARD

Despite global economic uncertainty, continuous trade tensions and the current COVID-19 situation, the veterinary sector continues to be resilient and stable.

The Company will continue to grow this business both organically and through further acquisitions. We will look out for opportunities to acquire related businesses or veterinary clinics, both in Singapore and overseas to expand its business scope and collaborate with industry players to expand its customers base.

IN APPRECIATION

On behalf of the Board of Directors, I would like to extend our appreciation to the management team and staff for their dedication and hard work. I would also like to take this opportunity to thank all shareholders, business associates, customers and suppliers for their generous support over the years.

TAN TONG GUAN
Co-founder, Executive Chairman and CEO

DIRECTORS PROFILE

TAN TONG GUAN

Co-founder, Executive Chairman and CEO

Tan Tong Guan, 56, co-founder, Executive Chairman and CEO, was appointed to the Board on 17 February 2010 and was last reappointed on 25 April 2019. He is responsible for providing the corporate direction and business strategy for our Group. Mr Tan brings over 20 years of experience in business strategy, having been an executive director of our holding company and controlling shareholder, Tan Gee Beng Private Limited ("**TGBPL**"), from February 1991 to the present. TGBPL was formed in 1967 by Mr Tan's family and has grown from a trading company to an investment holding company that has businesses, ranging from manufacturing, trading, property investments and investment holding. Mr Tan is currently an independent director and chairman of the audit committee of Sing Holdings Limited. Mr Tan graduated with a Bachelor of Accountancy from the National University of Singapore and is a Fellow Chartered Accountant of Singapore with the Institute of Singapore Chartered Accountants ("**ISCA**"). Mr Tan is the brother of Ms Tan Geok Moey (Non-Executive Director).

KIM SEAH TECK KIM

Independent Director

Kim Seah Teck Kim, 65, Independent Director, was appointed to the Board on 25 April 2019. He is the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee of our Company. He has previously served as an independent director on other SGX-listed companies, namely Sing Investments & Finance Limited (till April 2019) and Texchem-Pack Holdings (S) Limited (till April 2016).

A practising lawyer with Incisive Law LLC, Mr Seah was previously a full-time academic and served as Vice-Dean of the Faculty of Law of the National University of Singapore before leaving for private practice. He is the Legal Adviser to the Association of Banks in Singapore, a member of the Banking Commission of the International Chamber of Commerce, Paris and its Panel of Experts under the DOCDEX Rules. He also serves as the Chairman of the Patron Dispute Committee of the Casino Regulatory Authority, Singapore and as the Secretary of the Trustees of the Methodist Church in Singapore.

Mr Seah holds a LL.B. (Honours) degree from the University of Singapore and a LL.M. degree from Harvard Law School (awarded whilst a Fulbright Scholar). He has been an advocate & solicitor of the Supreme Court of Singapore since 1979 and is a Principal Mediator & Fellow of the Singapore Mediation Centre. He was awarded a Public Service Medal and has been a Justice of the Peace since 2008.

DIRECTORS PROFILE

TEO YI-DAR

Lead Independent Director

Teo Yi-Dar, 49, Lead Independent Director, was appointed to the Board on 22 February 2013 and was last reappointed on 25 April 2017. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee of our Company. Mr Teo also sits on the boards of several SGX-listed companies. He is currently the lead independent director and chairman of both the remuneration committee and nominating committee for Yangzijiang Shipbuilding (Holdings) Ltd, the lead independent director and chairman of the audit committee for China YuanBang Property Holdings Ltd and the non-executive chairman for HG Metal Manufacturing Ltd. Mr Teo is also the non-executive director for Hong Kong stock exchange listed Denox Environmental & Technology Holdings Ltd and China ChiNext listed Penyao Environmental Protection Co Ltd.

Mr Teo currently manages a private equity business that focuses on Asian buyout transactions in the electronics, chemical, engineering and technology segments. Mr Teo started his career as an engineer in SGS-Thomson Microelectronics Pte. Ltd. and moved on to Keppel Corporation Ltd ("**Keppel**"), responsible for business development activities for Keppel's offshore and marine businesses. In 1999, he joined Boston-based Advent International private equity group to conduct direct investments into Asian-based businesses.

Mr Teo holds two Masters' degrees: Master of Science in Industrial and Systems Engineering and Master of Science in Applied Finance from the National University of Singapore. Mr Teo graduated with a Bachelor of Electrical Engineering (Honours) from the same university. Mr Teo was also accredited as a Chartered Financial Analyst by the CFA Institute.

TAN GEOK MOEY

Non-Executive Director

Tan Geok Moey, 59, Non-Executive Director, was appointed to the Board on 15 March 2010 and was last reappointed on 20 April 2018. She is a member of the Audit Committee, the Remuneration Committee and the Nominating Committee of our Company. Ms Tan is currently a director of TGBPL, the holding company and controlling shareholder of our Company, where she is responsible for the administration of TGBPL. She is also a director of TGB Properties Pte Ltd, Cosmos Investment Pte Ltd, Wellington First Properties (NZ) Pte Ltd, Tan Gee Beng (Hong Kong) Ltd and TGB Properties (NZ) Pte Ltd. Ms Tan graduated with a Bachelor of Accountancy from the National University of Singapore. Ms Tan is the sister of Mr Tan Tong Guan (Executive Chairman and CEO).

DIRECTORS PROFILE

HENRY TAN SONG KOK

Independent Director

Henry Tan Song Kok, 55, Independent Director, was appointed to the Board on 1 January 2020. He is the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee of our Company. He also sits, as an independent director, on the boards of BH Global Corporation Limited, YHI International Limited and Yinda Infocomm Limited, companies listed on the SGX, as well as China New Town Development Co. Ltd, a company listed on the Hong Kong stock exchange. He is also the chairman of the Nanyang Business School Dean's Alumni Advisory Board of NTU.

Mr Tan is the Group CEO of Nexia TS and was previously the Asia Pacific Regional Chairman and board member of Nexia International. Mr Tan is also the chairman of Awareness Subcommittee on Sustainability Reporting of the ISCA, a member of the ISCA Corporate Reporting Committee, a council member of the ISCA, a lay member of Singapore Dental Council Complaints Panel and the exco and treasurer of Singapore Fintech Association.

Mr Tan graduated with First Class Honors in Accountancy from the National University of Singapore. He is a Fellow of the ISCA, Institute of Chartered Accountants of Australia and New Zealand, CPA Australia and Insolvency Practitioners Association of Singapore Ltd. He is also a member of Singapore Institute of Internal Auditors, Singapore Institute of Directors and Singapore Institute of Accredited Tax Professional.

KEY MANAGEMENT PROFILE

XUE RU
Chief Financial Officer

Xue Ru, 45, was appointed as the Chief Financial Officer of our Group on 20 July 2016. She is responsible for all the financial and compliance matters for our Group, including financial reporting, internal controls, taxation and human resource management. She has nearly 20 years of experience in finance, accounting and risk management. Prior to joining the Group, she held various managerial positions, including finance director of Hyin Engineering Pte. Ltd., chief financial officer of Hu An Cable Holdings Ltd. and finance and administration manager in Aztech Heat Exchangers Pte. Ltd..

Ms Xue graduated with a Bachelor of Economics from Nanjing University of Aeronautics and Astronautics and obtained a Master of Business Administration (Finance) from the National University of Singapore. She is a non-practicing member of the ISCA.

DR EUGENE LIN
Medical Director and General Manager of AVH Animal Ark Pte. Ltd.

Dr Eugene Lin, 46, was appointed as the Medical Director and General Manager of our Company's subsidiary, AVH Animal Ark Pte. Ltd. in August 2018. He is responsible for overseeing the delivery of veterinary care and clinical services by the veterinary clinics under AVH Animal Ark Pte. Ltd.. Dr Eugene Lin is the principal veterinary surgeon who leads and guides our Group in the development of medical protocols and in the maintenance of quality service. He also oversees our Group's team of clinical staff.

Dr Eugene Lin has 20 years experience as a veterinary surgeon. In December 2001, he began his career as a veterinarian with Pet Care Centre & Clinic. Subsequently, he joined The Animal Recovery Centre Pte Ltd in November 2002 where he worked as a veterinary surgeon till August 2005. In September 2005, Dr Eugene Lin established The Animal Ark Pte. Ltd., and subsequently The Animal Ark (Binjai) Pte. Ltd., The Animal Ark (Tampines) Pte. Ltd. and The Animal Ark (TCM) Pte. Ltd., which were collectively structured into AVH Animal Ark Pte. Ltd. after a restructuring exercise in August 2018. He served as the executive director and veterinary surgeon of the abovementioned companies till August 2018.

Dr Eugene Lin graduated with a Bachelor of Veterinary Science from the Faculty of Veterinary Science, the University of Sydney, and he obtained a General Practitioner Certificate in Endoscopy and Endosurgery from the European School of Veterinary Postgraduate Studies (ESVPS) in the United Kingdom.

FINANCIAL CONTENTS

REPORT ON CORPORATE GOVERNANCE

Asia Vets Holdings Ltd. (the "***Company***") was admitted to the Official List of the SGX-Catalist on 19 July 2010.

The board of directors of the Company (the "***Board***") believes in having high standards of corporate governance and is committed to ensuring that effective self-regulatory corporate practices exist to protect the interests of shareholders of the Company (the "***Shareholders***") and maximise long-term Shareholders' values.

In accordance with Rule 710 of the Singapore Exchange Securities Trading Limited ("***SGX-ST***") Listing Manual Section B: Rules of Catalist (the "***Catalist Rules***"), the following report describes the Company's corporate governance practices for the financial year ended 31 December 2019 ("***FY2019***") with specific reference to the Principles and Provisions set out in the Code of Corporate Governance 2018 which was revised and issued on 6 August 2018 (the "***Code***").

The Board is pleased to report that, for FY2019, the Company has complied with the Principles of the Code, and the Provisions of the Code (except where otherwise explained). In areas where the Company's practices vary from any Provisions of the Code, the Company has stated herein the Provision of the Code from which it has varied, and appropriate explanations are provided for the variation, and how the practices the Company had adopted are consistent with the intent of the relevant Principle of the Code. The Company will continue to assess its needs and implement appropriate practices accordingly.

Principle 1: The Board's Conduct of Affairs

<u>Provision 1.1</u>

Principal Duties of the Board

The Company is headed by an effective Board to lead and control the Company. The Board has the overall responsibility for corporate governance, strategic direction and investments of the Company. Each individual director of the Company ("***Director***") is obliged to act in good faith and exercise independent judgment in the best interests of Shareholders at all times.

The Board's principal functions include:

- determining, reviewing and approving the strategic objectives and directions of the Company, annual budgets, major investments, divestments and funding proposals;
- overseeing the business and affairs of the Company, establishing with the management of the Company (the "***Management***") the strategies and financial objectives to be implemented by the Management, and monitoring the performance of the Management;
- establishing a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of Shareholders' interests and the Company's assets;
- setting the Company's values and standards (including ethical standards), and ensuring that obligations to Shareholders and other stakeholders are understood and met;
- reviewing Management performance, the Company's financial performance, risk processes and systems, human resource requirements and corporate governance practices;
- considering sustainability issues, e.g. economic, social and governance factors, as part of its strategic formulating; and
- identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation.

All Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company and hold Management accountable for performance.

REPORT ON CORPORATE GOVERNANCE

Code of Business Conduct and Ethics

The Company has established a Code of Business Conduct and Ethics that sets the principles of the code of business conduct and ethics which applies to all employees of the Group. Directors, key management personnel and employees of the Group are expected to observe and uphold the highest possible standards of ethical, moral and legal business conduct and to be in compliance with the law and regulations at all times and all places in the world.

Conflict of Interests

Each Director is required to promptly disclose any conflict or potentially conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Group as soon as is practicable after the relevant facts have come to his or her knowledge. On an annual basis, each Director is also required to submit details of his or her associates for the purpose of monitoring interested persons transactions. Where a Director has a conflict or potentially conflict of interest in relation to any matter, he or she should immediately declare his or her interest when the conflict-related matter is discussed, unless the Board is of the opinion that his or her presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he or she is abstain from voting in relation to the conflict-related matters.

Provision 1.2

Appointment Letter

Newly appointed Directors will be provided a formal letter of appointment setting out among other matters, the roles, obligations, duties and responsibilities of the Director as a member of the Board.

Directors' Orientation and Training

All newly appointed Directors will be given appropriate briefings by the Management on the business activities of the Company, its strategic directions and the Company's corporate governance policies and practices. Directors will also be given the opportunity to visit the Group's operational facilities and to meet with the Management to gain a better understanding of the Group's business operations. The Company will also arrange for first-time Directors to attend the relevant training in relation to the roles and responsibilities of a director of a listed company, organised by the Singapore Institute of Directors ("***SID***") as required under Rule 406(3)(a) of the Catalist Rules, as well as other courses relating to areas such as accounting, legal and industry specific knowledge as appropriate, organised by other training institutions. The training of Directors will be arranged and funded by the Company.

Existing Directors will be updated regularly on accounting and regulatory changes by the Company's external auditors, continuing sponsor and company secretary, and are encouraged to attend workshops, seminars and training, to enhance their skills and knowledge, or on relevant new laws, regulations and changing commercial risks, and such training will be funded by the Company.

Seminars and Trainings attended by Directors in FY2019

The details of updates, seminars and training programmes attended by the Directors in FY2019 include, amongst others:–

- updates on developments in financial reporting and governance standards, where relevant, by the external auditors of the Company; and

- updates on amendments to the Catalist Rules and the Code by the continuing sponsor of the Company.

REPORT ON CORPORATE GOVERNANCE

Provision 1.3

Matters Requiring the Board's Approval

The Group has adopted internal guidelines governing matters that require the Board's approval which has been clearly communicated to the Management.

The Board has identified, without limitation, the following matters that require its approval:

- declaration of dividends and other returns to shareholders;
- major corporate policies on key areas of operation;
- major funding proposals or bank borrowings;
- corporate or financial restructuring and share issuances;
- mergers and acquisitions;
- material acquisitions and disposals;
- approval of transactions involving interested person transactions; and
- appointments of new Directors.

Provision 1.4

Delegation by the Board

To assist the Board in the discharge of its functions, the Audit Committee, the Nominating Committee and the Remuneration Committee (collectively, "***Board Committees***") have been constituted with written terms of reference which clearly sets out the authority and duties. These terms of reference are reviewed on a regular basis, along with the respective Board Committees' structures and membership, to ensure their continued relevance, taking into consideration the changes in the governance and legal environment. Any change to the terms of reference for any Board Committee requires the specific written approval of the Board. Matters which are delegated to the Board Committees for more detailed appraisals are reported to and monitored by the Board.

Please refer to the various Principles in this Corporate Governance Report for further information on the names of the members of the respective Board Committees, their terms of reference and the activities of the respective Board Committees.

Provision 1.5

Board and Board Committees Meetings and Attendance

The Board meets at least two (2) times a year, and as warranted by particular circumstances, as deemed appropriate by the Board members. Directors are free to discuss and voice their concerns on any matter raised at the Board meetings. Telephonic and video-conference meetings of the Board are allowed under the Company's Constitution. All Directors are provided with the agenda and a set of the Board papers prior to the Board meeting. These are issued in advance to give the Directors sufficient time to better understand the matters to be discussed and to obtain further clarifications or explanations at the Board meeting where necessary. The Company and the Board acknowledge that an unimpeded flow of relevant information in a timely manner is crucial for the Board to be effective in discharging its duties and responsibilities.

REPORT ON CORPORATE GOVERNANCE

The attendance of the Directors at meetings of the Board and Board Committees for FY2019 is set out as follows:

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held while being a member	No. of meetings attended	No. of meetings held while being a member	No. of meetings attended	No. of meetings held while being a member	No. of meetings attended	No. of meetings held while being a member	No. of meetings attended
Tan Tong Guan	2	2	–	2*	–	1*	–	1*
Tan Geok Moey	2	2	2	2	1	1	1	1
Chan Kum Kit[1]	1	1	1	1	1	1	1	1
Teo Yi-Dar	2	2	2	2	1	1	1	1
Kim Seah Teck Kim[2]	1	1	1	1	–	–	–	–
Henry Tan Song Kok[3]	–	–	–	–	–	–	–	–

* Attended by invitation.

1 Mr Chan Kum Kit retired as a Director of the Company on 25 April 2019.

2 Mr Kim Seah Teck Kim was appointed as an Independent Director of the Company, Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee on 25 April 2019.

3 Mr Henry Tan Song Kok was appointed as an Independent Director of the Company, Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee on 1 January 2020.

Multiple Board Representations

All Directors are required to declare their board representations. Where a Director has multiple board representations, and in considering the nomination of Directors for appointment, the Nominating Committee will evaluate whether or not the Director is able to and has been adequately carrying out his or her duties as a Director, as well as sufficient time and attention are given to the affairs of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments.

The Nominating Committee noted that some Directors have other principal commitments, while others have both multiple listed company board representations and other principal commitments. In particular, the Nominating Committee noted that each of Mr Teo Yi-Dar and Mr Henry Tan Song Kok hold a significant number of such listed company board representations and other principal commitments. Notwithstanding, the Nominating Committee noted the aforesaid Directors' commitments and contributions to the Company, which are evident in their level of attendance and active participation at Board and Board Committee meetings. Based on the above, the Nominating Committee has reviewed and is of the opinion that all the Directors are able to and have adequately carried out their duties as Directors of the Company, as well as sufficient time and attention are given by the Directors to the affairs of the Company in FY2019, and for Mr Henry Tan Song Kok, since his date of appointment as a Director on 1 January 2020. In view of the above, the Board (with the concurrence of the NC) is of the view that there is no need to implement internal guidelines (such as implementing a limit on the maximum number of listed company board representations which any Director may hold) to address competing time commitments. The Board believes that each individual Director is best placed to determine and ensure that he/she is able to devote sufficient time and attention to discharge his/her duties and responsibilities as a Director, bearing in mind his/her other commitments. The Board and the NC will review the requirement to determine the maximum number of listed company board representations as and when they deem fit.

REPORT ON CORPORATE GOVERNANCE

Provision 1.6

Access to Information

The Board is provided with complete, accurate, and adequate information in a timely manner, prior to Board meetings and on an on-going basis, to enable it to fulfill its responsibilities. Such information includes background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results will be disclosed and explained. Such information is provided to the Directors to enable them to keep abreast of the Company's operational and financial performance and position and to facilitate better-informed decision-making.

Provision 1.7

Access to Management and Company Secretary

The Directors have separate and independent access to the Management and the company secretary at all times. The company secretary and/or his or her representatives attend all Board meetings to ensure that Board procedures are followed and that applicable rules and regulations, including the requirements of the Companies Act (Chapter 50) of Singapore and the Catalist Rules are complied with. Under the direction of the Chairman, the company secretary's other responsibilities include ensuring good information flows within the Board and Board Committees and between the Management, the Non-Executive Director and the Independent Directors, as well as facilitating orientation and assisting with professional development as required. The appointment and the removal of the company secretary is a matter for the Board as a whole.

Independent Professional Advice

Should the Directors, whether as a group or individually, need independent professional advice in furtherance of their duties and responsibilities, the Company will appoint such professional adviser to render the appropriate professional advice. The cost of such professional advice will be borne by the Company.

Principle 2: Board Composition and Guidance

Provision 2.1

Director's Independence

The criterion for independence is based on the definition set out in the Code and Practice Guidance, and taking into consideration whether the Director falls under any circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Board considers an "independent" Director as one who has no relationship with the Company, its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

The Nominating Committee, shall conduct an annual review to determine the independence of the Directors according to the Code and its Practice Guidance, as well as Rule 406(3)(d) of the Catalist Rules. In its review, the Nominating Committee shall consider all nature of relationships and circumstances that could influence the judgement and decisions of the Directors before tabling its finding and recommendations to the Board for approval.

The Independent Directors (namely Mr Teo Yi-Dar and Mr Kim Seah Teck Kim for FY2019, as well as since his date of appointment as a Director on 1 January 2020, Mr Henry Tan Song Kok) have confirmed that they or their immediate family members do not have any relationship with the Company or any of its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company, and do not fall under any of the circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Independent Directors did not own shares of the Company and were not in foreseeable situation that could compromise their independence of thought and decision. The Board, based on the review conducted by the Nominating Committee, has determined that the said Directors are independent.

REPORT ON CORPORATE GOVERNANCE

None of the Independent Directors has served on the Board beyond nine (9) years from the date of their first appointments.

Provision 2.2

Proportion of Non-Executive Independent Directors

In view that the Chairman and the Chief Executive Officer is the same person, the Board comprises a majority of three (3) Directors (out of a five (5) member Board) who are Non-Executive Independent Directors. With this, there is a strong and independent element on the Board, and no individual or group of individuals dominates the Board's decision making.

Provision 2.3

Proportion of Non-Executive Directors

The Board comprises a majority of four (4) Directors (out of a five (5) member Board) who are Non-Executive Directors.

Provision 2.4

Board Composition and Size

The Board currently comprises five (5) members, one (1) of whom is an Executive Director and four (4) of whom are Non-Executive Directors, of which three (3) are Independent Directors.

The Board members as of the date of this report are:

Tan Tong Guan	Executive Chairman and Chief Executive Officer
Tan Geok Moey	Non-Executive Director
Teo Yi-Dar	Lead Independent Director
Kim Seah Teck Kim	Independent Director
Henry Tan Song Kok	Independent Director

The Nominating Committee is responsible for examining the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group's businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the Nominating Committee, is of the view that its current size, as well as the current size and composition of the Board Committees, are appropriate to facilitate effective decision making, and provide sufficient diversity of expertise to lead and govern the Company effectively.

Board Diversity

The Nominating Committee will periodically review the competencies of the Directors to ensure effective governance of the Company and contribution to the Board. To address the dynamic business environment, the Nominating Committee will recommend the Board to consider the appointment of new Director(s) that has/have the required skillset, expertise, experience and knowledge as and when it deems necessary. The Board and the Board Committees comprise persons who as a group provide an appropriate balance and diversity of skills, experience and knowledge to the Company, as well as provide a diversity of gender with one (1) female Director who is a Non-Executive Director. The Directors, as a group, provide core competencies such as accounting or finance, business or management experience, legal, industry knowledge, strategic planning experience and customer-based experience or knowledge required for the Board to be effective. A brief profile of each Director is set out on pages 6 to 8 of the Annual Report. Information of the interests of the Directors who held office at the end of the financial year in shares, debentures and share options in the Company and its related corporations (other than the wholly-owned subsidiaries) are set out in the Directors' Statement on page 36 of the Annual Report.

REPORT ON CORPORATE GOVERNANCE

Provision 2.5

Meeting of Non-Executive Director and Independent Directors without Management

The Non-Executive Director and the Independent Directors will assist to develop proposals on strategies and goals for the Company and regularly assess the performance of the Management in meeting the agreed goals and objectives, and monitor the reporting of performance. The Non-Executive Director and the Independent Directors are encouraged to meet, without the presence of the Management, so as to facilitate a more effective check on the Management. They will meet on a need-basis without the presence of the Management to discuss on arising issues.

Principle 3: Chairman and Chief Executive Officer

Provision 3.1

Separation of the Role of Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are currently held by Mr Tan Tong Guan. The Board is of the opinion that it is not necessary to separate the roles of the Chairman and the Chief Executive Officer after taking into account the current size, scope and the nature of the operations of the Company, and with the strong presence of Independent Directors on the Board. The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance. There is an appropriate balance of power and authority given that the majority of the members (including the respective Chairman) of the Board Committees are independent and that a majority of the Board chaired by Independent Directors whereby a majority of the Board comprises Independent Directors. Taking into account the above, the Board is of the view that the Company complies with Principle 3 of the Code.

Provision 3.2

Role of Chairman and Chief Executive Officer

As Executive Chairman of the Board, Mr Tan Tong Guan leads the Board and is responsible for the management of the Board. When setting the agenda, he ensures that adequate time is available for discussion of all agenda items, in particular strategic matters. The Executive Chairman encourages Board's interaction with the Management, facilitates effective contribution of Non-Executive and Independent Directors, encourages constructive relations among the Directors and promotes high standards of corporate governance. In addition, the Executive Chairman ensures that the Directors receive accurate, timely and clear information and there is effective communication with Shareholders.

The Executive Chairman, being the Chief Executive Officer, is also in charge of charting the business direction as well as corporate planning and strategic developments of the Company and the Group.

Provision 3.3

Lead Independent Director

As the roles of the Chairman and the Chief Executive Officer are held by the same person, Mr Teo Yi-Dar has been appointed as the Lead Independent Director of the Company as recommended by the Code, to provide leadership in situations where the Chairman, who is not independent, is conflicted. As the Lead Independent Director, Mr Teo is available to address the concerns of Shareholders and when contact through the normal channels of communication to the Chairman and Chief Executive Officer or the Chief Financial Officer has failed to satisfactorily resolve their concerns or when such contact is inappropriate or inadequate.

The Independent Directors led by the Lead Independent Director, are encouraged to meet periodically without the presence of the Management where necessary. The Lead Independent Director will also provide feedback to the Chairman after such meetings.

REPORT ON CORPORATE GOVERNANCE

Principle 4: Board Membership

Provisions 4.1 and 4.2

Nominating Committee Composition

The Nominating Committee comprises the following members, all of whom are non-executive and the majority, including the Chairman, are independent:

Kim Seah Teck Kim (Independent Director)	Chairman
Teo Yi-Dar (Lead Independent Director)	Member
Tan Geok Moey (Non-Executive Director)	Member
Henry Tan Song Kok (Independent Director)	Member

Roles and Duties of Nominating Committee

The Nominating Committee has written terms of reference that sets out its duties and responsibilities. Amongst them, the Nominating Committee is responsible for:

- reviewing board succession plans for Directors, in particular, the Chairman and the Chief Executive Officer;
- creating a formal and transparent process for the appointments and re-nominations of members of the Board and to evaluate the performance of the Board as a whole, its Board Committees and the contribution of individual Directors to the effectiveness of the Board;
- affirming annually the independence of the Directors; and
- reviewing training and professional development programs for the Board.

The Nominating Committee is scheduled to meet at least once a year. Each member of the Nominating Committee shall abstain from voting on any resolution in respect of the evaluation of his/her performance or re-nomination as a Director.

Provision 4.3

Nomination and Selection of Directors

For new appointments to the Board, the Nominating Committee will consider the Company's current Board size and its composition and decide if the candidate's background, expertise and knowledge will complement the skills and competencies of the existing Directors on the Board. The candidate must be a person of integrity and must be able to commit sufficient time and attention to the affairs of the Company, especially if he is serving on multiple boards. The Nominating Committee will ensure that new Directors are aware of their duties and obligations.

If a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director, the Nominating Committee, in consultation with the Board, will determine the selection criteria and select the appropriate candidate for the position. The search for a suitable candidate is drawn from the contacts and networks of existing Directors. The Nominating Committee can also approach relevant institutions such as the Singapore Institute of Directors, professional organisations or business federations to source for a suitable candidate.

REPORT ON CORPORATE GOVERNANCE

Re-election of Directors

In accordance with the Code and Rule 720(4) of the Catalist Rules, all Directors shall submit themselves for re-nomination and re-election at least once every three (3) years. Pursuant to Regulation 95 of the Company's Constitution, at least one-third of the Directors will retire at the annual general meeting of the Company ("**AGM**") each year. In addition, Regulation 101 of the Company's Constitution provides that a newly appointed Director can only hold office until the next AGM and then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation. The Nominating Committee is charged with the responsibility of re-nomination having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director.

The Nominating Committee has recommended to the Board that Mr Teo Yi-Dar, Mr Kim Seah Teck Kim and Mr Henry Tan Song Kok ("**Retiring Directors**") be nominated for re-election at the upcoming AGM. In making the recommendation, the Nominating Committee had considered the Retiring Directors' contribution and performance to the Board and the Group. The Retiring Directors, being the members of the Nominating Committee, have each abstained from making any recommendation and/or participating in any deliberation of the Nominating Committee in respect of the assessment of their own performance or re-election as a Director.

Mr Teo Yi-Dar will, upon re-election as a Director, remain as Lead Independent Director, a Chairman of Remuneration Committee and a member of Audit Committee and Nominating Committee. Mr Kim Seah Teck Kim will, upon re-election as a Director, remain as Independent Director, Chairman of Nominating Committee and a member of Audit Committee and Remuneration Committee. Mr Henry Tan Song Kok will, upon re-election as a Director, remain as Independent Director, a Chairman of Audit Committee and a member of Nominating Committee and Remuneration Committee.

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to the Retiring Directors, who are nominated for re-election at the forthcoming AGM, is set out below:

Name of Director	**Teo Yi-Dar**	**Kim Seah Teck Kim**	**Henry Tan Song Kok**
Date of first appointment	22 February 2013	25 April 2019	1 January 2020
Date of last re-appointment (if applicable)	25 April 2017	–	–
Age	48	65	55
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has accepted and approved the Nominating Committee's recommendation, who has reviewed and considered Mr Teo's contributions and performance as an Independent Director of the Company.	The Board of Directors of the Company has accepted and approved the Nominating Committee's recommendation, who has reviewed and considered Mr Seah's contributions and performance as an Independent Director of the Company.	The Board of Directors of the Company has accepted and approved the Nominating Committee's recommendation, who has reviewed and considered Mr Tan's contributions and performance as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive

REPORT ON CORPORATE GOVERNANCE

Name of Director	Teo Yi-Dar	Kim Seah Teck Kim	Henry Tan Song Kok
Job title	Lead Independent Director, Chairman of Remuneration Committee, and a member of Audit Committee and Nominating Committee	Independent Director, Chairman of Nominating Committee, and a member of Audit Committee and Remuneration Committee	Independent Director, Chairman of Audit Committee, and a member of Nominating Committee and Remuneration Committee
Professional qualifications	CFA Institute	• Master of Laws (Harvard) • Bachelor of Laws (Hons) (Singapore) • Advocate & Solicitor • Fellow & Principal Mediator, Singapore Mediation Centre	• Bachelor of Accountancy from National University of Singapore • Associate Member of the Institute of Internal Auditors • Fellow of Insolvency Practitioners Association of Singapore • Fellow of the Institute of Singapore Chartered Accountants • Fellow of the Institute of Chartered Accountants of Australia and New Zealand • Accredited Tax Advisor (Income Tax) of Singapore Institute of Accredited Tax Professionals Limited • Fellow of Singapore Institute of Director • ASEAN Chartered Professional Accountant
Working experience and occupation(s) during the past 10 years	1999 – 2016: SEAVI Advent Management Pte Ltd, Investment Manager 2016 – 2018: Kenyon Group Limited, Director 2018 – Current: Altair Capital Advisors Pte Ltd, Director	1998 – 2018: A.Ang Seah & Hoe, Partner 2018 – Current: Incisive Law LLC, Consultant	November 1993 – Present: Nexia TS Pte Ltd, Group CEO and Chief Innovation Officer May 2005 – Present: Nexia TS Public Accounting Corporation, Group CEO and Chief Innovation Officer
Shareholding interest in the listed issuer and its subsidiaries	No	No	No

REPORT ON CORPORATE GOVERNANCE

Name of Director	Teo Yi-Dar	Kim Seah Teck Kim	Henry Tan Song Kok
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments Including Directorships	***Past (for the last 5 years)*** Directorships – SAP Investments Limited – Pleasant Way Analyse Development Limited – Yitian Investments Pte. Ltd. – TFSA Investments Ltd – Baoling Investments Pte Ltd – Net Pacific Financial Holdings Limited – Saclp Investments Limited – Value Plus Investment Limited – Bayston Investments Limited – Guotaiqixing Biomedical International (Singapore) Pte. Ltd. Other Principal Commitments – Altair Capital Advisors Pte Ltd, Director ***Present*** Directorships – China Yuanbang Property Holdings Ltd – United Hope Pte. Ltd.	***Past (for the last 5 years)*** Directorships – Texchem-Pack Holdings (S) Ltd. – Sing Investments & Finance Limited Other Principal Commitments – A.Ang Seah & Hoe (Founding Partner) ***Present*** Directorships – The Anglo-Chinese Schools Foundation Ltd – Camelot Trustees Limited – ACS (International) Singapore – Oldham Enterprise Pte. Ltd.	***Past (for the last 5 years)*** Directorships – Chosen Holdings Limited – Ascendas Funds Management (S) Limited – Raffles Education Corporation Limited Other Principal Commitments – Institute of Singapore Chartered Accountants (ISCA) Financial Reporting Committee (Member) – Singapore Chartered Accountancy Qualification Council of Singapore Accountancy Commission (Member) – Investigation and Disciplinary Panel for ISCA (Member)

REPORT ON CORPORATE GOVERNANCE

Name of Director	Teo Yi-Dar	Kim Seah Teck Kim	Henry Tan Song Kok
	Present Directorships – Kenyon Group Limited – Beijing Denox Environment & Technology Co., Ltd. – Springhaven Holdings Limited – Aldersgate Holdings Limited – Hongyin Resources (HK) Co Limited – TPSC Asia Pte Ltd – HG Metal Manufacturing Ltd – TPSC Holdings Pte Ltd – HG Metal Pte Ltd – HG Construction Steel Pte Ltd – Oriental Metals Pte Ltd – HG Metal Investments Pte Ltd – Niho (Singapore) Pte Ltd – Denox Environmental & Technology Holdings Ltd – Myghty Holdings Pte Ltd – Kenyon Group (Asia) Pte Ltd – HG Metal Manufacturing Sdn Bhd – HG Metal Distribution Sdn Bhd – Myghty (Yangon) Limited – Altair Capital Advisors Pte Ltd – Altair Capital (I) Ltd – Sirius Vega Pte Ltd – Altair Capital General Partner Ltd – Jin Heng Li Hardware Sdn Bhd – TPSC Asia Group Holding Limited – Clear Vision Ventures Limited – Fortune Knight International Limited – W Capital Markets Pte Ltd	***Present*** Other Principal Commitments – The Association of Banks in Singapore (Legal Adviser) – Paris-based International Chamber of Commerce Banking Commission (Member) – ICC DOCDEX panel (Appointed Expert) – Singapore Mediation Centre (Fellow Member) – Patron Dispute Committee of the Casino Regulatory Authority, Singapore (Chairman) – Disciplinary Panels of – (i) the Law Society of Singapore (Member) (ii) Singapore Medical Council (Member) (iii) Singapore Pharmacy Council (Member) (iv) Public Service Commission, Singapore (Member) – Incisive Law LLC (Consultant)	***Present*** Directorships – Nexia TS Pte Ltd – TSA Capital Pte Ltd – Nexia TS (Shanghai) Co. Ltd – Nexia China Pte Ltd – Nexia TS Public Accounting Corporation – Nexia TS Risk Advisory Pte. Ltd. – Nexia TS Tax Services Pte. Ltd. – Nexia TS Technology Pte. Ltd. – Nexia TS Advisory Pte. Ltd. – NTS Asia Advisory Sdn Bhd – NTS Asia Advisory Pte Ltd – TSA Recruitment Consultants Pte Ltd – NTS Myanmar Co. Ltd. – 2T Investment Holdings Pte Ltd – Medallion Asset Management Pte Ltd – YHI International Limited – China New Town Development Co. Ltd – Wesley Vineyard Childcare Ltd – Nanyang Business School (NBS) Dean's Alumni Advisory Board – BH Global Corporation Limited – Yinda Infocomm Limited

REPORT ON CORPORATE GOVERNANCE

Name of Director	Teo Yi-Dar	Kim Seah Teck Kim	Henry Tan Song Kok
	Present Directorships – AVH Animal Ark Pte. Ltd. – Altair Fund (I) Pte. Ltd. – Motto Auction Pte Ltd – Penyao Environmental Protection Co Ltd – Yangzijiang Shipbuilding (Holdings) Ltd. – SEAVI Advent Asia Investments (III) Ltd – Ciena Enterprises Limited – Top Rich Investment Limited – Gold Future Investment Limited – PT HG Metal Distribution Indonesia Other Principal Commitments Nil		Other Principal Commitments – Awareness Subcommittee on Sustainability Reporting of ISCA (Chairman) – ISCA Corporate Reporting Committee (Member) – ISCA (Council Member) – Singapore Dental Council Complaints Panel (Lay Member) – Singapore Fintech Association (Exco and Treasurer)

The Retiring Directors had responded negative to items (a) to (k) listed in Appendix 7F of the Catalist Rules.

Provision 4.4

Review of Directors' Independence

As set out under Provision 2.1 of the Code above, on an annual basis, the Nominating Committee is required to determine the independence status of the Directors, bearing in mind the circumstances set forth in the Code, Rule 406(3)(d) of the Catalist Rules and any other salient factors. The Nominating Committee has reviewed and determined that the Independent Directors (namely Mr Teo Yi-Dar and Mr Kim Seah Teck Kim for FY2019, as well as since his date of appointment as a Director on 1 January 2020, Mr Henry Tan Song Kok) are independent.

Currently, there is no alternate Director on the Board.

Provision 4.5

Directors' Time Commitments

The Nominating Committee ensures that new Directors are aware of their duties and obligations. For re-nomination and re-appointment of Directors, the Nominating Committee takes into consideration the competing time commitments faced by Directors and their ability to devote appropriate time and attention to the Group.

Please refer to the section entitled "Directors Profile" of the Annual Report for the listed company directorships and principal commitments of each Director.

As set out under Provision 1.5 of the Code above, the Nominating Committee has reviewed and is of the opinion that the Directors are able to and have adequately carried out their duties as Directors of the Company, as well as sufficient time and attention are given by the Directors to the affairs of the Company, in FY2019.

REPORT ON CORPORATE GOVERNANCE

Principle 5: Board Performance

Provisions 5.1 and 5.2

The Board and the Nominating Committee strive to ensure that Directors on the Board possess the experience, knowledge and skills critical to the Company's business so as to enable the Board to make sound and well-considered decisions.

The Nominating Committee had carried out an annual performance evaluation process to assess the effectiveness of the Board as a whole and its Board Committees. The purpose of the evaluation process is to increase the overall effectiveness of the Board and its Board Committees. Each Director completes an evaluation form to assess the overall effectiveness of the Board as a whole and its Board Committees. The appraisal process for the Board focused on the evaluation of factors such as the composition of the Board, the Board's accessibility to information, Board procedures and accountability, communication with key management personnel and Directors' standards of conduct. The appraisal process for the Board Committees, on the other hand, focused on the evaluation of the respective Board Committees structure, conduct of meetings, measurement and monitoring of Board Committees performance. The results of these evaluations are reviewed and used constructively by the Nominating Committee to identify areas of improvements and recommending appropriate course of action to the Board. Based on the results collated from the evaluations, the Nominating Committee is of the view that the overall effectiveness of the Board as a whole and the Board Committees has been satisfactory for the financial year.

The Nominating Committee had decided unanimously, that the Directors will not be evaluated individually as it is more appropriate and effective to assess the overall effectiveness of the Board as a whole, bearing in mind that each Director contributes in different ways to the success of the Company and Board decisions are made collectively. In addition, the factors taken into consideration for each Director's re-nomination are the extent of his/her attendance, participation and contribution in the proceedings of the meetings.

The results of these evaluations are reviewed and used constructively by the Nominating Committee to identify areas of improvements and recommending appropriate course of action to the Board.

For FY2019, the Nominating Committee has not engaged any external facilitator to assist in the assessment of the performance of the Board and the Board Committees.

Principle 6: Procedures for Developing Remuneration Policies

Provisions 6.1, 6.2 and 6.3

Remuneration Committee Composition

The Remuneration Committee comprises the following members, all of whom are non-executive and the majority, including the Chairman, are independent:

Teo Yi-Dar	(Lead Independent Director)	Chairman
Kim Seah Teck Kim	(Independent Director)	Member
Tan Geok Moey	(Non-Executive Director)	Member
Henry Tan Song Kok	(Independent Director)	Member

REPORT ON CORPORATE GOVERNANCE

Roles and Duties of Remuneration Committee and Remuneration Framework

The Remuneration Committee has written terms of reference that sets out its duties and responsibilities. Amongst them, the Remuneration Committee is responsible for:

- recommending to the Board a general framework of remuneration for the Directors and key management personnel, and determine specific remuneration packages for each Director, and the recommendations of the Remuneration Committee are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind will be covered by the Remuneration Committee; and

- performing an annual review of the remuneration of employees related to the Directors and substantial Shareholders to ensure that their remuneration packages are in line with the Company's staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. It will also review and approve any bonuses, pay increases and/or promotions for these employees.

The Remuneration Committee will also review the Company's obligations under the service agreements entered into with the Executive Director and key management personnel that would arise in the event of termination of these service agreements. This is to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The Remuneration Committee aims to be fair and avoid rewarding poor performance.

The Remuneration Committee is scheduled to meet at least once a year. Each member of the Remuneration Committee shall abstain from voting on any resolution in respect of his/her remuneration package or that of employees related to his/her.

Provision 6.4

Engagement of Remuneration Consultants

The Remuneration Committee, if necessary, may seek external expert advice of which the expenses will be borne by the Company. For FY2019, the Remuneration Committee has not sought external advice nor appointed remuneration consultants in considering the remuneration of all Directors.

Principle 7: Level and Mix of Remuneration

Provisions 7.1 and 7.3

As part of its review, the Remuneration Committee ensures that remuneration packages are comparable within the industry and with similar companies. The Remuneration Committee considers the Company's relative performance and the contributions and responsibilities of the individual Directors.

Policy in respect of Executive Director's and other key management personnel's remuneration

The Company advocates a performance-based remuneration system that is flexible and responsive to the market, the Company's and the individual employee's performance. The total remuneration mix comprises annual fixed cash and annual performance incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The Company believes in promoting commitment and motivation by aligning incentives with performance, so as to be able to attract, retain and motivate talents without being excessive, and thereby maximise value for Shareholders.

The Company currently does not have any long-term incentive scheme.

The Executive Director does not receive Director's fees. The Executive Director is paid pursuant to his service agreement.

REPORT ON CORPORATE GOVERNANCE

The Company's wholly-owned subsidiary, AVH Animal Ark Pte. Ltd., has also entered into a service agreement with Dr Lin Chung Chieh Eugene ("**Dr Eugene Lin**") (a key management personnel of the Group). Pursuant to the service agreement, Dr Eugene Lin will commit to an employment period of at least 30 months following compensation of the acquisition on 13 August 2018, with automatic renewals for successive periods of 36 months thereafter on the same terms unless otherwise agreed in writing between the Company and Dr Eugene Lin or terminated in accordance with the service agreement. Dr Eugene Lin will be paid a monthly remuneration, to be reviewed from time to time by the Remuneration Committee, and a discretionary bonus of such amount and at such intervals as AVH Animal Ark Pte. Ltd. may in its absolute discretion determine. The service agreement also provides for, inter alia, use of intellectual property, certain restrictive covenants (including non-compete obligation), and grounds of termination. Except where AVH Animal Ark Pte. Ltd. has the right to terminate Dr Eugene Lin's employment with immediate effect, either party may terminate the employment by giving the other six (6) months' notice in writing, provided that Dr Eugene Lin shall not terminate the employment for the first 30 months following completion of the acquisition, and shall not pay salary in lieu of the required period of notice.

Having reviewed and considered the variable components in the remuneration packages of the Executive Director and key management personnel, the Remuneration Committee is of the view that there is presently no urgent need for the Company to consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Director and key management personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company.

Provision 7.2

Policy in respect of remuneration for Non-Executive Director and Independent Directors

Non-Executive Director and Independent Directors do not have service agreements with the Company. They are compensated based on fixed Directors' fees, which are determined by the Board, after the recommendation by the Remuneration Committee, based on their contribution, taking into consideration factors such as effort, time spent and responsibilities of the Non-Executive and Independent Directors. The Chairman of each Board Committee is paid an additional fee, and the Chairman of Audit Committee is paid a higher fee than the Chairman of the other Board Committees in view of the higher responsibility carried by that office. The proposed Directors' fees are subject to approval by Shareholders at the AGM. Non-Executive and Independent Directors do not receive any other remuneration from the Company.

Principle 8: Disclosure on Remuneration

Provisions 8.1 and 8.3

Remuneration Policy and Criteria

As set out under Provisions 7.1 and 7.3 of the Code above, the Company advocates a performance-based remuneration system that is flexible and responsive to the market, the Company's and the individual employee's performance. The total remuneration mix comprises annual fixed cash and annual performance incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances.

REPORT ON CORPORATE GOVERNANCE

Remuneration of Directors and key management personnel

The level and mix of remuneration of the Company's Directors and key management personnel (who are not Directors or the Chief Executive Officer) for FY2019 are as follows:

Remuneration band and Name of Director	Base/Fixed salary* (%)	Bonus (%)	Directors' fees (%)	Benefits-in-kind (%)	Total (%)
Directors					
Between S$250,000 and S$500,000					
Tan Tong Guan	92	8	–	–	100
Below S$250,000					
Teo Yi-Dar	–	–	100	–	100
Chan Kum Kit[1]	–	–	100	–	100
Tan Geok Moey	–	–	100	–	100
Kim Seah Teck Kim	–	–	100	–	100
Henry Tan Song Kok[2]	–	–	–	–	–

Remuneration band and Name of Key Management Personnel**	Base/Fixed salary* (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)
Between S$250,000 and S$500,000				
Lin Chung Chieh Eugene	100	–	–	100
Below S$250,000				
Xue Ru	97	3	–	100

1 Mr Chan Kum Kit retired as a Director of the Company on 25 April 2019.

2 Mr Henry Tan Song Kok appointed as an Independent Director of the Company on 1 January 2020.

* These amounts are inclusive of employer's CPF contribution.

** The Group has only two (2) key management personnel (who are not Directors or the Chief Executive Officer) during FY2019.

The Board believes that it is for the benefit of the Company not to disclose in absolute number and in aggregate, the remuneration breakdown of the Directors as well as the aggregate total remuneration paid to the key management personnel (who are not Directors or the Chief Executive Officer), due to its sensitive nature and concerns of poaching. After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide Shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company complies with Principle 8 of the Code.

The Company currently does not have an employee share option scheme or performance share plan in place.

None of the Directors (including the Chief Executive Officer) and the key management personnel (who are not Directors or the Chief Executive Officer) of the Company has received any termination, retirement, post-employment benefits for FY2019.

The Board has not included a separate annual remuneration report to Shareholders in the Annual Report on the remuneration of the Directors and the key management personnel (who are not Directors or the Chief Executive Officer) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in the Annual Report and in the financial statements of the Company.

REPORT ON CORPORATE GOVERNANCE

Provision 8.2

Remuneration of Substantial Shareholder or Immediate Family Members of Director and Chief Executive Officer

There is no employee of the Company who is a substantial Shareholder, or is an immediate family member of any Director, the Chief Executive Officer or a substantial Shareholder, and whose remuneration exceeded S$100,000 during FY2019. "Immediate family member" refers to the person's spouse, child, adopted child, step-child, sibling and parent.

Principle 9: Risk Management and Internal Controls

Provisions 9.1 and 9.2

The Company has established an enterprise risk management framework and register to identify, manage and monitor the business and operating risks impacting the Company on an on-going basis. The Board has overall responsibility for the governance of risk and with the support of the Audit Committee, oversees the design, implementation and monitoring of the risk management and internal control systems.

The Audit Committee will review the reports submitted by the independent internal auditors relating to the adequacy and effectiveness of the Group's significant internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The Audit Committee will also review the effectiveness of the actions taken by the Management on the recommendations made by the independent internal auditors in this respect.

On an annual basis, the Board will review the adequacy and effectiveness of the internal controls (including financial, operational, compliance and information technology controls) and risk management systems to ensure that they are able to meet the needs of the Group in its current business environment.

For FY2019, the Board has received assurance from (i) the Chief Executive Officer and Chief Financial Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Chief Executive Officer and the key management personnel that the Company's risk management and internal control systems are effective and adequate.

The Board and the Audit Committee have reviewed the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems in all material aspects. As part of the annual statutory audit of the financial statements, the external auditors will highlight any material weaknesses in financial controls over the areas that are significant to the audit. Such material internal control weaknesses noted during their audit and recommendations, if any, by the external auditors are reported to the Audit Committee. The Audit Committee will follow up on the actions taken by the Management in response to the recommendations made by the external auditors. The Audit Committee have reviewed the follow up reports submitted by the independent internal auditors and reviewed the effectiveness of the actions taken by the Management on the recommendations made by the independent internal auditors in this respect.

Based on the internal controls established and maintained by the Company, work performed by the independent internal auditors and the external auditors, reviews performed by the Management and assurance received from the Chief Executive Officer, Chief Financial Officer and key management personnel, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective for FY2019.

The Board will consider the necessity of establishing a separate Board risk committee as and when it deems necessary.

The Board and the Audit Committee note that all internal control systems contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, losses, fraud or other irregularities.

REPORT ON CORPORATE GOVERNANCE

Principle 10: Audit Committee

Provisions 10.2 and 10.3

Audit Committee Composition

The Audit Committee comprises the following members, all of whom are non-executive and the majority, including the Chairman, are independent:

Henry Tan Song Kok	(Independent Director)	Chairman
Teo Yi-Dar	(Lead Independent Director)	Member
Tan Geok Moey	(Non-Executive Director)	Member
Kim Seah Teck Kim	(Independent Director)	Member

At least two members of the Audit Committee have accounting and related financial management expertise and experience. None of the members of the Audit Committee are former partners or directors of the Company's existing audit firm (a) within a period of two years commencing on the date of their ceasing to be a partner of the audit firm and (b) for as long as they have any financial interest in the auditing firm.

Provision 10.1

Roles and Duties of Audit Committee

The Audit Committee has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management, full discretion to invite any person including a Director or key management personnel of the Company to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The Audit Committee will assist the Board in discharging its responsibility to safeguard the assets of the Company, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains adequate and effective control environment in the Company. The Audit Committee will provide a channel of communication between the Board, the Management and the external auditors on matters relating to audit.

The Audit Committee has written terms of reference that sets out its duties and responsibilities. Amongst them, the Audit Committee is responsible for:

- reviewing the scope and results of the audit and its cost effectiveness;
- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, where the external auditors in their review or audit of the Company's year end financial statements, raise any significant issues which have a material impact on the interim financial statements or financial updates previously announced by the Company;
- reviewing and assisting the Board to improve the quality of future interim financial statements or financial updates;
- making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- reviewing with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to the Management and the Management's response;
- reviewing the half yearly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;

REPORT ON CORPORATE GOVERNANCE

- reviewing annually the adequacy and effectiveness of the Company's internal controls (including financial, operational, compliance and information technology controls), as well as risk management policies and systems established by the Management. The Audit Committee will also ensure co-ordination between the external auditors and the Management, and review the assistance given by the Management to the external auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the external auditors may wish to discuss (in the absence of the Management, where necessary);

- reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which have or are likely to have a material impact on the Company's operating results or financial position, and the Management's response;

- reviewing interested person transactions (if any) falling within the scope of Chapter 9 of the Catalist Rules;

- reviewing potential conflicts of interest (if any);

- reviewing with the internal auditor, their internal audit plans and their evaluation of the adequacy and effectiveness of the internal control and accounting system before submission of the results of such review to the Board for approval;

- reviewing and establishing procedures for receipt, retention and treatment of complaints received by the Company regarding, inter alia, criminal offences involving the Company or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Company;

- reviewing key financial risk areas, with a view to providing an independent oversight on the Company's financial reporting, the outcome of such review to be disclosed in the annual report or, where the findings are material, announced immediately via SGXNet;

- reviewing the Company's compliance with relevant government regulations and licensing requirements;

- undertaking such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and

- generally, undertaking such other functions and duties as may be required by statute or by the Catalist Rules, or by such amendments as may be made thereto from time to time.

The Audit Committee shall also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the operating results and/or financial position of the Company. In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular resolution.

Provision 10.4

Internal Audit Function

The current size of the operations of the Group does not warrant the Group to have an in-house internal audit function. The internal audit function of the Group has been outsourced to Ardent Business Advisory Pte. Ltd., an independent accounting and auditing firm. The internal auditor's primary line of reporting is to Chairman of the Audit Committee. The Audit Committee will review the internal audit plan to ensure that the scope is adequate and covers the review of the significant business functions of the Company and all internal audit findings and recommendations are submitted to the Audit Committee for deliberation with copies of these reports extended to the relevant key management executives. The Audit Committee approves the appointment, termination, evaluation and fees of the internal audit firm.

REPORT ON CORPORATE GOVERNANCE

The internal auditor is guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The Company cooperates fully with the internal auditor in terms of allowing unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee.

The Audit Committee has reviewed with the internal auditors their audit plan and their evaluation of the system of internal controls and has evaluated their audit findings and Management's responses to those findings, the adequacy and effectiveness of material internal controls, (including financial, operational, compliance and information technology controls) and risk management systems of the Company and the Group for FY2019. The Audit Committee is satisfied that the outsourced internal audit function is independent, adequately resourced, effective and has the appropriate standing within the Group. The Audit Committee is also of the view that the outsourced internal audit function is adequately staffed with persons with the relevant qualifications and experience and adheres to professional standards including those promulgated by The Institute of Internal Auditors.

The Audit Committee will annually, review the independence, adequacy of resources and effectiveness of the internal audit function and ensure that it has appropriate standing within the Group.

External Audit Function

The Audit Committee will review the independence and objectivity of external auditors annually after taking into account all audit and non-audit services provided to the Company. Having considered the breakdown of fees paid to the external auditors as detailed on page 35 of the Annual Report and compliance with Singapore Accountants (Public Accountants) Rules, as well as the nature and extent of such services, the Audit Committee is satisfied that such services will not prejudice the independence and objectivity of the external auditors. The external auditors have also confirmed their independence in this respect, and that they are registered with the Accounting and Corporate Regulatory Authority.

After considering the adequacy of the resources and experience of the external auditors' firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group and the number and experience of supervisory and professional staff assigned to the particular audit, the Audit Committee has recommended to the Board the nomination and re-appointment of Ernst & Young LLP as the external auditors for the Company's audit obligations for the financial year ending 31 December 2020, at the forthcoming AGM.

In appointing the auditing firms for the Company and its subsidiaries, the Company has complied with Rules 712 and 715 of the Catalist Rules for FY2019.

Provision 10.5

Meeting Auditors without the Management

In performing its functions, the Audit Committee and Management meet with the external and internal auditors to discuss and evaluate the internal controls of the Group and review the overall scope of both external and internal audits. At least once a year and as and when required, the Audit Committee meets with the external and internal auditors without the presence of Management, to review any matters that might be raised privately.

For FY2019, the Audit Committee has met with the external auditors and the independent internal auditors once, without the presence of the Management.

Key Audit Matters

The Audit Committee is kept abreast by the external auditors on regulatory changes and updated accounting standards during the Audit Committee meetings.

The Audit Committee has reviewed the key audit matters disclosed in the external auditors' report and is of the view that there is no material inconsistency between the audit procedures adopted by the external auditors and the Management's assessment.

REPORT ON CORPORATE GOVERNANCE

Whistle Blowing Policy

The Company has put in place a whistleblowing policy, whereby anyone may, in good faith and in confidence, raise concerns or observations about possible corporate malpractices and improprieties in financial reporting or other matters directly to Mr Teo Yi-Dar, the Lead Independent Director. No such whistleblowing report was received for FY2019.

The Audit Committee will review the policy and arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective of the Audit Committee will be to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up actions. No such matter was raised by any staff of the Company for FY2019.

Audit Committee Activities

In FY2019, the Audit Committee had, among others, carried out the following activities:

(a) reviewed the half-year and full-year financial statements announcements of the Group, and recommended to the Board for approval and release via the SGXNet;

(b) reviewed the adequacy and effectiveness of the Group's internal controls (including financial, operations, compliance and information technology controls), and risk management systems;

(c) reviewed and approved the annual audit plan of the external auditors;

(d) reviewed the independence of the external auditors;

(e) reviewed the annual re-appointment of the external auditors and determined their remuneration, and made a recommendation for the Board's approval; and

(f) met with the external auditors once without the presence of the Management.

Principle 11: Shareholder Rights and Conduct of General Meetings

<u>Provisions 11.1, 11.2, 11.3 and 11.4</u>

All Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all Shareholders. These notices are also published in the newspapers and posted onto the SGXNet. Shareholders are encouraged to attend the Company's general meetings and to participate effectively in and vote at general meetings of Shareholders to ensure a high level of accountability and to stay informed of the Company's strategies and growth plans and establish and maintain regular dialogue between the Company and Shareholders, to gather views and inputs, and address Shareholders' concerns. The chairpersons and/or members of the Board, Audit Committee, Remuneration Committee and Nominating Committee and the external auditors are normally available at Shareholders' meetings to address any Shareholders' queries, including those relating to the conduct of audit and the preparation and content of the auditors' report. All Directors were present at the last AGM held on 25 April 2019. Save for the last AGM held on 25 April 2019, there were no other general meetings of the Company held during FY2019.

If any Shareholder is unable to attend, he/she is allowed to appoint up to two (2) proxies to vote on his/her behalf at the meeting through proxy forms sent in advance. The Company's Constitution currently does not allow a member to appoint more than two (2) proxies to attend and vote at the same general meetings and for other absentia voting methods such as by mail, electronic mail, fax and/or other methods. With effect from 3 January 2016, the Companies Act (Chapter 50) of Singapore was amended, amongst others, to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings. Relevant intermediary includes corporations holding licences in providing nominee and custodial services and SRS Investors who purchase shares under the Supplementary Investment Scheme.

REPORT ON CORPORATE GOVERNANCE

Each item of special business included in the notice of the general meetings will be accompanied by full explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

The Company understands that it should put all resolutions to vote by poll. In the event a poll is conducted, the Company will make an announcement of the detailed results showing the numbers of votes cast for and against each resolution and the respective percentages.

Provision 11.5

Minutes of General Meetings

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and the Management. Minutes of the AGM held in FY2019 had been published by the Company on its corporate website. These minutes are also available to Shareholders upon their request.

Provision 11.6

Dividend Policy

The Company does not have a policy on payment of dividends. The issue of payment of dividend is deliberated by the Board annually having regard to various factors. The Company has not declared any dividend for FY2019 as the Board deems it appropriate to conserve cash for the Group's business activities and growth.

Principle 12: Engagement with Shareholders

Provisions 12.1, 12.2 and 12.3

The Board believes in regular, timely and effective communication with Shareholders. Shareholders are kept informed of all important developments concerning the Company through timely dissemination of information via SGXNet announcements, press releases, annual reports and various other announcements made whenever necessary.

The Company will voluntarily announce interim updates on useful and relevant information in addition to the mandatory financial statements to provide Shareholders a better understanding of the Company's performance. The Board will consider whether interim updates should be provided to Shareholders, and the appropriate frequency of the updates.

The AGM is the principal forum for dialogue between the Company and Shareholders, to gather views and inputs, and address Shareholders' concerns. The Company recognises the value of feedback from Shareholders. During the general meetings, Shareholders are given ample time and opportunities to air their views and concerns. All the Directors will endeavour to attend the general meetings, and Shareholders will be given the chance to share their thoughts and ideas or ask questions relating to the resolutions to be passed or on other corporate and business issues.

Presently, the Company does not have an investor relations policy or protocol in place nor a dedicated investor relations team. The Company will assess the need to establish an investor policy or protocol or investor relations team as and when it deems necessary. Notwithstanding so, taking into account the communication and dialogue with Shareholders taken by the Company as set out above, the Board is of the view that the Company complies with Principle 12 of the Code.

REPORT ON CORPORATE GOVERNANCE

Principle 13: Engagement with Stakeholders

Provisions 13.1 and 13.2

Stakeholders' Engagement

The Group has regularly engaged its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve services and products' standards, as well as to sustain business operations for long-term growth.

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly are able to impact the Group's business and operations. The Group has also undertaken a process to determine the economic, environmental, social and governance issues, which are important to these stakeholders.

Detailed approach to the stakeholder engagement and materiality assessment will be disclosed in the Group's first sustainability report for FY2019, which will be published by end May 2020 to keep stakeholders informed on the Group's business and operations.

Provision 13.3

Corporate Website

The Company maintains a corporate website at http://asiavets.com to communicate and engage with stakeholders. The corporate website provides, among others, announcements, annual reports, and financial information of the Group, stock information of the Company, as well as the profiles of the Group, the Directors and the key management personnel.

Dealings in Securities

The Company observes closely the best practices on dealings in securities ("***Securities Dealings Best Practices***") in compliance with Rule 1204(19) of the Catalist Rules. The Securities Dealings Best Practices provide guidance to the Directors and employees of the Company with regard to dealing in the Company's securities.

The Company issues circulars or electronic mails to its Directors, key management personnel and employees that they must not trade in the shares of the Company during the period commencing one (1) month before the release of the half year and year-end results and ending on the date of such announcements. In addition, Directors and key management personnel are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are discouraged from dealing in the Company's shares on short term considerations.

REPORT ON CORPORATE GOVERNANCE

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that the transactions are carried out on normal commercial terms and shall not be prejudicial to the interests of the Company and its minority Shareholders. When a potential conflict of interest arises, the Director concerned takes no part in discussions nor exercises any influences over other members of the Board.

During the financial year under review, there have been no interested person transactions entered into by the Group that requires disclosure pursuant to the Catalist Rules.

Material Contracts

Other than disclosed in the audited financial statements and the service agreement between the Executive Director and the Company, there were no material contracts (including loans) entered into by the Company or its wholly-owned subsidiary involving the interests of any Director or controlling Shareholders which are either still subsisting as at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.

Fees Paid to External Auditors

Ernst & Young LLP, the external auditors, rendered the following services (and charged the fees) set out below for FY2019:

	2019 S$'000
Audit fees	80
Non-audit fees:	
Agreed upon procedures on half-year review	5
Tax returns compliance service – Current year	9
Total audit and non-audit fees	94

The Audit Committee has reviewed all non-audit services (described above) provided by Ernst & Young LLP and is of the view that they did not affect the independence of Ernst & Young LLP, as it has complied with Singapore Accountants (Public Accountants) Rules.

Non-Sponsorship fees

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsorship fees payable or paid to ZICO Capital Pte. Ltd. in FY2019.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited financial statements of Asia Vets Holdings Ltd. (the "Company") and its subsidiary (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Tan Tong Guan
Tan Geok Moey
Teo Yi-Dar
Kim Seah Teck Kim (Appointed on 25 April 2019)
Henry Tan Song Kok (Appointed on 1 January 2020)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly owned subsidiary) as stated below:

	Number of ordinary shares			
	Direct interest		Deemed interest	
Name of directors	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
The Company				
Tan Tong Guan(1)	565,001	955,001	57,139,331	57,139,331
Tan Geok Moey(1)	–	–	57,139,331	57,139,331
Ultimate holding company				
Tan Gee Beng Pte. Ltd.				
Tan Tong Guan(2)	16,975	16,975	7,333	7,333
Tan Geok Moey	11,120	11,120	–	–

(1) Tan Tong Guan and Tan Geok Moey are deemed to have an interest in the shares held by Tan Gee Beng Private Limited by virtue of Section 7 of the Companies Act, Chapter 50.

(2) Tan Tong Guan is deemed to have an interest in the 7,333 shares held by his spouse.

DIRECTORS' STATEMENT

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Audit committee

The audit committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50.

The AC, having reviewed all non-audit services provided by the external auditors to the Company, is satisfied that the nature and extent of such services would not affect the independence of external auditors. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year with full attendance from all members. The AC has also met with external auditor, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Warrants

On 13 August 2018, 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 will expire on 30 June 2020. As at 31 December 2019, no warrants were exercised and converted into ordinary shares of the Company.

Options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

DIRECTORS' STATEMENT

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Tan Tong Guan
Director

Teo Yi-Dar
Director

Singapore
31 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASIA VETS HOLDINGS LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Asia Vets Holdings Ltd. (the "Company") and its subsidiary (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment assessment of goodwill and cost of investment in a subsidiary

As at 31 December 2019, goodwill is carried at $8,404,846 and represents 39% of the Group's total assets. The goodwill arose from the acquisition of the entire issued share capital of AVH Animal Ark Pte. Ltd. in the last financial year and has been allocated to the Group's cash generating unit ("CGU") which represents the Group's veterinarian business.

The Company has an investment in a subsidiary carried at $3,586,451 as at 31 December 2019.

As part of the annual impairment assessment of goodwill, management has determined the recoverable amount of the CGU by estimating value in use based on cash flow projections of the CGU's business.

For investment in a subsidiary, management assesses whether any indicators of impairment, such as a decline in cash flows or operating profit flowing from the asset, are present.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASIA VETS HOLDINGS LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Key Audit Matters (Continued)

Impairment assessment of goodwill and cost of investment in a subsidiary (Continued)

Due to the significance of judgement exercised in forecasting and discounting future cash flows, we have considered the impairment assessment of goodwill and investment in a subsidiary to be a key audit matter.

We have performed the following audit procedures, amongst others, in response to the above mentioned key audit matter:

– assessed the valuation methodology used by management;

– evaluated the key assumptions and estimates used by management in forecasting and discounting future cash flows, such as revenue projections, profit margins, long-term growth rate, and discount rate based on our understanding of the business and making comparison to available economic and financial data;

– performed sensitivity analysis on changes in the respective key assumptions to changes in the recoverable amount of the CGU; and

– reviewed the adequacy and appropriateness of the disclosures on the impairment assessment in Note 12 of the financial statements.

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASIA VETS HOLDINGS LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASIA VETS HOLDINGS LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Yeow Hui Cheng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group	
		2019	2018
		$	$
Revenue	4	**3,807,796**	1,459,027
Cost of sales		**(2,253,885)**	(859,348)
Gross profit		**1,553,911**	599,679
Other operating income	5	**757,470**	145,648
Administrative expenses		**(1,505,346)**	(1,105,864)
Other expenses	6	**–**	(1,953,762)
Finance expenses		**(17,354)**	–
Profit/(loss) before tax	6	**788,681**	(2,314,299)
Income tax expense	8	**(18,872)**	(20,798)
Profit/(loss) for the year, representing total comprehensive income attributable to owners of the Company		**769,809**	(2,335,097)
Profit/(loss) per share (in S$ cents)			
Basic	11	**0.55**	(1.78)
Diluted	11	**0.54**	(1.78)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		31 December 2019 $	31 December 2018 $	31 December 2019 $	31 December 2018 $
Non-current assets					
Plant and equipment	9	**303,318**	436,261	**–**	–
Right-of-use assets	21	**324,677**	–	**–**	–
Investment in a subsidiary	10	**–**	–	**3,586,451**	3,586,451
Goodwill	12	**8,404,846**	8,404,846	**–**	–
Amount due from a subsidiary	13	**–**	–	**5,575,935**	5,680,726
		9,032,841	8,841,107	**9,162,386**	9,267,177
Current assets					
Inventories	14	**86,408**	103,771	**–**	–
Trade and other receivables	15	**90,303**	85,989	**23,925**	18,169
Prepayment		**44,217**	52,742	**9,057**	8,816
Cash and cash equivalents	16	**12,277,604**	11,947,521	**11,884,939**	11,480,914
		12,498,532	12,190,023	**11,917,921**	11,507,899
Total assets		**21,531,373**	21,031,130	**21,080,307**	20,775,076
Current liabilities					
Trade payables	17	**74,515**	103,721	**–**	–
Other payables and accruals	18	**409,650**	438,088	**125,510**	157,394
Lease liabilities	21	**234,416**	–	**–**	–
Provision for taxation		**18,589**	–	**453**	–
		737,170	541,809	**125,963**	157,394
Net current assets		**11,761,362**	11,648,214	**11,791,958**	11,350,505
Non-current liabilities					
Deferred tax liabilities, net	8	**21,128**	20,798	**–**	–
Other payables	18	**1,317,666**	1,879,222	**–**	–
Lease liabilities	21	**96,299**	–	**–**	–
		1,435,093	1,900,020	**–**	–
Total liabilities		**2,172,263**	2,441,829	**125,963**	157,394
Net assets		**19,359,110**	18,589,301	**20,954,344**	20,617,682
Equity attributable to equity holders of the Company					
Share capital	19(a)	**20,776,719**	20,776,719	**20,776,719**	20,776,719
Capital reserve	19(b)	**227,730**	227,730	**227,730**	227,730
Revenue reserve		**(1,645,339)**	(2,415,148)	**(50,105)**	(386,767)
Total equity		**19,359,110**	18,589,301	**20,954,344**	20,617,682
Total equity and liabilities		**21,531,373**	21,031,130	**21,080,308**	20,775,076

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital (Note 19a) $	Capital reserve (Note 19b) $	Revenue reserve $	Total equity $
Group				
Opening balance at 1 January 2019	**20,776,719**	**227,730**	**(2,415,148)**	**18,589,301**
Profit for the year, representing total comprehensive income for the year	**–**	**–**	**769,809**	**769,809**
Total comprehensive income for the year	**–**	**–**	**769,809**	**769,809**
Closing balance at 31 December 2019	**20,776,719**	**227,730**	**(1,645,339)**	**19,359,110**
Opening balance at 1 January 2018	17,970,919	–	(80,051)	17,890,868
Loss for the year, representing total comprehensive income for the year	–	–	(2,335,097)	(2,335,097)
Total comprehensive income for the year	–	–	(2,335,097)	(2,335,097)
Contributions by and distributions to owners				
Issuance of new ordinary shares	2,809,800	–	–	2,809,800
Share issuance expense	(4,000)	–	–	(4,000)
Issuance of bonus issue warrants	–	229,000	–	229,000
Bonus issue warrant subscription fee	–	530	–	530
Bonus issue warrant issuance expenses	–	(1,800)	–	(1,800)
Total transactions with owners in their capacity as owners	2,805,800	227,730	–	3,033,530
Closing balance at 31 December 2018	20,776,719	227,730	(2,415,148)	18,589,301

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital (Note 19a) $	Capital reserve (Note 19b) $	Revenue reserve $	Total equity $
Company				
Opening balance at 1 January 2019	**20,776,719**	**227,730**	**(386,767)**	**20,617,682**
Profit for the year, representing total comprehensive income for the year	**–**	**–**	**336,662**	**336,662**
Total comprehensive income for the year	**–**	**–**	**336,662**	**336,662**
Closing balance at 31 December 2019	**20,776,719**	**227,730**	**(50,105)**	**20,954,344**
Opening balance at 1 January 2018	17,970,919	–	(80,051)	17,890,868
Loss for the year, representing total comprehensive income for the year	–	–	(306,716)	(306,716)
Total comprehensive income for the year	–	–	(306,716)	(306,716)
Contributions by and distributions to owners				
Issuance of new ordinary shares	2,809,800	–	–	2,809,800
Share issuance expense	(4,000)	–	–	(4,000)
Issuance of bonus issue warrants	–	229,000	–	229,000
Bonus issue warrant subscription fee	–	530	–	530
Bonus issue warrant issuance expenses	–	(1,800)	–	(1,800)
Total transactions with owners in their capacity as owners	2,805,800	227,730	–	3,033,530
Closing balance at 31 December 2018	20,776,719	227,730	(386,767)	20,617,682

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $	Group 2018 $
Cash flows from operating activities			
Profit/(loss) before tax		**788,681**	(2,314,299)
Adjustments for:			
Depreciation of plant and equipment	9	**136,053**	52,636
Depreciation of right-of-use assets	21	**255,084**	–
Equity-settled share-based payment		**–**	1,030,000
Interest income	5	**(191,205)**	(142,540)
Interest expenses		**17,354**	–
Fair value adjustment on contingent consideration for business combination	23	**(561,556)**	27,881
Unrealised exchange loss/(gain)		**178**	(252)
Operating cash flows before working capital changes		**444,589**	(1,346,574)
Decrease in trade and other receivables		**1,443**	232,524
Decrease/(increase) in inventories		**17,363**	(13,805)
Decrease/(increase) in prepayments		**8,525**	(49,342)
(Decrease)/increase in trade and other payables and accruals		**(57,644)**	89,595
Cash generated from/(used in) operations		**414,276**	(1,087,602)
Interest received		**185,449**	124,663
Income tax refund		**46**	–
Net cash flows generated from/(used in) operating activities		**599,771**	(962,939)
Cash flows from investing activities			
Purchase of plant and equipment		**(3,110)**	(15,668)
Withdrawal of restricted deposits		**–**	17,290,766
Acquisition of business assets (net of cash acquired)		**–**	(5,107,900)
Net cash flows (used in)/generated from investing activities		**(3,110)**	12,167,198
Cash flows from financing activities			
Repayment of lease liabilities		**(266,400)**	–
Proceeds from issuance of bonus issue warrants		**–**	530
Share issuance expense		**–**	(4,000)
Bonus issue warrants issuance expense		**–**	(1,800)
Net cash flows used in financing activities		**(266,400)**	(5,270)
Net increase in cash and cash equivalents		**330,261**	11,198,989
Cash and cash equivalents at beginning of year	16	**11,947,521**	748,280
Effect of exchange rate changes on cash and cash equivalent		**(178)**	252
Cash and cash equivalents at end of year	16	**12,277,604**	11,947,521

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 10 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (“SGD” or “$”), except when otherwise indicated.

2.2 Adoption of new and amended standards

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, 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 2019. Except for the adoption of SFRS(I) 16 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. Under this method, the lease liability is measured based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application. The Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 104 at the date of initial application.

The Group has lease contracts for office premise and veterinary clinics. Before the adoption of SFRS(I) 16, the Group classified the leases at the inception date as operating leases.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.21 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.2 Adoption of new and amended standards (Continued)

SFRS(I) 16 Leases (Continued)

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. Right-of-use assets were measured at an amount equal to the lease liability, adjusted for previously recognised prepaid and accrued lease payments.

The Group recognised right-of-use assets and lease liabilities of $579,761 on adoption date. The carrying amount of the right-of-use assets and lease liabilities amount to $324,677 and $330,715 respectively for the financial year ended 31 December 2019.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	$
Operating lease commitments as at 31 December 2018	609,800
Less: Commitments relating to non-lease component	(3,400)
Net operating lease commitments as at 31 December 2018	606,400
Weighted average incremental borrowing rate as at 1 January 2019	4.00%
Discounted operating lease commitments as at 1 January 2019	579,761

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 3 *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 9, *SFRS(I) 1-39 and SFRS(I) 7 Interest Rate Benchmark Reform*	1 January 2020
SFRS(I) 17 *Insurance Contacts*	1 January 2021
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*	Date to be determined**

** The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the ASC in December 2015 via Amendments to Effective Date of Amendment to SFRS(I) 10 and SFRS(I) 1-28

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the end of the reporting period. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

Non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating unit (CGU) that is expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.5 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company and its subsidiary's functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company and its subsidiary and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.6 Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Veterinary and medical equipment	–	7 years
Office and other equipment	–	7 years
Furniture and fixtures	–	7 years
Computer and software	–	3 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiary are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit and loss.

2.9 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The financial assets of the Group are measured at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

(a) Financial assets (Continued)

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

(i) Amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.10 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical loss rate of trade receivables and contract assets, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group may also consider a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Veterinarian supplies: purchase costs on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.14 Employees benefits

(a) *Defined contribution plan*

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.15 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Veterinary services*

The Group provides veterinary treatments to various kind of pets which include consultation and surgery & procedures.

Revenue from the rendering of services are recognised when the services are rendered to the customer at a point in time upon the completion of the services.

(b) *Sales of veterinary medicines and products*

Revenue from sale of veterinary medicines and products are recognised when control of the goods has been transferred to the customer at a point in time. Control is transferred upon the transfer of significant risk and rewards of ownership of the goods, which generally coincides with the delivery of goods.

The amount of revenue recognised is based on the contractual price and does not include variable consideration such as right of returns, refunds, trade discounts or volume rebates.

(c) *Interest income*

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.16 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

Government grants related to income

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as “Other income”. Alternatively, they are deducted in reporting the related expenses.

2.17 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the reporting period, in the country where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investment in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.17 Taxes (Continued)

(b) Deferred tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

2.18 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.19 Segmental reporting

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.20 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

2.21 Leases

These accounting policies are applied on and after the initial application date of SFRS(I) 16, 1 January 2019.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.8.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.21 Leases (Continued)

(a) As lessee (Continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of assets (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

These accounting policies are applied before the initial application date of SFRS(I) 16, 1 January 2019:

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to income and expenditure. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in income and expenditure on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management is of the opinion that there is no instance of application of judgement which is expected to have a significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

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 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) Impairment assessment of goodwill

As disclosed in Note 12 to the financial statements, the recoverable amount of the 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 12 to the financial statements.

The carrying amount of the goodwill as at 31 December 2019 is disclosed in Note 12.

(b) Impairment 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 2019 is disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Revenue

This represents revenue from rendering of veterinary services and sales of veterinary medicines and products.

	Group	
	2019	2018
	$	$
Veterinary services	**2,192,322**	856,525
Sales of veterinary medicines and products	**1,615,474**	602,502
Total revenue recognised at point in time	**3,807,796**	1,459,027

The revenues are all generated from a single operating segment in Singapore.

5. Other operating income

	Group	
	2019	2018
	$	$
Interest income from financial institutions	**191,205**	142,540
Government grants – Employment credit	**4,377**	2,730
Fair value adjustment on contingent consideration for business combination (Note 24)	**561,556**	–
Foreign exchange gain	**332**	378
	757,470	145,648

6. Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	Group	
	2019	2018
	$	$
Professional fees	**86,285**	31,909
Operating lease expense	**–**	102,817
Depreciation of plant and equipment	**136,053**	52,636
Depreciation of right-of-use assets	**225,084**	–
Inventories recognised as an expense in cost of sales	**857,545**	290,697
Foreign exchange gain	**(154)**	(378)
Employee benefits expense:		
– Salaries and bonuses	**1,721,885**	910,124
– Directors' fees	**109,500**	109,500
– Employer's contributions to Central Provident Fund	**150,212**	76,095
Other expenses:		
– Transaction costs relating to the Acquisition (Note 7)	**–**	1,925,881
– Fair value adjustment on contingent consideration for business combination (Note 24)	**–**	27,881
	–	1,953,762

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. Transaction costs

	Group	
	2019	2018
	$	$
Cash-settled payment for professional services rendered	–	895,881
Equity-settled share-based payment:		
– Arranger shares (Note 19(a))	–	666,000
– Bonus issue warrants (Note 19(b))	–	229,000
– Financial advisor shares (Note 19(a))	–	135,000
	–	1,925,881

On 8 September 2017, the Company entered into a Finders' Fee Arrangement and Consultancy Agreement with Tiger Equities Pte. Ltd. ("Tiger") and ZICO Capital Pte. Ltd. ("Zico"). Tiger introduced the business of the Animal Ark Group to the Company and arranged for the restructuring of the transaction while Zico provided the Company financial advisory services in connection with the acquisition (collectively known as the "services").

In consideration for Tiger and Zico providing the services, Tiger and Zico were entitled to the following:

Arranger shares

Immediately upon completion of the acquisition, the Company issued 2,960,000 new ordinary shares, equivalent to $666,000, at a fair value of $0.225 per share to Tiger and Zico.

Bonus issue warrants

The Company issued 5,300,000 bonus issue warrants to Tiger 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 with an expiry date of 30 June 2020. The Company has engaged an external professional valuer to assess the fair value of the bonus issue warrants at acquisition date.

Financial advisor shares

The Company issued 600,000 new ordinary shares to Zico, equivalent to $135,000, at a fair value of $0.225 per share.

8. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December are:

	Group	
	2019	2018
	$	$
Current income tax		
– Current year	**18,588**	–
– Over provision in respect of previous year	**(46)**	–
Deferred income tax		
– Origination temporary differences	**330**	20,798
Income tax expense recognised in profit or loss	**18,872**	20,798

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. **Income tax expense (Continued)**

(b) **Relationship between tax expense and accounting profit/(loss)**

A reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate for the years ended 31 December are as follows:

	Group	
	2019 $	2018 $
Profit/(loss) before tax	**788,681**	(2,314,299)
Income tax at statutory rate of 17% (2018: 17%)	**134,076**	(393,431)
Adjustments:		
Income not subjected to taxation	**(170,641)**	–
Non-deductible expenses	**91,203**	414,229
Benefits from previously unutilised capital allowances	**(10,645)**	–
Effects of partial tax exemption and tax rebate	**(25,075)**	–
Overprovision in respect of previous years	**(46)**	–
Income tax expense recognised in profit or loss	**18,872**	20,798

(c) **Deferred taxation**

Deferred income tax as at 31 December relates to the following:

	Group			
	Balance sheet		Statement of comprehensive income	
	2019 $	2018 $	2019 $	2018 $
Deferred tax liabilities:				
Differences in depreciation for tax purposes	**(25,553)**	(20,798)	**4,755**	20,798
Deferred tax assets:				
Provisions	**4,425**	–	**(4,425)**	–
Net deferred tax liabilities	**(21,128)**	(20,798)	**–**	–
Deferred tax expense			**330**	20,798

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. Plant and equipment

	Veterinary and medical equipment $	Office and other equipment $	Computer and software $	Furniture and fixtures $	Total $
Group					
Cost:					
At 1 January 2018	–	–	–	–	–
Acquisition of a subsidiary	458,667	–	7,915	6,647	473,229
Additions	–	5,565	10,103	–	15,668
At 31 December 2018 and 1 January 2019	458,667	5,565	18,018	6,647	488,897
Additions	–	–	560	2,550	3,110
At 31 December 2019	458,667	5,565	18,578	9,197	492,007
Accumulated depreciation:					
At 1 January 2018	–	–	–	–	–
Charge for the year	46,809	290	4,656	881	52,636
At 31 December 2018 and 1 January 2019	46,809	290	4,656	881	52,636
Charge for the year	124,823	795	7,842	2,593	136,053
At 31 December 2019	171,632	1,085	12,498	3,474	188,689
Net carrying amount:					
At 31 December 2018	411,858	5,275	13,362	5,766	436,261
At 31 December 2019	287,035	4,480	6,080	5,723	303,318

10. Investment in a subsidiary

	Company 2019 $	Company 2018 $
Shares, at cost	100	100
Additional investment in a subsidiary*	1,660,470	1,660,470
Transaction costs relating to the acquisition (Note 7)	1,925,881	1,925,881
	3,586,451	3,586,451

* 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. Investment in a subsidiary (Continued)

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

Name of subsidiary	Country of incorporation and principal place of business	Principal activities	2019 %	2018 %
Held by the Company				
AVH Animal Ark Pte.Ltd.[1]	Singapore	Own and operate veterinary clinics	100%	100%

[1] Audited by Ernst & Young LLP, Singapore

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") ("Acquisition"). On 13 August 2018, the Subsidiary completed the Acquisition by obtaining a loan of $5,680,726 (Note 13) 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.;
(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. Investment in a subsidiary (Continued)

Acquisition of subsidiary (Continued)

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.

As at 31 December 2019, the fair value of the contingent consideration decreased by $561,556 to $1,317,666. The fair value of the contingent consideration is calculated by applying the income approach using the probability-weighted payout approach at a discount rate of 5.33%. The fair value adjustment of the contingent consideration is recognised in the other operating income line item in the Group's profit or loss for the year ended 31 December 2019.

11. Profit/(loss) per share

Basic profit/(loss) per share are calculated by dividing profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The diluted profit per share for the year ended 31 December 2019 takes into consideration the 30% of the purchase consideration to be settled via the issuance and allotment of the Company's shares. The diluted loss per share is the same as the basic loss per share as the Company does not have any anti-dilutive potential ordinary shares for the year ended 31 December 2018.

The following tables reflect the profit/(loss) and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

	Group	
	2019	**2018**
	$	**$**
Profit/(loss) for the year attributable to owners of the Company used in the computation of basic and diluted loss per share	**769,809**	(2,335,097)
Weighted average number of ordinary shares for basic profit/(loss) per share computation	**138,928**	131,264
Basic profit/(loss) per share (in S$ cents)	**0.55**	(1.78)
Weighted average number of ordinary shares for diluted profit/(loss) per share computation	**142,083**	134,636
Diluted profit/(loss) per share (in S$ cents)	**0.54**	(1.78)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. Profit/(loss) per share (Continued)

On 13 August 2018, the Company issued 5,300,000 bonus issue warrants at an issue price of $0.0001 per bonus issue warrant, each bonus warrant carrying the right to subscribe for one new share at an exercise price of $0.25. The bonus issue warrants will expire on 30 June 2020. The 5,300,000 bonus issue have not been included in the calculation of diluted profit/(loss) per share because they are anti-dilutive.

12. Goodwill

	Group	
	2019	2018
	$	$
Cost:		
At beginning of the year	**8,404,846**	–
Acquisition of a subsidiary	**–**	8,404,846
At end of the year	**8,404,846**	8,404,846

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 a 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:

	2019	2018
Growth rate	**1.70%**	0.50%
Pre-tax discount rate	**10.50%**	10.50%

<u>Key assumptions used in the value in use calculations</u>

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 margins of 36% to 41% (2018: 50% to 54%) 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.

<u>Sensitivity to changes in assumptions</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. Amount due from a subsidiary

This represent the loan obtained from the Company to finance the Acquisition on 13 August 2018. Amount due from subsidiary is unsecured, interest-free and repayable in August 2023. All amounts are expected to be settled in cash.

14. Inventories

	Group		Company	
	2019 $	2018 $	2019 $	2018 $
Balance sheets				
Veterinarian supplies	86,408	103,771	–	–
Consolidated statement of comprehensive income				
Inventories recognised as an expense in cost of sales	857,545	290,697	–	–

15. Trade and other receivables

	Group		Company	
	2019 $	2018 $	2019 $	2018 $
Trade receivables	**11,655**	10,598	**–**	–
Interest receivable from financial institutions	**23,925**	18,169	**23,925**	18,169
Sundry deposits	**54,638**	49,600	**–**	–
Other receivables	**85**	7,622	**–**	–
Total trade and other receivables	**90,303**	85,989	**23,925**	18,169
Add:				
Cash and bank deposits (Note 16)	**12,277,604**	11,947,521	**11,884,939**	11,480,914
Amount due from a subsidiary	**–**	–	**5,575,935**	5,680,726
Total financial assets carried at amortised cost	**12,367,907**	12,033,510	**17,484,799**	17,179,809

Trade receivables

Trade receivables are unsecured, non-interest bearing and are normally settled on 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Expected credit losses

No allowance for expected credit losses are recognised as the historical default rate is nil.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Cash at banks	**470,507**	1,903,906	**77,842**	1,437,299
Fixed deposits with banks	**11,807,097**	10,043,615	**11,807,097**	10,043,615
Cash and bank deposits	**12,277,604**	11,947,521	**11,884,939**	11,480,914
Cash and cash equivalents in statement of cash flows	**12,277,604**	11,947,521	**11,884,939**	11,480,914

Cash at banks

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Fixed deposits with banks

Fixed deposits with banks are made for varying periods of between one and three months, depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2019 for the Group was 1.66% (2018: 1.48%).

Included in cash and cash equivalents at 31 December are the following foreign currency denominated balances:

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
United States Dollar	**13,473**	13,643	**13,473**	13,643

17. Trade payables

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Trade payables	**74,516**	103,721	**–**	–

Trade payables are non-interest bearing and are normally settled on 1 to 60 days' terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. Other payables and accruals

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Non-current:				
Other payable	**1,317,666**	1,879,222	**–**	–
Total financial liabilities carried at fair value through profit or loss	**1,317,666**	1,879,222	**–**	–
Current:				
Accrued operating expenses	**347,530**	355,731	**122,750**	143,350
Other payables	**10,936**	31,547	**2,760**	14,044
GST payables, net	**51,184**	50,810	**–**	–
Other payables and accruals	**409,650**	438,088	**125,510**	157,394
Less: GST payables, net	**(51,184)**	(50,810)	**–**	–
Total financial liabilities carried at amortised cost	**358,466**	387,278	**125,510**	157,394

Non-current other payable relates to the contingent consideration payable at the end of the retention period (Note 10). As part of the acquisition of Animal Ark Group business, a contingent consideration has been agreed. This consideration is dependent on EBIT derived from the business during a 30 month retention period. The consideration is due for final measurement and payout to the former business owners in February 2021.

Other payables – current are non-interest bearing and are normally settled on 30 to 60 days' term.

19. Share capital and reserves

(a) Share capital

	2019 No. of shares '000	2019 $	2018 No. of shares '000	2018 $
At 1 January	**138,928**	**20,776,719**	126,440	17,970,919
Issue for acquisition of a subsidiary	**–**	**–**	12,488	2,809,800
Share issuance expense	**–**	**–**	–	(4,000)
At 31 December	**138,928**	**20,776,719**	138,928	20,776,719

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.

(b) Capital reserve

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 will expire on 30 June 2020.

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 year end is net of subscription fee and issuance expenses. As at 31 December 2019, no warrants were exercised and converted into ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. Related party transactions

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Compensation of key management personnel				
Short-term employee benefits	**668,123**	481,694	–	193,961
Central Provident Fund contributions	**38,802**	33,267	–	12,933
	706,925	514,961	–	206,894
Comprise amounts paid to:				
Directors	**315,109**	312,240	–	169,092
Other key management personnel	**391,816**	202,721	–	37,802
	706,925	514,961	–	206,894

21. Rights-of-use assets/lease liabilities

Group as a lessee

The Group has lease contracts for its office and veterinary clinics. These leases have an average tenure of between one to three years. There are no restrictions placed upon the Group by entering into these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Property
	$
As at 1 January 2019	579,761
Depreciation expense	(255,084)
At 31 December 2019	324,677

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2019
	$
As at 1 January 2019	579,761
Accretion of interest	17,354
Payments	(266,400)
As at 31 December 2019	330,715
Current	234,416
Non-current	96,299
	330,715

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. Rights-of-use assets/lease liabilities (Continued)

Group as a lessee (Continued)

The following are the amounts recognised in profit or loss:

	2019 $
Depreciation expense of right-of-use assets	225,084
Interest expense on lease liabilities	17,354
	242,438

The Group had total cash outflow for leases of $266,400 in 2019.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leases portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

22. Commitments

Operating lease commitments – as lessee

The Group has operating lease commitments with respect to the rental of office and clinics. These leases have an average tenure of between one to three years. There are no restrictions placed upon the Group by entering into these leases.

Operating lease payments recognised as an expense in the consolidated statement of comprehensive income for the financial year ended 31 December 2018 amounted to $102,817.

Future minimum rental payable under non-cancellable operating lease (excluding land lease rights) at the end of 31 December 2018 are as follows:

	31 December 2018 $
Not later than 1 year	272,400
Later than 1 year but not later than 5 years	337,400
	609,800

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk and liquidity risk. The management reviews and agrees policies and procedures for managing each of these risks. It is, and has been throughout the period under review, the Group and the Company's policy that no trading in derivative financial instruments shall be undertaken. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. In addition, receivable balances are monitored on an ongoing basis by the Group.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 30 days' when they fall due, which are derived based on the Group's historical information. A significant increase in credit risk is presumed if a debtor is more than 30 days' past due in making contractual payment.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 30 days' past due. Financial assets are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engagement in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

(i) Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to years past due. The loss allowance as at 31 December 2019 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. Financial risk management objectives and policies (Continued)

(a) Credit risk (Continued)

(i) Trade receivables (Continued)

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

31 December 2019	**Gross carrying amount $**	**Loss allowance provision $**
Trade receivables		
Current	**7,731**	**–**
1 to 30 days	**1,575**	**–**
31 to 60 days	**937**	**–**
More than 60 days	**1,412**	**–**
Total	**11,655**	**–**
31 December 2018		
Trade receivables		
Current	7,476	–
1 to 30 days	360	–
31 to 60 days	504	–
More than 60 days	2,258	–
Total	10,598	–

Based on the expected credit losses assessment, there is no trade receivables that are impaired at the end of the reporting period.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised on the balance sheets.

Credit risk concentration profile

At the end of the reporting period, approximately 43% (31 December 2018: 43%) of the Group's trade receivables were due from 3 (31 December 2018: 3) major customers located in the Singapore.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents and financial assets (current) that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. Financial risk management objectives and policies (Continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their interest-bearing bank deposits.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity of interest rates by 50 (2018: 50) basis points lower/higher with all other variables held constant on the Group's profit/(loss) before tax as a result of change in interest rates on floating rate bank balances.

	Decrease/(increase) Profit/(loss) before tax	
	2019	**2018**
	$	**$**
Increase by 50 basis points (2018: 50 basis points)	**59,035**	(50,218)
Decrease by 50 basis points (2018: 50 basis points)	**(59,035)**	50,218

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company monitors and maintains sufficient cash and cash equivalents and continued financial support from shareholders to meet its liquidity requirements. All financial assets and financial liabilities are repayable on demand or due within 1 year from the end of the reporting period and are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. Financial risk management objectives and policies (Continued)

(c) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarizes the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayments obligations.

	One year or less 2019 $	More than one year 2019 $	Total 2019 $
Group			
Financial assets:			
Trade and other receivables (exclude sundry deposits)	35,665	–	35,665
Cash and cash equivalents	12,277,604	–	12,277,604
Total undiscounted financial assets	12,313,269	–	12,313,269
Financial liabilities:			
Trade payables	74,516	–	74,516
Other payables and accruals (exclude GST payable, net)	358,466	1,317,666	1,676,132
Total undiscounted financial liabilities	432,982	1,317,666	1,750,648
Total net undiscounted financial assets/(liabilities)	11,880,287	(1,317,666)	10,562,621
Company			
Financial assets:			
Trade and other receivables (exclude sundry deposits)	23,925	5,575,935	5,599,860
Cash and cash equivalents	11,884,939	–	11,884,939
Total undiscounted financial assets	11,908,864	5,575,935	17,484,799
Financial liability:			
Other payables and accruals (exclude GST payable, net)	125,511	–	125,511
Total undiscounted financial liability	125,511	–	125,511
Total net undiscounted financial assets	11,783,353	5,575,935	17,359,288

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. Financial risk management objectives and policies (Continued)

(c) Liquidity risk (Continued)

	One year or less 2018 $	More than one year 2018 $	Total 2018 $
Group			
Financial assets:			
Trade and other receivables (exclude sundry deposits)	36,389	–	36,389
Cash and cash equivalents	11,947,521	–	11,947,521
Total undiscounted financial assets	11,983,910	–	11,983,910
Financial liabilities:			
Trade payables	103,721	–	103,721
Other payables and accruals (exclude GST payable, net)	387,278	1,879,222	2,266,500
Total undiscounted financial liabilities	490,999	1,879,222	2,370,221
Total net undiscounted financial assets/(liabilities)	11,492,911	(1,879,222)	9,613,689
Company			
Financial assets:			
Trade and other receivables (exclude sundry deposits)	18,169	5,680,726	5,698,895
Cash and cash equivalents	11,480,914	–	11,480,914
Total undiscounted financial assets	11,499,083	5,680,726	17,179,809
Financial liability:			
Other payables and accruals (exclude GST payable, net)	157,394	–	157,394
Total undiscounted financial liability	157,394	–	157,394
Total net undiscounted financial assets	11,341,689	5,680,726	17,022,415

24. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. **Fair value of assets and liabilities (Continued)**

(b) **Assets and liabilities measured at fair value**

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

		Fair value measurements at the end of reporting period using			
	Note	Quoted prices in active markets for identical instruments (Level 1) $	Significant observable inputs other than quoted prices (Level 2) $	Significant unobservable inputs (Level 3) $	Total $
Group					
2019					
Non-current liability					
– Other payable	18	**–**	**–**	**1,317,666**	**1,317,666**
Financial liability as at 31 December 2019		**–**	**–**	**1,317,666**	**1,317,666**
2018					
Non-current liability					
– Other payable	18	–	–	1,879,222	1,879,222
Financial liability as at 31 December 2018		–	–	1,879,222	1,879,222

(c) **Level 3 fair value measurements**

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value $	Valuation techniques	Unobservable inputs	Range
Group				
As at 31 December 2019				
Recurring fair value measurements At FVPL				
Contingent consideration	1,317,666	Discounted cash flow	Average adjusted EBIT	$1,073,000 to $1,218,000
As at 31 December 2018				
Recurring fair value measurements At FVPL				
Contingent consideration	1,879,222	Discounted cash flow	Average adjusted EBIT	$1,107,000 to $1,591,000

For contingent consideration, a significant increase/(decrease) in the average adjusted EBIT would result in significantly higher/(lower) fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. Fair value of assets and liabilities (Continued)

(c) Level 3 fair value measurements (Continued)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (Continued)

The following table shows the impact on the level 3 fair value measurement of liability that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

		Effect of reasonably possible alternative assumptions	
	Carrying amount $	Profit or loss $	Other comprehensive income $
Group			
31 December 2019			
Recurring fair value measurement At FVPL			
Contingent consideration	**1,317,666**	**201,249**	**–**
31 December 2018			
Recurring fair value measurement At FVPL			
Contingent consideration	1,879,222	69,702	–

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the following key unobservable inputs used in the fair value measurement.

For contingent consideration for business combination, the Group adjusted the average adjusted EBIT target by increasing and decreasing assumption by 5%.

(ii) Movement in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs (Level 3):

	Fair value measurements using significant unobservable inputs (Level 3)	
	Contingent consideration $	Total $
Group		
31 December 2019		
Opening balance	**1,879,222**	**1,879,222**
Total gain for the period included in profit or loss	**(561,556)**	**(561,556)**
Closing balance	**1,317,666**	**1,317,666**
31 December 2018		
Arising from acquisition of business	1,851,341	1,851,341
Total gain for the period included in profit or loss	27,881	27,881
Closing balance	1,879,222	1,879,222

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. **Fair value of assets and liabilities (Continued)**

(c) **Level 3 fair value measurements (Continued)**

(ii) Movement in Level 3 assets and liabilities measured at fair value (Continued)

	Group Fair value measurements using significant unobservable inputs (Level 3)	
	Contingent consideration $	**Total $**
Group		
31 December 2019		
Total gain for the period included in profit or loss		
– Other operating income		
Fair value adjustment of contingent consideration of business combination	**561,556**	**561,556**
31 December 2018		
Total loss for the period included in profit or loss		
– Other expenses		
Fair value adjustment of contingent consideration of business combination	27,881	27,881

(iii) Valuation policies and procedures

The Group's Chief Financial Officer (CFO) oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(d) **Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

Trade and other receivables (Note 15), cash and cash equivalents (Note 16), trade payables (Note 17) and other payables and accruals (Note 18).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. Fair value of assets and liabilities (Continued)

(e) Liability not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Company's liability not measured at fair value but for which value is disclosed:

	Company	
	Significant observable inputs other than quoted prices (Level 2) $	Carrying amount $
31 December 2019		
Liability:		
Amount due from a subsidiary	**4,582,038**	**5,575,935**
31 December 2018		
Liability:		
Amount due from a subsidiary	4,424,787	5,680,726

The fair value as disclosed in the table above is estimated using the present values of future cash flows, discounted at market interest rate for similar type of loan.

25. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2019.

26. Authorisation of financial statements

The audited financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of directors on 31 March 2020.

STATISTICS OF SHAREHOLDINGS

As at 19 March 2020

SHARE CAPITAL

Issued and Fully Paid-up Share Capital	:	S$21,092,919
Number of Issued Shares	:	138,928,002
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share (excluding treasury shares and subsidiary holdings)
Number of Treasury Shares	:	Nil
Number of Subsidiary Holdings Held	:	Nil

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 19 March 2020)

	Direct Interest		Deemed Interest	
Name of Substantial Shareholder	No. of Shares	%	No. of Shares	%
Tan Gee Beng Private Limited	57,139,331	41.13	–	–
Tan Tong Guan(1)	955,001	0.69	57,139,331	41.13
Tan Geok Moey(1)	–	–	57,139,331	41.13
Tan Yoke Hong(1)	–	–	57,139,331	41.13
Tan Ah Chew(2)	8,845,000	6.37	290,000	0.21
Lin Chung Chieh Eugene (Lin Zhongjie Eugene)(3)	3,906,000	2.81	3,906,000	2.81
Poh E-lynn Elaine (Fu Yilin Elaine)(3)	3,906,000	2.81	3,906,000	2.81

Notes:–

(1) Each of Mr Tan Tong Guan, Ms Tan Geok Moey and Ms Tan Yoke Hong is deemed to have an interest in the 57,139,331 shares held by Tan Gee Beng Private Limited by virtue of Section 7 of the Companies Act, Cap. 50.

(2) Mr Tan Ah Chew is deemed to have an interest in the 290,000 shares held by his spouse.

(3) Dr Lin Chung Chieh Eugene (Lin Zhongjie Eugene) is deemed to have an interest in the 3,906,000 shares held by his spouse, Ms Poh E-lynn Elaine (Fu Yilin Elaine) and vice versa. The 3,906,000 shares of each of Dr Lin Chung Chieh Eugene (Lin Zhongjie Eugene) and Ms Poh E-lynn Elaine (Fu Yilin Elaine) are held through DBS Nominees (Private) Limited.

STATISTICS OF SHAREHOLDINGS

As at 19 March 2020

SHAREHOLDINGS IN THE HANDS OF THE PUBLIC

Based on information available to the Company as at 19 March 2020 and to the best knowledge of the Directors of the Company, approximately 45.98% of the issued ordinary shares of the Company are held in the hands of the public, as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("Catalist Rules"). Accordingly, the Company is in compliance with Rule 723 of the Catalist Rules, which requires at least 10% of the equity securities to be in the hands of the public.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1	0.28	82	0.00
100 – 1,000	128	36.16	121,400	0.09
1,001 – 10,000	101	28.53	648,400	0.47
10,001 – 1,000,000	113	31.92	15,114,817	10.88
1,000,001 AND ABOVE	11	3.11	123,043,303	88.56
TOTAL	**354**	**100.00**	**138,928,002**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TAN GEE BENG PRIVATE LTD	57,139,331	41.13
2	UOB KAY HIAN PRIVATE LIMITED	30,691,371	22.09
3	TAN AH CHEW	8,845,000	6.37
4	DBS NOMINEES (PRIVATE) LIMITED	8,327,500	5.99
5	NG ENG SENG	4,480,001	3.22
6	RHB SECURITIES SINGAPORE PTE. LTD.	3,166,000	2.28
7	TAN BOON KIAT VINCENT (CHEN WENJIE VINCENT)	2,511,800	1.81
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,096,000	1.51
9	OCBC SECURITIES PRIVATE LIMITED	2,058,000	1.48
10	TAN HOW KIAT JASON	1,978,300	1.42
11	TAN WAN LING (CHEN WANREN)	1,750,000	1.26
12	TAN TONG GUAN	955,001	0.69
13	LI HUNG	750,000	0.54
14	LOW EE HWEE	750,000	0.54
15	TAN CHIEW KUI	650,000	0.47
16	LOW SEE CHING (LIU SHIJIN)	600,000	0.43
17	TAN KOON HUA (CHEN KUNHUA)	490,000	0.35
18	KGI SECURITIES (SINGAPORE) PTE. LTD	422,900	0.30
19	SIO SIT PO	418,776	0.30
20	LIM YINGJIE EUGENE (LIN YINGJIE)	409,500	0.29
	TOTAL	**128,489,480**	**92.47**

PROPOSED RESOLUTIONS

For Forthcoming Annual General Meeting

As announced by Asia Vets Holdings Ltd. (the "**Company**") on 30 March 2020, the Annual General Meeting ("**AGM**") of the Company for the financial year ended 31 December 2019 ("**FY2019**") has been postponed and will be convened on or before 29 June 2020. Accordingly, this Annual Report is not accompanied by the Notice of AGM and the Proxy Form. The Notice of AGM, together with the Proxy Form and any relevant supporting documents, will be sent to shareholders of the Company at a later date. Shareholders are advised to refer to further announcement(s) to be made by the Company via SGXNet.

Following are the proposed resolutions to be voted/passed at the AGM of the Company for FY2019.

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2019, together with the Auditor's Report thereon.

   (Resolution 1)

2. To re-elect Mr Teo Yi-Dar, a Director of the Company who is retiring pursuant to Regulation 95 of the Constitution of the Company and who, being eligible, offer himself for re-election, as a Director of the Company.

   [See Explanatory Note (i)] **(Resolution 2)**

3. To re-elect Mr Kim Seah Teck Kim, a Director of the Company who is retiring pursuant to Regulation 101 of the Constitution of the Company and who, being eligible, offer himself for re-election, as a Director of the Company.

   [See Explanatory Note (ii)] **(Resolution 3)**

4. To re-elect Mr Henry Tan Song Kok, a Director of the Company who is retiring pursuant to Regulation 101 of the Constitution of the Company and who, being eligible, offer himself for re-election, as a Director of the Company.

   [See Explanatory Note (iii)] **(Resolution 4)**

5. To approve the payment of Directors' fees of S$109,500 for the financial year ended 31 December 2019 (2018: S$109,500).

   (Resolution 5)

6. To re-appoint Messrs Ernst & Young LLP, Public Accountants and Chartered Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

   (Resolution 6)

7. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without any modifications, the following resolution as an Ordinary Resolution:

8. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act (Cap. 50) and Rule 806 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

PROPOSED RESOLUTIONS

For Forthcoming Annual General Meeting

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new Shares arising from the conversion or exercise of any convertible securities;

   (b) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

   (c) any subsequent bonus issue, consolidation or subdivision of Shares;

   Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

(Resolution 7)

[See Explanatory Note (iv)]

PROPOSED RESOLUTIONS

For Forthcoming Annual General Meeting

Explanatory Notes:

(i) Mr Teo Yi-Dar will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee of the Company. Mr Teo Yi-Dar is considered independent by the Board of Directors of the Company (the "**Board**") pursuant to Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Teo Yi-Dar and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence. Please refer to pages 19 to 23 of the Report on Corporate Governance in the Annual Report for the detailed information of Mr Teo Yi-Dar as required pursuant to Rule 720(5) of the Catalist Rules.

(ii) Mr Kim Seah Teck Kim will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Mr Kim Seah Teck Kim is considered independent by the Board pursuant to Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Kim Seah Teck Kim and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence. Please refer to pages 19 to 23 of the Report on Corporate Governance in the Annual Report for the detailed information of Mr Kim Seah Teck Kim as required pursuant to Rule 720(5) of the Catalist Rules.

(iii) Mr Henry Tan Song Kok will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee of the Company. Mr Henry Tan Song Kok is considered independent by the Board pursuant to Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Henry Tan Song Kok and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence. Please refer to pages 19 to 23 of the Report on Corporate Governance in the Annual Report for the detailed information of Mr Henry Tan Song Kok as required pursuant to Rule 720(5) of the Catalist Rules.

(iv) Ordinary Resolution 7 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to shareholders of the Company.

For determining the aggregate number of Shares that may be issued, the percentage of issued Shares in the capital of the Company will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities, or share options or vesting of share awards which were issued and outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Tong Guan	Executive Chairman & CEO
Tan Geok Moey	Non-Executive Director
Teo Yi-Dar	Lead Independent Director
Kim Seah Teck Kim	Independent Director
Henry Tan Song Kok	Independent Director

AUDIT COMMITTEE

Henry Tan Song Kok	Chairman
Tan Geok Moey	Member
Teo Yi-Dar	Member
Kim Seah Teck Kim	Member

NOMINATING COMMITTEE

Kim Seah Teck Kim	Chairman
Teo Yi-Dar	Member
Tan Geok Moey	Member
Henry Tan Song Kok	Member

REMUNERATION COMMITTEE

Teo Yi-Dar	Chairman
Tan Geok Moey	Member
Kim Seah Teck Kim	Member
Henry Tan Song Kok	Member

COMPANY SECRETARY

Fiona Lim Pei Pei

REGISTERED OFFICE

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30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

SPONSOR

ZICO Capital Pte. Ltd.
8 Robinson Road
#09-00 ASO Building
Singapore 048544

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge: Yeow Hui Cheng
(a member of the Institute of Singapore Chartered Accountants)
(date of appointment: since financial year ended 31 December 2016)

PRINCIPAL BANKERS

CIMB Bank Berhad
RHB Bank Berhad
United Overseas Bank Limited

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