



Q & M DENTAL GROUP (SINGAPORE) LIMITED
 (Company Registration Number 200800507R)
 (Incorporated in the Republic of Singapore)

ANNOUNCEMENT

**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FOR THE ANNUAL
 GENERAL MEETING TO BE HELD ON 29 APRIL 2022**

The board of directors (the “**Board**” or “**Directors**”) of Q & M Dental Group (Singapore) Limited (“**Q & M**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to provide responses to substantial and relevant questions received for the Annual General Meeting to be held on 29 April 2022 as follows:

Question	Response
<p>1. As noted in Page 85 of the Annual Report in the "Segment revenue" section of the notes to the financial statements, the Company recorded a segment revenue of \$160.211 million for the primary healthcare segment.</p> <p>(i) What percentage of the revenue came from CPF/MediShield?</p> <p>(ii) What percentage of the revenue came from insurance companies?</p>	<p>(i) Revenue from Medisave and insurance companies had contributed to less than 10% of the primary healthcare segment revenue.</p> <p>(ii) Revenue from Medisave and insurance companies had contributed to less than 10% of the primary healthcare segment revenue.</p>
<p>2. As noted in Page 86 of the Annual Report in the "Segment results" section of the notes to the financial statements, the primary healthcare segmental PBT margin has declined by 3.4% from 16.7% in FY2020 to 13.3% in FY2021. What caused this decline?</p>	<p>The decline in the PBT of the primary healthcare segment in FY2021 was mainly due to:</p> <ol style="list-style-type: none"> a reduction in pay-outs from the Rental Support Scheme and Job Support Scheme, an increase in employee benefits expense from the opening of new dental clinics and provision of additional employee benefits expense; and higher prices of consumables and supplies due to inflation which resulted in an increase in the cost of sales.
<p>3. As noted in Page 85 of the Annual Report in the "Segment revenue" section of the notes to the financial statements, the revenue of the medical laboratory segment to grew 16.7 times</p>	<p>The medical laboratory segment relates to revenue from Acumen Diagnostics Pte. Ltd. (“Acumen”). Acumen had only obtained the medical laboratory licence required to</p>

<p>from \$2.224 million in FY2020 to \$37.144 million in FY2021. What caused this increase?</p>	<p>operate in September 2020. The segment revenue recorded in FY2021 is greater as it represents 12 months of revenue due to more tests conducted.</p>
<p>4. As noted in Page 89 of the Annual Report, in the notes to the financial statements, the customers for the medical laboratory segment are mainly biomedical companies. Specifically, what percentage of the \$37.144 million segment revenue of the medical laboratory segment recorded in FY2021 came from Acumen Diagnostics Pte. Ltd.?</p>	<p>A 100% of the medical laboratory segment revenue was from Acumen.</p>
<p>5. As noted in Page 86 of the Annual Report in the "Segment results" section of the notes to the financial statements, the medical laboratory segment recorded a segmental PBT margin of 58.9% (i.e. \$21.871 million / \$37.144 million), is the Board and Management confident of maintaining this segmental PBT margin of going forward?</p>	<p>The medical laboratory segment's margin in FY2021 was mainly attributed to revenue from the sale and distribution of COVID-19 diagnostic test kits and COVID-19 testing. As Singapore has now decisively moved towards "living with Covid" approach by removing many of the exiting Covid-19 related restrictions, it is likely that the Group's revenue for the medical laboratory segment will be impacted due to lessening of demand for COVID-19 diagnostic test kits and COVID-19 testing. Therefore, the segment's PBT margin is expected not as good in FY2022.</p> <p>However, moving forward, the Group has plans to create other non COVID-19 related revenue streams. Acumen is in the process of developing a pipeline of tests for other infectious diseases and cancer, and has plans to develop and launch such new tests and products in the future.</p> <p>The Board will continue its efforts to create further value in a sustainable way for shareholders.</p>
<p>6. Please refer to page 85 of the Annual Report about "Segment revenue". While segment revenue from Primary healthcare segment has increased by 26.8% from \$126.378 million in FY2020 to \$160.211 million in FY2021, the segment revenue from Dental equipment and supplies distribution segment did not benefit from a similar increasing trend but suffered a 8.6% decline from \$9.018 million in FY2020 to \$8.244 million in FY2021. What caused this decline? (On page 89 of the Annual Report, it is understood that "the customers for the dental</p>	<p>In FY2021, fewer COVID related equipment and consumable items were sold as compared to FY2020. As the COVID-19 pandemic created many business uncertainties, in FY2021 there were fewer new dental clinics being opened and existing dental clinics did not expand their business and dental outlets. As such, demand for new dental equipment and supplies fell resulting in the decline in the dental equipment and supplies distribution segment revenue.</p>

<p>equipment and supplies distribution segment are mainly private dental clinics” similarly.)</p>	
<p>7. As noted in Page 86 of the Annual Report in the "Segment results" section of the notes to the financial statements, the segmental PBT for the dental equipment and supplies distribution segment declined by 10.2% from 10.9% in FY2020 to 0.7% in FY2021. What caused this decline?</p>	<p>The decline in PBT margin for the dental equipment and supplies distribution segment was due to an increase in operating expenses as well as impairment for obsolete and expired products.</p>
<p>8. As noted in Page 88 of the Annual Report, in the notes to the financial statements, the “Profit guarantee income” has increased by 46.6% from \$2.169m in 2020 to \$3.179m in 2021. The Company explained that Profit guarantee income is recognised when there is a shortfall between the profit amount guaranteed by the vendors or shareholders of the subsidiaries and the actual performance of the acquired subsidiaries.</p> <p>(i) What are these “acquired subsidiaries/associates”?</p> <p>(ii) What caused the increase in the shortfall between the profit amount guaranteed by the vendors or shareholders of the subsidiaries and the actual performance of the acquired subsidiaries from FY2020 to FY2021?</p>	<p>(i) The "acquired subsidiaries/associates" refer to clinics and hospitals in Singapore and China acquired by the Group in the course of its expansion.</p> <p>(ii) Since the start of the COVID-19 pandemic, China has adopted a zero COVID policy which had resulted in periodic lockdown of cities across various part of China. This has impacted the profitability of our dental business in China resulting in the shortfall in profit amounts guaranteed by the vendors or shareholders of the acquired subsidiaries and their actual performance.</p>
<p>9. Is the “profit guarantee income” recorded by the Company directly or indirectly related to the \$5.432m non-current sign-on bonus for dentists or \$1.573m current sign-on bonus for dentists?</p>	<p>The profit guarantee income is not related to the sign-on bonuses.</p>
<p>10. As noted in Page 107 of the Annual Report in the trade and other receivables section of the notes to the financial statements, trade receivables from outside parties increased by 94.4% from \$7.209 million in FY2020 to \$14.012 million in FY2021.</p> <p>(i) What caused this increase?</p> <p>(ii) Till date, how much of the \$14.012 million trade receivables from outside parties have been collected back by the Company?</p>	<p>(i) The increase in trade receivables in FY2021 compared to FY2020 was mainly contributed by the medical laboratory segment.</p> <p>(ii) We have collected at least 95% of such trade receivables from outside parties.</p>

<p>11. As noted in Page 107 of the Annual Report in the trade and other receivables section of the notes to the financial statements, receivables from directors of subsidiaries / associate increased by 42.2% from \$7.187 million in FY2020 to \$10.219 million in FY2021.</p> <p>(i) What caused this increase?</p> <p>(ii) Till date, how much of the \$10.219 million "Receivables from directors of subsidiaries / associate" have been collected back?</p>	<p>(i) The increase was due to profit guarantee income recognised for FY2021. Such receivables are mainly secured by share pledge.</p> <p>(ii) We do not expect any material uncollectable receivables as a result of the share pledge.</p>
<p>12. As noted in Page 107 of the Annual Report in the inventories section of the notes to the financial statements, there was a \$377K "Impairment loss recognised in the year included in other losses" for inventories in FY2021, when there was none in FY2020.</p> <p>(i) What caused this impairment loss recognised?</p> <p>(ii) Which business segment did the impairment loss come from?</p>	<p>(i) The \$377k impairment was mainly due to impairment of obsolete and expired products from the dental equipment and supplies distribution segment.</p> <p>(ii) As explained above, the impairment loss came from the dental equipment and supplies distribution segment.</p>
<p>13. As noted in Page 89 of the Annual Report in the other expenses section of the notes to the financial statements, "Legal and professional fees" increased by 2.66 times from \$848K in FY2020 to \$2.198 million in FY2021. Was this increase mainly due to Acumen Diagnostics Pte Ltd, or were there any other legal concerns?</p>	<p>The increase in legal and professional fees were mainly due to an increase in corporate activities undertaken, coupled with the effect of a reversal in FY2020 for overprovision of 2019 legal fees.</p> <p>The Directors are not aware of any other legal concerns. .</p>
<p>14. We note in Page 45 of the Annual Report in the report on corporate governance section that the remuneration of Executive Director, Dr Ng Chin Siau ("Dr. Ng"), has increased to S\$2,766,300 in FY2021 (compared to S\$1,410,145 in FY2019 or S\$410,400 in FY2020).</p> <p>(i) Can the Remuneration Committee share what remuneration factor(s) specifically led to the increase?</p> <p>(ii) How much is attributable to each of these remuneration factor(s)? Specifically, how much of his S\$2,355,900 year-on-year increase resulted from the effect of medical laboratory segment?</p>	<p>(i) The increase in remuneration is mainly due to the cumulative bonuses awarded to Dr. Ng for his significant contribution to the Group for the past two years. Under Dr. Ng's leadership, the Group achieved its best ever financial results in its history, for FY2021. In addition, the Group was able to achieve significant return on investment from the disposal of shares in Aidite (Qinhuangadao) Technology Co., Ltd. ("Aidite"), which was completed in 1Q2021. In view of the above, the Remuneration Committee decided to award Dr. Ng a bonus to acknowledge his contribution.</p>

	<p>The Remuneration Committee has considered the overall performance of Dr. Ng. While the performance of the medical laboratory segment is one of the factors considered by the Remuneration Committee, it is not the practice of the Remuneration Committee to attribute specific amounts to a factor while deciding bonus of executives.</p>
<p>15. We note in Page 45 of the Annual Report in the report on corporate governance section that the remuneration band of Dr. Ng's wife (GM Ms Foo Siew Jiu ("Ms Foo")) and Dr. Ng's sister (Group Financial Controller Ms Ng Sook Hwa ("Ms Ng")) has each increased to "between S\$300,000-S\$400,000" in FY2021 (compared to "Below \$200,000" in FY2020).</p> <p>(i) Can the Remuneration Committee share what remuneration factor(s) specifically led to the increase?</p> <p>(ii) How much is attributable to each of these remuneration factor(s)?</p>	<p>(i) Similar to Dr. Ng, the increase in remuneration is mainly due to the bonuses awarded to both Ms Foo and Ms Ng for their significant contributions to the Group. Ms Foo and Ms Ng assisted Dr. Ng in leading the Group to achieve its best ever financial results in history, for FY2021. In addition, the Group was able to achieve significant return on investment from the disposal of shares in Aidite, which was completed in 1Q2021. In view of the above, the Remuneration Committee decided to award both Ms Foo and Ms Ng bonuses to acknowledge their contributions.</p> <p>The Remuneration Committee has considered the overall performance of Ms Foo and Ms Ng. It is not the practice of the Remuneration Committee to attribute specific amounts to a factor while deciding bonus of executives.</p>
<p>16. (i) How will the capital expenditure trend be like over the next 2-3 years?</p> <p>(ii) How will capital expenditure be funded?</p>	<p>(i) The Group intends to open 30 clinics in Singapore and Malaysia over the next 2 to 3 years.</p> <p>(ii) We do not expect capital expenditure for such organic growth to be significant and we expect to fund this using internally generated funds from existing operations.</p>

By Order of the Board
Q & M Dental Group (Singapore) Limited

Vitters Sim
Chief Financial Officer
24 April 2022

Chief Financial Officer

Vitters Sim

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