



Aoxin Q & M Dental Group Limited
(Incorporated in the Republic of Singapore)
(Company Registration No: 201110784M)

Full Year Financial Statements Announcement for the Financial Year Ended 31 December 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

1(a) A Consolidated Statement of Comprehensive Income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i) Unaudited Consolidated Statement of Comprehensive Income of our Group for the full year (twelve months) ended 31 December 2019.

	Note	Group		Change %
		12 months ended		
		31 December 2019 ("FY2019") (Unaudited)	31 December 2018 ("FY2018") (Audited)	
		RMB'000	RMB'000	
Revenue				
Primary healthcare		81,656	75,125	9
Distribution of dental equipment and supplies		46,474	32,321	44
Laboratory services		12,979	11,668	11
Total Revenue		141,109	119,114	18
Other Items of Income				
Interest income		129	152	(15)
Other income	(a)	-	45	(100)
Other Items of Expense				
Consumables and dental supplies		(11,733)	(11,325)	4
Cost of dental equipment and supplies		(38,626)	(26,080)	48
Cost of laboratory services		(3,173)	(2,730)	16
Employee benefits expense		(59,881)	(46,817)	28
Depreciation and amortisation expense		(10,802)	(8,212)	32
Depreciation of right-of-use assets		(6,864)	-	NM
Rental expense		(1,134)	(7,333)	(85)
Finance costs		(3,210)	(2)	>100
Other expenses		(15,602)	(15,713)	(1)
Other losses	(b)	(1,551)	(700)	>100
(Loss)/Profit before tax		(11,338)	399	NM
Income tax expense		(2,176)	(852)	>100
Loss for the year		(13,514)	(453)	>100
Other comprehensive income				
Exchange differences on translating foreign operations		327	1,569	(79)
Total other comprehensive income		327	1,569	(79)
Total comprehensive (losses)/income		(13,187)	1,116	NM
Loss, net of tax attributable to:				
Owners of the Company		(13,517)	(453)	>100
Non-controlling interests		3	-	NM
Loss, net of tax		(13,514)	(453)	>100
Total comprehensive (losses)/income attributable to:				
Owners of the parent		(13,190)	1,116	NM
Non-controlling interests		3	-	NM
Total comprehensive (losses)/income for the year		(13,187)	1,116	NM

NM: Not Meaningful



1(a)(ii) Notes to the statement of comprehensive income

(a) Other income

	FY2019	FY2018
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Government grant	-	11
PIC cash payout	-	34
	-	45

(b) Other losses

	FY2019	FY2018
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Foreign exchange adjustment loss	(250)	(432)
Plant and equipment written-off	(345)	(267)
Loss on disposal of plant and equipment	(15)	(1)
Expected credit loss allowance on trade receivables	(894)	-
Bad debts written off	(47)	-
	(1,551)	(700)



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1(b)(i) A Statement of Financial Position of the Group and the issuer, together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at		As at	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	68,955	62,442	337	369
Right-of-use Assets	44,367	-	1,446	-
Intangible Assets	132,231	115,372	-	-
Investment in Subsidiaries	-	-	302,225	277,210
Other Receivables	-	-	10,351	-
Other Assets	350	402	314	328
Deferred tax assets	14	-	-	-
Total Non-Current Assets	245,917	178,216	314,673	277,907
<u>Current Assets</u>				
Inventories	10,790	9,576	-	-
Income Tax Recoverable	1,752	2,116	-	-
Trade and Other Receivables	21,554	19,586	6,935	10,501
Other Assets	1,635	5,962	304	289
Cash and Cash Equivalents	26,956	50,318	2,843	22,297
Total Current Assets	62,687	87,558	10,082	33,087
Total Assets	308,604	265,774	324,755	310,994
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share Capital	295,356	295,356	295,356	295,356
(Accumulated losses)/Retained Earnings	(4,205)	10,764	(8,519)	(2,638)
Other Reserves	(56,973)	(60,103)	25,457	15,971
Equity attributable to owners of the Company	234,178	246,017	312,294	308,689
Non-controlling interests	3	-	-	-
Total Equity	234,181	246,017	312,294	308,689
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	1,332	1,536	-	-
Lease liabilities	37,614	-	1,345	-
Total Non-Current Liabilities	38,946	1,536	1,345	-
<u>Current Liabilities</u>				
Income tax payables	79	-	-	-
Trade and Other Payables	24,592	17,284	10,892	2,305
Other Financial Liabilities	4,288	937	-	-
Lease liabilities	6,518	-	224	-
Total Current Liabilities	35,477	18,221	11,116	2,305
Total Liabilities	74,423	19,757	12,461	2,305
Total Equity and Liabilities	308,604	265,774	324,755	310,994



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1(b)(ii) The aggregate amount of the Group's borrowings and debt securities as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

	31 December 2019		31 December 2018	
	RMB'000		RMB'000	
	Secured	Unsecured	Secured	Unsecured
<u>Group's borrowings and debt securities</u>				
Amount repayable within one year or less, or on demand	4,288	-	937	-
Amount repayable after one year	-	-	-	-

The Group's debt securities above relate to the bills payables of a subsidiary, and are secured or covered by corporate guarantee from the Company and trade receivables pledged.



1(c) A Consolidated Statement of Cash Flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	FY2019	FY2018 (Restated [#])
	RMB'000	RMB'000
<u>OPERATING ACTIVITIES</u>		
(Loss)/Profit before tax	(11,338)	399
Adjustments for:		
Bad debts written off	47	-
Expected credit loss allowance on trade receivables	894	-
Depreciation and amortisation expenses	10,802	8,212
Depreciation of right-of-use assets	6,864	-
Loss on disposal of plant and equipment	15	1
Plant and equipment written-off	345	267
Unrealised foreign exchange gains	(158)	(162)
Finance costs	3,210	2
Share-based payments	1,351	1,338
Operating cash flows before changes in working capital	12,032	10,057
Inventories	(1,214)	(2,249)
Trade and other receivables	(2,049)	(7,371)
Other assets	1,823	(3,469)
Trade and other payables	2,557	3,733
Net cash flows generated from operations	13,149	701
Income taxes paid	(1,952)	(3,371)
Net cash flows generated from/(used in) operating activities	11,197	(2,670)
<u>INVESTING ACTIVITIES</u>		
Decrease/(increase) in staff loan	236	(1,813)
Acquisition of subsidiaries	(15,572)	(16,182)
Purchase of plant and equipment	(15,535)	(33,889)
Net cash flows used in investing activities	(30,871)	(51,884)
<u>FINANCING ACTIVITIES</u>		
Bill payable	3,351	937
Dividend paid	-	(3,658)
Repayment of principal portion of lease liabilities	(7,621)	-
Interest paid	(119)	(2)
Proceeds from share subscription	-	10,612
Net cash flows (used in)/ generated from financing activities	(4,389)	7,889
Net decrease in cash and cash equivalents	(24,063)	(46,665)
Cash and cash equivalents at beginning of the period	50,318	95,265
Effect of foreign exchange rate changes on cash and cash equivalents	701	1,718
Cash and cash equivalents at end of the period	26,956	50,318

[#] Please refer to explanation in note 5 of this announcement.



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1(d)(i) A statement (for the issuer and the Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Retained earnings/ (Accumulated losses)	Other reserves	Total attributable to parent	Non-controlling Interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
Opening balance at 1 January 2019	295,356	10,764	(60,103)	246,017	-	246,017
Changes in equity:						
Total comprehensive (loss)/income for the year	-	(13,517)	327	(13,190)	3	(13,187)
Transfer to statutory reserve	-	(1,452)	1,452	-	-	-
Share-based payments	-	-	1,351	1,351	-	1,351
Closing balance at 31 December 2019	295,356	(4,205)	(56,973)	234,178	3	234,181
Group						
Opening balance at 1 January 2018	284,744	16,584	(64,719)	236,609	-	236,609
Changes in equity:						
Total comprehensive (loss)/income for the year	-	(453)	1,569	1,116	-	1,116
Issue of new shares	10,612	-	-	10,612	-	10,612
Dividend paid	-	(3,658)	-	(3,658)	-	(3,658)
Transfer to statutory reserve	-	(1,709)	1,709	-	-	-
Share-based payments	-	-	1,338	1,338	-	1,338
Closing balance at 31 December 2018	295,356	10,764	(60,103)	246,017	-	246,017



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1(d)(i) A statement (for the issuer and the Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd).

	Share capital	(Accumulated losses)/ Retained earnings	Other reserves	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
Opening balance at 1 January 2019	295,356	(2,638)	15,971	308,689
Changes in equity:				
Total comprehensive (loss)/income for the year	-	(5,881)	8,135	2,254
Share-based payments	-	-	1,351	1,351
Closing balance at 31 December 2019	295,356	(8,519)	25,457	312,294
Company				
Opening balance at 1 January 2018	284,744	295	3,149	288,188
Changes in equity:				
Total comprehensive income for the year	-	725	11,484	12,209
Issue of new shares	10,612	-	-	10,612
Dividend paid	-	(3,658)	-	(3,658)
Share-based payments	-	-	1,338	1,338
Closing balance at 31 December 2018	295,356	(2,638)	15,971	308,689



1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

Ordinary shares	Number of shares '000	Share capital RMB'000
Balance as at 31 December 2019	<u>381,575</u>	<u>295,356</u>

There were no subsidiary holdings, treasury shares or outstanding convertibles as at 31 December 2019 and 31 December 2018. However, on 21 January 2020, the Company granted 2,441,000 options to subscribe for 2,441,000 shares under the Aoxin Q & M Employee Share Option Scheme ("Aoxin ESOS"). Further information can be under the Section 10 – "Update on development of proposed acquisition of Jinzhou Aoxin Youxin Dental Clinic Co., Ltd." section of this announcement below.

1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	31 Dec 2019	31 Dec 2018
Total number of issued shares excluding treasury shares	<u>381,574,909</u>	<u>381,574,909</u>

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company does not have any treasury shares.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company does not have any subsidiary holdings.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been reviewed or audited by the Company's auditor.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as set out in Paragraph 5 of this announcement, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those used in the audited annual financial statements for the financial year ended 31 December 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

a) SFRS(I) 16: Leases

The Singapore Financial Reporting Standards (International) ("**SFRS(I)**") 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use ("**ROU**") asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the ROU asset. Lease liabilities are included as part of net debt and are taken in consideration when deriving the net debt equity ratio.

The Group applied SFRS(I) 16 on 1 January 2019, using the modified retrospective approach. The cumulative effect of adopting SFRS(I) 16 is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. In compliance with SFRS(I) 16, the Group applied the practical expedient to grandfather the definition of a lease on transition. SFRS(I) 16 will be applied to lease contracts entered before 1 January 2019 and are identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

The ROU assets as at 31 December 2019 were mainly related to leases of the premises occupied by the Group in the various hospitals, clinics and business units. Accordingly, the ROU assets as at 31 December 2019 were RMB44.4 million. The lease liabilities arising from the ROU assets amounted to RMB44.1 million as at 31 December 2019 and the depreciation of ROU assets amounted to RMB6.9 million for FY2019.

Other than the adoption of SFRS(I) 16, as disclosed above, the adoption of these new/revised SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.



- b) Certain reclassifications were made to the prior year's financial statements to enhance comparability with the current year's financial statements. The reclassifications included the following:

(i) Consolidated Statement of Cash Flows for the financial year ended 31 December 2018 ("FY2018")

	<u>After reclassification</u> RMB'000	<u>Before reclassification</u> RMB'000	<u>Difference</u> RMB'000
OPERATING ACTIVITIES			
Unrealised foreign exchange gains	(162)	1,556	(1,718)
Net decrease in cash and cash equivalents			
Effect of foreign exchange rate changes on cash and cash equivalents	1,718	-	1,718

The restatement arose as the unrealised foreign exchange gain adjusted from the operating activities in the Statement of Cash Flow for the financial year ended 31 December 2018 included the effect of foreign exchange rate changes on cash and cash equivalents which has now been reclassified.

(ii) Segment result for the financial year ended 31 December 2018

	<u>After reclassification</u> RMB'000	<u>Before reclassification</u> RMB'000	<u>Difference</u> RMB'000
Segment Result			
Primary healthcare	(155)	(1,995)	1,840
Distribution of dental equipment and supplies	3	1,277	(1,274)
Laboratory services	551	1,117	(566)

The restatement arose as the segment results for the financial year ended 31 December 2018 were stated before the elimination of intercompany transactions which has now been corrected.

6. **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per ordinary share (RMB cents)	Group	
	FY2019	FY2018
Basic/Fully diluted earnings per share	(3.54)	(0.12)
Weighted average number of shares	381,574,909	380,053,312

The earnings per share have been computed by dividing the loss after tax attributable to equity holders of the Company against the weighted average number of shares for the respective financial periods. The basic and diluted earnings per share for all respective financial periods are the same as there were no outstanding convertibles or other dilutive equity instruments.

The effect of the consideration shares as potential ordinary shares upon issuance is anti-dilutive.



7. Let asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

- a) current financial period reported on; and
b) immediately preceding financial year.

	Group		Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Net asset value per ordinary share (RMB cents)	61.4	64.5	81.8	80.9

The net asset value per ordinary share of the Group and the Company have been calculated based on the total issued number of ordinary shares of 381,574,909 as at 31 December 2019 and 31 December 2018 respectively.

The net asset value per ordinary share as at 31 December 2019 was derived without taking into account the consideration shares to be issued for a business combination during the financial year.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:

- a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Statement of Comprehensive Income

Revenue

The Group's total revenue increased by 18% from RMB119.1 million for the year ended 31 December 2018 ("FY2018") to RMB141.1 million for the year ended 31 December 2019 ("FY2019").

Revenue from the primary healthcare segment increased by 9% to RMB81.7 million in FY2019 from RMB75.1 million in FY2018. This was mainly due to an increase in revenue generated from the new hospitals and clinics of RMB11.0 million, which was partially offset by the overall decrease in revenue of RMB2.6 million from existing hospitals and clinics, and lower management fee of RMB1.9 million received from Shenhe District Sixth Hospital ("6th Hospital") and Shenyang Huanggu Aoxin Dental Clinic Co., Ltd. ("Huanggu Clinic").

As at 31 December 2019, the Group has a total of 17 dental centres, comprising 6 dental hospitals and 11 polyclinics as compared to 11 dental centres, comprising 5 dental hospitals and 6 polyclinics as at 31 December 2018.

Revenue from the distribution of dental equipment and supplies segment increased by 44% to RMB46.5 million in FY2019 from RMB32.3 million in FY2018 mainly due to higher revenue from sales of both materials and dental equipment to distributors.

Revenue from the provision of laboratory services increased by 11% to RMB13.0 million in FY2019 from RMB11.7 million in FY2018 mainly due to higher revenue from government hospitals.



Expenses

Cost of consumables and dental supplies

Consumables and dental supplies used increased by 4% to RMB11.7 million from RMB11.3 million in FY2018. The increase was in line with the increase in revenue from the consumables and dental supplies segment.

As a percentage of revenue from the primary healthcare segment, cost of consumables and dental supplies used decreased to 14.4% in FY2019 as compared to 15.1% in FY2018.

Cost of dental equipment and supplies

Cost of sales from dental equipment and supplies increased by 48% to RMB38.6 million from RMB26.1 million in FY2018. The increase was in line with the increase in revenue from the distribution of dental equipment and supplies segment.

As a percentage of revenue from the distribution of dental equipment and supplies segment, cost of dental equipment and supplies increased to 83.1% in FY2019 as compared to 80.7% in FY2018. The decrease in gross profit from the distribution of dental equipment and supplies segment was due to increased sales to distributors, which has a lower margin, as compared to sales to government or private sectors.

Cost of laboratory services

Cost of laboratory services increased by 16% to RMB3.2 million from RMB2.7 million in FY2018. The increase was in line with the increase in revenue from laboratory services.

As a percentage of revenue from the laboratory services segment, cost of laboratory services was 24.4% in FY2019 as compared to 23.4% in FY2018.

Employee benefits expense

Employee benefits expense increased by 28% to RMB59.9 million in FY2019 from RMB46.8 million in FY2018. These were mainly due to:

- (i) Increase in headcount, salary increment and bonus for the distribution of dental equipment and supplies segment amounting to RMB1.3 million; and
- (ii) Increase in headcount and salary cost for the primary healthcare segment mainly due to:
 - (a) Increase in headcount and salary costs for Panjin Aoxin Quanmin Stomatology Hospital Co., Ltd (“**PJ Hospital**”) and Shenyang Shenhe Aoxin Stomatology Polyclinic Co., Ltd. which were set up in FY2018 amounting to RMB2.3 million; and
 - (b) Increase in headcount and salary costs for Dalian Aoxin Quanmin Stomatology Hospital Co., Ltd. (“**DLAX**”), Huludao Longgang District Aoxin Stomatology Polyclinic Co., Ltd. (“**HLG**”) and Anshan Lishan District Aoxin Q & M Stomatology Polyclinic Co., Ltd. (“**Anshan**”) which were set up in FY2019 amounting to RMB3.3 million; and
 - (c) Increase in headcount and salary costs for newly acquired Huanggu Clinic, Shenyang Aoxin Jinfeng Dental Clinic Co., Ltd. (“**Jinfeng**”) and Jinzhou Aoxin Youxin Dental Clinic Co., Ltd. (“**JZYX**”) in FY2019 amounting to RMB3.9 million.

As a percentage of revenue, employee benefits expense in FY2019 increased to 42.4% as compared to 39.3% in FY2018.



Depreciation and amortisation expense

Comparing FY2019 with FY2018, depreciation and amortisation expense increased by 32% to RMB10.8 million in FY2019 from RMB8.2 million in FY2018. The increase of RMB2.6 million was mainly due to the increase in depreciation for dental equipment and renovation as a result of more hospitals and clinics.

Depreciation of Right-of-Use (“ROU”) Assets

Depreciation of ROU assets for FY2019 was RMB6.9 million due to the adoption of the new SFRS(I) 16 Leases in FY2019.

Rental expense

Comparing FY2019 with FY2018, rental expense from short term leases decreased by 85% to RMB1.1 million in FY2019 from RMB7.3 million in FY2018. The decrease was mainly due to the adoption of the new SFRS(I) 16 Leases in FY2019, which resulted in a corresponding decrease in rental expense.

As a percentage of revenue, total expenses on depreciation of ROU assets and rental expenses decreased to 5.7% in FY2019 from 6.2% in FY2018.

Finance costs

The finance costs of RMB3.2 million for FY2019, was mainly due to the adoption of the new SFRS(I) 16 Leases, which resulted in a corresponding increase in finance cost in respect of lease liabilities in FY2019.

Other expenses

Comparing FY2019 with FY2018, other expenses remained relatively stable with RMB15.6 million in FY2019 as compared to RMB15.7 million in FY2018. The slight decrease in other expenses were due to a decrease in other expenses of RMB1.7 million incurred by existing clinics as a result of cost cutting measures, which were offset by (i) increase in expenses incurred for the setting up of new hospitals and clinics of RMB 1.1 million and (ii) increase in other expenses incurred for the distribution of dental equipment and supplies segment by RMB0.5 million, due to higher entertainment and marketing expenses for that segment.

As a percentage of revenue, other expenses in FY2019 decreased to 11.1% as compared to 13.2% in FY2018.

Other losses

Comparing FY2019 with FY2018, other losses increased to RMB1.6 million in FY2019 from RMB0.7 million in FY2018. The increase was mainly due to an expected credit loss allowance on trade receivables of RMB0.9 million.

As a percentage of revenue, other losses in FY2019 increased to 1.1% as compared to 0.6% in FY2018.

Loss After Tax

For the reasons given above, the Group’s loss for the year increased to RMB13.5 million in FY2019 as compared to the loss after tax of RMB0.5 million for FY2018.

Had the front-loaded total lease expenses impact of RMB1.9 million on adoption of SFRS(I) 16 Leases in FY2019, and the provision of expected credit loss allowance on trade receivables of RMB0.9 million been excluded, the Group’s loss after tax in FY2019 would have been RMB10.7 million as compared to the loss after tax of RMB0.5 million for FY2018.



Statement of Financial Position

The comparative commentary for both the assets and liabilities are based on the Group's financial statements as at 31 December 2019 and 31 December 2018.

Non-Current Assets

Property, plant and equipment increased by RMB6.6million from RMB62.4 million as at 31 December 2018 to RMB69.0 million as at 31 December 2019 mainly due to the purchase of plant and equipment and renovation for newly acquired clinics JZYX, Huanggu Clinic, Jinfeng and newly set up hospital DLAX and clinics Anshan and HLG during FY2019, which was offset by depreciation of plant and equipment.

Right-of-use assets amounted to RMB44.4 million as at 31 December 2019 and due to the adoption of SFRS(I) 16 Leases with effect from 1 January 2019.

Intangible assets increased by RMB16.8 million from RMB115.4 million as at 31 December 2018 to RMB132.2 million as at 31 December 2019 mainly due to the goodwill on acquisition of JZYX and Jinfeng.

Other assets remain relatively stable at RMB0.35 million as at 31 December 2019 as compared to RMB0.40 million as at 31 December 2018.

Deferred tax assets amounting to RMB14,000 as at 31 December 2019 arose from the expected credit loss allowance on trade receivables.

Current Assets

Inventories increased by RMB1.2 million from RMB9.6 million as at 31 December 2018 to RMB10.8 million as at 31 December 2019 mainly to cater to higher sales demand from customers from the dental supplies and equipment segment and the primary healthcare segment.

Trade and other receivables increased by RMB2.0 million from RMB19.6 million as at 31 December 2018 to RMB21.6 million as at 31 December 2019 mainly due to an increase of RMB4.3 million in trade receivables from the government sector which have longer credit terms, and offset by RMB0.9 million of provision for expected credit loss allowance on trade receivables and a RMB1.2 million decrease in other receivables from Shenyang Aoxin Q & M Stomatology Hospital Co., Ltd. ("Shenyang Aoxin") due to reduction in management fee income.

Other assets decreased by RMB4.4 million from RMB6.0 million as at 31 December 2018 to RMB1.6 million as at 31 December 2019 mainly due the reclassification of prepayment for lease rental of RMB2.8 million to ROU assets as a result of adoption of SFRS(I) 16 Leases in FY2019; and a reduction in prepayment of RMB1.6 million, as a result of lower amount prepaid to contractors and lessors in 2019.

Cash and cash equivalents decreased by RMB23.3 million from RMB50.3 million as at 31 December 2018 to RMB27.0 million as at 31 December 2019 mainly due to cash flow used in investing activities for the purchase of plant and equipment and renovations for the new hospitals and clinics as well as payment used in acquisition of subsidiaries.

Non-Current Liabilities

Lease liabilities arising from ROU assets amounted to RMB37.6 million as at 31 December 2019 as a result of the adoption of SFRS(I) 16 Leases with effect from 1 January 2019.



Current Liabilities

Trade and other payables increased by RMB7.3 million from RMB17.3 million as at 31 December 2018 to RMB24.6 million as at 31 December 2019. The increase was mainly in relation to the balance consideration owing to vendor of newly acquired subsidiaries of RMB7.9 million.

Other financial liabilities increased by RMB3.4 million from RMB0.9 million as at 31 December 2018 to RMB4.3 million as at 31 December 2019 mainly due to increased bill payables for the dental equipment and supplies segment in Shenyang Maotai Q & M Medical Equipment Co., Ltd.

Lease liabilities arising from ROU assets amount to RMB6.5 million as at 31 December 2019 as a result of the adoption of the new SFRS(I)16 Leases. The lease liabilities relate to the present value of future lease payment for rental of hospitals and clinics premises.

Statement of Cash Flows

The Group's net cash flow generated from operating activities in FY2019 was RMB11.2 million. This was mainly due to positive operating cash flow before changes in working capital of RMB12.0 million, decrease in other assets and increase in trade and other payables, partially offset by increases in inventories, and trade and other receivables.

Net cash used in investing activities in FY2019 was RMB30.9 million, which was mainly attributable to purchases of plant and equipment, renovation cost for the opening of new hospitals, clinics and acquired clinics and the payment for the acquisition of subsidiaries.

Net cash used in financing activities in FY2019 was RMB4.4 million, which was attributable to repayment of lease liabilities arising from ROU assets and interest paid, offset by proceeds from bill payables.

Consequent to the above, the Group's cash and cash equivalents were RMB27.0 million as at 31 December 2019.

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

The FY2019 results were broadly in line with the general prospect commentary of the Group that its performance for FY2019 will be impacted by gestation losses incurred for the new hospitals and clinics as disclosed in the unaudited 1Q2019 financial results of the Group released on 14 May 2019.

10. 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 reporting period and the next 12 months.

Industry Prospects

The Group expects its performance for the financial year ending 31 December 2020 to be impacted by the COVID-19 and gestation losses incurred for the new hospitals and clinics.



Recent Developments

- Update on proposed acquisition of properties as interested person transaction

On 30 December 2019, the Group announced the Company will not be proceeding with the Proposed Acquisitions of the Danan Property and Xita Property ("**Proposed Acquisitions**") from the vendor, Mdm Shao Li Hua ("**Vendor**"), who is the sister of Dr. Shao Yongxin, the Executive Director and Group Chief Executive Officer, as approved by the shareholders in the extraordinary general meeting of the Company convened on 9 January 2019, for the time being. Such approval obtained from the shareholders of the Company will accordingly lapse.

The Group had entered into separate supplemental agreements to the Framework Agreements with the Vendor (the "**Supplemental Agreements**"). Pursuant to the Supplemental Agreements, the parties agreed to defer the completion of the Proposed Acquisitions to such future date as the parties may agree in writing, subject to a longstop date of 31 December 2021.

The decision to delay the Proposed Acquisitions was taken by the Board in order to conserve cash for the core activities of the Group. The Supplemental Agreements will allow the flexibility to the Group to revive the Proposed Acquisitions at the opportune time taking into consideration, amongst others, cash flow availability and market conditions.

- Update on development of proposed acquisition of Jinzhou Aoxin Youxin Dental Clinic Co., Ltd.

On 21 January 2020, the Group announced the amendments to the Master Agreement and clarification of the proposed acquisition of JZYX ("**Proposed JZYX Acquisition**"). The amendment includes, *inter alia*, the vendor not being required to subscribe for the subscription shares in connection with the Proposed JZYX Acquisition. In order to align the interest of the vendor with that of the Group, the Board has also granted to the vendor, who is an employee of the Group, options to subscribe for 2,441,000 shares on 20 January 2020 pursuant to the Aoxin ESOS.

- Update of acquisition of Shenyang Aoxin Jinfeng Dental Clinic Co., Ltd ("**Jinfeng**")

On 28 February 2019 and 19 March 2019, the Group had announced the proposed acquisition of 100% equity interest in Shenyang Aoxin Jinfeng Clinic Co., Ltd. (the "**Acquisition**") ("**Jinfeng Announcements**").

As part of the total purchase consideration of RMB 10,266,000 for the Acquisition, the Company was to issue RMB 2,606,000 in aggregate value of ordinary shares in the capital of the Company to the vendors as consideration shares ("**Consideration Shares**") on/or before completion. However, due to the regulatory restrictions on residents of PRC on overseas investment, no Consideration Shares have been issued to them as of the date of this announcement. Notwithstanding that the Consideration Shares have not been issued to the Vendors, the acquisition of Jinfeng had been completed upon the completion of the onshore share transfer of Jinfeng as at 14 March 2019. Accordingly, the results of Jinfeng have been consolidated with those of the Group as of and for the year ended 31 December 2019. In accordance with SFRS(I) 3 Business Combinations, the fair value of the Consideration Shares has been valued at RMB 1.682 million by the Company's independent valuer at the date of acquisition and has been included as a liability in the statements of financial position of the Company and the Group under Other Payables as at 31 December 2019 pending the actual issuance of the Consideration Shares to the vendors. The Group is currently negotiating with the Vendors to find an alternative solution. The Group will make further announcement as appropriate when there are material developments to the Acquisition.



- Update for new SGX risk-based approach towards quarterly reporting

Under the new SGX risk-based approach towards quarterly reporting which took effect on 7 February 2020, the Group will no longer be required to do quarterly reporting, and taking into consideration, inter alia, the management time, administrative efforts and costs required in connection with quarterly reporting, will cease quarterly reporting and adopt half yearly reporting with effect from the financial year ending 31 December 2020.

Coronavirus Outbreak in China

- Updates on the Group's operations in relation to COVID-19

On 10 February 2020, the Group announced that in accordance with the latest directives from the Chinese government and local dental health authorities in various cities of the Liaoning Province, dental treatments were temporarily suspended until further notice, for all the Group's dental hospitals and dental polyclinics in the Liaoning Province.

Subsequently on 2 March 2020, the Group announced we had received the approval from the relevant dental health authorities to resume our dental treatment services in the 4 dental hospitals and 4 dental polyclinics, having met the required standard operating procedures and reopening criteria governed by the relevant dental health authority.

Further to which, the Group on 26 March 2020 announced that all remaining dental hospitals and dental polyclinics had since resumed its operations, having similarly fulfilled the required standard operating procedures and reopening criteria. Accordingly, all 17 of the Group's dental centres, manufacturing distribution and dental laboratory business have resumed operations.

The suspension of the Group's dental hospitals and polyclinics dental treatments is expected to have an impact to our financial results for the financial year ending 31 December 2020 ("FY2020"). The Board will keep our Shareholders updated on any further material impact of COVID-19 on the Group's business activities.

Future Plans

Currently the Group has 17 dental centres, comprising 6 dental hospitals and 11 polyclinics. The dental centres are located in 8 different cities in Liaoning Province, Northern PRC, namely, Shenyang, Huludao, Panjin, Gaizhou, Zhuanghe, Jinzhou, Dalian and Anshan. The Group's dental equipment and supplies distribution network covers the Liaoning, Heilongjiang and Jilin Provinces in the Northern PRC.

The Group continues to execute the business plans outlined below.

- Strengthen Group's Dental Business

The Group will continue to focus our efforts on improving the revenue of the hospitals and clinics, reduce gestation losses, maximise the cost efficiency of the hospitals and clinics and increase dental chairs utilisation. The Group will remain focused on recruitment and training of undergraduate dentists, nurses and laboratory technicians to support the Group's long-term growth plan.



- Consolidate the Group's dental and equipment supplies segment in the three provinces (Liaoning, Heilongjiang and Jilin)

The Group will continue to:

- collaborate with existing vendors to introduce products and reach out to new clients beyond the three provinces; and
- source for reputable vendors to increase the range of high-end products available to customers.

11. Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding period of the immediately preceding financial year

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

None.

(c) The date the dividend is payable.

Not applicable.

(d) Record date

Not applicable.

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

No dividend has been declared or recommended for FY2019 as the Group will conserve cash for working capital needs.

13. If the Group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii) of the Catalist Rules. If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Catalist Rules.



PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.

The Group has three reportable segments as described below:

- the provision of private dental services, which includes, amongst others, the practice of stomatology and general dentistry, endodontics, orthodontics, periodontics, prosthodontics, dental implantology, oral and maxillofacial surgery, aesthetic dentistry and paedodontics, as well as the management of dental centres for and on behalf of other owners;
- the distribution of dental equipment and supplies, which includes, amongst others, the distribution of equipment and supplies used in the provision of dental services; and
- the laboratory services, which includes, amongst others, the manufacturing of porcelain crown, bridges and dentures.

In RMB'000	FY2019	FY2018 (Restated [#])
Segment Revenue		
Primary healthcare	81,656	75,125
Distribution of dental equipment and supplies	46,474	32,321
Laboratory services	12,979	11,668
Total	<u>141,109</u>	<u>119,114</u>
Segment Result		
Primary healthcare	(11,063)	(155)
Distribution of dental equipment and supplies	(1,063)	3
Laboratory services	788	551
(Loss)/profit before tax	<u>(11,338)</u>	<u>399</u>
Income tax expense	(2,176)	(852)
Loss for the year	<u>(13,514)</u>	<u>(453)</u>
Segment Asset		
Primary healthcare	270,221	231,141
Distribution of dental equipment and supplies	24,440	21,951
Laboratory services	13,943	12,682
Total	<u>308,604</u>	<u>265,774</u>
Segment Liabilities		
Primary healthcare	63,460	13,085
Distribution of dental equipment and supplies	9,923	5,072
Laboratory services	1,040	1,600
Total	<u>74,423</u>	<u>19,757</u>
Capital Expenditure		
Primary healthcare	9,328	30,258
Distribution of dental equipment and supplies	5,777	42
Laboratory services	430	3,589
Total	<u>15,535</u>	<u>33,889</u>

[#] Please refer to explanation in note 5 of this announcement.



Aoxin Q & M Dental Group Limited
(Incorporated in the Republic of Singapore)
(Company Registration No: 201110784M)

In RMB'000	FY2019	FY2018
Depreciation		
Primary healthcare	8,287	6,434
Distribution of dental equipment and supplies	412	64
Laboratory services	1,289	829
Total	<u>9,988</u>	<u>7,327</u>
Amortisation		
Primary healthcare	358	360
Distribution of dental equipment and supplies	42	42
Laboratory services	414	483
Total	<u>814</u>	<u>885</u>

15. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business segments.**

Performance by business segment

The increase in revenue for primary healthcare segment in FY2019 was mainly due to organic growth through the incorporation of new hospital and clinics.

Distribution of dental equipment and supplies continued to benefit from new supply contracts from hospitals.

Laboratory services continued to benefit from supplies to hospitals.

16. **A breakdown of sales**

In RMB'000	FY2019	FY2018	Change %
Revenue reported for first half year	64,880	59,694	9
Operating (loss)/profit after tax reported for first half year	(5,950)	3,399	NM
Revenue reported for second half year	76,229	59,420	28
Operating loss after tax reported for second half year	(7,564)	(3,852)	96

NM: Not meaningful

17. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

18. **Confirmation that the issuer has procured undertakings 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 undertakings from all its directors and executive officers under Rule 720(1) of the Catalist Rules.



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

The Board of Directors of the Company confirms, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements for the year ended 31 December 2019 to be false or misleading in any material aspect.

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) of the Catalist Rules in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director, chief executive officer and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Shao LiHua	68	Sister of Dr Shao YongXin, Group Chief Executive Officer of Aoxin Q & M Dental Group Limited.	Deputy Admin Manager (2014)	None
San Yi Leong	43	Brother-in-law of Dr Ng Chin Siau, a substantial shareholder.	Deputy Group Chief Executive Officer (2019)	None

BY ORDER OF THE BOARD

Dr. Shao Yongxin
Group Chief Executive Officer
31 March 2020

This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (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.

The contact person for the Sponsor is Mr Ong Hwee Li (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.