



Unaudited Financial Statements and Dividend Announcement For Half-Year Ended 30 June 2020 (“1H2020”)

PART I - INFORMATION REQUIRED FOR HALF-YEAR ANNOUNCEMENTS

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		
		1H2020 RMB'000	1H2019 RMB'000	Change %
<b>Revenue</b>				
Primary healthcare		29,925	38,524	(22)
Distribution of dental equipment and supplies		12,742	20,487	(38)
Laboratory services		5,031	5,869	(14)
<b>Total Revenue</b>		47,698	64,880	(26)
<b>Other Items of Income</b>				
Interest income		54	83	(35)
Other income	(a)	302	2	>100
<b>Other Items of Expense</b>				
Consumables and dental supplies		(5,205)	(5,090)	2
Cost of dental equipment and supplies		(10,496)	(16,664)	(37)
Cost of laboratory services		(1,219)	(1,424)	(14)
Employee benefits expense		(24,688)	(28,744)	(14)
Depreciation and amortisation expenses		(5,440)	(4,977)	9
Depreciation of right-of-use assets		(3,600)	(2,725)	32
Rental expense		(443)	(344)	29
Finance costs		(1,580)	(1,481)	7
Other expenses		(5,213)	(8,225)	(37)
Other losses	(b)	(971)	(127)	>100
<b>Loss before tax</b>		(10,801)	(4,836)	>100
Income tax income/(expense)		347	(1,114)	NM
<b>Loss for the period</b>		(10,454)	(5,950)	76
<b>Other comprehensive losses, after tax</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences arising from foreign operations		(224)	(9)	>100
<b>Total comprehensive loss for the period</b>		(10,678)	(5,959)	79
<b>Loss attributable to:</b>				
Owners of the Company		(10,453)	(5,950)	76
Non-controlling interests		(1)	-	NM
<b>Loss for the period</b>		(10,454)	(5,950)	76
<b>Total comprehensive loss attributable to:</b>				
Owners of the Company		(10,677)	(5,959)	79
Non-controlling interests		(1)	-	NM
<b>Total comprehensive loss for the period</b>		(10,678)	(5,959)	79

NM: Not Meaningful



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

**(a) Other income**

	Group	
	1H2020	1H2019
	RMB'000	RMB'000
Compensation damages received	3	-
Donation received	34	-
Foreign exchange adjustment gain	259	2
Government job security subsidy	6	-
	302	2

**(b) Other losses**

	Group	
	1H2020	1H2019
	RMB'000	RMB'000
Compensation damages	(439)	-
Plant and equipment written-off	(532)	(124)
Rental deposit written off	-	(3)
	(971)	(127)



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

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	
	30/6/2020	31/12/2019	30/6/2020	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	57,868	62,491	314	337
Right-of-use assets	47,386	50,831	1,315	1,446
Intangible assets	131,824	132,231	-	-
Investment in subsidiaries	-	-	295,979	302,225
Other receivables	-	-	10,138	10,351
Other assets	288	350	278	314
Deferred tax assets	14	14	-	-
<b>Total non-current assets</b>	<b>237,380</b>	<b>245,917</b>	<b>308,024</b>	<b>314,673</b>
<b><u>Current Assets</u></b>				
Inventories	11,335	10,790	-	-
Income tax recoverable	37	1,752	-	-
Trade and other receivables	21,127	21,554	3,904	6,935
Other assets	1,564	1,635	278	304
Cash and cash equivalents	34,920	26,956	14,489	2,843
<b>Total current assets</b>	<b>68,983</b>	<b>62,687</b>	<b>18,671</b>	<b>10,082</b>
<b>Total assets</b>	<b>306,363</b>	<b>308,604</b>	<b>326,695</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	(14,649)	(4,205)	(8,836)	(8,519)
Other reserves	(56,564)	(56,973)	19,663	25,457
<b>Equity attributable to owners of the Company</b>	<b>224,143</b>	<b>234,178</b>	<b>306,183</b>	<b>312,294</b>
Non-controlling interest	2	3	-	-
<b>Total equity</b>	<b>224,145</b>	<b>234,181</b>	<b>306,183</b>	<b>312,294</b>
<b><u>Non-Current Liabilities</u></b>				
Deferred tax liabilities	1,231	1,332	-	-
Lease liabilities, non-current	35,201	37,614	1,172	1,345
Other financial liabilities, non-current	8,920	-	8,920	-
<b>Total non-current liabilities</b>	<b>45,352</b>	<b>38,946</b>	<b>10,092</b>	<b>1,345</b>
<b><u>Current Liabilities</u></b>				
Income tax payables	114	79	-	-
Trade and other payables	22,389	24,592	8,989	10,892
Lease liabilities, current	6,521	6,518	213	224
Other financial liabilities, current	7,842	4,288	1,218	-
<b>Total current liabilities</b>	<b>36,866</b>	<b>35,477</b>	<b>10,420</b>	<b>11,116</b>
<b>Total liabilities</b>	<b>82,218</b>	<b>74,423</b>	<b>20,512</b>	<b>12,461</b>
<b>Total equity and liabilities</b>	<b>306,363</b>	<b>308,604</b>	<b>326,695</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:

	30 June 2020		31 December 2019	
	RMB'000		RMB'000	
	Secured	Unsecured	Secured	Unsecured
<u>Bank loans</u>				
Amount repayable within one year or less, or on demand	4,150	1,218	-	-
Amount repayable after one year	-	8,920	-	-
	<u>4,150</u>	<u>10,138</u>	<u>-</u>	<u>-</u>

Secured borrowings

As at 30 June 2020, the bank loan of RMB3.2 million is secured by legal mortgage of Group's property and covered by corporate guarantee from Shenyang Quanxin Medical Equipment Leasing Co., Ltd. ("Quanxin").

The bank loan of RMB1.0 million is secured by corporate guarantee from Quanxin.

Unsecured borrowings

As at 30 June 2020, the 5-year temporary bridging loan ("TBL") of RMB10.1 million from United Overseas Bank ("UOB").

	30 June 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	2,474	-	4,288	-
Amount repayable after one year	-	-	-	-
	<u>2,474</u>	<u>-</u>	<u>4,288</u>	<u>-</u>

The Group's debt securities above relate to the bills payable of subsidiaries 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.**

	<b>Group</b>	
	<b>1H2020</b>	<b>1H2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b><u>Cash flows from operating activities</u></b>		
Loss before tax	(10,801)	(4,836)
Adjustments for:		
Depreciation and amortisation expenses	5,440	4,977
Depreciation of right-of-use assets	3,600	2,725
Interest expense	1,580	1,481
Plant and equipment written-off	532	124
Share-based payment	657	662
Unrealised foreign exchange gains	(140)	(31)
<b>Operating cash flows before changes in working capital</b>	<b>868</b>	<b>5,102</b>
Inventories	(545)	(2,821)
Trade and other receivables	474	(5,315)
Other assets	(436)	1,964
Trade and other payables	(2,173)	(349)
<b>Net cash flows used in operations</b>	<b>(1,812)</b>	<b>(1,419)</b>
Income taxes refund/(paid)	1,995	(1,350)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>183</b>	<b>(2,769)</b>
<b><u>Cash flows from investing activities</u></b>		
Acquisition of plant and equipment	(966)	(11,005)
Acquisition of subsidiaries	-	(7,048)
(Increase)/Decrease in staff loans	(20)	109
<b>Net cash flows used in investing activities</b>	<b>(986)</b>	<b>(17,944)</b>
<b><u>Cash flows from financing activities</u></b>		
Proceeds from bank loans and bills payable	16,761	3,851
Repayments of bank loans and bills payable	(4,288)	-
Interest paid	(265)	(1,481)
Repayment of principal portion of lease liabilities	(2,018)	(1,434)
Repayment of interest portion of lease liabilities	(1,345)	(1,410)
<b>Net cash flows generated from/(used in) financing activities</b>	<b>8,845</b>	<b>(474)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8,042</b>	<b>(21,187)</b>
Cash and cash equivalents at beginning of the period	26,956	50,318
Effect of foreign exchange rate changes on cash and cash equivalents	(78)	-
<b>Cash and cash equivalents at end of the period</b>	<b>34,920</b>	<b>29,131</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.

	Share capital	Statutory reserve	Share-based payment reserves	Foreign currency translation reserve	Other reserves	(Accumulated losses) / Retained earnings	Total	Non-controlling Interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>									
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 period	-	-	-	(224)	-	(10,453)	(10,677)	(1)	(10,678)
Transfer to statutory reserve	-	(9)	-	-	-	9	-	-	-
Written off capital reserve	-	-	-	-	(15)	-	(15)	-	(15)
Share-based payments	-	-	657	-	-	-	657	-	657
<b>Closing balance at 30 June 2020</b>	<b>295,356</b>	<b>7,397</b>	<b>3,986</b>	<b>3,973</b>	<b>(71,920)</b>	<b>(14,649)</b>	<b>224,143</b>	<b>2</b>	<b>224,145</b>
<b>Group</b>									
Balance at 1 January 2019	295,356	5,954	1,978	3,870	(71,905)	10,764	246,017	-	246,017
<b>Changes in equity:</b>									
Total comprehensive loss for the period	-	-	-	(9)	-	(5,950)	(5,959)	-	(5,959)
Transfer to statutory reserve	-	993	-	-	-	(993)	-	-	-
Share-based payments	-	-	662	-	-	-	662	-	662
<b>Closing balance at 30 June 2019</b>	<b>295,356</b>	<b>6,947</b>	<b>2,640</b>	<b>3,861</b>	<b>(71,905)</b>	<b>3,821</b>	<b>240,720</b>	<b>-</b>	<b>240,720</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 (cont'd).

	Share capital	Accumulated losses	Other reserves	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Company</b>				
Opening balance at 1 January 2020	295,356	(8,519)	25,457	312,294
<b>Changes in equity:</b>				
Total comprehensive loss for the period	-	(317)	(6,451)	(6,768)
Share-based payments	-	-	657	657
<b>Closing balance at 30 June 2020</b>	<b>295,356</b>	<b>(8,836)</b>	<b>19,663</b>	<b>306,183</b>
<b>Company</b>				
Opening balance at 1 January 2019	295,356	(2,638)	15,971	308,689
<b>Changes in equity:</b>				
Total comprehensive income for the period	-	155	1,753	1,908
Share-based payments	-	-	662	662
<b>Closing balance at 30 June 2019</b>	<b>295,356</b>	<b>(2,483)</b>	<b>18,386</b>	<b>311,259</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 30 June 2020	381,575	295,356

There were no changes in the issued and paid-up share capital of the Company during 1H2020.

#### Share options

On 21 January 2020, in relation to acquisition of Jinzhou Aoxin Youxin Dental Clinic Co., Ltd., the Group announced to issue share options to the vendor cum dentist, to subscribe 2,441,000 shares pursuant to the Aoxin Q & M Employee Share Option Scheme, at exercise price of \$0.20 per share, exercisable one year from the date of grant and will expire on 21 January 2021.

As at 30 June 2020, the total number of share options outstanding was 2,441,000 (30 June 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 30 June 2020, the total number of share awards outstanding were 960,565 (30 June 2019: Nil).

Save as disclosed, there were no subsidiary holdings, treasury shares or outstanding convertibles as at 30 June 2020 and 30 June 2019.





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**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.**

	<b>30 Jun 2020</b>	<b>31 Dec 2019</b>
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.

**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 related to going concern.**

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2019 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 annual financial statements for the financial year ended 31 December 2019.



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.

In the current reporting period, the Group adopted all of the Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) and Interpretations to SFRS(I) (“**SFRS(I) INT**”) that are relevant to its operations and are effective for first-time adoption during the current reporting period. The adoption of these SFRS(I) and SFRS(I) INT does not have material effect on the amounts reported for the current or prior reporting periods.

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.

Loss per ordinary share (RMB cents)	Group	
	1H2020	1H2019
Basic/Fully diluted loss per share <sup>1</sup>	(2.74)	(1.56)
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:

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

	Group		Company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Net asset value per ordinary share (RMB cents)	58.7	61.4	80.2	81.8

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 2020 and 31 December 2019 respectively.

<sup>1</sup> The basic and diluted earnings per share for all respective financial periods are the same as the 2020 Options are anti-dilutive and there were no other outstanding convertibles or other dilutive equity instruments.



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 operations for the six months ended 30 June 2020 ("1H2020") were negatively impacted by COVID-19 which evolved into a global pandemic. The Group's total revenue decreased by 26% from RMB64.9 million for 1H2019 to RMB47.7 million for 1H2020.

In accordance with the directives from the Chinese government and local dental health authorities in various cities of the Liaoning Province, all of our 17 dental centres, comprising 6 dental hospitals and 11 dental polyclinics were suspended from providing non-essential dental services in February and March 2020. Accordingly, our dental centres served a significantly smaller patient load as compared to 1H2019. As a result, the Group reported lower revenue from primary healthcare segment of RMB29.9 million, representing a decrease of RMB8.6 million or 22%, against RMB38.5 million achieved in 1H2019.

Revenue from distribution of dental equipment and supplies segment decreased by 38% from RMB20.5 million in 1H2019 to RMB12.7 million in 1H2020 due to the COVID-19 outbreak.

Revenue from provision of laboratory services decreased by 14% from RMB5.9 million in 1H2019 to RMB5.0 million for 1H2020 due to the COVID-19 outbreak.

##### **Other Income**

Other income increased by RMB0.3 million mainly due to foreign exchange translation gain.

##### **Expenses**

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

Consumables and dental supplies used increased by 2% from RMB5.1 million in 1H2019 to RMB5.2 million in 1H2020. This was mainly due to increase in dental lab processing cost, increase in cost of protective products and increase in other material cost.

As a percentage of revenue from the primary healthcare segment, cost of consumables and dental supplies used in 1H2020 was 17.4% as compared to 13.2% in 1H2019.

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

Cost of dental equipment and supplies decreased by 37% from RMB16.7 million in 1H2019 to RMB10.5 million in 1H2020, which 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 in 1H2020 was 82.4% as compared to 81.3% in 1H2019.



Cost of laboratory services

Cost of laboratory services decreased by 14% from RMB1.4 million in 1H2019 to RMB1.2 million in 1H2020, which was in line with the decrease in revenue from laboratory services segment.

As a percentage of revenue from the laboratory services segment, cost of laboratory services was 24.2% in 1H2020 as compared to 24.3% in 1H2019.

Employee benefits expense

Employee benefits expense decreased by 14% from RMB28.7 million in 1H2019 to RMB24.7 million in 1H2020. These were mainly due to the waiver of social insurance contributions by the Chinese government from February 2020 to December 2020, savings as a result of the Singapore Job Support Scheme as well as temporary 2-month salary reduction during epidemic.

As a percentage of revenue, overall employee benefits in 1H2020 increased to 51.8% as compared to 44.3% in 1H2019. The increase was mainly due to the saving from cost cutting measures and government supports are lower than then reduction in overall revenue of the Group

Depreciation and amortisation expenses

Depreciation and amortisation expenses increased by 9% from RMB5.0 million in 1H2019 to RMB5.4 million in 1H2020. 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.

Depreciation of right-of-use (“ROU”) assets

Depreciation of ROU assets increased by 32% from RMB2.7 million in 1H2019 to RMB3.6 million in 1H2020. The increased of RMB0.9 million was due to new hospital and clinics are opened during FY2019. Hence, resulted lower depreciation charged in FY2019.

Rental expense

Rental expense increased by 29% from RMB0.3 million in 1H2019 to RMB0.4 million in 1H2020. The increase of RMB0.1 million for rental expense was mainly due to increase in short term rental in calendar year 2020.

As a percentage of revenue, rental expense in 1H2020 was 0.9% as compared to 0.5% in 1H2019.

Finance costs

Finance costs increased by 7% from RMB1.5 million in 1H2019 to RMB1.6 million in 1H2020 mainly due to increase in bank borrowings.

Other expenses

Other expenses decreased by 37% from RMB8.2 million in 1H2019 to RMB5.2 million in 1H2020. The decrease was mainly due to:

- (i) decrease in travelling costs of RMB1.1 million;
- (ii) decrease in marketing expenses of RMB0.7 million; and
- (iii) decrease in sales tax of RMB0.3 million.

As a percentage of revenue, other expenses in 1H2020 were 10.9% as compared to 12.7% in 1H2019.

Other losses

Other losses increased by RMB0.9 million from RMB0.1 million in 1H2019 to RMB1.0 million in 1H2020. The increase in other losses was mainly due to write off of plant and equipment of RMB0.5 million and compensation paid for breach of contract of RMB0.4 million as a result of closure of Shenyang Aoxin Jinfeng Dental Clinic Co., Ltd. (“Jinfeng”).



Income tax income/(expense)

Income tax income in 1H2020 as compared to income tax expense in 1H2019 was mainly due to tax adjustment from prior year over accrual of withholding tax.

**Loss After Tax**

For the reasons given above, the Group has recorded net loss of RMB10.5 million in 1H2020 as compared to RMB6.0 million in 1H2019.

**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 2020 and 31 December 2019.

**Non-Current Assets**

Property, plant and equipment decreased by RMB4.6 million, from RMB62.5 million as at 31 December 2019 to RMB57.9 million as at 30 June 2020 mainly due to depreciation expenses and plant and equipment written off. The decrease is partially offset by the purchase of additional new plant and equipment.

ROU assets decreased by RMB3.4 million, from RMB50.8 million as at 31 December 2019 to RMB47.4 million as at 30 June 2020, mainly due to depreciation of ROU assets from adoption of SFRS(I) 16 Leases in FY2019. The Group's ROU assets relate to leases of premises occupied by the Group's dental centres and business units.

Other assets decreased slightly by RMB62,000, from RMB350,000 as at 31 December 2019 to RMB288,000 as at 30 June 2020 mainly due to decrease in sign-on bonus and amortisation of fixed assets related extended warranty cost.

**Current Assets**

Inventories increased by RMB0.5 million, from RMB10.8 million as at 31 December 2019 to RMB11.3 million as at 30 June 2020. This is mainly due to an increase of RMB0.3 million in Shenyang Maotai Q & M Medical Equipment Co., Ltd. ("**SY Maotai**") and an increase of RMB0.2 million in Panjin Jingcheng Q & M Stomatology Co., Ltd. ("**PJ Jincheng**") to enjoy bulk discounts and cater for their business needs.

Income tax recoverable decreased by RMB1.7 million, from RMB1.8 million as at 31 December 2019 to RMB37,000 as at 30 June 2020 mainly due to income tax recoverable received in 1H2020.

Trade and other receivables decreased by RMB0.5 million, from RMB21.6 million as at 31 December 2019 to RMB21.1 million as at 30 June 2020 mainly due to decrease in trade receivables from distribution of dental supplies and equipment segment.

Other assets remained at RMB1.6 million for both 30 June 2020 and 31 December 2019.

Cash and cash equivalents increased by RMB7.9 million, from RMB27.0 million as at 31 December 2019 to RMB34.9 million as at 30 June 2020 mainly due to proceeds from new bank loans, offset by repayment of bills payable, lease liabilities and interest.



### **Non-Current Liabilities**

Lease liabilities was RMB35.2 million as at 30 June 2020 as compared to RMB37.6 million as at 31 December 2019. The lease liabilities decreased by RMB2.4 million due to repayment of lease rental.

The Company secured a new temporary bridging loan (“TBL”) from UOB amounting to S\$2 million (RMB10.1 million) for working capital purposes. This is presented in other financial liabilities, non-current of RMB8.9 million and other financial liabilities, current of RMB1.2 million.

### **Current Liabilities**

Trade and other payables decreased by RMB2.2 million, from RMB24.6 million as at 31 December 2019 to RMB22.4 million as at 30 June 2020. The decrease was mainly due to the decrease in withholding tax, payment of audit fee and payroll of staff and dentists accrued in FY2019.

Other financial liabilities, current increased by RMB3.5 million, from RMB4.3 million as at 31 December 2019 to RMB7.8 million as at 30 June 2020 which mainly consist of RMB5.3 million new bank loans and RMB2.5 million of bills payable.

### **Statement of Cash Flows**

The Group’s net cash flow from operating activities in 1H2020 was RMB0.2 million. This was mainly due to positive operating cash flows and income tax refund, offset by increase in working capital for 1H2020.

Net cash used in investing activities in 1H2020 was RMB1.0 million, which was mainly attributable to acquisition of plant and equipment for the Group.

Net cash flows generated from financing activities in 1H2020 was RMB8.8 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 was RMB34.9 million as at 30 June 2020.

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

The 1H2020 results were in line with the commentary of the Group expecting its performance for the current financial year ending 31 December 2020 (“FY2020”) to be impacted by COVID-19 situation in China and gestation losses incurred for the new hospitals and clinics. The Group is expecting to register an operating loss for FY2020. Please refer to the Company’s announcements dated 12 May 2020, 20 May 2020, 28 May 2020, 11 June 2020, 26 June 2020 and 30 July 2020 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 FY2020 to be impacted by COVID-19 and might result in lower revenue and higher losses in FY2020 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 another lock down in China, 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. However, 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 Company had entered into a deed of termination with the Jinfeng's vendors. Jinfeng is officially closed as both parties have agreed to terminate the transaction documents with effective from 20 May 2020.

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

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

On 30 July 2020, the Group announced that due to a fresh coronavirus cluster detected in Dalian City, the Health Commission of Dalian City has issued a directive to all medical facilities in Dalian city to temporarily suspend all non-emergency medical treatments, including dental services. In accordance with the government prevention and control policy requirements and the current situation of COVID-19, our operations in Dalian, namely Aoxin Quanmin Stomatology Hospital Co., Ltd. and Zhuanghe City Aoxin Dawei Dental Co., Ltd. are temporarily closed from 26 July 2020 and such closure is expected to last for at least 2 weeks. As at the date of this announcement, the operations remain closed.

#### **Future Plans**

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

The Group continues to execute the business plans outlined below.

- Re-focus our efforts towards bolstering the Group's performance through both long- 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) 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 1H2020 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.





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

**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 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.

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

The Board of Directors of the Company confirms, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements for the six months ended 30 June 2020 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

**Dr. Shao Yongxin**  
**Group Chief Executive Officer**  
**13 August 2020**

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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.

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.