



Financial Statement Announcement for First-Quarter Ended 31 March 2019

PART I - INFORMATION REQUIRED FOR FIRST-QUARTER ANNOUNCEMENT

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 first-quarter (three months) ended 31 March 2019.

| In RMB'000 | Note | Group | | |
|--|------|----------------|---------------|-------------|
| | | 1Q2019 | 1Q2018 | Change % |
| Revenue | | | | |
| Primary healthcare | | 18,890 | 18,361 | 3 |
| Distribution of dental equipment and supplies | | 8,931 | 7,183 | 24 |
| Laboratory services | | 2,798 | 2,965 | (6) |
| Total revenue | | 30,619 | 28,509 | 7 |
| Interest income | | 50 | 41 | 22 |
| Other income and gains | (a) | 225 | - | NM |
| Expenses | | | | |
| Consumables and dental supplies | | (2,678) | (2,500) | 7 |
| Cost of dental equipment and supplies | | (7,516) | (5,744) | 31 |
| Cost of laboratory services | | (536) | (655) | (18) |
| Employee benefits expense | | (14,277) | (10,392) | 37 |
| Depreciation and amortisation expense | | (2,490) | (1,581) | 57 |
| Depreciation of right-of-use assets | | (1,153) | - | NM |
| Rental expense | | (332) | (1,980) | (83) |
| Finance costs | | (740) | - | NM |
| Other expenses | | (4,357) | (3,113) | 40 |
| Other losses | (b) | (123) | (303) | (59) |
| (Loss)/Profit before tax | | (3,308) | 2,282 | NM |
| Income tax expense | | (74) | (888) | (92) |
| (Loss)/Profit after tax | | (3,382) | 1,394 | NM |
| Other comprehensive (losses)/income | | | | |
| Exchange differences on translating foreign operations | | (416) | (859) | (51) |
| Total other comprehensive losses | | (416) | (859) | (51) |
| Total comprehensive (losses)/income | | (3,798) | 535 | NM |

NM: Not Meaningful



Aoxin Q & M Dental Group Limited
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(Company Registration No: 201110784M)

Notes:

(a) Other income and gains

| In RMB'000 | 1Q2019 | 1Q2018 |
|----------------------------------|--------|--------|
| Foreign exchange adjustment gain | 225 | - |
| | 225 | - |

(b) Other losses

| In RMB'000 | 1Q2019 | 1Q2018 |
|----------------------------------|--------|--------|
| Plant and equipment written-off | (123) | - |
| Foreign exchange adjustment loss | - | (303) |
| | (123) | (303) |



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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.

| In RMB'000 | Group | | Company | |
|--|----------------------------|--------------------------|----------------------------|--------------------------|
| | 31 Mar 2019 (Unaudited) | 31 Dec 2018 (Audited) | 31 Mar 2019 (Unaudited) | 31 Dec 2018 (Audited) |
| ASSETS | | | | |
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment | 66,932 | 62,442 | 359 | 369 |
| Right-of-use assets | 54,213 | - | - | - |
| Intangible assets | 131,152 | 115,372 | - | - |
| Investment in subsidiaries | - | - | 287,429 | 277,210 |
| Other assets | 2,374 | 402 | 343 | 328 |
| Total non-current assets | 254,671 | 178,216 | 288,131 | 277,907 |
| <u>Current assets</u> | | | | |
| Inventories | 11,179 | 9,576 | - | - |
| Income tax recoverable | 2,009 | 2,116 | - | - |
| Trade and other receivables | 18,011 | 19,586 | 13,745 | 10,501 |
| Other assets | 5,202 | 5,962 | 587 | 289 |
| Cash and cash equivalents | 38,833 | 50,318 | 14,467 | 22,297 |
| Total current assets | 75,234 | 87,558 | 28,799 | 33,087 |
| Total assets | 329,905 | 265,774 | 316,930 | 310,994 |
| EQUITY AND LIABILITIES | | | | |
| <u>Equity</u> | | | | |
| Share capital | 295,356 | 295,356 | 295,356 | 295,356 |
| Retained earnings/(accumulated losses) | 6,389 | 10,764 | (1,745) | (2,638) |
| Other reserves | (59,202) | (60,103) | 10,613 | 15,971 |
| Total equity | 242,543 | 246,017 | 304,224 | 308,689 |
| <u>Non-current liabilities</u> | | | | |
| Deferred tax liabilities | 1,485 | 1,536 | - | - |
| Lease liabilities arising from Right-of-Use Assets | 48,024 | - | - | - |
| Total non-current liabilities | 49,509 | 1,536 | - | - |
| <u>Current liabilities</u> | | | | |
| Trade and other payables | 29,357 | 17,284 | 12,706 | 2,305 |
| Other financial liabilities | 2,692 | 937 | - | - |
| Lease liabilities arising from Right-of-Use Assets | 5,804 | - | - | - |
| Total current liabilities | 37,853 | 18,221 | 12,706 | 2,305 |
| Total liabilities | 87,362 | 19,757 | 12,706 | 2,305 |
| Total equity and liabilities | 329,905 | 265,774 | 316,930 | 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 March 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 | 2,692 | - | 937 | - |
| Amount repayable after one year | - | - | - | - |

The Group's debt securities above relate to the bills payables of the 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.

| In RMB'000 | Group | |
|---|-----------------|-----------------|
| | 1Q2019 | 1Q2018 |
| <u>Cash flows from operating activities</u> | | |
| (Loss)/Profit before tax | (3,308) | 2,282 |
| Adjustments for: | | |
| Depreciation and amortisation expenses | 2,490 | 1,581 |
| Depreciation of right-of-use assets | 1,153 | - |
| Plant and equipment written-off | 123 | - |
| Foreign currency translation reserve | (414) | (850) |
| Interest expense | 740 | - |
| Share-based payment | 324 | 298 |
| Operating cash flows before changes in working capital | 1,108 | 3,311 |
| Inventories | (1,603) | (1,951) |
| Trade and other receivables | (2) | (6,937) |
| Other assets | 788 | (3,445) |
| Trade and other payables | 1,143 | 1,082 |
| Net cash flows from/(used in) operations | 1,434 | (7,940) |
| Income taxes paid | (20) | (110) |
| Interest paid | (718) | - |
| Net cash flows from/(used in) operating activities | 696 | (8,050) |
| <u>Cash flows used in investing activities</u> | | |
| Decrease/(Increase) in staff loan | 46 | (35) |
| Amount paid to vendors for acquisition of subsidiaries in prior years | - | (12,150) |
| Acquisition of subsidiaries | (7,048) | - |
| Purchase of plant and equipment | (5,374) | (4,852) |
| Net cash flows used in investing activities | (12,376) | (17,037) |
| <u>Cash flows from financing activities</u> | | |
| Repayment of lease liabilities | (1,538) | - |
| Interest paid | (22) | - |
| Proceeds from share subscription | - | 10,612 |
| Bill Payable | 1,755 | - |
| Net cash flows from financing activities | 195 | 10,612 |
| Net decrease in cash and cash equivalents | (11,485) | (14,475) |
| Cash and cash equivalents at beginning of the period | 50,318 | 95,265 |
| Cash and cash equivalents at end of the period | 38,833 | 80,790 |



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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.

| In RMB'000 | Share capital | Retained earnings | Other reserves | Total equity |
|--|----------------|-------------------|-----------------|----------------|
| Group | | | | |
| Opening balance at 1 January 2019 | 295,356 | 10,764 | (60,103) | 246,017 |
| Changes in equity: | | | | |
| Total comprehensive loss for the period | - | (3,382) | (416) | (3,798) |
| Transfer to statutory reserve | - | (993) | 993 | - |
| Share-based payments | - | - | 324 | 324 |
| Closing balance at 31 March 2019 | 295,356 | 6,389 | (59,202) | 242,543 |
| Group | | | | |
| Opening balance at 1 January 2018 | 284,744 | 16,584 | (64,719) | 236,609 |
| Changes in equity: | | | | |
| Total comprehensive income/(loss) for the period | - | 1,394 | (859) | 535 |
| Issue of new shares | 10,612 | - | - | 10,612 |
| Share-based payments | - | - | 298 | 298 |
| Closing balance at 31 March 2018 | 295,356 | 17,978 | (65,280) | 248,054 |



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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).

| In RMB'000 | Share capital | Retained earnings / (accumulated losses) | Other reserves | Total equity |
|--|----------------|--|----------------|----------------|
| Company | | | | |
| Opening balance at 1 January 2019 | 295,356 | (2,638) | 15,971 | 308,689 |
| Changes in equity: | | | | |
| Total comprehensive income/(loss) for the period | - | 893 | (5,682) | (4,789) |
| Share-based payments | - | - | 324 | 324 |
| Closing balance at 31 March 2019 | 295,356 | (1,745) | 10,613 | 304,224 |
| Company | | | | |
| Opening balance at 1 January 2018 | 284,744 | 295 | 3,149 | 288,188 |
| Changes in equity: | | | | |
| Total comprehensive loss for the period | - | (929) | (732) | (1,661) |
| Issue of new shares | 10,612 | - | - | 10,612 |
| Share-based payments | - | - | 298 | 298 |
| Closing balance at 31 March 2018 | 295,356 | (634) | 2,715 | 297,437 |



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 1 January 2019 and 31 March 2019 | <u>381,575</u> | <u>295,356</u> |

There were no subsidiary holdings, treasury shares or outstanding convertibles as at 31 March 2019 and 31 March 2018.

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 Mar 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.**

SFRS(I) 16: Leases

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 March 2019 were mainly related to leases of the premises occupied by the Group in the various hospitals, clinics and business units. Accordingly, there was a corresponding increase in lease liabilities of RMB53.8 million as at 31 March 2019. The finance cost from the lease liabilities amounted to RMB0.7 million and the depreciation for the ROU assets amounted to RMB1.2 million for 1Q2019. The principal payment was RMB2.3 million for 1Q2019 on lease liabilities.

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.

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 | |
|---|-------------|-------------|
| | 1Q2019 | 1Q2018 |
| Basic/Fully diluted earnings per share | (0.89) | 0.37 |
| Weighted average number of shares | 381,574,909 | 375,359,571 |

The earnings per share for 1Q2019 and 1Q2018 have been computed by dividing profit after tax attributable to equity holders of 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:

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

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 31 Mar 2019 | 31 Dec 2018 | 31 Mar 2019 | 31 Dec 2018 |
| Net asset value per ordinary share (RMB cents) | 63.56 | 64.47 | 79.73 | 80.90 |

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 March 2019 and 31 December 2018 respectively.

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 revenue increased by 7% from RMB28.5 million in 1Q2018 to RMB30.6 million in 1Q2019.

Revenue from the primary healthcare segment increased by 3% from RMB18.4 million in 1Q2018 to RMB18.9 million in 1Q2019. This was mainly due to revenue contributed by Panjin Aoxin Quanmin Stomatology Hospital Co. ("PJAX") and Shenyang Shenhe Aoxin Stomatology Polyclinic Co., Ltd. ("SYSH"), which commenced operations in May 2018 and 2 new clinics which was acquired in 1Q2019, but partially offset by lower revenue contribution from some existing clinics.

As at 31 March 2019, the Group has a total of 13 dental centres, comprising 5 dental hospitals and 8 polyclinics as compared to 10 dental centres, comprising 4 dental hospitals and 6 polyclinics as at 31 March 2018.

Revenue from the distribution of dental equipment and supplies segment increased by 24%, mainly due to an increase of sales of dental supplies.

Revenue from the provision of laboratory services decreased to RMB2.8 million for 1Q2019 as compared to RMB3.0 million for 1Q2018. The decrease was mainly due to the increase in sales tax from 3% in 1Q2018 to 16% in 1Q2019 resulting in lower revenue.

Expenses

Cost of consumables and dental supplies

Consumables and dental supplies used increased by 7% from RMB2.5 million in 1Q2018 to RMB2.7 million in 1Q2019. This is in line with the increase in revenue from the primary healthcare segment. As a percentage of revenue from the primary healthcare segment, consumables and dental supplies used in 1Q2019 increased to 14.2% as compared to 13.6% in 1Q2018.



Cost of dental equipment and supplies

Cost of dental equipment and supplies increased by 31% from RMB5.7 million in 1Q2018 to RMB7.5 million in 1Q2019, 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 dental equipment and supplies in 1Q2019 increased to 84.2% as compared to 80.0% in 1Q2018. The increase was mainly due to higher purchase price for dental supplies and dental equipment in 1Q2019 as compared to 1Q2018.

Cost of laboratory services

Cost of laboratory services decreased by 18% from RMB0.7 million in 1Q2018 to RMB0.5 million in 1Q2019, which was in line with the decrease in the revenue from the laboratory services segment. As a percentage of revenue from the laboratory services segment, cost of laboratory services in 1Q2019 was 19.2% as compared to 22.1% in 1Q2018.

Employee benefits expense

Employee benefits expense increased by 37% from RMB10.4 million in 1Q2018 to RMB14.3 million in 1Q2019. These were mainly due to:

- (i) The costs for recruitment and training for undergraduate dentists, nurses and laboratory technicians to support the Group's long-term growth plan;
- (ii) Increase in headcount and salary cost for both the distribution of dental equipment and supplies segment and the laboratory services segment; and
- (iii) Increase in headcount and salary cost for the primary healthcare segment mainly due to:
 - (a) new projects such as PJAX, SYSH, and Dalian Aoxin Quanmin Stomatology Hospital Co., Ltd. ("DLAX"); and
 - (b) newly acquired Jinzhou Aoxin Youxin Dental Clinic Co., Ltd. ("JZYX"), and Shenyang Huanggu Aoxin Dental Clinic Co., Ltd. ("Huanggu Clinic").

As a percentage of revenue, employee benefits in 1Q2019 increased to 46.6% as compared to 36.5% in 1Q2018.

Depreciation and amortisation expense

Depreciation and amortisation expense increased by 57% from RMB1.6 million in 1Q2018 to RMB2.5 million in 1Q2019.

The increase of RMB0.9 million was mainly due to the increase in depreciation for dental equipment renovation as a result of setting up new hospitals and new clinics.

As a percentage of revenue, depreciation and amortisation expense in 1Q2019 was 8.1% as compared to 5.5% in 1Q2018.

Depreciation of Right-of-Use ("ROU") Assets

Depreciation of ROU assets amounted to RMB1.2 million due to the adoption of the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases.

As a percentage of revenue, depreciation of ROU assets in 1Q2019 was 3.8%.

Rental expense

Rental expense decreased by 83% from RMB2.0 million in 1Q2018 to RMB0.3 million in 1Q2019. The decrease of RMB1.7 million for rental expense was mainly due to adoption of the new SFRS(I) 16 Leases, which resulted in a corresponding increase for depreciation expense.

As a percentage of revenue, rental expense in 1Q2019 was 1.1% as compared to 7.0% in 1Q2018.



Finance costs

Finance costs was mainly due to the adoption of the new SFRS(I) 16 Leases, which resulted in a corresponding increase in finance cost.

Other expenses

Other expenses increased by 40% from RMB3.1 million in 1Q2018 to RMB4.4 million in 1Q2019. The increase was mainly due to:

- (i) related expenses incurred for setting up new hospitals and new clinics;
- (ii) increase in non-claimable Value Added Tax rate as a result of management fee billed to subsidiaries;
- (iii) increase in local transport, travelling expenses and entertainment costs as a result of setting up the newly opened hospitals and clinics; and
- (iv) increase in utilities expenses incurred from the newly opened hospitals namely PJAX and DLAX, and clinics which includes JZYX, SYSH and Huludao Longgang District Aoxin Dental Clinic Co., Ltd. (“HLG”).

As a percentage of revenue, other expenses in 1Q2019 were 14.2% as compared to 10.9% in 1Q2018.

Other losses

Other losses of RMB0.1 million in 1Q2019 was mainly due to plant and equipment written-off.

Loss After Tax

For the reason above, the Group incurred a loss after tax of RMB3.4 million in 1Q2019.

Statement of Financial Position

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

Non-Current Assets

Property, plant and equipment increased by RMB4.5 million from RMB62.4 million as at 31 December 2018 to RMB66.9 million as at 31 March 2019 mainly due to renovation and purchase of plant and equipment for DLAX.

Right-of-use assets amounted to RMB54.2 million as at 31 March 2019 is attributable to the adoption of SFRS(I) 16 Leases with effect from 1 January 2019.

Intangible assets increased by RMB15.8 million from RMB115.4 million as at 31 December 2018 to RMB131.2 million as at 31 March 2019 mainly due to the acquisition of Huanggu Clinic and JZYX.

Other assets increased by RMB2.0 million arise from reclassification of loan from current assets to non-current assets.



Current Assets

Inventories increased by RMB1.6 million from RMB9.6 million as at 31 December 2018 to RMB11.2 million as at 31 March 2019 mainly due to higher inventory level to cater for 2 newly acquired clinics completed in 1Q2019 and DLAX which will commence operations in 2Q2019.

Trade and other receivables decreased by RMB1.6 million from RMB19.6 million as at 31 December 2018 to RMB18.0 million as at 31 March 2019 mainly due to the decrease in other receivables, partially offset by higher trade receivables as a result of higher sales by dental equipment & supplies business.

Other assets decreased by RMB0.8 million from RMB6.0 million as at 31 December 2018 to RMB5.2 million as at 31 March 2019 mainly due to the decrease in prepayments.

Cash and cash equivalents decreased by RMB11.5 million from RMB50.3 million as at 31 December 2018 to RMB38.8 million as at 31 March 2019 mainly due to payments for purchase of plant and equipment and the acquisition of subsidiaries.

Non-current Liabilities

Lease liabilities arising from ROU assets amounted to RMB48.0 million as at 31 March 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 RMB12.1 million from RMB17.3 million as at 31 December 2018 to RMB29.4 million as at 31 March 2019. The increase was mainly due to amount owing to vendors of the acquired subsidiaries.

Other financial liabilities increased by RMB1.8 million from RMB0.9 million as at 31 December 2018 to RMB2.7 million as at 31 March 2019 mainly due to bill payables for the dental equipment and supplies business.

Lease liabilities arising from ROU assets amounted to RMB5.8 million as at 31 March 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 due to the lessors of rented premises.

Statement of Cash Flows

The Group's net cash flow from operating activities in 1Q2019 was RMB0.7 million. This was mainly due to positive operating cash flows before changes in working capital, increase in trade and other payables and decrease in other assets offset by the increase in inventories.

Net cash used in investing activities in 1Q2019 was RMB12.4 million, which was mainly attributable to payments for renovation and purchases of plant and equipment for DLAX as well as payment to vendors of the acquired subsidiaries.

Net cash generated from financing activities in 1Q2019 was RMB0.2 million, which was mainly attributable to proceeds from bank borrowings, partially offset by repayment of lease liabilities which was arising from ROU and interest paid.

Consequent to the above, the Group's cash and cash equivalents was RMB38.8 million as at 31 March 2019.



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

No forecast or a prospect statement was disclosed previously.

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

Barring any unforeseen circumstance, the Group expects its performance for the financial year ending 31 December 2019 to be impacted by the gestation losses incurred for the new hospitals and clinics.

Recent Developments

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

On 15 January 2019, the Group completed the onshore share transfer of Jinzhou Aoxin Youxin Dental Clinic Co., Ltd., which is located in Jinzhou City, Liaoning Province, China. The principal activities are providing general and specialist dentistry services.

- Update on acquisition of Shenyang Huanggu Aoxin Dental Clinic Co., Ltd

On 30 January 2019, the Group completed the onshore share transfer of Shenyang Huanggu Aoxin Dental Clinic Co., Ltd., which is located in Shenyang city, Liaoning Province, China. The principal activities are providing general and specialist dentistry services.

- Update on acquisition of Shenyang Jinfeng Aoxin Dental Clinic Co., Ltd

On 14 March 2019, the Group completed the onshore share transfer of Shenyang Jinfeng Aoxin Dental Clinic Co., Ltd. which is located in Shenyang, China. The principal activities are providing general and specialist dentistry services. The clinic has commenced its operations on 26 April 2019.

- Update on development of the new hospital in Dalian

On 26 April 2019, the Group commenced operation of Dalian Aoxin Quanmin Stomatology Hospital Co., Ltd., which is located in Dalian city, Liaoning Province, China. The principal activities are providing general and specialist dentistry services.

- Update on development of the new clinic in Huludao

On 12 April 2019, the Group commenced operation of Huludao Longgang District Aoxin Stomatology Polyclinic Co., Ltd., which is located in Huludao city, Liaoning Province, China. The principal activities are providing general and specialist dentistry services.

- Update on development of new clinic in Anshan

On 26 December 2018, the Company announced that the Group incorporated an indirect wholly-owned subsidiary, Anshan Lishan District Aoxin Q&M Stomatology Polyclinic Co., Ltd., which is currently expected to commence business operations in 3Q2019.



Future Plans

Currently the Group has 16 dental centres, comprising 6 dental hospitals and 10 polyclinics. The dental centres are located in seven (7) different cities in Liaoning Province, Northern PRC, namely, Shenyang, Huludao, Panjin, Gaizhou, Zhuanghe, Jinzhou and Dalian. 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.

- Consolidate the Group's dental and equipment supplies segment and expand outside 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) Books closure 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 1Q2019 as the Group has decided to conserve cash for expansion.



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

- 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 Catalyst 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 Catalyst Rules.

- 14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rules 720(1) of the Catalyst Rules.**

The Company hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Catalyst Rules.

- 15. Negative Confirmation by the Board pursuant to Rule 705(5) of the Catalyst 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 three-months ended 31 March 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Dr. Shao Yongxin
Group Chief Executive Officer
14 May 2019

This announcement has been prepared by Aoxin Q & M Dental Group Limited (the “**Company**”) and its contents have been reviewed by the Company’s Sponsor, SAC Capital Private Limited (the “**Sponsor**”) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The Sponsor has not independently verified the contents of this announcement.

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

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