Asia Vets Holdings Ltd. and its subsidiary

Condensed interim financial statements for the six months ended 30 June 2023

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

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

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

	Note	Group		
		1H2023*	**1H2022***	**Increase / (decrease)**
		$'000 (Unaudited)	$'000 (Unaudited)	%
Revenue		1,128	1,245	(9)
Cost of sales		(770)	(756)	2
Gross profit		**358**	**489**	**(27)**
Other operating income	6.1	194	23	>100
Administrative expenses		(796)	(942)	(15)
Other expenses	6.1	(3)	-	N.M.
Finance expenses		(5)	(8)	(38)
Loss before tax	**6**	**(252)**	**(438)**	**(42)**
Income tax credit	7	-	9	N.M.
Loss for the period, representing total comprehensive income attributable to owners of the Company		**(252)**	**(429)**	**(41)**
Loss per share (in $ cents)	8			
Basic		(0.17)	(0.29)	
Fully diluted		(0.17)	(0.29)	

N.M. denotes Not Meaningful

* "**1H2023**" denotes six months ended 30 June 2023 and "**1H2022**" denotes six months ended 30 June 2022.

B. Condensed interim statements of financial position

	Note	Group		Company	
		As at		As at	
		30/6/2023	31/12/2022	30/6/2023	31/12/2022
		$'000	$'000	$'000	$'000
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
Non-current assets					
Plant and equipment	10	147	123	-	-
Right-of-use assets		202	291	-	-
Investment in a subsidiary	11	-	-	3,371	3,371
Goodwill	12	8,405	8,405	-	-
Amount due from a subsidiary	13	-	-	5,094	4,959
		8,754	8,819	8,465	8,330
Current assets					
Inventories		101	108	-	-
Trade and other receivables		498	349	456	311
Prepayments		32	28	13	10
Amount due from a subsidiary	13	-	-	429	-
Cash and cash equivalents		9,494	10,099	9,268	9,999
		10,125	10,584	10,166	10,320
Total assets		**18,879**	**19,403**	**18,631**	**18,650**
Current liabilities					
Trade payables		69	63	-	-
Other payables and accruals		256	443	113	160
Lease liabilities		190	185	-	-
		515	691	113	160
Net current assets		**9,610**	**9,893**	**10,052**	**10,160**
Non-current liabilities					
Lease liabilities		24	120	-	-
		24	120	-	-
Total liabilities		**539**	**811**	**113**	**160**
Net assets		**18,340**	**18,592**	**18,518**	**18,490**
Share capital	15(a)	21,333	21,333	21,333	21,333
Capital reserve	15(b)	228	228	228	228
Revenue reserve		(3,221)	(2,969)	(3,043)	(3,071)
Total equity		**18,340**	**18,592**	**18,518**	**18,490**
Total equity and liabilities		**18,879**	**19,403**	**18,631**	**18,650**

C. Condensed interim statements of changes in equity

Group	Share Capital	Capital Reserves	Revenue Reserves	Total Equity
	$'000	$'000	$'000	$'000
Opening balance at 1 January 2023 (audited)	21,333	228	(2,969)	18,592
Loss for the period, representing total comprehensive income for the period	-	-	(252)	(252)
Closing balance at 30 June 2023 (unaudited)	21,333	228	(3,221)	18,340
Opening balance at 1 January 2022 (audited)	21,333	228	(2,202)	19,359
Loss for the period, representing total comprehensive income for the period	-	-	(429)	(429)
Closing balance at 30 June 2022 (unaudited)	21,333	228	(2,631)	18,930

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

Company	**Share Capital** $'000	**Capital Reserves** $'000	**Revenue Reserves** $'000	**Total Equity** $'000
Opening balance at 1 January 2023 (audited)	21,333	228	(3,071)	18,490
Loss for the period, representing total comprehensive income for the period	-	-	28	28
Closing balance at 30 June 2023 (unaudited)	21,333	228	(3,043)	18,518
Opening balance at 1 January 2022 (audited)	21,333	228	98	21,659
Loss for the period, representing total comprehensive income for the period	-	-	(2,463)	(2,463)
Closing balance at 30 June 2022 (unaudited)	21,333	228	(2,365)	19,196

D. Condensed interim consolidated statement of cash flows

	Group	
	1H2023	**1H2022**
	$'000	$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Loss before tax	(252)	(438)
Adjustments for:		
Depreciation of plant and equipment	33	43
Depreciation of right-of-use assets	89	87
Bad debt written-off	1	-
Interest income	(165)	(14)
Interest expense	5	8
Unrealised exchange gain*	-	-
Operating cash flows before working capital changes	(289)	(314)
Decrease in inventories	7	5
Increase in trade and other receivables	(153)	(264)
Increase in prepayments	(4)	(2)
Decrease in trade and other payables	(181)	(161)
Cash used in operations	(620)	(736)
Interest received	169	16
Net cash flows used in operating activities	**(451)**	**(720)**
Cash flows from investing activities		
Purchase of plant and equipment	(58)	(15)
Net cash flows used in investing activities	**(58)**	**(15)**
Cash flows from financing activities		
Payment of principal portion of lease liabilities	(91)	(82)
Interest paid	(5)	(8)
Net cash flows used in financing activities	**(96)**	**(90)**
Net decrease in cash and cash equivalents	(605)	(825)
Cash and cash equivalents at beginning of the period	10,099	11,097
Effect of exchange rate changes on cash and cash equivalents*	-	-
Cash and cash equivalents at end of the period	**9,494**	**10,272**

* Less than $500.

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

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

The registered office and principal place of business of the Company is 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 11 to the condensed interim consolidated financial statements below.

2. Basis of Preparation

The condensed interim consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual audited consolidated financial statements for the year ended 31 December 2022 ("**FY2022**").

The accounting policies and methods of computation adopted are consistent with those adopted by the Group in its most recently audited consolidated financial statements for FY2022, which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1 to the condensed interim consolidated financial statements below.

The condensed interim consolidated financial statements are presented in Singapore dollar ($ or SGD) which is the Group's functional currency and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.1. New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial period, the Group has adopted all the new and amended standards which are relevant to the Group and effective for annual financial periods beginning on or after 1 January 2023. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2.2. Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2022.

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

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

(a) Carrying value of goodwill

As disclosed in Note 12 to the condensed interim consolidated financial statements, the recoverable amount of the cash generating unit ("**CGU**") which goodwill has been allocated to is determined based on value in use calculation. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 12 to the condensed interim consolidated financial statements.

The carrying amount of the goodwill as at 30 June 2023 is disclosed in Note 12 to the condensed interim consolidated financial statements.

(b) Impairment assessment of investment in and amount due from 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 30 June 2023 is disclosed in Note 11 to the condensed interim consolidated financial statements.

The loan to a subsidiary is subject to expected credit loss ("**ECL**") assessment at the end of financial periods. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the actual default in the future. The information about the ECL on the loan due from a subsidiary is disclosed in Note 13 to the condensed interim consolidated financial statements.

3. Seasonal operations

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

4. Segment and revenue information

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

	Group	
	1H2023	**1H2022**
	$'000	$'000
	(Unaudited)	(Unaudited)
Veterinary services	484	565
Sales of veterinary medicines and products	644	680
Total revenue recognised at point in time	1,128	1,245

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

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2023 and 31 December 2022:

	Group		Company	
	As at		As at	
	30/6/2023	31/12/2022	30/6/2023	31/12/2022
	$'000	$'000	$'000	$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Financial assets				
Trade and other receivables	498	349	456	311
Cash and cash equivalents	9,494	10,099	9,268	9,999
Amount due from a subsidiary	-	-	5,523	4,959
Total financial assets carried at amortised cost	9,992	10,448	15,247	15,269
Financial liabilities				
Trade payables	69	63	-	-
Other payables and accruals	256	443	113	160
Lease liabilities	214	305	-	-
	539	811	113	160
Less: GST payable, net	(28)	(25)	-	-
Total financial liabilities carried at amortised cost	511	786	113	160

6. Loss before tax

6.1. Significant items

	Group		
	1H2023	1H2022	Increase / (decrease)
	$'000	$'000	%
	(Unaudited)	(Unaudited)	
Income			
Interest income	165	14	>100
Government grants	29	9	>100
Expenses			
Professional fee	183	302	(39)
Depreciation of plant and equipment	33	43	(23)
Depreciation of right-of-use assets	89	87	2
Bad debt written-off	1	-	N.M.
Employee benefits expense	664	657	1
Donations	3	-	N.M.
Interest expense	5	8	(38)

N.M. denotes Not Meaningful

6.2. Related party transactions

	Group	
	1H2023	**1H2022**
	$'000	$'000
	(Unaudited)	(Unaudited)
Compensation of key management personnel		
Short term benefits	278	260
CPF contributions	17	18
Directors' fees	68	69
	363	347
Comprises amounts paid to:		
Directors of the Company	226	219
Other key management personnel	137	128
	363	347

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

7. Taxation

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

	Group	
	1H2023	**1H2022**
	$'000	$'000
	(Unaudited)	(Unaudited)
Current income tax		
Current year	-	-
Deferred income tax		
Origination of temporary differences	-	9
Total income tax credit recognised to profit or loss	-	9

8. Loss per share

Basic loss per share ("**LPS**") is calculated by dividing loss for the period attributable to owners of the Company in each financial period by the weighted average number of ordinary shares outstanding during the respective financial period.

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

	Group	
	1H2023	**1H2022**
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company used in the computation of basic and diluted earnings per share	(252)	(429)
Weighted average number of ordinary shares for basic earnings per share computation ('000)	146,146	146,146
Basic loss per share (in $ cents)	(0.17)	(0.29)
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	146,146	146,146
Diluted loss per share (in $ cents)	(0.17)	(0.29)

9. Net Asset Value ("NAV")

	Group		Company	
	As at		As at	
	30/6/2023	**31/12/2022**	**30/6/2023**	**31/12/2022**
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
NAV per ordinary share ($ cents)	12.55	12.72	12.67	12.65
Number of shares used in computation of NAV per share ('000)	146,146	146,146	146,146	146,146

10. Property, plant and equipment

During 1H2023, the Group acquired assets amounting to $58,000 (1H2022: $15,000). No assets were disposed for 1H2023 and 1H2022.

11. Investment in a subsidiary

	Group	
	As at	
	30/06/2023	**31/12/2022**
	$'000	$'000
	(Unaudited)	(Audited)
Shares, at cost	-*	-*
Additional investment in a subsidiary	4,294	4,294
Transaction cost relating to the acquisition	1,926	1,926
Allowance for impairment loss	(2,849)	(2,849)
	3,371	3,371

* Less than $1,000.

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

Details of the Company's subsidiary are as follows:

Name of subsidiary	Country of incorporation and principal place of business	Principal activities	30/06/2023	31/12/2022
			%	%
Held by the Company				
AVH Animal Ark Pte.Ltd.	Singapore	Own and operate veterinary clinics	100%	100%

12. Goodwill

	Group	
	As at	
	30/06/2023	31/12/2022
	$'000	$'000
	(Unaudited)	(Audited)
Cost	8,405	8,405

Impairment testing of goodwill

The Group completed the acquisition of the entire issued share capital of AVH Animal Ark Pte. Ltd. ("**Subsidiary**") in August 2018 ("**Acquisition**"). Goodwill acquired from the Acquisition had been allocated to one CGU, AVH Animal Ark Pte. Ltd., for impairment testing. The recoverable amount has been determined based on value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The post-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:

	1H2023	FY2022
Revenue growth rate	5.00% - 34.50%	5.00% - 21.50%
Terminal growth rate	1.50%	1.50%
Budgeted gross profit margin	33.00 – 38.00%	35.00 – 37.00%
Post-tax discount rate	10.50%	10.00%

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

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

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

Budgeted gross profit margin – Gross margin of 33 - 38% (2022: 35 - 37%) are based on values targeted to be achieved over the five-year period.

Post-tax discount rates – Discount rates represent the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Sensitivity to changes in assumptions

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

13. Amount due from a subsidiary

	Company	
	As at	
Non-current:	**30/6/2023**	**31/12/2022**
Loan due from a subsidiary at cost[1]	5,196	5,061
Allowance for expected credit loss[2]	(102)	(102)
	5,094	4,959
Current:		
Advances to a subsidiary[3]	429	-

[1] This represents the two loans obtained from the Company to finance the Acquisition of the Subsidiary on 13 August 2018. The loan due from subsidiary is unsecured, interest-free and repayable in August 2023 and March 2026. In 2022, the Board has approved the extension of the repayment dates to 2030 and 2031, respectively. All amounts are expected to be settled in cash.

[2] The impairment assessment has been performed for the amount due from subsidiary using the three-stage expected credit loss (“**ECL**”) model. Following the review, ECL allowance remains unchanged at $102,000 as at 30 June 2023.

[3] This is cash advanced to the Subsidiary to meet its working capital requirement from time to time. It is unsecured, interest-free and repayable on demand.

14. Borrowings

The Group and the Company do not hold any borrowings and debt securities as at 30 June 2023 and 31 December 2022.

15. Share capital and capital reserve

(a) Share capital

	Group and Company As at			
	30/6/2023		**31/12/2022**	
	Number of shares	**Resultant issued share capital**	**Number of shares**	**Resultant issued share capital**
	‘000	$’000	‘000	$’000
Beginning/End of interim period/ financial year	146,146	21,333	146,146	21,333

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

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

The Company has no shares that may be issued on conversion of outstanding convertibles as at 30 June 2023 and 30 June 2022.

The Company has neither treasury shares nor subsidiary holdings as at 30 June 2023 and 30 June 2022.

(b) Capital reserve

Capital reserve represents the value ascribed to the bonus issue warrants and will be transferred to the share capital account when the bonus issue warrants are exercised. The balance as at period/year end is net of subscription fee and issuance expenses.

16. Subsequent events

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

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

1. Review

The condensed consolidated statement of financial position of Asia Vets Holdings Ltd. and its subsidiary as at 30 June 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month financial period ended 30 June 2023 and explanatory notes have not been audited or reviewed by the Company's auditors.

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

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

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

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2022 are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the Company's auditors.

2. Review of performance of the Group

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

Revenue, Cost of sales and Gross profit

The Group's revenue is predominantly derived from rendering of veterinary services and sales of veterinary medicines. It decreased by $0.1 million or 9%, from $1.2 million for 1H2022 to $1.1 million for 1H2023. The decrease was mainly due to i) reduction in the number of veterinarians and veterinary technicians; and ii) the increased market competition in 1H2023 as compared to 1H2022.

The Group's cost of sales includes purchases of veterinary medicines and consumables, and employee benefits paid to veterinarians, veterinary technicians and veterinary nurses. It slightly increased by $14,000 or 2%, from approximately $756,000 for 1H2022 to approximately $770,000 for 1H2023.

Gross profit was $0.4 million and gross profit margin was 31.7% in 1H2023. Gross profit was $0.5 million and gross profit margin was 39.3% in 1H2022. The decrease in gross profit margin by 7.6 percentage points was mainly attributable to decrease in revenue and increase in cost of sales in 1H2023.

Other operating income

Other operating income comprises mainly interest income from short-term deposits and government grants. The amount increased from approximately $23,000 for 1H2022 to $0.2 million for 1H2023.

Interest income increased from approximately $14,000 for 1H2022 to $0.2 million for 1H2023 mainly due to higher interest rate for short-term deposits in 1H2023, as compared to 1H2022.

Government grants, mainly relating to the Wage Credit Scheme, increased from approximately $9,000 for 1H2022 to approximately $29,000 for 1H2023.

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

Administrative expenses

Administrative expenses mainly relate to general office expenses, administrative staff costs, professional fees, listing expenses and depreciation charges. It decreased from $0.9 million for 1H2022 to $0.8 million for 1H2023, mainly due to decrease in professional fees, training expenses and general office expenses. The professional fees, amounting to $132,000 in 1H2023 and $259,000 in 1H2022, were incurred for the proposed acquisition of the entire issued and paid-up share capital in AlDigi Holdings Pte. Ltd. (the "**Target**") from RHT AlDigi Financial Holdings Pte. Ltd. (the "**Vendor**") (the "**Proposed Acquisition**"), details of the Proposed Acquisition as set out in the Company's announcements dated 30 December 2021, 28 April 2022, 5 August 2022, 30 November 2022 and 14 December 2022. The decrease was partially offset by the increase in audit fee, IT expenses and depreciation on right-of-use assets.

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

Other expenses

Other expenses of approximately $3,000 in 1H2023 relate to cash donations made by the Company to the approved Institution of a Public Character to support the local communities. Such expenses were nil in 1H2022.

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

Finance expenses

Finance expenses relate to interest expenses on lease liabilities. It decreased from approximately $8,000 for 1H2022 to approximately $5,000 for 1H2023.

Income tax credit

Income tax credit in 1H2022 comprised deferred taxation arising from a taxable temporary difference on plant and equipment which are subject to capital allowance. There was no income tax recorded in 1H2023 due to tax loss incurred for the period under review.

Please refer to Note 7 to the condensed interim consolidated financial statements for details.

Loss for the period

As a result of the above, the Group recorded loss after tax of $0.3 million for 1H2023. It decreased by 41% as compared to loss after tax of $0.4 million for 1H2022.

(b) Statement of Financial Position

Non-current assets

Plant and equipment comprise veterinary and medical equipment, office equipment, computer and software and furniture and fixtures. It increased from approximately $123,000 as at 31 December 2022 to approximately $147,000 as at 30 June 2023, mainly due to the purchase of veterinary and medical equipment in 1H2023.

Right-of-use assets relate to leases of veterinary clinics and office premises. It decreased from $0.3 million as at 31 December 2022 to $0.2 million as at 30 June 2023, mainly due to depreciation charges incurred in 1H2023.

Goodwill arising from the Acquisition of the Subsidiary remains unchanged as at 30 June 2023.

Current assets

Inventories mainly comprise veterinary medicines, clinic consumables and pet food. It decreased from approximately $108,000 as at 31 December 2022 to approximately $101,000 as at 30 June 2023. The higher inventory level as at 31 December 2022 was due to stock up of veterinary items as some of the

Group's major suppliers have closed their operations during the Chinese New Year holiday period in January 2023.

Trade and other receivables mainly comprise trade receivables, interest receivables, deposit, and other receivables in relation to the Proposed Acquisition. Trade and other receivables increased from $0.3 million as at 31 December 2022 to $0.5 million as at 30 June 2023. Trade receivables increased from approximately $2,000 as at 31 December 2022 to approximately $6,000 as at 30 June 2023. Other receivables increased from $0.3 million as at 31 December 2022 to $0.5 million as at 30 June 2023 mainly due to additional receivables amounting to $0.1 million in relation to the professional fees incurred for the Proposed Acquisition which will be reimbursed from the Vendor.

Prepayments increased from approximately $28,000 as at 31 December 2022 to approximately $32,000 as at 30 June 2023.

Current liabilities

Trade payables increased from approximately $63,000 as at 31 December 2022 to approximately $69,000 as at 30 June 2023.

Other payables and accruals comprise mainly professional fees, directors' fees and goods and services tax. It decreased from $0.4 million as at 31 December 2022 to $0.3 million as at 30 June 2023, mainly due to lower directors' fees accrual and absence of bonus accrual as at 30 June 2023.

Lease liabilities (current portion) relate to leases for veterinary clinics and office premises that are due within the next 12 months after 30 June 2023. It increased slightly by approximately $5,000 in 1H2023.

Non-current liabilities

Lease liabilities (non-current portion) relate to leases for veterinary clinics and office premises that are due subsequent to the next 12 months after 30 June 2023. It decreased from $0.1 million as at 31 December 2022 to approximately $24,000 as at 30 June 2023, due to reclassification of the amount due within the next 12 months after 30 June 2023 to current liabilities.

Working capital

The Group reported a positive working capital position of $9.6 million as at 30 June 2023 as compared to $9.9 million as at 31 December 2022.

(c) <u>Statement of Cash Flows</u>

Net cash flows used in operating activities amounted to $0.5 million for 1H2023. The net cash flows used in operating activities was mainly due to (i) the operating cash flows before working capital changes of $0.3 million, and (ii) net working capital outflow of $0.3 million. The net working capital outflow was attributable to (i) an increase in trade and other receivables of $0.2 million, (ii) a decrease in trade and other payables of $0.2 million, and (iii) an increase in prepayments of approximately $4,000, and partially offset by a decrease in inventories of approximately $7,000.

Net cash flows used in investing activities for 1H2023 amounted to approximately $58,000 due to the purchase of plant and equipment.

Net cash flows used in financing activities for 1H2023 amounted to approximately $96,000 due mainly to the repayment of lease liabilities.

As a result of the above, the Group's cash and cash equivalents decreased from $10.1 million as at 31 December 2022 to $9.5 million as at 30 June 2023.

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

No forecast or prospect statement was previously disclosed to shareholders.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

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

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

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

5. Dividend information

5a. Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

No.

5b. Corresponding Period of the Immediate Preceding Financial Year

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

No.

5c. Date Payable

Not applicable.

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

Not applicable.

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

No dividend has been declared (recommended) for 1H2023 as the Board of Directors of the Company deems it appropriate to conserve cash for the Group's business activities and growth.

6. Interested person transactions ("IPTs")

The Group has not obtained a general mandate from shareholders of the Company for IPTs and there were no IPTs entered into in 1H2023.

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

The Group does not have any acquisitions (including incorporations) and realisations of shares since the end of the previous reporting period, up to 30 June 2023.

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

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

9. Confirmation by the Board pursuant to Rule 705(5) of the Catalist Rules

The Board of Directors of the Company hereby confirms to the best of their knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited condensed interim consolidated financial statements of the Group for the six-month period ended 30 June 2023 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
ASIA VETS HOLDINGS LTD.

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

Singapore

4 August 2023