Asia Vets Holdings Ltd. and its subsidiary

Condensed interim financial statements for the six months ended 30 June 2021

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

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

	Note	Group		
		1H2021*	**1H2020***	**Increase / (decrease)**
		$'000 (Unaudited)	$'000 (Unaudited)	%
Revenue		1,789	2,150	(17)
Cost of sales		(1,019)	(1,193)	(15)
Gross profit		770	957	(20)
Other operating income	6.1	81	188	(57)
Administrative expenses		(823)	(771)	7
Other expenses	12	-	(315)	N.M.
Finance costs		(3)	(5)	(40)
Profit before tax	6	25	54	(54)
Income tax expense	7	(13)	(30)	(57)
Profit for the period, net of tax		**12**	**24**	(50)
Other comprehensive income for the period, net of tax		-	-	-
Total comprehensive income attributable to owners of the Company		**12**	**24**	**(50)**
Earnings per share (in $ cents)	8			
Basic		0.01	0.02	
Fully diluted		0.01	0.02	

N.M. denotes Not Meaningful

* "**1H2021**" denotes six months ended 30 June 2021 and "**1H2020**" denotes six months ended 30 June 2020.

B. Condensed interim statements of financial position

	Note	Group		Company	
		As at		As at	
		30/6/2021	31/12/2020	30/6/2021	31/12/2020
		$'000	$'000	$'000	$'000
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
Non-current assets					
Plant and equipment	11	188	231	-	-
Right-of-use assets		45	284	-	-
Investment in a subsidiary	12	-	-	4,009	3,586
Goodwill	13	8,405	8,405	-	-
Amount due from a subsidiary	14	-	-	6,563	5,113
		8,638	8,920	10,572	8,699
Current assets					
Inventories		119	119	-	-
Trade and other receivables		51	95	8	3
Prepayments		15	39	-	9
Amount due from a subsidiary	14	-	-	-	78
Cash and cash equivalents		11,249	12,994	11,097	12,645
		11,434	13,247	11,105	12,735
Total assets		**20,072**	**22,167**	**21,677**	**21,434**
Current liabilities					
Trade payables		74	89	-	-
Other payables and accruals		213	2,277	78	137
Deferred government grant		13	45	-	-
Lease liabilities		43	200	-	-
Provision for taxation		46	65	-	-
		389	2,676	78	137
Net current assets		**11,045**	**10,571**	**11,027**	**12,598**
Non-current liabilities					
Lease liabilities		3	89	-	-
Deferred tax liabilities		32	30	-	-
		35	119	-	-
Total liabilities		**424**	**2,795**	**78**	**137**
Net assets		**19,648**	**19,372**	**21,599**	**21,297**
Share capital	16(a)	21,333	20,777	21,333	20,777
Capital reserve	16(b)	228	228	228	228
Revenue reserve		(1,913)	(1,633)	38	292
Total equity		**19,648**	**19,372**	**21,599**	**21,297**
Total equity and liabilities		**20,072**	**22,167**	**21,677**	**21,434**

C. Condensed interim statements of changes in equity

Group	Share Capital $'000	Capital Reserves $'000	Revenue Reserves $'000	Total Equity $'000
Opening balance at 1 January 2021 (audited)	20,777	228	(1,633)	19,372
Profit for the period, representing total comprehensive income for the period	-	-	12	12
Total comprehensive income for the period	-	-	12	12
Contributions by and distributions to owners				
Issuance of new ordinary shares (Note 16)	558	-	-	558
Share issuance expense	(2)	-	-	(2)
Dividends on ordinary shares (Note 9)	-	-	(292)	(292)
Total transactions with owners in their capacity as owners	556	-	(292)	264
Closing balance at 30 June 2021 (unaudited)	21,333	228	(1,913)	19,648
Opening balance at 1 January 2020 (audited)	20,777	228	(1,646)	19,359
Profit for the period, representing total comprehensive income for the period	-	-	24	24
Total comprehensive income for the period	-	-	24	24
Closing balance at 30 June 2020 (unaudited)	20,777	228	(1,622)	19,383

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

Company	**Share Capital** $'000	**Capital Reserves** $'000	**Revenue Reserves** $'000	**Total Equity** $'000
Opening balance at 1 January 2021 (audited)	20,777	228	292	21,297
Profit for the period, representing total comprehensive income for the period	-	-	38	38
Total comprehensive income for the period	-	-	38	38
Contributions by and distributions to owners				
Issuance of new ordinary shares (Note 16)	558	-	-	558
Share issuance expenses	(2)	-	-	(2)
Dividends on ordinary shares (Note 9)	-	-	(292)	(292)
Total transactions with owners in their capacity as owners	556	-	(292)	264
Closing balance at 30 June 2021 (unaudited)	21,333	228	38	21,599
Opening balance at 1 January 2020 (audited)	20,777	228	(50)	20,955
Profit for the period, representing total comprehensive income for the period	-	-	173	173
Total comprehensive income for the period	-	-	173	173
Closing balance at 30 June 2020 (unaudited)	20,777	228	123	21,128

D. Condensed interim consolidated statement of cash flows

	Group	
	1H2021	1H2020
	$'000	$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before tax	25	54
Adjustments for:		
Depreciation of plant and equipment	49	68
Loss on disposal of plant and equipment	4	-
Gain on termination of lease	(2)	-
Bad debt written-off	2	-
Loss on inventory written-off	8	-
Depreciation of right-of-use assets	106	128
Fair value adjustment on contingent consideration for business combination	-	315
Interest income	(17)	(88)
Interest expense	3	5
Unrealised exchange loss/(gain)	- *	- *
Operating cash flows before working capital changes	178	482
Increase in inventories	(8)	(35)
Decrease/(increase) in trade and other receivables	42	(156)
Decrease in prepayments	24	28
Decrease in trade and other payables	(219)	(141)
(Increase)/decrease in deferred government grant	(32)	193
Cash (used in)/generated from operations	(15)	371
Interest received	18	101
Income tax paid	(31)	(18)
Net cash flows (used in)/generated from operating activities	**(28)**	**454**
Cash flows from investing activities		
Purchase of plant and equipment	(10)	(18)
Payment of contingent consideration	(1,302)	-
Net cash flows used in investing activities	**(1,312)**	**(18)**
Cash flows from financing activities		
Repayment of lease liabilities	(111)	(133)
Share issuance expense	(2)	-
Dividends paid	(292)	-
Net cash flows used in financing activities	**(405)**	**(133)**
Net (decrease)/increase in cash and cash equivalents	(1,745)	303
Cash and cash equivalents at beginning of the period	12,994	12,278
Effect of exchange rate changes on cash and cash equivalents	- *	- *
Cash and cash equivalents at end of the period	**11,249**	**12,581**

* 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 located at 95 Amoy Street, Singapore 069915.

The principal activity of the Company is investment holding. The principal activities of the subsidiary are disclosed in Note 12 to the condensed interim consolidated financial statements.

2. Basis of Preparation

The condensed interim consolidated financial statements for the six months ended 30 June 2021 ("**1H2021**") 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 2020.

The accounting policies and methods of computation adopted are consistent with those adopted by the Company in its most recently audited consolidated financial statements for the year ended 31 December 2020, which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1 to the condensed interim consolidated financial statements below.

The condensed interim consolidated financial statements are presented in Singapore dollar which is the Company's functional currency.

2.1. New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial period, the Group has adopted all the new and amended standards which are relevant to the Group and effective for annual financial periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2.2. Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2020.

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

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

(a) Carrying value of goodwill

As disclosed in Note 13 to the condensed interim consolidated financial statements, the recoverable amount of the cash generating unit ("**CGU**") which goodwill has been allocated to is determined based on value in use calculation. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 13 to the condensed interim consolidated financial statements.

The carrying amount of the goodwill as at 30 June 2021 is disclosed in Note 13 to the condensed interim consolidated financial statements.

(b) Impairment assessment of investment in and loan to 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 2021 is disclosed in Note 12 to the condensed interim consolidated financial statements.

The loan to a subsidiary is subject to expected credit loss ("**ECL**") assessment at year end. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the actual default in the future. The information about the ECL on the loan due from a subsidiary is disclosed in Note 14 to the condensed interim consolidated financial statements.

3. Seasonal operations

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

4. Segment and revenue information

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

	Group	
	1H2021	**1H2020**
	$'000	$'000
	(Unaudited)	(Unaudited)
Veterinary services	934	1,239
Sales of veterinary medicines and products	855	911
Total revenue recognised at point in time	1,789	2,150

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 2021 and 31 December 2020:

	Group		Company	
	As at		As at	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020
	$'000	$'000	$'000	$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Financial assets				
Trade and other receivables	51	95	8	3
Cash and cash equivalents	11,249	12,994	11,097	12,645
Amount due from a subsidiary	-	-	6,563	5,191
Total financial assets carried at amortised cost	11,300	13,089	17,668	17,839
Financial liabilities				
Trade payables	74	89	-	-
Other payables and accruals	213	2,277	78	137
Lease liabilities	46	289	-	-
	333	2,655	78	137
Less: GST payable, net	(33)	(53)	-	-
Less: Other payables carried at fair value through profit or loss	-	(1,860)	-	-
Total financial liabilities carried at amortised cost	300	742	78	138

6. Profit before taxation

6.1. Significant items

	Group		
	1H2021	1H2020	Increase / (decrease)
	$'000	$'000	%
	(Unaudited)	(Unaudited)	
Income			
Interest income	17	88	(80)
Government grants	62	98	(37)
Foreign exchange (loss)/gain	-*	1	(100)

* Foreign exchange loss less than $500.

	Group		
	1H2021	**1H2020**	**Increase / (decrease)**
	$'000	$'000	%
	(Unaudited)	(Unaudited)	
Expenses			
Professional fee	67	44	52
Loss on fair value adjustment on contingent consideration for business combination	-	315	(100)
Depreciation of plant and equipment	49	68	(29)
Depreciation of right-of-use assets	106	128	(17)
Loss on disposal of plant and equipment	4	-	N.M.
Loss on inventory written-off	8	-	N.M.
Bad debt written-off	2	-	N.M.
Employee benefits expense	847	944	(10)
Interest expense	3	5	(40)

N.M. denotes Not Meaningful

6.2. Related party transactions

	Group	
	1H2021	**1H2020**
	$'000	$'000
	(Unaudited)	(Unaudited)
Compensation of key management personnel		
Short term benefits	328	342
CPF contributions	17	23
Directors' fees	69	55
	414	420
Comprises amounts paid to:		
Directors of the Company	215	215
Other key management personnel	199	205
	414	420

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

	Group	
	1H2021 $'000	**1H2020** $'000
	(Unaudited)	(Unaudited)
Current income tax		
Current year	12	26
Overprovision of previous year	(1)	-
Deferred income tax		
Origination of temporary differences	2	4
Total income tax expense recognised to profit or loss	13	30

8. Earnings per share

Basic earnings per share ("**EPS**") is computed by dividing the profit attributable to the owners of the Company in each financial period by the weighted average number of ordinary shares outstanding as at the end of the respective financial periods.

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

	Group	
	1H2021	**1H2020**
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company ($'000)	12	24
EPS, based on profit attributable to owners of the Company		
- Basic ($ cents)	0.01	0.02
- Fully diluted ($ cents)	0.01	0.02
Weighted average number of ordinary shares in issue:		
- Basic	144,761,481	138,928,002
- Fully diluted	146,145,696	144,471,725

9. Dividends

	Group	
	1H2021 $'000	**1H2020** $'000
	(Unaudited)	(Unaudited)
Ordinary dividends paid:		
First and final tax exempt (one-tier) cash dividend of $0.002 per ordinary share for financial year ended 31 December 2020 (1H2020: Nil)	292	-
Dividend per share (net of tax) ($ cents)	0.20	-

10. Net Asset Value ("NAV")

	Group		Company	
	As at		As at	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
NAV per ordinary share ($ cents)	13.44	13.94	14.78	15.33
Number of shares used in computation of NAV per share	146,145,696	138,928,002	146,145,696	138,928,002

11. Property, plant and equipment

During 1H2021, the Group acquired assets amounting to $10,000 (1H2020: $18,000) and disposed of assets amounting to $4,000 (1H2020: $Nil).

12. Investment in a subsidiary

	Group	
	As at	
	30/06/2021	31/12/2020
	$'000	$'000
	(Unaudited)	(Audited)
Shares, at cost	-*	-*
Additional investment in a subsidiary	2,083	1,660
Transaction cost relating to the acquisition	1,926	1,926
	4,009	3,586

* Less than $1,000.

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

Details of the Company's subsidiary as at 30 June 2021 are as follows:

Name of subsidiary	Country of incorporation and principal place of business	Principal activities	30/06/2021	31/12/2020
			%	%
Held by the Company				
AVH Animal Ark Pte.Ltd.	Singapore	Own and operate veterinary clinics	100%	100%

Acquisition of a subsidiary

In 2017, the Company entered into a sale and purchase agreement with Hu Zhi Investments Limited (the "**Vendor**") and David Wendyl Karl Jenkins in relation to the acquisition of the entire issued share capital of AVH Animal Ark Pte. Ltd. (the "**Subsidiary**" or "**AVHAA**") ("**Acquisition**"). On 13 August 2018, the Subsidiary completed the Acquisition by obtaining a loan of $5,680,726 from the Company to finance the acquisition of the relevant businesses and assets (consisting of moveable plant and equipment, inventories and cash and cash equivalents) of the following entities.

(i) The Animal Ark (TCM) Pte. Ltd.;

(ii) The Animal Ark (Tampines) Pte. Ltd.;

(iii) The Animal Ark (Binjai) Pte. Ltd.; and

(iv) The Animal Ark Pte. Ltd. (collectively, the "**Animal Ark Group**").

In consideration for the Acquisition, the Company shall pay to the Vendor, an aggregate purchase consideration of $9,300,000. The purchase consideration consists of 80% of initial payout and 20% of retention sum. The purchase consideration shall be fully satisfied by 70% in cash and 30% via the issuance and allotment of the Company's shares.

The initial payout and retention sum of the purchase consideration is as follows:

(a) Initial payout

(i) 56% of the purchase consideration to be settled via cash immediately upon completion; and

(ii) 24% of the purchase consideration to be paid via the issuance and allotment of the new shares of the Company.

(b) Retention sum

(i) 14% of the purchase consideration to be paid in cash and which shall be held in escrow by the Company for the retention period of 30 months after the completion date (the "**Retention Period**") and the average earnings before interest and tax (the "**EBIT**") determination period being 20 days after the expiry of the Retention Period (the "**Average EBIT Determination Period**"); and

(ii) 6% of the purchase consideration to be paid via the issuance and allotment of the new shares of the Company at an issue price based on the 10-day volume-weighted average price of the Company's shares prior to the 30-month anniversary of the completion date (the "**Deferred Consideration Shares**").

Contingent consideration arrangement

The retention sum will be adjusted based on the following adjustment mechanism:

(a) If the EBIT (on an annualised basis) derived from the business and assets of the Company over the Retention Period (the "**Average EBIT**") is less than the agreed EBIT as specified in the Sales and Purchase Agreement (the "**Agreed EBIT**"), the vendor shall fully indemnify the Company for the difference between the Average EBIT and the Agreed EBIT by way of adjustment of the retention sum to be paid by the Company to the vendor at the end of the Average EBIT Determination Period. The retention sum shall be adjusted downwards proportionately in accordance with the mechanism specified in the Sales and Purchase Agreement to reflect the lower EBIT, provided that in all circumstances, the amount to be adjusted shall be capped at the retention sum.

(b) If the Average EBIT is more than 105% of the Agreed EBIT, the retention sum to be paid at the end of the Average EBIT Determination Period shall be increased proportionally in accordance with the mechanism specified in the Sales and Purchase Agreement to account for any additional average EBIT (on an annualised basis) exceeding 105% of the Agreed EBIT.

The contingent consideration has been settled in March 2021 at $1,860,000. The Group settled 30% of the contingent consideration by the issuance and allotment of new shares of the Company at $558,000 on 11 March 2021 and the remaining 70% by cash at $1,302,000 on 10 March 2021.

13. Goodwill

	Group	
	As at	
	30/06/2021	31/12/2020
	$'000	$'000
	(Unaudited)	(Audited)
Cost	8,405	8,405

Impairment testing of goodwill

Goodwill acquired from the Acquisition had been allocated to one CGU, AVH Animal Ark Pte. Ltd., for impairment testing. The recoverable amount has been determined based on value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate used to extrapolate cash flow projections beyond five-year period are as follows:

	2021	2020
Growth rate	1.70%	1.70%
Pre-tax discount rate	10.50%	10.50%

Key assumptions used in the value in use calculations

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

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

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

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

Sensitivity to changes in assumptions

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

14. Amount due from a subsidiary

	Company	
	As at	
	30/6/2021	31/12/2020
	$'000	$'000
	(Unaudited)	(Audited)
Non-current:		
Loans due from subsidiary*	6,563	5,113
Current:		
Dividend receivable from subsidiary	-	78

* This represents the two loans obtained from the Company to finance the Acquisition of the Subsidiary (please refer to Note 12 to the condensed interim consolidated financial statements above) with the following details:

		Amount repayable after one year	
		As at	
No.	Purpose	30/6/2021	31/12/2020
		$'000	$'000
1	Initial payment	5,100	5,113
2	Retention sum	1,463	-
		6,563	5,113

The loans due from the Subsidiary are unsecured, interest-free and repayable in August 2023 and March 2026, respectively. All amounts are expected to be settled in cash.

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

15. Borrowings

The Group and the Company do not hold any borrowings and debt securities as at 30 June 2021 and 31 December 2020.

16. Share capital and capital reserve

(a) Share capital

	Group and Company			
	As at			
	30/6/2021		31/12/2020	
	Number of shares	Resultant issued share capital	Number of shares	Resultant issued share capital
	'000	$'000	'000	$'000
Beginning of interim period/year	138,928	20,777	138,928	20,777
Issuance of new ordinary shares - Deferred Consideration Shares	7,218	556#	-	-
End of interim period/year	146,146	21,333	138,928	20,777

Net of share issuance expense of $2,000.

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

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

The Company has no shares that may be issued on conversion of outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

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

The Company did not hold any treasury shares and the Company's subsidiaries did not hold any shares in the Company as at 30 June 2021 and 31 December 2020.

(b) Capital reserve

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

The Company issued 5,300,000 bonus issue warrants at an issue price of $0.0001 per bonus issue warrant, each bonus issue warrant carrying the right to subscribe for one new share at an exercise price of $0.25. The bonus issue warrants have expired on 30 June 2020 and not exercised.

17. Subsequent events

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

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

1. Review

The condensed consolidated statement of financial position of Asia Vets Holdings Ltd. and its subsidiary as at 30 June 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month financial period ended 30 June 2021 and explanatory notes have not been audited or reviewed by the Company's auditors.

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

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

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

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

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2020 are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the Company's auditors.

2. Review of performance of the Group

(a) <u>Statement of Profit and Loss and Other Comprehensive Income</u>

Revenue, Cost of sales and Gross profit

The Group's revenue is predominantly derived from rendering of veterinary services and sales of veterinary medicine. It decreased by $0.4 million or 17%, from $2.2 million for 1H2020 to $1.8 million for 1H2021. The decrease was mainly due to the closure of Traditional Chinese Medicine ("**TCM**") clinic in March 2021 and reduction in the number of veterinarians in 1H2021 as compared to 1H2020.

The Group's cost of sales includes purchase of veterinary medicine and consumables, and employee benefits paid to veterinarians, vet technicians and vet nurses. It decreased by $0.2 million or 15%, from $1.2 million for 1H2020 to $1.0 million for 1H2021. The decrease was mainly due to decreased sales in 1H2021.

Gross profit for 1H2021 was $0.8 million and gross profit margin was 44.4%. Gross profit for 1H2020 was $1.0 million and gross profit margin was 45.4%. The slight decrease in gross profit margin by 1.0 percentage point was mainly attributed to higher decrease in revenue, as compared to the decrease in cost of sales in 1H2021.

Other operating income

Other operating income comprises mainly interest income from short-term deposits and government grants. The amount decreased from $188,000 for 1H2020 to $81,000 for 1H2021 due to the decrease in interest income from short-term deposits and government grants.

The interest income decreased from $88,000 for 1H2020 to $17,000 for 1H2021 mainly due to lower interest rate incurred for 1H2021, as compared to 1H2020.

Government grants relate to:

(i) the Jobs Support Scheme announced at the Budget 2020 and three supplementary budgets ("**JSS Grant**");
(ii) the Rental Relief Framework for Small and Medium Enterprises (SMEs) introduced by the Ministry of Law ("**Rental Relief Grant**") (only in 1H2020);
(iii) the Job Growth Incentive (**"JGI"**) for supporting local hiring (only in 1H2021); and
(iv) the Wage Credit Scheme and Special Employment Credit Scheme.

Government grants decreased from $98,000 for 1H2020 to $62,000 for 1H2021 mainly due to lower JSS Grant and absence of Rental Relief Grant in 1H2021, which are part of the COVID-19 government relief measures announced by the Singapore government from time to time.

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

Administrative expenses

Administrative expenses mainly relate to general office expenses, administrative staff costs, professional fee, listing expenses and depreciation charges. It increased from $771,000 for 1H2020 to $823,000 for 1H2021. The increase was mainly from professional fee, listing related fees and loss incurred in relation to the closure of the TCM clinic, which included loss on disposal of plant and equipment, inventory written-off and penalty from early termination of lease. Please refer to Note 6.1 to the condensed interim consolidated financial statements for details.

Other expenses

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

Finance costs

Finance costs relate to interest expenses on lease liabilities arising from right-of-use assets. It decreased from $5,000 for 1H2020 to $3,000 for 1H2021. The decrease was due to termination of the TCM clinic's lease in March 2021.

Income tax expense

Income tax expense comprises current income tax expense and the deferred taxation mainly in relation to a taxable temporary difference on plant and equipment which are subject to capital allowance. It decreased from $30,000 for 1H2020 to $13,000 for 1H2021. The decrease was mainly due to the decrease in chargeable income.

Profit, net of tax

As a result of the above, the Group's profit after tax decreased from $24,000 for 1H2020 to $12,000 for 1H2021.

(b) <u>Statement of Financial Position</u>

Non-current assets

Plant and equipment comprise veterinary and medical equipment, office equipment, computer and software and furniture and fixtures. It decreased from $231,000 as at 31 December 2020 to $188,000 as at 30 June 2021, mainly due to depreciation charges incurred in 1H2021.

Right-of-use assets, relating to leases of clinic and office premises occupied by the Group. The decrease from $284,000 as at 31 December 2020 to $45,000 as at 30 June 2021 was due to termination of the TCM clinic's lease in March 2021 and depreciation charges incurred in 1H2021.

Goodwill arising from the Acquisition of AVHAA remains unchanged.

Current assets

Inventories, which mainly comprise veterinary medicine, clinic consumables and pet food, remained unchanged at $119,000 as at 31 December 2020 and as at 30 June 2021.

Trade and other receivables decreased from $95,000 as at 31 December 2020 to $51,000 as at 30 June 2021. Trade receivables decreased from $14,000 as at 31 December 2020 to $8,000 as at 30 June 2021 due to higher amount of debt collection during 1H2021. Other receivables mainly comprise government grant receivables relating to the COVID-19 government relief measures, interest receivables and deposits. It decreased from $81,000 as at 31 December 2020 to $43,000 as at 30 June 2021, and the decrease was mainly due to absence of government grant receivables as at 30 June 2021.

Prepayments decreased from $39,000 as at 31 December 2020 to $15,000 as at 30 June 2021. The decrease was mainly due to reclassification of prepaid operating expenses when they were incurred in 1H2021.

Current liabilities

Trade payables decreased from $89,000 as at 31 December 2020 to $74,000 as at 30 June 2021, due to the lower purchases in 1H2021, which was in line with the decrease in revenue.

Other payables and accruals comprise mainly professional fees, directors' fees, goods and services tax ("**GST**") which are to be paid within the next 12 months after 30 June 2021. As at 31 December 2020, it also comprised the contingent consideration payable to the vendors for the Acquisition, amounting to $1.9 million. Other payables and accruals (excluding the aforesaid contingent consideration) decreased from $417,000 as at 31 December 2020 to $213,000 as at 30 June 2021.

Deferred government grant amounting to $13,000 as at 30 June 2021 (as at 31 December 2020: $45,000) relates to the JSS Grant as part of the COVID-19 government relief measures announced by the Singapore government.

Lease liabilities (current portion) relate to clinic and office leases of premises occupied by the Group and due within the next 12 months after 30 June 2021. The decrease was due to repayment of lease liabilities in 1H2021 and termination of lease relating to the closure of the TCM clinic in March 2021. The Group's other two clinics' leases are due for renewal in the second half of 2021.

Provision for taxation decreased from $65,000 as at 31 December 2020 to $46,000 as at 30 June 2021, due to lower chargeable income.

Non-current liabilities

Lease liabilities (non-current portion) relate to clinic and office leases of premises occupied by the Group and due after the next 12 months after 30 June 2021. It decreased from $89,000 as at 31 December 2020 to $3,000 as at 30 June 2021, due to termination of lease relating to the closure of the TCM clinic in March 2021 and reclassification of the amount due within the next 12 months after 30 June 2021 to current liabilities.

Deferred tax liabilities mainly relate to a taxable temporary difference on plant and equipment which are subject to capital allowance. It increased from $30,000 as at 31 December 2020 to $32,000 as at 30 June 2021.

Working capital

The Group reported a positive working capital position of $11.0 million as at 30 June 2021 ($10.6 million as at 31 December 2020).

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

Net cash used in operating activities amounted to $28,000 for 1H2021. The net cash used in operating activities was mainly due to (i) an increase in inventories of $8,000; (ii) an increase in deferred government grant of $32,000; (iii) a decrease in trade and other payables of $219,000; and (iv) income tax paid of

$31,000. The decrease was partially offset by (i) the operating cash flows before working capital changes generated for 1H2021 of $178,000; (ii) a decrease in trade and other receivables of $42,000; (iii) a decrease in prepayments of $24,000; and (v) interest received of $18,000.

Net cash used in investing activities for 1H2021 amounted to $1.3 million due to (i) the purchase of plant and equipment of $10,000; and (ii) the payment of contingent consideration relating to the Acquisition of $1.3 million.

Net cash used in financing activities for 1H2021, amounting to $405,000, related to (i) the repayment of lease liabilities of $111,000; (ii) the issuance of first and final tax exempt (one-tier) cash dividend of $292,000 for the financial year ended 31 December 2020; and (iii) share issuance expenses of $2,000.

As a result of the above, the Group's cash and cash equivalents decreased from $13.0 million as at 31 December 2020 to $11.2 million as at 30 June 2021.

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

We did not envisage any material negative impact during the initial phase of the COVID-19 pandemic as the Group operates in an essential service industry. However, the prolonged COVID-19 pandemic and continued application of operational guidelines on queue management, crowd management, safe-distancing measures as well as implementing good hygiene practices has caused a degree of inconvenience to our clients and impacted on our efficiency as compared with pre-pandemic times.

In addition, a shortage of veterinarian surgeons and nurses may have negative implications to the Group's business.

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 1H2021 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 1H2021.

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.

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 for the six-month period ended 30 June 2021 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
ASIA VETS HOLDINGS LTD.

Tan Tong Guan	Teo Yi-dar
Executive Chairman and Chief Executive Officer	Lead Independent Director

Singapore

11 August 2021