



## Aoxin Q & M Dental Group Limited

### Condensed Interim Financial Statements For the Six Months Ended 30 June 2021

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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.

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## Performance Summary

### Key Financial Highlights

	1H2021	1H2020	Change
	RMB'000	RMB'000	%
Revenue	82,270	48,896	68.3%
EBITDA <sup>1</sup>	4,156	(181)	N.M
Loss, net of tax	(6,090)	(10,454)	-41.7%

#### Revenue

The Group reported revenue of RMB82.3 million in the six months ended 30 June (“1H”) 2021, an increase of RMB33.4 million or 68% year on year. The increase was mainly due to strong recovery from distribution segment and higher revenue from all the existing dental hospitals and polyclinics. Revenue in 1H2020 was badly affected by the COVID-19 pandemic where all of our 16 dental centres were suspended from providing non-essential dental services in February and March 2020.

#### EBITDA<sup>1</sup>

The Group’s EBITDA improved from a loss of RMB0.2 million in 1H2020 to earnings of RMB4.2 million in 1H2021. The improvement in EBITDA was mainly attributable to higher revenue growth rate and improved performance from key dental hospitals and polyclinics.

#### Loss, net of tax

As a result of the foregoing, the Group recorded a lower net loss of RM6.1 million in 1H2021 as compared to net loss of RMB10.5 million in 1H2020.

<sup>1</sup> EBITDA: Earnings/ (Loss) Before Interest Expense, Tax, Depreciation and Amortisation



# Aoxin Q & M Dental Group Limited



## Condensed Interim Statements of Financial Position For the Six Months Ended 30 June 2021

	Notes	<u>Group</u>		<u>Company</u>	
		30 Jun <u>2021</u> RMB'000	31 Dec <u>2020</u> RMB'000	30 Jun <u>2021</u> RMB'000	31 Dec <u>2020</u> RMB'000
<b>ASSETS</b>					
<b><u>Non-current assets</u></b>					
Property, plant and equipment		50,930	51,696	20	24
Right-of-use assets		41,215	43,780	1,054	1,183
Goodwill	9	125,219	125,219	–	–
Intangible assets		4,907	5,318	230	258
Investments in subsidiaries		–	–	278,702	286,728
Other receivables, non-current		–	–	7,679	7,901
Other non-financial assets, non-current		233	249	208	242
Deferred tax assets		–	14	–	–
<b>Total non-current assets</b>		<u>222,504</u>	<u>226,276</u>	<u>287,893</u>	<u>296,336</u>
<b><u>Current assets</u></b>					
Inventories		10,740	10,754	–	–
Income tax recoverable		27	18	–	–
Trade and other receivables, current		37,847	27,595	3,640	5,083
Other non-financial assets, current		1,506	2,012	237	153
Cash and cash equivalents		29,895	37,912	15,688	16,071
<b>Total current assets</b>		<u>80,015</u>	<u>78,291</u>	<u>19,565</u>	<u>21,307</u>
<b>Total assets</b>		<u>302,519</u>	<u>304,567</u>	<u>307,458</u>	<u>317,643</u>
<b>EQUITY AND LIABILITIES</b>					
<b><u>Equity</u></b>					
Share capital	10	295,356	295,356	295,356	295,356
Accumulated losses		(22,925)	(16,832)	(12,876)	(11,819)
Other reserves (adverse balance)		(54,786)	(55,181)	5,232	12,887
<b>Equity attributable to owners of the Company</b>		<u>217,645</u>	<u>223,343</u>	<u>287,712</u>	<u>296,424</u>
Non-controlling interest		2	2	–	–
<b>Total equity</b>		<u>217,647</u>	<u>223,345</u>	<u>287,712</u>	<u>296,424</u>
<b><u>Non-current liabilities</u></b>					
Deferred tax liabilities		1,027	1,129	–	–
Lease liabilities, non-current		30,966	32,521	949	1,056
Other financial liabilities, non-current	11	12,670	13,035	12,670	13,035
<b>Total non-current liabilities</b>		<u>44,663</u>	<u>46,685</u>	<u>13,619</u>	<u>14,091</u>
<b><u>Current liabilities</u></b>					
Income tax payable		84	530	–	–
Trade and other payables		23,061	22,690	4,199	5,138
Lease liabilities, current		7,905	6,695	199	211
Other financial liabilities, current	11	9,159	4,622	1,729	1,779
<b>Total current liabilities</b>		<u>40,209</u>	<u>34,537</u>	<u>6,127</u>	<u>7,128</u>
<b>Total liabilities</b>		<u>84,872</u>	<u>81,222</u>	<u>19,746</u>	<u>21,219</u>
<b>Total equity and liabilities</b>		<u>302,519</u>	<u>304,567</u>	<u>307,458</u>	<u>317,643</u>

## Aoxin Q & M Dental Group Limited

### Condensed Interim Statements of Changes in Equity For the Six Months Ended 30 June 2021

<b>Group</b>	<b>Total equity</b> RMB'000	<b>Attributable to owners of the Company</b> RMB'000	<b>Share capital</b> RMB'000	<b>Accumulated losses</b> RMB'000	<b>Other reserve</b> RMB'000	<b>Statutory reserve</b> RMB'000	<b>Share-based payment reserve</b> RMB'000	<b>Foreign currency translation reserve</b> RMB'000	<b>Non-controlling interest</b> RMB'000
<b>Current year</b>									
Opening balance at 1 January 2021	223,345	223,343	295,356	(16,832)	(71,920)	7,932	5,095	3,712	2
Total comprehensive loss for the period	(6,334)	(6,334)	–	(6,090)	–	–	–	(244)	–
Transfer to statutory reserve	–	–	–	(3)	–	3	–	–	–
Share-based payments	636	636	–	–	–	–	636	–	–
Closing balance at 30 June 2021	<u>217,647</u>	<u>217,645</u>	<u>295,356</u>	<u>(22,925)</u>	<u>(71,920)</u>	<u>7,935</u>	<u>5,731</u>	<u>3,468</u>	<u>2</u>
<b>Previous year</b>									
Opening balance at 1 January 2020	234,181	234,178	295,356	(4,205)	(71,905)	7,406	3,329	4,197	3
Total comprehensive loss for the period	(10,678)	(10,677)	–	(10,453)	–	–	–	(224)	(1)
Transfer to statutory reserve	–	–	–	9	–	(9)	–	–	–
Share-based payments	657	657	–	–	–	–	657	–	–
Written-off capital reserve	(15)	(15)	–	–	(15)	–	–	–	–
Closing balance at 30 June 2020	<u>224,145</u>	<u>224,143</u>	<u>295,356</u>	<u>(14,649)</u>	<u>(71,920)</u>	<u>7,397</u>	<u>3,986</u>	<u>3,973</u>	<u>2</u>

**Condensed Interim Statements of Changes in Equity (cont'd)**  
**For the Six Months Ended 30 June 2021**

<b>Company</b>	Total equity RMB'000	Share capital RMB'000	Accumulated losses RMB'000	Share-based payment reserve RMB'000	Foreign currency translation reserve RMB'000
<b>Current year</b>					
Opening balance at 1 January 2021	296,424	295,356	(11,819)	5,095	7,792
Total comprehensive loss for the period	(9,348)	–	(1,057)	–	(8,291)
Share-based payments	636	–	–	636	–
Closing balance at 30 June 2021	<u>287,712</u>	<u>295,356</u>	<u>(12,876)</u>	<u>5,731</u>	<u>(499)</u>
<b>Previous year</b>					
Opening balance at 1 January 2020	312,294	295,356	(8,519)	3,329	22,128
Total comprehensive loss for the period	(6,768)	–	(317)	–	(6,451)
Share-based payments	657	–	–	657	–
Closing balance at 30 June 2020	<u>306,183</u>	<u>295,356</u>	<u>(8,836)</u>	<u>3,986</u>	<u>15,677</u>

**Condensed Interim Consolidated Statement of Cash Flows  
For the Six Months Ended 30 June 2021**

	6 months ended 30 June	
	<u>2021</u>	<u>2020</u>
	RMB'000	RMB'000
<b><u>Cash flows (used in)/ from operating activities</u></b>		
Loss before income tax	(6,167)	(10,801)
Bad debts written-off	48	-
Depreciation of plant and equipment	4,720	5,033
Amortisation of intangible assets	451	407
Depreciation of right-of-use assets	3,527	3,600
Plant and equipment written-off	3	532
Unrealised foreign exchange gains	(204)	(140)
Interest expense	1,625	1,580
Share-based payments	636	657
Operating cash flows before changes in working capital	<u>4,639</u>	<u>868</u>
Inventories	179	(545)
Trade and other receivables	(10,324)	474
Other non-financial assets	424	(436)
Trade and other payables	222	(2,173)
Net cash flows used in operations	<u>(4,860)</u>	<u>(1,812)</u>
Income taxes (paid)/ refunded	(479)	1,995
Net cash flows (used in)/ from operating activities	<u>(5,339)</u>	<u>183</u>
<b><u>Cash flows used in investing activities</u></b>		
Acquisition of plant and equipment	(4,122)	(966)
Acquisition of intangible assets - software	(47)	-
Decrease/ (increase) in staff loans	4	(20)
Net cash flows used in investing activities	<u>(4,165)</u>	<u>(986)</u>
<b><u>Cash flows from financing activities</u></b>		
Proceeds from bank loans and bill payable	8,957	16,761
Repayments of bank loans and bill payable	(4,370)	(4,288)
Interest expense paid	(287)	(265)
Payment of principal portion of lease liabilities	(1,150)	(2,018)
Payment of interest portion of lease liabilities	(1,189)	(1,345)
Net cash flows from financing activities	<u>1,961</u>	<u>8,845</u>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(7,543)</b>	<b>8,042</b>
Cash and cash equivalents, beginning balance	37,912	26,956
Effect of foreign exchange rate changes on cash and cash equivalents	(474)	(78)
<b>Cash and cash equivalents, ending balance</b>	<b><u>29,895</u></b>	<b><u>34,920</u></b>



## Notes to the Condensed Interim Consolidated Financial Statements For the Six Months Ended 30 June 2021

### 1. General

Aoxin Q & M Dental Group Limited (the “**Company**”) is incorporated in Singapore with limited liability. It is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited.

The financial statements are presented in Chinese Renminbi (“**RMB**”) and they cover the Company and its subsidiaries (collectively, the “**Group**”). All balances in the financial statements are rounded to the nearest thousand except when otherwise indicated.

The board of directors approved and authorised these condensed interim financial statements for issue on the date of this announcement. The directors have the power to amend and reissue the financial statements.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 2 on financial information by operating segments.

The financial information contained in these financial statements has neither been audited nor reviewed by the auditors.

The latest audited annual financial statements for the reporting year ended 31 December 2020 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

#### **COVID-19 related disclosures**

The COVID-19 pandemic and its aftermath have caused, and will continue to cause, disruptions resulting in uncertainties surrounding the Group’s business, including affecting its relationships with its existing and future patients, customers, suppliers and employees, and which had and will continue to have an adverse effect on its financial position, financial performance of operations, cash flows and medium and long-term prospects for the foreseeable future. The Group incurred a loss, net of tax of RMB6,090,000 for the six months ended 30 June 2021. The net cash flow used in operating activities were RMB5,339,000. The prolonged disruptions arising from COVID-19 may materially affect the Group’s ability to generate sufficient cash flows from its operations. However, management reached a conclusion that the going concern basis of accounting is appropriate due to the following mitigating actions which include: monitor the COVID-19 situation closely, maintain communications with the relevant authorities and implement additional short-term precautionary measures, if required; controls on procurement and discretionary spend; rescheduling capital expenditures; focusing on maintaining cash flow and securing additional funding facilities. The management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

#### **Basis of preparation**

These condensed consolidated interim financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. They are also in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the provisions of the SGX Catalist Rules. The Company’s separate financial statements have been prepared on the same basis, and as permitted by SGX Catalist Rules, the Company’s separate statement of profit or loss and other comprehensive income and statement of cash flows are not presented.

The accounting policies and methods of computation applied in these condensed interim financial statements are consistent with those of the latest audited annual financial statements for the reporting year ended 31 December 2020. However, the typical notes and information included in the latest audited annual financial statements are not included in these interim financial statements except for the selected explanatory notes included to explain events and transactions that are significant to an understanding of the changes in the performance and financial position the Group since the latest audited annual financial statements.

## 1. General (cont'd)

### Critical judgements, assumptions and estimation uncertainties

These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates. The nature and the carrying amount of such significant assets and liabilities are disclosed with further details in the relevant Notes to these condensed consolidated interim financial statements.

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 latest audited annual financial statements as at and for the year ended 31 December 2020.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are as follows:

- Impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts
- Assessment of impairment of subsidiaries
- Assessment of impairment of property, plant and equipment and right-of-use assets

## 2. Financial information by operating segments

### 2A. Information about reportable segment profit or loss, assets and liabilities

The segments and the types of products and services are as follows:

- (i) Primary healthcare comprising dentistry services.
- (ii) Distribution of dental equipment and supplies, which includes, amongst others, the distribution of equipment and supplies used in the provision of dental services.
- (iii) Laboratory services comprising the manufacturing of porcelain crown, bridges and dentures.

## Aoxin Q & M Dental Group Limited



### 2B. Profit or loss for the six months ended 30 June from continuing operations and reconciliations

	Primary healthcare		Distribution of dental equipment and supplies		Laboratory services		Consolidated	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Revenue from external customers (Note 3)	44,599	31,124	30,219	12,742	7,452	5,030	82,270	48,896
Inter-segment revenue	2,848	3,531	4,949	1,819	1,255	542	9,052	5,892
<b>Total Revenue</b>	<b>47,447</b>	<b>34,655</b>	<b>35,168</b>	<b>14,561</b>	<b>8,707</b>	<b>5,572</b>	<b>91,322</b>	<b>54,788</b>
Segment results (EBITDA)	1,733	(771)	690	(467)	1,733	1,057	4,156	(181)
Finance costs							(1,625)	(1,580)
Depreciation of plant and equipment							(4,720)	(5,033)
Depreciation of right-of-use assets							(3,527)	(3,600)
Amortisation of intangible assets							(451)	(407)
Loss before income tax							(6,167)	(10,801)
Income tax expense							77	347
<b>Loss, net of tax</b>							<b>(6,090)</b>	<b>(10,454)</b>
<b>Expenditure for non-current assets</b>								
Property, plant and equipment	2,519	913	169	29	1,434	24	4,122	966
<b>Other material non-cash items</b>								
Depreciation of plant and equipment	4,181	4,449	9	8	530	575	4,720	5,033
Depreciation of right-of-use assets	3,316	3,337	66	131	145	132	3,527	3,600
Amortisation of intangible assets	223	179	21	21	207	207	451	407
Finance costs	1,361	1,515	233	65	31	–	1,625	1,580
Plant and equipment written-off	3	532	–	–	–	–	3	532
Share-based payments	636	657	–	–	–	–	636	657
<b>Segment assets</b>	<b>251,719</b>	<b>270,022</b>	<b>29,815</b>	<b>21,466</b>	<b>20,985</b>	<b>14,875</b>	<b>302,519</b>	<b>306,363</b>
<b>Segment liabilities</b>	<b>63,591</b>	<b>72,118</b>	<b>15,641</b>	<b>7,730</b>	<b>5,640</b>	<b>2,370</b>	<b>84,872</b>	<b>82,218</b>

### 3. Revenue

	6 months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<u>Revenue classified by nature type</u>		
Rendering of services	43,886	30,314
Sale of goods	30,219	12,742
Laboratory services	7,452	5,030
Leasing income	534	534
Management fee income from outside parties	179	151
Other income	–	125
Total revenue	<u>82,270</u>	<u>48,896</u>
<u>Revenue classified by timing of revenue recognition</u>		
Point in time	82,091	48,745
Over time	179	151
	<u>82,270</u>	<u>48,896</u>

### 4. Other income and gains and (other losses)

The following other income and gains and (other losses) were included in the statement comprehensive of income.

	6 months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Bad debts written-off	(48)	–
Compensation damages received	–	3
Compensation damages <sup>(a)</sup>	(2)	(439)
Foreign exchange adjustment gain, net	467	259
Government grant income	90	177
Rental discount	85	–
Other gains	5	7
Other losses	(19)	–
Penalty	(53)	–
Plant and equipment written-off	(3)	(532)
Net	<u>522</u>	<u>(525)</u>
Presented in profit or loss as:		
Other income and gains	647	446
Other losses	(125)	(971)
	<u>522</u>	<u>(525)</u>

<sup>(a)</sup> Compensation damages for 1H2020 is related to closure of business operation in Shenyang Aoxin Jinfeng Dental Clinic Co., Ltd.

**5. Finance costs**

	<u>6 months ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
	RMB'000	RMB'000
Interest on borrowings	436	235
Interest on lease liabilities	1,189	1,345
	<u>1,625</u>	<u>1,580</u>

**6. Income tax**

	<u>6 months ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
	RMB'000	RMB'000
<u>Current tax expense</u>		
Current tax expense	115	146
Over provision in respect of prior years	(35)	-
Subtotal	<u>80</u>	<u>146</u>
<u>Deferred tax income</u>		
Deferred tax income	<u>(101)</u>	<u>(101)</u>
<u>Withholding tax expense</u>		
Current withholding tax expense	248	230
Over provision in respect of prior years	(304)	(622)
Subtotal	<u>(56)</u>	<u>(392)</u>
Total income tax credit	<u>(77)</u>	<u>(347)</u>

**7. Loss per share**

	<u>6 month ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
	RMB cents	RMB cents
Basic/ Diluted loss per share <sup>(a)</sup>	<u>(1.60)</u>	<u>(2.74)</u>
Weighted average number of shares	<u>381,574,909</u>	<u>381,574,909</u>

The loss per share is computed by dividing the loss after tax attributable to owners of the Company against the weighted average number of shares for the respective reporting periods.

(a) The basic and diluted loss per share for all respective financial periods are the same as the share option and performance shares granted are anti-dilutive and there were no other outstanding convertibles or other dilutive equity instruments.

**8. Dividends on equity shares**

No dividend has been declared or recommended during the current reporting period and previous corresponding period as the Group is conserving cash for working capital needs.

## 9. Goodwill

There was no movement in the amount of goodwill. Since the beginning of the reporting period, there were no significant changes in the circumstances and key assumptions.

The cash flow forecasts have been used to perform impairment assessment of the Company's investments in subsidiaries goodwill and property, plant and equipment. No impairment loss was recognised.

## 10. Share capital

	Number of shares '000	Share Capital RMB'000
<b>Ordinary shares</b>		
Balance as at 31 December 2020 and 30 June 2021	<u>381,575</u>	<u>295,356</u>

There were no changes in the issued and paid-up share capital of the Company during 1H2021.

### Share options

As at 30 June 2021, the total number of share options outstanding was 2,441,000 (30 June 2020: 2,441,000).

### Share awards

As at 30 June 2021, the total number of share awards outstanding was 960,565 (30 June 2020: 960,565).

Save as disclosed, there were no subsidiary holdings, treasury shares or outstanding convertibles as at 30 June 2021 and 30 June 2020.

## 11. Other financial liabilities – borrowings and debt securities

<u>Group</u>	<u>Secured</u>		<u>Unsecured</u>	
	30 June 2021 RMB'000	31 December 2020 RMB'000	30 June 2021 RMB'000	31 December 2020 RMB'000
Repayable in one year or less, or on demand:				
Bank loan (unsecured)	–	–	1,729	1,779
Bill payable (secured)	<u>7,430</u>	<u>2,843</u>	<u>–</u>	<u>–</u>
Subtotal	<u>7,430</u>	<u>2,843</u>	<u>1,729</u>	<u>1,779</u>
Repayable after one year:				
Bank loan (unsecured)	–	–	12,670	13,035
Total	<u>7,430</u>	<u>2,843</u>	<u>14,399</u>	<u>14,814</u>

**11. Other financial liabilities – borrowings and debt securities (cont'd)**

<u>Company</u>	<u>Secured</u>		<u>Unsecured</u>	
	30 June <u>2021</u> RMB'000	31 December <u>2020</u> RMB'000	30 June <u>2021</u> RMB'000	31 December <u>2020</u> RMB'000
Repayable in one year or less, or on demand:				
Bank loan (unsecured)	–	–	1,729	1,779
Repayable after one year:				
Bank loan (unsecured)	–	–	12,670	13,035
Total	<u>–</u>	<u>–</u>	<u>14,399</u>	<u>14,814</u>

**11A. Bank loan (unsecured)**

The unsecured bank loan of RMB14,399,000 (2020: RMB14,814,000) is related to a 5-year temporary bridging loan (“TBL”) extended by a bank in Singapore. The TBL shall be repaid over 60 monthly instalments with fixed interest rate of 2.25% per annum.

**11B. Bills payables (secured)**

The bills payables bear floating interest rate ranges from 5.44% to 5.65% (2020: 5.38% to 5.44%) per annum. They are repayable within 6 months (2020: 6 month) and are covered by corporate guarantee from the Company and secured by pledge of certain trade receivables.

**12. Net assets value**

	<u>Group</u>		<u>Company</u>	
	30 June <u>2021</u> RMB cents	31 December <u>2020</u> RMB cents	30 June <u>2021</u> RMB cents	31 December <u>2020</u> RMB cents
Net assets value per ordinary share	<u>57.0</u>	<u>58.5</u>	<u>75.4</u>	<u>77.7</u>

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 30 June 2021 and 31 December 2020 respectively.

**13. Related party transactions**

During the reporting period, certain subsidiaries in the Group leased clinics, hospitals and offices from its directors, and certain subsidiaries in the Group leased software from a related party. The right-of-use assets as at 30 June 2021 are RMB6,918,000 (FY2020: RMB7,574,000). The lease are for 1 year to 11 years (FY2020: 1.4 years to 11 years).

#### 14. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting period/ year:

	<u>Group</u>		<u>Company</u>	
	30 June <u>2021</u> RMB'000	31 December <u>2020</u> RMB'000	30 June <u>2021</u> RMB'000	31 December <u>2020</u> RMB'000
<u>Financial assets:</u>				
Financial assets at amortised cost	<u>67,742</u>	<u>65,507</u>	<u>27,007</u>	<u>29,055</u>
<u>Financial liabilities:</u>				
Financial liabilities at amortised cost	77,669	74,411	16,850	18,339
Financial liabilities at fair value through profit or loss	<u>2,896</u>	<u>2,880</u>	<u>2,896</u>	<u>2,880</u>
At end of the period/ year	<u>80,565</u>	<u>77,291</u>	<u>19,746</u>	<u>21,219</u>

#### 15. Contingent liabilities and contingent assets

The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

	<u>Company</u>	
	30 June <u>2021</u> RMB'000	31 December <u>2020</u> RMB'000
Financial guarantee contracts – bank guarantee in favour of subsidiaries	<u>7,430</u>	<u>2,843</u>

Financial guarantee contracts – For issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period (being on demand) in which the guarantee could be called. At the end of the reporting period no claims on the financial guarantees are expected to be payable.

There are no contingent assets as at date of this set of interim financial statements.

#### 16. Capital commitments

As at 30 June 2021, estimated amounts committed for future capital expenditure but not recognised in the financial statements are as follows:

	<u>Group</u>	
	30 June <u>2021</u> RMB'000	31 December <u>2020</u> RMB'000
Commitments on renovation	188	–
Commitments to purchases of intangible asset - software	<u>93</u>	<u>464</u>



## **Aoxin Q & M Dental Group Limited**

### **17. Events after the end of the reporting period**

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

### **18. Changes and adoption of financial reporting standards**

The same accounting policies and methods of computation used in the latest audited annual financial statements have been applied.

**OTHER INFORMATION REQUIRED BY CATALIST RULE APPENDIX 7C**

1. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business**

**Statement of Comprehensive Income****Revenue**

The Group recorded revenue of RMB82.3 million for the six months ended 30 June 2021 ("1H2021") as compared to RMB48.9 million in the corresponding period in the preceding year ("1H2020"), an increase of RMB33.4 million or 68% year on year. The increase was mainly due to strong recovery from distribution segment and higher revenue from all the existing dental hospitals and polyclinics.

Revenue from primary healthcare segment increased by 44% from RMB31.1 million in 1H2020 to RMB44.6 million in 1H2021. Primary healthcare segment has proven to be resilient, despite the resurgence of COVID-19 virus in Dalian and Shenyang where six of our dental polyclinics and hospitals were temporarily suspended for more than one month in January and February 2021.

Revenue from distribution of dental equipment and supplies segment achieved a significant revenue growth of 137%. Revenue was RMB30.2 million in 1H2021 as compared to RMB12.7 million in 1H2020. There was a higher demand for dental supplies materials from government hospitals amidst a gradual economic recovery in China backed by rolling out of the COVID-19 vaccination in the country.

Revenue from laboratory services segment increased by 48% to RMB7.5 million in 1H2021 as compared to RMB5.0 million in 1H2020. Current period's revenue showed steady recovery from the pandemic and back on track to pre COVID-19 level.

**Other Income and Gains**

Other income and gains increased by RMB0.2 million in 1H2021 mainly due to foreign exchange adjustment gain.

**Expenses****Cost of consumables and dental supplies**

Consumables and dental supplies used increased by 27% from RMB5.2 million in 1H2020 to RMB6.6 million in 1H2021. This was mainly due to increase in dental lab processing cost, increase in cost of protective products and increase in other material cost which was in line with the increase in revenue from the primary healthcare segment.

As a percentage of revenue from the primary healthcare segment, cost of consumables and dental supplies used in 1H2021 was 14.8% as compared to 16.6% in 1H2020 mainly due to higher revenue contribution from high-end dental services which generate higher gross profit margin.

**Cost of sales in dental equipment and supplies**

Cost of sales in dental equipment and supplies increased by 143% from RMB10.5 million in 1H2020 to RMB25.5 million in 1H2021, which 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 sales in dental equipment and supplies in 1H2021 was 84.3% as compared to 82.4% in 1H2020 mainly due to product mix.

## 1. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business (cont'd)

### Cost of laboratory services

Cost of laboratory services increased by 68% from RMB1.2 million in 1H2020 to RMB2.0 million in 1H2021, which was in line with the increase in revenue from laboratory services segment.

As a percentage of revenue from the laboratory services segment, cost of laboratory services was 27.4% in 1H2021 as compared to 24.2% in 1H2020. This was mainly due to change in pricing strategy in an increasingly competitive market.

### Employee benefits expenses

Employee benefits expense increased by 36% from RMB24.7 million in 1H2020 to RMB33.6 million in 1H2021. These was mainly due to the waiver of social insurance contributions granted by the Chinese government that was ended in January 2021.

As a percentage of revenue, overall employee benefits expenses in 1H2021 decreased to 40.8% from 50.5% in 1H2020. The decrease which was mainly due to the smaller increase in social insurance contribution cost compared to the increase in overall revenue of the Group.

### Other expenses

Other expenses increased by 60% from RMB6.6 million in 1H2020 to RMB10.6 million in 1H2021. The increase was mainly due to:

- (i) increase in professional fee of RMB1.3 million;
- (ii) increase in other tax expenses of RMB0.7 million;
- (iii) increase in entertainment expenses of RMB0.4 million;
- (iv) increase in management fee of RMB0.3 million
- (v) increase in marketing expenses of RMB0.2 million; and
- (vi) increase in travelling cost of RMB0.2 million

As a percentage of revenue, other expenses in 1H2021 decreased slightly to 12.8% from 13.5% in 1H2020.

### Other losses

Other losses decreased by RMB0.9 million from RMB1.0 million in 1H2020 to RMB0.1 million in 1H2021. The decrease in other losses was mainly due to the decrease in plant and equipment written-off of RMB0.5 million and compensation paid in 1H2020 for breach of contract of RMB0.4 million as a result of closure of Shenyang Aoxin Jinfeng Dental Clinic Co., Ltd.

### Income tax income

Decrease in income tax income was mainly due to tax adjustment from prior year in relation to the accrual of withholding tax.

### **Loss After Tax**

For the reasons given above, the Group has recorded net loss of RMB6.1 million in 1H2021 as compared to RMB10.5 million in 1H2020.

1. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business (cont'd)**

**Statement of Financial Position**

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 30 June 2021 and 31 December 2020.

**Non-Current Assets**

Right-of-use ("ROU") assets decreased by RMB2.6 million, from RMB43.8 million as at 31 December 2020 to RMB41.2 million as at 30 June 2021, mainly due to depreciation of ROU assets of RMB3.5 million and offset by the additional lease assets of RMB0.9 million. The Group's ROU assets are related to premises leased by the Group for its dental centres and business units.

**Current Assets**

Trade and other receivables increased by RMB10.3 million, from RMB27.6 million as at 31 December 2020 to RMB37.8 million as at 30 June 2021 mainly due to increase in trade receivables from distribution of dental supplies and equipment segment.

Other non-financial assets decreased by RMB0.5 million, from RMB2.0 million as at 31 December 2020 to RMB1.5 million as 30 June 2021 due to charge out of prepayment to profit or loss.

Cash and cash equivalents decreased by RMB8.0 million, from RMB37.9 million as at 31 December 2020 to RMB29.9 million as at 30 June 2021 mainly due to purchase of plant and equipment and slower settlement of debts from trade receivables.

**Non-Current Liabilities**

Lease liabilities was RMB31.0 million as at 30 June 2021 as compared to RMB32.5 million as at 31 December 2020. The lease liabilities decreased by RMB1.5 million due to payment of lease liabilities.

**Current Liabilities**

Lease liabilities increased by RMB1.2 million, from RMB6.7 million as at 31 December 2020 to RMB7.9 million mainly due to more lease contracts are due for payment in next twelve months as compared to last year. The lease liabilities mainly relate to the present value of future lease payments for rental of hospitals and polyclinics premises.

Other financial liabilities increased by RMB4.5 million, from RMB4.6 million as at 31 December 2020 to RMB9.1 million as at 30 June 2021 which mainly due to increase in bills payable.

**Statement of Cash Flows**

The Group's net cash flow used in operating activities in 1H2021 was RMB5.3 million. This was mainly attributable to increase in trade and other receivables and income tax paid. This increase was partially offset by the positive operating cash flows before changes in working capital for 1H2021.

Net cash used in investing activities in 1H2021 was RMB4.2 million, which was mainly attributable to acquisition of plant and equipment for the Group.

Net cash flows generated from financing activities in 1H2021 was RMB2.0 million, mainly due to the proceeds from new bank loans and bills payable, offset by payment of bills payable, lease liabilities and interest.

Consequent to the above, the Group's cash and cash equivalents stood at RMB29.9 million as at 30 June 2021.

### 2. Seasonal operations

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

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

No forecast or prospect statement in relation to 1H2021 has been previously disclosed.

### 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 reporting period and the next 12 months

#### Industry Prospects

The Group expects its performance for FY2021 to continue to be impacted by COVID-19 if there is a resurgence of COVID-19 virus in China. Barring any unforeseen circumstances and further worsening of the COVID-19 situation leading to ad-hoc lock down in cities where the Group operates, there are no known significant changes in the trends and competitive conditions of the industry in which the Group operates and no other major known factors or events that may adversely affect the Group in the next reporting period and the next 12 months. The Group will continue to monitor its expenses and maximise cost efficiency for operations.

#### Recent Developments

##### Update on the acquisition of Youxin Dental Clinic – further amendments to the Master Agreement

On 18 June 2021, the Group announced the Company shall extend the profit guarantee period in the master agreement dated 29 December 2018 entered into with Mr You Zhongjiang (“**Vendor**”) by three (3) years from 12 years to 15 years in view of the COVID-19 pandemic and its long-lasting adverse impact on the business of Aoxin Youxin (f.k.a. Youxin Dental Clinic). In connection with the extension of profit guarantee period, the profit guarantee in respect of each financial year is revised accordingly. The term of Vendor's service agreement is also extended to 15 years from 12 years.

##### Update on holding announcement in relation to Panjin Aoxin Quanmin Stomatology Hospital Co., Ltd. (“**PJAX**”).

On 30 September 2020, the Group announced that the Group was in discussion with a third party for a possible transaction involving its stake in its wholly owned subsidiary PJAX (the “**Possible Transaction**”).

On 25 June 2021, the Group further announce that the Group will no longer continue with the Possible Transaction, and instead, Panjin Hospital has entered into a cooperation agreement with Panjin Oilfield Gem Flower Hospital (盘锦辽油宝石花医院) (“**Gem Flower Hospital**”) (“**Cooperation Agreement**”).

Under the 5-year Cooperation Agreement, PJAX will provide dental treatment rooms and high-end dental facilities as well as excellent management and service capabilities whereas Gem Flower Hospital will provide their specialist dentists to perform dental treatment and introduce customers to PJAX. Profits generated through this corporation shall be shared 50:50 between both parties after deduction of pre-agreed costs associated with the Cooperation Agreement.

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 reporting period and the next 12 months (cont'd)**

**Prospects**

The ongoing COVID-19 pandemic is expected to continue to steer global economic growth prospects in the coming quarters of 2021, as many countries still struggle to contain the rapid spread of the virus demonstrated by new waves of infections.

With the economic uncertainties posed by COVID-19 and the risk of any temporary closures should cases of COVID-19 emerge again in the cities that we operate in, the Group will continue to focus on disciplined management of operating expenditures, costs and capital expenditures.

Overall, the Group expects the business environment to remain challenging for 2021. Nonetheless the Group aims to deliver a satisfactory performance in 2021 amidst a recovering economy as more people in the country are getting vaccinated.

5. **Interested person transactions**

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

6. **Confirmation pursuant to 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.

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

On behalf of the directors of the Company, we, the undersigned directors, do hereby confirm that, to the best of the knowledge of the directors of the Company, nothing has come to the attention of the board of directors that may render the interim financial statements to be false or misleading in any material aspect.

**On behalf of the board of directors**

**Dr. Shao Yongxin**  
**Executive Director and Group Chief**  
**Executive Officer**

**Mr. San Yi Leong @ Tan Yi Leong**  
**Executive Director and Deputy Chief**  
**Executive Officer**

13 August 2021