

Asia Vets Holdings Ltd. and its subsidiary

Condensed interim financial statements for the six months ended 30 June 2022

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

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

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

	Note	Group		Increase / (decrease) %
		1H2022*	1H2021*	
		\$'000 (Unaudited)	\$'000 (Unaudited)	
Revenue		1,245	1,789	(30)
Cost of sales		(756)	(1,019)	(26)
Gross profit		489	770	(36)
Other operating income	6.1	23	81	(72)
Administrative expenses		(942)	(823)	14
Finance costs		(8)	(3)	>100
(Loss)/profit before tax	6	(438)	25	N.M.
Income tax credit/(expense)	7	9	(13)	N.M.
(Loss)/profit for the period, representing total comprehensive income attributable to owners of the Company		(429)	12	N.M.
(Loss)/earnings per share (in \$ cents)	8			
Basic		(0.29)	0.01	
Fully diluted		(0.29)	0.01	

N.M. denotes Not Meaningful

* "1H2022" denotes six months ended 30 June 2022 and "1H2021" denotes six months ended 30 June 2021.

B. Condensed interim statements of financial position

	Note	Group		Company	
		As at		As at	
		30/6/2022	31/12/2021	30/6/2022	31/12/2021
		\$'000 (Unaudited)	\$'000 (Audited)	\$'000 (Unaudited)	\$'000 (Audited)
Non-current assets					
Plant and equipment	11	125	153	-	-
Right-of-use assets		328	415	-	-
Investment in a subsidiary	12	-	-	4,009	4,009
Goodwill	13	8,405	8,405	-	-
Amount due from a subsidiary	14	-	-	4,890	6,808
		8,858	8,973	8,899	10,817
Current assets					
Inventories		100	105	-	-
Trade and other receivables		308	46	264	3
Prepayments		28	26	12	9
Cash and cash equivalents		10,272	11,097	10,129	10,964
		10,708	11,274	10,405	10,976
Total assets		19,566	20,247	19,304	21,793
Current liabilities					
Trade payables		59	50	-	-
Other payables and accruals		236	406	108	134
Lease liabilities		153	157	-	-
		448	613	108	134
Net current assets		10,260	10,661	10,297	10,842
Non-current liabilities					
Lease liabilities		185	264	-	-
Deferred tax liabilities		3	11	-	-
		188	275	-	-
Total liabilities		636	888	108	134
Net assets		18,930	19,359	19,196	21,659
Share capital	16(a)	21,333	21,333	21,333	21,333
Capital reserve	16(b)	228	228	228	228
Revenue reserve		(2,631)	(2,202)	(2,365)	98
Total equity		18,930	19,359	19,196	21,659
Total equity and liabilities		19,566	20,247	19,304	21,793

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 2022 (audited)	21,333	228	(2,202)	19,359
Loss for the period, representing total comprehensive income for the period	-	-	(429)	(429)
Total comprehensive income for the period	-	-	(429)	(429)
Closing balance at 30 June 2022 (unaudited)	21,333	228	(2,631)	18,930
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
<u>Contributions by and distributions to owners</u>				
Issuance of new ordinary shares	558	-	-	558
Share issuance expense	(2)	-	-	(2)
Dividends on ordinary shares (Note 1)	-	-	(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

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 2022 (audited)	21,333	228	98	21,659
Loss for the period, representing total comprehensive income for the period	-	-	(2,463)	(2,463)
Total comprehensive income for the period	-	-	(2,463)	(2,463)
Closing balance at 30 June 2022 (unaudited)	21,333	228	(2,365)	19,196
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
<u>Contributions by and distributions to owners</u>				
Issuance of new ordinary shares	558	-	-	558
Share issuance expense	(2)	-	-	(2)
Dividends on ordinary shares (Note 1)	-	-	(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

D. Condensed interim consolidated statement of cash flows

	Group	
	1H2022 \$'000 (Unaudited)	1H2021 \$'000 (Unaudited)
Cash flows from operating activities		
(Loss)/profit before tax	(438)	25
Adjustments for:		
Depreciation of plant and equipment	43	49
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	87	106
Interest income	(14)	(17)
Interest expense	8	3
Unrealised exchange loss/(gain)	-*	-*
Operating cash flows before working capital changes	(314)	178
Decrease/(increase) in inventories	5	(8)
Increase/(decrease) in trade and other receivables	(264)	42
(Increase)/decrease in prepayments	(2)	24
Decrease in trade and other payables	(161)	(219)
Decrease in deferred government grant	-	(32)
Cash used in operations	(736)	(15)
Interest received	16	18
Income tax paid	-	(31)
Net cash flows used in operating activities	(720)	(28)
Cash flows from investing activities		
Purchase of plant and equipment	(15)	(10)
Repayment of contingent liabilities	-	(1,302)
Net cash flows used in investing activities	(15)	(1,312)
Cash flows from financing activities		
Repayment of lease liabilities	(90)	(111)
Share issuance expense	-	(2)
Dividends paid	-	(292)
Net cash flows used in financing activities	(90)	(405)
Net decrease in cash and cash equivalents	(825)	(1,745)
Cash and cash equivalents at beginning of the period	11,097	12,994
Effect of exchange rate changes on cash and cash equivalents	-*	-*
Cash and cash equivalents at end of the period	10,272	11,249

* 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 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 2022 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 2021.

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 2021, 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 Company’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 2022. 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 2021.

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 2022 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 2022 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 its customers in Singapore.

	Group	
	1H2022	1H2021
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Veterinary services	565	934
Sales of veterinary medicines and products	680	855
Total revenue recognised at point in time	<u>1,245</u>	<u>1,789</u>

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 2022 and 31 December 2021:

	Group		Company	
	As at		As at	
	30/6/2022	31/12/2021	30/6/2022	31/12/2021
	\$'000 (Unaudited)	\$'000 (Audited)	\$'000 (Unaudited)	\$'000 (Audited)
Financial assets				
Trade and other receivables	308	46	264	3
Cash and cash equivalents	10,272	11,097	10,129	10,964
Amount due from a subsidiary	-	-	4,890	6,808
Total financial assets carried at amortised cost	10,580	11,143	15,283	17,775
Financial liabilities				
Trade payables	59	50	-	-
Other payables and accruals	236	406	108	134
Lease liabilities	339	421	-	-
	634	877	108	134
Less: GST payable, net	(28)	(53)	-	-
Less: Other payables carried at fair value through profit or loss	-	(1,860)	-	-
Total financial liabilities carried at amortised cost	606	(1,036)	108	134

6. Profit before taxation

6.1. Significant items

	Group		Increase / (decrease) %
	1H2022	1H2021	
	\$'000 (Unaudited)	\$'000 (Unaudited)	
Income			
Interest income	14	18	(22)
Government grants	9	63	(86)
Foreign exchange gain*	-	-	N.M.

* Foreign exchange gain less than \$500.

	Group		Increase / (decrease)
	1H2022	1H2021	
	\$'000 (Unaudited)	\$'000 (Unaudited)	
Expenses			
Professional fee	302	67	>100
Depreciation of plant and equipment	43	49	(12)
Depreciation of right-of-use assets	87	106	(18)
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	657	847	(22)
Interest expense	8	3	>100

N.M. denotes Not Meaningful

6.2. Related party transactions

	Group	
	1H2022	1H2021
	\$'000 (Unaudited)	\$'000 (Unaudited)
Compensation of key management personnel		
Short term benefits	260	328
CPF contributions	18	17
Directors' fees	69	69
	<u>347</u>	<u>414</u>
Comprises amounts paid to:		
Directors of the Company	219	215
Other key management personnel	128	199
	<u>347</u>	<u>414</u>

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

	Group	
	1H2022 \$'000 (Unaudited)	1H2021 \$'000 (Unaudited)
Current income tax		
Current year	-	(12)
Overprovision of previous year	-	1
Deferred income tax		
Origination of temporary differences	9	(2)
Total income tax credit/(expense) recognised to profit or loss	<u>9</u>	<u>(13)</u>

8. (Loss)/earnings per share

Basic loss or earnings per share (“LPS” or “EPS”) are calculated by dividing loss or profit 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/EPS, 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	
	1H2022 (Unaudited)	1H2021 (Unaudited)
(Loss)/profit for the period attributable to owners of the Company used in the computation of basic and diluted earnings per share	(429)	12
Weighted average number of ordinary shares for basic earnings per share computation ('000)	146,146	144,761
Basic (loss)/earnings per share (in \$ cents)	(0.29)	0.01
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	146,146	146,146
Diluted (loss)/earnings per share (in \$ cents)	(0.29)	0.01

9. Dividends

	Group	
	1H2022 \$'000 (Unaudited)	1H2021 \$'000 (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 (1H2022: Nil)	-	292
Dividend per share (net of tax) (\$ cents)	-	0.20

10. Net Asset Value (“NAV”)

	Group		Company	
	As at		As at	
	30/6/2022	31/12/2021	30/6/2022	31/12/2021
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
NAV per ordinary share (\$ cents)	12.95	13.25	13.13	14.82
Number of shares used in computation of NAV per share	146,145,696	146,145,696	146,145,696	146,145,696

11. Property, plant and equipment

During 1H2022, the Group acquired assets amounting to \$15,000 (1H2021: \$10,000) and did not dispose any assets (1H2021: \$4,000).

12. Investment in a subsidiary

	Group	
	As at	
	30/06/2022	31/12/2021
	\$'000	\$'000
	(Unaudited)	(Audited)
Shares, at cost	-*	-*
Additional investment in a subsidiary	2,083	2,083
Transaction cost relating to the acquisition	1,926	1,926
	4,009	4,009

* 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	30/06/2022 31/12/2021	
			%	%
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 (“**Hu Zhi Investments**”) and David Wendy 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 Hu Zhi Investments, 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 was 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	
	30/06/2022	31/12/2021
	\$'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:

	2022	2021
Growth rate	1.50%	1.70%
Pre-tax discount rate	10.00%	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 40% (2021: 41%) 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	
	30/6/2022	31/12/2021
	\$'000	\$'000
	(Unaudited)	(Audited)
<i>Non-current:</i>		
Loans due from subsidiary*	4,890	6,808

* 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:

No.	Purpose	Amount repayable after one year	
		30/6/2022	31/12/2021
		\$'000	\$'000
1	Initial payout	3,759	5,307
2	Retention sum	1,131	1,501
		4,890	6,808

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

15. Borrowings

The Group and the Company do not hold any borrowings and debt securities as at 30 June 2022 and 31 December 2021.

16. Share capital and capital reserve

(a) Share capital

	Group and Company			
	30/6/2022		31/12/2021	
	Number of shares	Resultant issued share capital	Number of shares	Resultant issued share capital
	'000	\$'000	'000	\$'000
Beginning of interim period/year	146,146	21,333	138,928	20,777
Issuance of new ordinary shares - Deferred Consideration Shares	-	-	7,218	556 [#]
End of interim period/year	146,146	21,333	146,146	21,333

Net of share issuance expense of \$2,000.

On 11 March 2021, the authorised share capital was increased by \$558,000 by the issue of 7,217,694 ordinary shares of \$0.07731 each as settlement of the contingent consideration. The contingent consideration arrangement is disclosed in Note 12 to the condensed interim consolidated financial statements.

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 2022 and 31 December 2021.

(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 Catalyst Rules

1. Review

The condensed consolidated statement of financial position of Asia Vets Holdings Ltd. and its subsidiary as at 30 June 2022 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 2022 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 2021 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 \$0.6 million or 30%, from \$1.8 million for 1H2021 to \$1.2 million for 1H2022. 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 1H2022 as compared to 1H2021.

The Group's cost of sales includes purchases of veterinary medicines and consumables, and employee benefits paid to veterinarians, vet technicians and vet nurses. It decreased by \$0.2 million or 26%, from \$1.0 million for 1H2021 to \$0.8 million for 1H2022, in line with the decrease in revenue in 1H2022.

Gross profit was \$0.5 million and gross profit margin was 39.3% in 1H2022. Gross profit was \$0.8 million and gross profit margin was 43.0% in 1H2021. The decrease in gross profit margin by 3.7 percentage point was mainly attributable to a higher percentage decrease in revenue, as compared to the percentage decrease in cost of sales in 1H2022.

Other operating income

Other operating income comprises mainly interest income from short-term deposits and government grants. The amount decreased from \$81,000 for 1H2021 to \$23,000 for 1H2022.

Interest income decreased from \$18,000 for 1H2021 to \$14,000 for 1H2022 mainly due to lower amount of short-term deposits and lower interest rate for short-term deposits in 1H2022, as compared to 1H2021.

Government grants relate to:

- (i) the Jobs Support Scheme announced at the Budget 2020 and three supplementary budgets ("JSS Grant");
- (ii) the Job Growth Incentive for supporting local hiring; and

(iii) the Wage Credit Scheme.

Government grants decreased from \$63,000 for 1H2021 to \$9,000 for 1H2022 mainly due to absence of JSS Grant in 1H2022.

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 increased from \$823,000 for 1H2021 to \$942,000 for 1H2022, mainly due to increase in professional fees, training expenses and general office expenses. The increase in professional fees was mainly due to the professional fees amounting to S\$0.3 million incurred for the proposed acquisition of the entire issued and paid-up share capital in AIDigi Holdings Pte. Ltd. (the "Target") from RHT AIDigi Financial Holdings Pte. Ltd. (the "Vendor") (the "Proposed Acquisition"), details of the Proposed Acquisition as set out in the Company's announcements dated 30 December 2021 and 28 April 2022. The increase was partially offset by the decrease in administrative staff costs, merchant charges, depreciation of right-of-use assets and the absence of loss incurred in relation to the closure of the TCM clinic in 1H2021, 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.

Finance costs

Finance costs relate to interest expenses on lease liabilities. It increased from \$3,000 for 1H2021 to \$8,000 for 1H2022, due to the renewal of leases for veterinary clinics in August 2021.

Income tax credit/(expense)

Income tax credit/(expense) comprises current income tax credit/(expense) and the deferred taxation mainly in relation to taxable temporary differences on plant and equipment which are subject to capital allowance. Income tax credit of \$9,000 for 1H2022 was due to tax losses incurred for 1H2022. Income tax expense of \$13,000 was recorded for 1H2021.

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

(Loss)/profit for the period, net of tax

As a result of the above, the Group recorded loss after tax of \$429,000 for 1H2022 as compared to profit after tax of \$12,000 for 1H2021.

(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 decreased from \$153,000 as at 31 December 2021 to \$125,000 as at 30 June 2022, mainly due to depreciation charges incurred in 1H2022.

Right-of-use assets relate to leases of veterinary clinics and office premises. It decreased from \$415,000 as at 31 December 2021 to \$328,000 as at 30 June 2022, mainly due to depreciation charges incurred in 1H2022.

Goodwill arising from the Acquisition of AVHAA remains unchanged.

Current assets

Inventories mainly comprise veterinary medicines, clinic consumables and pet food. It decreased from \$105,000 as at 31 December 2021 to \$100,000 as at 30 June 2022, due to lower demand from customers in 1H2022.

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 \$46,000 as at 31 December 2021 to \$308,000 as at 30 June 2022. Trade receivables increased from \$5,000 as at 31 December 2021 to \$8,000 as at 30 June 2022. Other receivables increased from \$42,000 as at 31 December 2021 to \$301,000 as at 30 June 2022 mainly due to other receivables amounting to \$263,000 in relation to the professional fees incurred for the Proposed Acquisition which will be reimbursed from the Vendor and absence of government grant receivables as at 30 June 2022.

Prepayments increased from \$26,000 as at 31 December 2021 to \$28,000 as at 30 June 2022.

Current liabilities

Trade payables increased from \$50,000 as at 31 December 2021 to \$59,000 as at 30 June 2022.

Other payables and accruals comprise mainly professional fees, directors' fees and goods and services tax. It decreased from \$406,000 as at 31 December 2021 to \$236,000 as at 30 June 2022, mainly due to lower directors' fees accrual and absence of bonus accrual as at 30 June 2022.

Lease liabilities (current portion) relate to leases for veterinary clinics and office premises and due within the next 12 months after 30 June 2022. It decreased slightly by \$4,000.

There was no provision for taxation as at 31 December 2021 and 30 June 2022, due to tax losses incurred for FY2021 and 1H2022.

Non-current liabilities

Lease liabilities (non-current portion) relate to leases for veterinary clinics and office premises occupied by the Group and due subsequent to the next 12 months after 30 June 2022. It decreased from \$264,000 as at 31 December 2021 to \$185,000 as at 30 June 2022, due to reclassification of the amount due within the next 12 months after 30 June 2022 to current liabilities.

Deferred tax liabilities mainly relate to taxable temporary differences on plant and equipment which are subject to capital allowance. It decreased from \$11,000 as at 31 December 2021 to \$3,000 as at 30 June 2022.

Working capital

The Group reported a positive working capital position of \$10.3 million as at 30 June 2022 as compared to \$10.7 million as at 31 December 2021.

(c) Statement of Cash Flows

Net cash flows used in operating activities amounted to \$720,000 for 1H2022. The net cash flows used in operating activities was mainly due to (i) the operating cash flows before working capital changes of \$314,000, and (ii) net working capital outflow of \$422,000. The net working capital outflow was mainly attributable to (i) an increase in trade and other receivables of \$264,000, (ii) a decrease in trade and other payables of \$161,000, and (iii) an increase in prepayments of \$2,000, and above partially offset by a decrease in inventories of \$5,000.

Net cash flows used in investing activities for 1H2022 amounted to \$15,000 due to the purchase of plant and equipment.

Net cash flows used in financing activities for 1H2022 amounted to \$90,000 due to the repayment of lease liabilities.

As a result of the above, the Group's cash and cash equivalents decreased from \$11.1 million as at 31 December 2021 to \$10.3 million as at 30 June 2022.

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

The unaudited consolidated financial results for 1H2022 as set out in this announcement, are in line with the profit guidance announcement for 1H2022 released by the Company on 27 July 2022.

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

Due the prolonged COVID-19 pandemic, there is a current shortage of veterinarian surgeons and nurses in the veterinary industry. However, the Group will continue to make efforts to employ more veterinarians and nurses.

On 30 December 2021, the Company entered into a sale and purchase agreement (“SPA”) in relation to the Proposed Acquisition, which will constitute a “reverse takeover” transaction pursuant to Chapter 10 of the Catalist Rules and is subject to, inter alia, the approval of the SGX-ST and the approval of shareholders of the Company at an extraordinary general meeting to be convened. On 28 April 2022, the Company, the Vendor and Target entered into a supplemental agreement to the sale and purchase agreement for the Proposed Acquisition.

Pursuant to the terms and conditions of the SPA, the SPA shall cease if any of the conditions precedent in the SPA is not fulfilled and fulfilment of such conditions is not waived by the relevant party by 30 November 2022 (or such other date as may be mutually extended by parties in writing).

Please refer to the announcements dated 30 December 2021 and 28 April 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 1H2022 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 1H2022.

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 of the Group for the six-month period ended 30 June 2022 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD
ASIA VETS HOLDINGS LTD.**

Tan Tong Guan
Executive Chairman and Chief Executive Officer

Teo Yi-dar
Lead Independent Director

Singapore
4 August 2022