



**Unaudited Financial Statements and Dividend Announcement for the Financial Year Ended 31 December 2020**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS**

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

	Note	Group		Change %
		12 months ended		
		31 December 2020 ("FY2020") (Unaudited)	31 December 2019 ("FY2019") (Audited)	
		RMB'000	RMB'000	
<b>Revenue</b>				
Primary healthcare		79,504	81,656	(3)
Distribution of dental equipment and supplies		40,372	46,474	(13)
Laboratory services		13,728	12,979	6
<b>Total Revenue</b>		<b>133,604</b>	<b>141,109</b>	<b>(5)</b>
<b><u>Other Items of Income</u></b>				
Interest income		111	129	(14)
Other income	(a)	2,227	-	NM
<b><u>Other Items of Expense</u></b>				
Consumables and dental supplies		(13,255)	(11,733)	13
Cost of dental equipment and supplies		(34,430)	(38,626)	(11)
Cost of laboratory services		(3,858)	(3,173)	22
Employee benefits expense		(54,497)	(59,881)	(9)
Depreciation and amortisation expense		(10,928)	(10,521)	4
Depreciation of right-of-use assets		(7,133)	(7,145)	(0)
Rental expense		(936)	(1,134)	(17)
Finance costs		(3,289)	(3,210)	2
Other expenses		(13,781)	(15,614)	(12)
Impairment loss allowance		(315)	(894)	(65)
Other losses	(b)	(5,410)	(645)	>100
<b>Loss before tax</b>		<b>(11,890)</b>	<b>(11,338)</b>	<b>5</b>
Income tax expense	(c)	(212)	(2,176)	(90)
<b>Loss for the year</b>		<b>(12,102)</b>	<b>(13,514)</b>	<b>(10)</b>
<b>Other comprehensive loss, after tax</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences arising from foreign operations		(485)	327	NM
<b>Total comprehensive loss for the year</b>		<b>(12,587)</b>	<b>(13,187)</b>	<b>(5)</b>
<b>(Loss)/ Profit attribute to:</b>				
Owners of the Company		(12,101)	(13,517)	(10)
Non-controlling interest		(1)	3	NM
<b>Loss for the year</b>		<b>(12,102)</b>	<b>(13,514)</b>	<b>(10)</b>
<b>(Loss)/ Profit excluding other income and other losses attributable to:</b>				
Owners of the Company		(8,918)	(12,872)	(31)
Non-controlling interests		(1)	3	NM
<b>Loss for the year excluding other income and other losses</b>		<b>(8,919)</b>	<b>(12,869)</b>	<b>(31)</b>



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<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company		(12,586)	(13,190)	(5)
Non-controlling interests		(1)	3	NM
<b>Total comprehensive loss for the year</b>		<b>(12,587)</b>	<b>(13,187)</b>	<b>(5)</b>

NM: Not Meaningful

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

**(a) Other income**

	<b>FY2020</b>	<b>FY2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Compensation damages received	3	-
Foreign exchange adjustment gain	597	-
De-recognition of contingent consideration payable *	1,627	-
	<b>2,227</b>	<b>-</b>

**(b) Other losses**

	<b>FY2020</b>	<b>FY2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Foreign exchange adjustment loss	-	(250)
Plant and equipment written-off	(3,287)	(345)
Loss on disposal of plant and equipment	-	(3)
Impairment loss from goodwill*	(1,682)	-
Compensation damages*	(439)	-
Bad debts written-off	(2)	(47)
	<b>(5,410)</b>	<b>(645)</b>

\* De-recognition of contingent consideration payable, impairment loss from goodwill and compensation damages are related to closure of business operation in Shenyang Aoxin Jinfeng Dental Clinic Co., Ltd.

**(c) Income tax expense**

	<b>FY2020</b>	<b>FY2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Adjustment for over/(under) provision of tax in respect of prior years	612	(1,102)



**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	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b><u>Non-Current Assets</u></b>				
Property, plant and equipment	51,696	62,491	24	337
Right-of-use assets	43,780	50,831	1,183	1,446
Intangible assets	130,537	132,231	258	-
Investment in subsidiaries	-	-	286,728	302,225
Other receivables, non-current	-	-	7,901	10,351
Other assets, non-current	249	350	242	314
Deferred tax assets	14	14	-	-
<b>Total non-current assets</b>	<b>226,276</b>	<b>245,917</b>	<b>296,336</b>	<b>314,673</b>
<b><u>Current Assets</u></b>				
Inventories	10,754	10,790	-	-
Income tax recoverable	18	1,752	-	-
Trade and other receivables, current	27,595	21,554	5,083	6,935
Other assets, current	2,012	1,635	153	304
Cash and cash equivalents	37,912	26,956	16,071	2,843
<b>Total current assets</b>	<b>78,291</b>	<b>62,687</b>	<b>21,307</b>	<b>10,082</b>
<b>Total assets</b>	<b>304,567</b>	<b>308,604</b>	<b>317,643</b>	<b>324,755</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Capital and Reserves</u></b>				
Share capital	295,356	295,356	295,356	295,356
Accumulated losses	(16,832)	(4,205)	(11,819)	(8,519)
Other reserves	(55,181)	(56,973)	12,887	25,457
<b>Equity attributable to owners of the Company</b>	<b>223,343</b>	<b>234,178</b>	<b>296,424</b>	<b>312,294</b>
Non-controlling interests	2	3	-	-
<b>Total equity</b>	<b>223,345</b>	<b>234,181</b>	<b>296,424</b>	<b>312,294</b>
<b><u>Non-Current Liabilities</u></b>				
Deferred tax liabilities	1,129	1,332	-	-
Lease liabilities, non-current	32,521	37,614	1,056	1,345
Other financial liabilities, non-current	13,035	-	13,035	-
<b>Total non-current liabilities</b>	<b>46,685</b>	<b>38,946</b>	<b>14,091</b>	<b>1,345</b>
<b><u>Current Liabilities</u></b>				
Income tax payables	530	79	-	-
Trade and other payables	22,690	24,592	5,138	10,892
Lease liabilities, current	6,695	6,518	211	224
Other financial liabilities, current	4,622	4,288	1,779	-
<b>Total current liabilities</b>	<b>34,537</b>	<b>35,477</b>	<b>7,128</b>	<b>11,116</b>
<b>Total liabilities</b>	<b>81,222</b>	<b>74,423</b>	<b>21,219</b>	<b>12,461</b>
<b>Total equity and liabilities</b>	<b>304,567</b>	<b>308,604</b>	<b>317,643</b>	<b>324,755</b>



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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 2020		31 December 2019	
	RMB'000		RMB'000	
	Secured	Unsecured	Secured	Unsecured
<u>Bank loan</u>				
Amount repayable within one year or less, or on demand	-	1,779	-	-
Amount repayable after one year	-	13,035	-	-
	-	14,814	-	-

As at 31 December 2020, the unsecured bank loan related to a 5-year temporary bridging loan ("TBL") of RMB14.8 million extended by United Overseas Bank ("UOB").

	31 December 2020		31 December 2019	
	RMB'000		RMB'000	
	Secured	Unsecured	Secured	Unsecured
<u>Bills payable</u>				
Amount repayable within one year or less, or on demand	2,843	-	4,288	-
Amount repayable after one year	-	-	-	-
	2,843	-	4,288	-

Details of collateral

The Group's debt securities above relate to the bills payable of subsidiaries and are covered by corporate guarantee from the Company and secured by pledge of certain trade receivables.



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	
	FY2020	FY2019
	RMB'000	RMB'000
<b><u>OPERATING ACTIVITIES</u></b>		
Loss before tax	(11,890)	(11,338)
Adjustments for:		
Bad debts written-off	2	47
Impairment loss allowance on trade receivables	315	894
Depreciation and amortisation expenses	10,928	10,521
Depreciation of right-of-use assets	7,133	7,145
Impairment loss on goodwill	1,682	-
Loss on disposal of plant and equipment	-	3
Plant and equipment written-off	3,287	345
Unrealised foreign exchange gains	(88)	(368)
Interest expense	3,289	3,210
Share-based payments	1,766	1,351
<b>Operating cash flows before changes in working capital</b>	<b>16,424</b>	<b>11,810</b>
Inventories	36	(1,214)
Trade and other receivables	(6,369)	(2,049)
Other assets	(318)	1,662
Trade and other payables	1,085	1,974
Net cash flows generated from operations	10,858	12,183
Income taxes refunded/(paid)	1,769	(1,952)
<b>Net cash flows generated from operating activities</b>	<b>12,627</b>	<b>10,231</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Acquisition of subsidiaries	-	(12,222)
Acquisition of intangible assets	(20)	-
Acquisition of plant and equipment	(3,348)	(15,329)
Advances paid for right-of-use assets	-	161
Decrease in staff loans	40	236
Increase in work-in-progress software	(291)	-
Payments to vendors for acquisition of subsidiaries in prior year	(3,000)	(3,350)
Proceeds from disposal of plant and equipment	-	16
<b>Net cash flows used in investing activities</b>	<b>(6,619)</b>	<b>(30,488)</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Proceeds from bank loans and bill payables	24,952	9,076
Repayment of bank loans and bill payables	(11,583)	(5,725)
Repayment of principal portion of lease liabilities	(4,972)	(3,998)
Interest expense on lease liabilities paid	(2,686)	(3,040)
Interest expense on bank loan and bills payable paid	(589)	(119)
<b>Net cash flows generated from/(used in) financing activities</b>	<b>5,122</b>	<b>(3,806)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>11,130</b>	<b>(24,063)</b>
Cash and cash equivalents at beginning of the year	26,956	50,318
Effect of foreign exchange rate changes on cash and cash equivalents	(174)	701
<b>Cash and cash equivalents at end of the year</b>	<b>37,912</b>	<b>26,956</b>



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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.

Group	Share capital	Statutory reserve	Share-based payment reserve	Foreign currency translation reserve	Other reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	295,356	7,406	3,329	4,197	(71,905)	(4,205)	234,178	3	234,181
<b>Changes in equity:</b>									
Total comprehensive loss for the year	-	-	-	(485)	-	(12,101)	(12,586)	(1)	(12,587)
Transfer to statutory reserve	-	526	-	-	-	(526)	-	-	-
Written-off capital reserve	-	-	-	-	(15)	-	(15)	-	(15)
Share-based payment	-	-	1,766	-	-	-	1,766	-	1,766
<b>Closing balance at 31 December 2020</b>	<b>295,356</b>	<b>7,932</b>	<b>5,095</b>	<b>3,712</b>	<b>(71,920)</b>	<b>(16,832)</b>	<b>223,343</b>	<b>2</b>	<b>223,345</b>
Balance at 1 January 2019	295,356	5,954	1,978	3,870	(71,905)	10,764	246,017	<sup>1</sup>	246,017
<b>Changes in equity:</b>									
Total comprehensive income/(loss) for the year	-	-	-	327	-	(13,517)	(13,190)	3	(13,187)
Transfer to statutory reserve	-	1,452	-	-	-	(1,452)	-	-	-
Share-based payment	-	-	1,351	-	-	-	1,351	-	1,351
<b>Closing balance at 31 December 2019</b>	<b>295,356</b>	<b>7,406</b>	<b>3,329</b>	<b>4,197</b>	<b>(71,905)</b>	<b>(4,205)</b>	<b>234,178</b>	<b>3</b>	<b>234,181</b>

<sup>1</sup> Amount less than RMB1,000



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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).

Company	Share capital	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance at 1 January 2020	295,356	3,329	22,128	(8,519)	312,294
<b>Changes in equity:</b>					
Total comprehensive loss for the year	-	-	(14,336)	(3,300)	(17,636)
Share-based payment	-	1,766	-	-	1,766
<b>Closing balance at 31 December 2020</b>	<b>295,356</b>	<b>5,095</b>	<b>7,792</b>	<b>(11,819)</b>	<b>296,424</b>
Opening balance at 1 January 2019	295,356	1,978	13,993	(2,638)	308,689
<b>Changes in equity:</b>					
Total comprehensive income/(loss) for the year	-	-	8,135	(5,881)	2,254
Share-based payment	-	1,351	-	-	1,351
<b>Closing balance at 31 December 2019</b>	<b>295,356</b>	<b>3,329</b>	<b>22,128</b>	<b>(8,519)</b>	<b>312,294</b>



**1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 and 31 December 2020	381,575	295,356

There were no changes in the issued and paid-up share capital of the Company during FY2020.

Share options

On 20 January 2020, pursuant to the acquisition of Jinzhou Aoxin Youxin Dental Clinic Co., Ltd., the Company granted share options under the Aoxin Q & M Employee Share Option Scheme ("Aoxin ESOS") to the vendor cum dentist to subscribe 2,441,000 shares in the capital of the Company at an exercise price of \$0.20 per share. The options are exercisable one year from the date of grant with the exercise period expiring on 20 January 2030.

As at 31 December 2020, the total number of share options outstanding was 2,441,000 (31 December 2019: Nil).

Share awards

On 20 January 2020, the Company granted awards in respect of 960,565 performance shares under Aoxin Q & M Performance Share Plan ("Aoxin PSP") which vest in accordance with the vesting schedules each commencing on 1 January 2020 and ending on 31 December 2029, subject to certain vesting conditions.

As at 31 December 2020, the total number of share awards outstanding were 960,565 (31 December 2019: Nil).

Save as disclosed, there were no subsidiary holdings, treasury shares or outstanding convertibles as at 31 December 2020 and 31 December 2019.

**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 2020	31 Dec 2019
Total number of issued shares excluding treasury shares	381,574,909	381,574,909

**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 modifications or emphasis of matter).**

Not applicable.

- 3A. **Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**

- (a) **Updates on the efforts taken to resolve each outstanding audit issue.**  
(b) **Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

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

Not applicable. The Group's latest audited financial statements for FY2019 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

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 financial statements for FY2019.

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.**

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) **Operating Segments-Segment Results for FY2019**

	<b>After reclassification RMB'000</b>	<b>Before reclassification RMB'000</b>	<b>Difference RMB'000</b>
<b>Segment result</b>			
Primary healthcare	7,309	7,000	309
Distribution of dental equipment and supplies	(906)	(234)	(672)
Laboratory services	3,135	2,772	363

The reclassification arose as the segment results for FY2019 were stated after adjustment of amortisation of intangible assets and before the adjustment of SFRS(I) 16 and impairment loss allowance which has now been included.

(ii) **Operating Segments-Expenditure for non-current assets for FY2019**

	<u>After reclassification</u> RMB'000	<u>Before reclassification</u> RMB'000	<u>Difference</u> RMB'000
<b>Expenditure for non-current assets</b>			
Primary healthcare	9,037	9,122	(85)
Distribution of dental equipment and supplies	5,467	5,777	(310)
Laboratory services	825	430	395

The reclassification arose as the expenditure for non-current assets for FY2019 were stated before the elimination of intercompany transactions which has now been included.

(iii) **Operating Segments-Segment assets for FY2019**

	<u>After reclassification</u> RMB'000	<u>Before reclassification</u> RMB'000	<u>Difference</u> RMB'000
<b>Segment assets</b>			
Primary healthcare	269,113	270,221	(1,108)
Distribution of dental equipment and supplies	24,358	24,440	(82)
Laboratory services	15,133	13,943	1,190

The reclassification arose as the segment assets for FY2019 were stated before the adjustment of SFRS(I) 16 and impairment loss allowance which has now been included.

(iv) **Operating Segments-Segment liabilities for FY2019**

	<u>After reclassification</u> RMB'000	<u>Before reclassification</u> RMB'000	<u>Difference</u> RMB'000
<b>Segment liabilities</b>			
Primary healthcare	62,190	63,460	(1,270)
Distribution of dental equipment and supplies	10,067	9,923	144
Laboratory services	2,166	1,040	1,126

The reclassification arose as the segment liabilities for FY2019 were stated before the adjustment of SFRS(I) 16 which has now been included.

Save for the above and the adoption of the new and revised SFRS(I) and interpretation of SFRS(I) applicable for the financial year beginning on or after 1 January 2020, the same accounting policies and methods of computation as FY2019 have been applied. The adoption of the new and revised SFRS(I) and interpretation of SFRS(I) has no material impact on the financial performance or position of the Group and the Company for FY2020.



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	
	FY2020	FY2019
Basic/Fully diluted loss per share <sup>2</sup>	(3.17)	(3.54)
Weighted average number of shares	381,574,909	381,574,909

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 financial periods.

7. **Net 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:**
- current financial period reported on; and
  - immediately preceding financial year.

	Group		Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Net asset value per ordinary share (RMB cents)	58.5	61.4	77.7	81.8

The net asset value per ordinary share of the Group and of the Company have been calculated based on the total issued number of ordinary shares of 381,574,909 as at 31 December 2020 and 31 December 2019.

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:**
- 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
  - any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

<sup>2</sup> The basic and diluted earnings per share for all respective financial periods as well as the new shares issued through Aoxin ESOS and Aoxin PSP are anti-dilutive and there were no other outstanding convertibles or other dilutive equity instruments.



## **Statement of Comprehensive Income**

### **Revenue**

The Group's operations for the year ended 31 December 2020 ("FY2020") were negatively impacted by COVID-19 which evolved into a global pandemic. The Group's total revenue decreased by 5% from RMB141.1 million for the year ended 31 December 2019 ("FY2019") to RMB133.6 million for FY2020. Despite of the challenges brought by the COVID-19 pandemic, the Group's revenue for second half of FY2020 ("2H2020") rose by 13% to RMB85.9 million from RMB76.2 million in second half of FY2019 ("2H2019").

In accordance with the directives from the Chinese government and local dental health authorities in various cities in Liaoning Province, all of our 16 dental centres, comprising 6 dental hospitals and 10 dental polyclinics were suspended from providing non-essential dental services in February and March 2020, 1 dental hospital and 1 dental polyclinic were suspended from providing non-essential dental services in July and August 2020, and 1 dental hospital and 4 dental polyclinics were suspended from providing non-essential dental services in December 2020. Accordingly, our dental centres served a significantly smaller patient load for FY2020 as compared to FY2019. As a result, the Group reported lower revenue from primary healthcare segment of RMB79.5 million, representing a decrease of RMB2.2 million or 3%, against RMB81.7 million achieved in FY2019.

Revenue from the distribution of dental equipment and supplies segment decreased by 13% to RMB40.4 million in FY2020 from RMB46.5 million in FY2019. Revenue from sales of both materials and dental equipment were lower as a result of COVID-19 outbreak.

Revenue from the provision of laboratory services increased by 6% to RMB13.7 million in FY2020 from RMB13.0 million in FY2019 mainly due to higher revenue from distributor. As part of reorganisation of the Group's resources, laboratory services segment had scale down its sales team and engaged a distribution company to run daily sales for most of their customers.

### **Other Income**

Other income increased in FY2020 mainly due to de-recognition of contingent consideration payable after the closure of business operation in Shenyang Aoxin Jinfeng Dental Clinic Co., Ltd. ("Jinfeng") and gain in foreign currency translation.

### **Expenses**

#### **Cost of consumables and dental supplies**

Consumables and dental supplies used increased by 13% to RMB13.3 million in FY2020 from RMB11.7 million in FY2019. This was mainly due to increase in dental lab processing cost.

As a percentage of revenue from the primary healthcare segment, cost of consumables and dental supplies used increased to 16.7% in FY2020 as compared to 14.4% in FY2019.

#### **Cost of dental equipment and supplies**

Cost of sales from dental equipment and supplies decreased by 11% to RMB34.4 million in FY2020 from RMB38.6 million in FY2019. The decrease was in line with the decrease 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 85.3% in FY2020 as compared to 83.1% in FY2019. The decrease in gross profit from the distribution of dental equipment and supplies segment was due to more revenue generated from sales of materials in FY2020 which have a lower margin.



Cost of laboratory services

Cost of laboratory services increased by 22% to RMB3.9 million from RMB3.2 million in FY2019. The increase in cost was aligned with the increase in revenue.

As a percentage of revenue from the laboratory services segment, cost of laboratory services was 28.1% in FY2020 as compared to 24.4% in FY2019. The increase in cost of laboratory services over revenue from the laboratory segment was mainly due to higher proportion of sales to a distributor with lower gross profit margin.

Employee benefits expense

Employee benefits expense decreased by 9% to RMB54.5 million in FY2020 from RMB59.9 million in FY2019. This was mainly due to the waiver of social insurance contributions from February 2020 to December 2020 by the Chinese government, cost savings as a result of the Singapore Job Support Scheme as well as temporary 2-month salary reduction during pandemic.

As a percentage of revenue, employee benefits expense in FY2020 decreased to 40.8% as compared to 42.4% in FY2019.

Depreciation and amortisation expense

Comparing FY2020 with FY2019, depreciation and amortisation expense increased by 4% to RMB10.9 million in FY2020 from RMB10.5 million in FY2019. The increase of RMB0.4 million was mainly due to the increase in depreciation for dental equipment and renovation for the new hospitals and clinics opened in FY2019.

As a percentage of revenue, depreciation and amortisation expense increased to 8.2% in FY2020 from 7.5% in FY2019.

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

Depreciation of ROU assets remained at approximately RMB 7.1 million for both FY2020 and FY2019.

As a percentage of revenue, depreciation of ROU assets increased to 5.3% in FY2020 from 5.1% in FY2019.

Rental expense

Comparing FY2020 with FY2019, rental expense from short-term leases decreased by 17% to RMB0.9 million in FY2020 from RMB1.1 million in FY2019. The decrease of RMB0.2 million for rental expense was mainly due to decrease in short-term rental in FY2020.

As a percentage of revenue, rental expenses decreased to 0.7% in FY2020 from 0.8% in FY2019.

Finance costs

Finance costs increased by 2% from RMB3.2 million in FY2019 to RMB3.3 million in FY2020 mainly due to increase in bank borrowings.

As a percentage of revenue, finance costs increased to 2.5% in FY2020 from 2.3% in FY2019.

Other expenses

Other expenses decreased by 12% from RMB15.6 million in FY2019 to RMB13.8 million in FY2020. The decrease was mainly due to:

- (i) decrease in travelling costs of RMB1.2 million; and
- (ii) decrease in marketing expenses of RMB0.7 million.

As a percentage of revenue, other expenses decreased to 10.3% in FY2020 from 11.1% in FY2019.



Impairment loss allowances

Comparing FY2020 with FY2019, impairment loss allowances from trade receivables decreased by 64.7% from RMB0.9 million in FY2019 to RMB0.3 million in FY2020.

Other losses

Comparing FY2020 with FY2019, other losses increased to RMB5.4 million in FY2020 from RMB0.6 million in FY2019. The increase was mainly due to plant and equipment written-off of RMB3.3 million arising mainly from obsolescence and damage, and impairment of goodwill related to acquisition of Jinfeng of RMB1.7 million and compensation damages of RMB0.4 million paid to vendor as a result of closure of Jinfeng.

Income tax expense

The decrease in income tax expense for FY2020 as compared to FY2019 was mainly due to recoverable of withholding tax in prior year offset by the tax payable in FY2020, and lower withholding tax incurred in FY2020.

**Loss After Tax**

For the reasons given above, the Group's loss for the year shows slight improvement from loss after tax of RMB13.5 million in FY2019 to RMB12.1 million in FY2020.

Loss after tax in 2H2020 was RMB1.6 million as compared to RMB7.6 million in 2H2019 due to strong recovery from COVID-19 pandemic. Loss after tax in 1H2020 was RMB10.5 million as compared to RMB6.0 million in 1H2019 due to COVID-19 pandemic.

**Loss After Tax Excluding Other income and Other Losses**

Excluding the other income and other losses, the Group incurred a loss after tax of RMB8.9 million for FY2020 as compared to RMB12.9 million for FY2019. Profit after tax (excluding other income and other losses) was RMB0.9 million in 2H2020 as compared to a loss of RMB7.0 million in 2H2019. Due to strong recovery from the COVID-19 pandemic, the Group turn into profitability in 2H2020 as compared to 2H2019.

**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 2020 and 31 December 2019.

**Non-Current Assets**

Property, plant and equipment decreased by RMB10.8 million from RMB62.5 million as at 31 December 2019 to RMB51.7 million as at 31 December 2020 mainly due to depreciation of property, plant and equipment in FY2020 amounting to RMB10.0 million and plant and equipment written-off amounting to RMB3.3 million. However, the decrease was offset with additional plant and equipment purchased in FY2020, amounting to RMB3.3 million.

ROU assets decreased by RMB7.0 million from RMB50.8 million as at 31 December 2019 to RMB43.8 million as at 31 December 2020 mainly due to depreciation of ROU assets of RMB7.1 million in FY2020. The Group's ROU assets relate to leases of premises occupied by the Group's dental centres and business units.

Intangible assets decreased by RMB1.7 million from RMB132.2 million as at 31 December 2019 to RMB130.5 million as at 31 December 2020 mainly due to impairment of goodwill arising from acquisition of Jinfeng by RMB1.7 million as a result of termination of agreements with the vendors.



Other assets remain relatively stable at RMB0.2 million as at 31 December 2020 as compared to RMB0.4 million as at 31 December 2019.

#### **Current Assets**

Inventories remain constant at RMB10.8 million for both 31 December 2019 and 31 December 2020.

Income tax recoverable decreased by RMB1.8 million from RMB1.8 million as at 31 December 2019 to RMB18,000 as at 31 December 2020, mainly due to recoverable of withholding tax in prior year offset by the tax payable in FY2020, and lower withholding tax expense in FY2020.

Trade and other receivables increased by RMB6.0 million from RMB21.6 million as at 31 December 2019 to RMB27.6 million as at 31 December 2020. The increase is mainly from increase in trade and other receivable by RMB5.5 million from distribution of dental supplies and equipment segment and laboratory services segment.

Other assets increased by RMB0.4 million from RMB1.6 million as at 31 December 2019 to RMB2.0 million as at 31 December 2020 mainly due to increase in rental prepayment.

Cash and cash equivalents increased by RMB11.0 million mainly due to net cash flow generated from operating activities, proceeds from new bank loans, offset by repayment of bank loans, bills payable, lease liabilities, and operating costs.

#### **Non-Current Liabilities**

Lease liabilities decreased by RMB5.1 million due to repayment of lease payment during the year and additional interest for lease incurred in FY2020.

Other financial liabilities increased by RMB13.0 million due to proceeds from new bank loans.

#### **Current Liabilities**

Trade and other payables decreased by RMB1.9 million from RMB24.6 million as at 31 December 2019 to RMB22.7 million as at December 2020 was mainly due to repayment of RMB3.0 million to vendors for acquisition of subsidiary in prior year.

Income tax payables increased by RMB0.4 million from RMB0.1 million as at 31 December 2019 to RMB0.5 million as at 31 December 2020 mainly due to income tax payable in primary healthcare segment.

Lease liabilities increased by RMB0.2 million as compared to 31 December 2019 which is mainly due to more lease contracts are due for payment in next twelve months as compare 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 RMB0.3 million from RMB4.3 million as at 31 December 2019 to RMB4.6 million as at 31 December 2020 mainly due to increased bills payable.



### **Statement of Cash Flows**

The Group's net cash flow generated from operating activities in FY2020 was RMB12.6 million. This was mainly due to positive operating cash flow before changes in working capital of RMB16.4 million, income tax refund of RMB1.8 million and increased in trade and other payables RMB1.1 million partially offset by increases in trade and other receivables and other assets of RMB6.7 million.

Net cash used in investing activities in FY2020 was RMB6.6 million, which was mainly attributable to purchases of plant and equipment and software totalling RMB3.6 million and payments of RMB3.0 million to vendors for acquisition of subsidiary in prior year.

Net cash from financing activities in FY2020 was RMB5.1 million, which was mainly due to proceed from new bank loans and bills payable of RMB25.0 million, offsets by repayment of bank loans and bills payable of RMB11.6 million, repayment of principal portion of lease liabilities of RMB5.0 million, repayment of interest portion of lease liabilities of RMB2.7 million and interest paid of RMB0.6 million.

Consequent to the above, the Group's cash and cash equivalents stood at RMB37.9 million as at 31 December 2020.

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

The FY2020 results were in line with the commentary of the Group expecting its performance for FY2020 to be impacted by COVID-19 situation in China and gestation losses incurred for the new hospitals and clinics. Please refer to the Company's announcements dated 2 March 2020, 12 May 2020, 20 May 2020, 28 May 2020, 11 June 2020, 26 June 2020, 30 July 2020, 19 August 2020, 21 December 2020, 29 December 2020 and 4 February 2021 for such disclosure.

**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 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 development of the Jinfeng clinic in Shenyang](#)

On 20 May 2020, the Group announced the Group had entered into a deed of termination with the Jinfeng's vendors. Jinfeng was officially closed as both parties have agreed to terminate the transaction documents with effective from 20 May 2020.





- 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 is currently in discussion with a third party for a possible transaction involving its stake in its wholly owned subsidiary PJAX (the “Possible Transaction”).

The discussions are ongoing and the Group has not made any decision with respect to, and has not entered into any agreement for, the Possible Transaction and there is no certainty or assurance that these discussions will progress beyond the current stage or that any such transaction will occur.

As at date of this report, no further development which warrant disclosure.

- Update for New SGX Risk Based approach to Quarterly Reporting

The Group will provide quarterly updates with effect from financial year 2021.

#### **Coronavirus Outbreak in China**

- Update on Group’s operations in relation to COVID-19

As mentioned in the announcement dated 21 December 2020, all non-emergency medical treatments, including dental treatments in our operations in Dalian were temporarily suspended under the directive of the Health Commission of Dalian City due to the fresh coronavirus cluster detected. The affected operations are Dalian Aoxin Quanmin Stomatology Hospital Co., Ltd. (“**Dalian Hospital**”) and Zhuanghe City Aoxin Dawei Dental Co., Ltd. (“**Zhuanghe Polyclinic**”). In our announcement dated 29 December 2020, we announced that our 4 operations in Shenyang, namely Shenyang Huanggu Aoxin Dental Clinic Co., Ltd. (“**Huanggu Clinic**”) has been temporarily closed from 27 December 2020, Shenyang Heping Q & M Aoxin Stomatology Polyclinic Co., Ltd. (“**Heping Polyclinic**”) and Shenyang Shenhe Aoxin Stomatology Polyclinic Co., Ltd. (“**Shenhe Polyclinic**”) have been temporarily closed from 29 December 2020 and Shenyang Aoxin Q & M Stomatology Hospital Co., Ltd. – Branch Hospital (“**Shenyang Branch Hospital**”) was temporarily closed from 1 January 2021.

On 4 February 2021, we announced that our dental hospitals and polyclinics listed in the table below had resumed operations after we have fulfilled the required standard operating procedures and have met the reopening criteria governed by the Health Commission of Dalian City and Shenyang City:

<b>Operations</b>	<b>Date of operations resumption</b>
Shenyang Branch Hospital	18 January 2021
Zhuanghe Polyclinic	25 January 2021
Dalian Hospital	27 January 2021
Heping Polyclinic	2 February 2021
Shenhe Polyclinic	3 February 2021

Our operations in Huanggu Clinic resume operations on 26 February 2021.



### **Future Plans**

Currently, the Group has 16 dental centres, comprising 6 dental hospitals and 10 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.

- Re-focus our efforts towards bolstering the Group's performance through both long-term and short-term efforts

The Group will continue to:

- improve the revenue of our hospitals and clinics;
- reduce gestation losses;
- maximise cost efficiency of our operations; and
- increase the utilisation of our operating assets.

- 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.

- Recruit and train new dentists, nurses and technicians to support long-term growth plan

To support the above-mentioned expansion plan, the Group will continue to invest in recruitment, training and development of undergraduate dentists, nurses and laboratory technicians.

### **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 FY2020 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 operating 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.**

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the Company.

For management purposes the Group is organised into the following major strategic operating segments that offer different products and services: (1) primary healthcare, (2) dental equipment and supplies distribution, and (3) laboratory services. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

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.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate segment’s operating results comprises two major financial indicators: (1) earnings from operations before amortisation and depreciation, interests and income taxes (“**Recurring EBITDA**”); and (2) operating results before income taxes and other unallocated items (“**ORBIT**”).



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	Primary healthcare		Distribution of dental equipment and supplies		Laboratory services		Consolidated	
	2020 RMB'000	2019 (Reclassified <sup>3</sup> ) RMB'000	2020 RMB'000	2019 (Reclassified <sup>3</sup> ) RMB'000	2020 RMB'000	2019 (Reclassified <sup>3</sup> ) RMB'000	2020 RMB'000	2019 (Reclassified <sup>3</sup> ) RMB'000
Sales to external customers	<b>79,504</b>	81,656	<b>40,372</b>	46,474	<b>13,728</b>	12,979	<b>133,604</b>	141,109
Inter-segment revenue	<b>7,881</b>	9,415	<b>5,676</b>	5,343	<b>678</b>	1,561	<b>14,235</b>	16,319
<b>Total Revenue</b>	<b>87,385</b>	91,071	<b>46,048</b>	51,817	<b>14,406</b>	14,540	<b>147,839</b>	157,428
Segment results	<b>6,422</b>	7,309	<b>(583)</b>	(906)	<b>3,621</b>	3,135	<b>9,460</b>	9,538
Profit from operating activities							<b>9,460</b>	9,538
Finance costs							<b>(3,289)</b>	(3,210)
Depreciation of PPE							<b>(10,021)</b>	(9,707)
Depreciation of ROU assets							<b>(7,133)</b>	(7,145)
Amortisation of intangible assets							<b>(907)</b>	(814)
Loss before income tax							<b>(11,890)</b>	(11,338)
Tax expense							<b>(212)</b>	(2,176)
<b>Loss for the year</b>							<b>(12,102)</b>	(13,514)
<b>Expenditure for non-current assets</b>								
Property, plant and equipment	<b>2,682</b>	9,037	<b>39</b>	5,467	<b>627</b>	825	<b>3,348</b>	15,329
<b>Other material non-cash items:</b>								
Depreciation of PPE	<b>8,361</b>	8,006	<b>656</b>	412	<b>1,004</b>	1,289	<b>10,021</b>	9,707
Depreciation of ROU assets	<b>6,665</b>	6,658	<b>239</b>	206	<b>229</b>	281	<b>7,133</b>	7,145
Amortisation of intangible assets	<b>451</b>	358	<b>42</b>	42	<b>414</b>	414	<b>907</b>	814
Finance cost	<b>3,104</b>	3,040	<b>171</b>	170	<b>14</b>	-	<b>3,289</b>	3,210
PPE written-off	<b>3,287</b>	330	-	-	-	15	<b>3,287</b>	345
ECL allowance on trade receivables	<b>(49)</b>	178	<b>327</b>	699	<b>37</b>	17	<b>315</b>	894
Share-based payment	<b>1,766</b>	1,351	-	-	-	-	<b>1,766</b>	1,351
<b>Segment assets</b>	<b>259,897</b>	269,113	<b>26,873</b>	24,358	<b>17,797</b>	15,133	<b>304,567</b>	308,604
<b>Segment liabilities</b>	<b>63,790</b>	62,190	<b>13,707</b>	10,067	<b>3,725</b>	2,166	<b>81,222</b>	74,423

<sup>3</sup> Please refer to explanation in Paragraph 5 of this announcement



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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**

Please refer to explanation in Paragraph 8 of this announcement.

16. **A breakdown of sales**

	<b>In RMB'000</b>	<b>FY2020</b>	<b>FY2019</b>	<b>Change %</b>
Revenue reported for first half year		47,698	64,880	(26)
Operating loss after tax reported for first half year		(10,454)	(5,950)	76
Revenue reported for second half year		85,906	76,229	13
Operating loss after tax reported for second half year		(1,648)	(7,564)	(78)

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.



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19. 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 Catalyst 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	69	Sister of Dr Shao YongXin, Group Chief Executive Officer of the Company	Deputy Admin Manager (2014)	None
San Yi Leong @ Tan Yi Leong	44	Brother-in-law of Dr Ng Chin Siau, the Executive Director and Group Chief Executive Officer of Q & M Dental Group (Singapore) Limited, a controlling shareholder of the Company.	Deputy Group Chief Executive Officer (2019)	None

**BY ORDER OF THE BOARD**

**Dr. Shao Yongxin**  
**Group Chief Executive Officer**  
**26 February 2021**

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.