



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

**Unaudited Financial Statements And Dividend Announcement For The Second Quarter ("2Q2019") And Half-Year Ended 30 June 2019 ("1H2019")**

**PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR RESULTS 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					
		2Q2019 RMB'000	2Q2018 RMB'000	Change %	1H2019 RMB'000	1H2018 RMB'000	Change %
<b>Revenue</b>							
Primary healthcare		19,634	19,919	(1)	38,524	38,280	1
Distribution of dental equipment and supplies		11,556	8,310	39	20,487	15,493	32
Laboratory services		3,071	2,956	4	5,869	5,921	(1)
<b>Total Revenue</b>		<b>34,261</b>	<b>31,185</b>	<b>10</b>	<b>64,880</b>	<b>59,694</b>	<b>9</b>
<b>Other Items of Income</b>							
Interest income		33	37	(11)	83	78	6
Other (losses)/income	(a)	(223)	-	NM	2	-	NM
<b>Other Items of Expense</b>							
Consumables and dental supplies		(2,687)	(2,413)	11	(5,365)	(4,913)	9
Cost of dental equipment and supplies		(9,148)	(6,624)	38	(16,664)	(12,368)	35
Cost of laboratory services		(613)	(740)	(17)	(1,149)	(1,395)	(18)
Employee benefits expense		(14,467)	(11,277)	28	(28,744)	(21,669)	33
Depreciation and amortisation expense		(2,622)	(1,659)	58	(5,112)	(3,240)	58
Depreciation of right-of-use assets		(1,437)	-	NM	(2,590)	-	NM
Rental expense		(12)	(1,668)	(99)	(344)	(3,648)	(91)
Finance costs		(741)	-	NM	(1,481)	-	NM
Other expenses		(4,954)	(4,281)	16	(9,311)	(7,394)	26
Other losses	(b)	(4)	(16)	(75)	(127)	(319)	(60)
<b>(Loss)/Profit before tax</b>		<b>(2,614)</b>	<b>2,544</b>	<b>NM</b>	<b>(5,922)</b>	<b>4,826</b>	<b>NM</b>
Income tax credit/(expense)		46	(539)	NM	(28)	(1,427)	(98)
<b>(Loss)/Profit after tax</b>		<b>(2,568)</b>	<b>2,005</b>	<b>NM</b>	<b>(5,950)</b>	<b>3,399</b>	<b>NM</b>
<b>Other comprehensive income/(losses)</b>							
Exchange differences on translating foreign operations		407	664	(39)	(9)	(195)	(95)
<b>Total other comprehensive income/(losses)</b>		<b>407</b>	<b>664</b>	<b>(39)</b>	<b>(9)</b>	<b>(195)</b>	<b>(95)</b>
<b>Total comprehensive (losses)/income</b>		<b>(2,161)</b>	<b>2,669</b>	<b>NM</b>	<b>(5,959)</b>	<b>3,204</b>	<b>NM</b>
<b>(Loss)/profit net of tax attributable to:</b>							
- Owners of the Company		(2,568)	2,005	NM	(5,950)	3,399	NM
<b>(Loss)/profit net of tax</b>		<b>(2,568)</b>	<b>2,005</b>	<b>NM</b>	<b>(5,950)</b>	<b>3,399</b>	<b>NM</b>

NM: Not Meaningful



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

**(a) Other (losses)/income**

	Group			
	2Q2019	2Q2018	1H2019	1H2018
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign exchange adjustment (loss)/gain	(223)	-	2	-
	(223)	-	2	-

**(b) Other losses**

	Group			
	2Q2019	2Q2018	1H2019	1H2018
	RMB'000	RMB'000	RMB'000	RMB'000
Plant and equipment written-off	(1)	-	(124)	-
Foreign exchange adjustment loss	-	(16)	-	(319)
Rental deposit written off	(3)	-	(3)	-
	(4)	(16)	(127)	(319)



**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	
	30/6/2019	31/12/2018	30/6/2019	31/12/2018
	(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	70,165	62,442	354	369
Right-of-use Assets	52,466	-	-	-
Intangible Assets	130,949	115,372	-	-
Investment in Subsidiaries	-	-	294,479	277,210
Other Assets	2,363	402	337	328
<b>Total Non-Current Assets</b>	<b>255,943</b>	<b>178,216</b>	<b>295,170</b>	<b>277,907</b>
<b><u>Current Assets</u></b>				
Inventories	12,398	9,576	-	-
Income Tax Recoverable	2,248	2,116	-	-
Trade and Other Receivables	23,261	19,586	16,929	10,501
Other Assets	4,037	5,962	522	289
Cash and Cash Equivalents	29,131	50,318	10,495	22,297
<b>Total Current Assets</b>	<b>71,075</b>	<b>87,558</b>	<b>27,946</b>	<b>33,087</b>
<b>Total Assets</b>	<b>327,018</b>	<b>265,774</b>	<b>323,116</b>	<b>310,994</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Equity</u></b>				
Share Capital	295,356	295,356	295,356	295,356
Retained Earnings/(Accumulated losses)	3,821	10,764	(2,483)	(2,638)
Other Reserves	(58,457)	(60,103)	18,386	15,971
<b>Total Equity</b>	<b>240,720</b>	<b>246,017</b>	<b>311,259</b>	<b>308,689</b>
<b><u>Non-Current Liabilities</u></b>				
Deferred Tax Liabilities	1,434	1,536	-	-
Lease liabilities arising from Right-of-use Assets	46,622	-	-	-
<b>Total Non-Current Liabilities</b>	<b>48,056</b>	<b>1,536</b>	<b>-</b>	<b>-</b>
<b><u>Current Liabilities</u></b>				
Trade and Other Payables	27,865	17,284	11,857	2,305
Other Financial Liabilities	4,788	937	-	-
Lease liabilities arising from Right-of-use Assets	5,589	-	-	-
<b>Total Current Liabilities</b>	<b>38,242</b>	<b>18,221</b>	<b>11,857</b>	<b>2,305</b>
<b>Total Liabilities</b>	<b>86,298</b>	<b>19,757</b>	<b>11,857</b>	<b>2,305</b>
<b>Total Equity and Liabilities</b>	<b>327,018</b>	<b>265,774</b>	<b>323,116</b>	<b>310,994</b>



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

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 2019		31 December 2018	
	RMB'000		RMB'000	
	Secured	Unsecured	Secured	Unsecured
<u>Group's borrowings and debt securities</u>				
Amount repayable within one year or less, or on demand	4,788	-	937	-
Amount repayable after one year	-	-	-	-

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



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

	Group	
	1H2019	1H2018
	RMB'000	RMB'000
<b><u>Cash flows from operating activities</u></b>		
(Loss)/Profit before tax	(5,922)	4,826
Adjustments for:		
Depreciation and amortisation expenses	5,112	3,240
Depreciation of right-of-use assets	2,590	-
Loss on disposal of plant and equipment	2	-
Plant and equipment written-off	124	-
Foreign currency translation reserve	(33)	(192)
Interest expense	1,481	-
Share-based payment	662	629
<b>Operating cash flows before changes in working capital</b>	<b>4,016</b>	<b>8,503</b>
Inventories	(2,821)	(602)
Trade and other receivables	(5,315)	(9,744)
Other assets	1,964	(3,687)
Trade and other payables	(349)	3,079
Bill payable	3,851	-
Net cash flows used in operations	1,346	(2,451)
Income taxes paid	(264)	(1,199)
<b>Net cash flows from/(used in) operating activities</b>	<b>1,082</b>	<b>(3,650)</b>
<b><u>Cash flows used in investing activities</u></b>		
Decrease/(Increase) in staff loan	109	(75)
Acquisition of subsidiaries	(7,048)	(16,182)
Purchase of plant and equipment	(11,005)	(16,115)
<b>Net cash flows used in investing activities</b>	<b>(17,944)</b>	<b>(32,372)</b>
<b><u>Cash flows from financing activities</u></b>		
Dividend paid	-	(3,658)
Repayment of lease liabilities	(2,844)	-
Interest paid	(1,481)	-
Proceeds from share subscription	-	10,612
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(4,325)</b>	<b>6,954</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(21,187)</b>	<b>(29,068)</b>
Cash and cash equivalents at beginning of the period	50,318	95,265
<b>Cash and cash equivalents at end of the period</b>	<b>29,131</b>	<b>66,197</b>



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

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

	Share capital	Retained earnings	Other reserves	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>				
Opening balance at 1 January 2019	295,356	10,764	(60,103)	246,017
<b>Changes in equity:</b>				
Total comprehensive loss for the period	-	(5,950)	(9)	(5,959)
Transfer to statutory reserve	-	(993)	993	-
Share-based payments	-	-	662	662
<b>Closing balance at 30 June 2019</b>	<b>295,356</b>	<b>3,821</b>	<b>(58,457)</b>	<b>240,720</b>
<b>Group</b>				
Opening balance at 1 January 2018	284,744	16,584	(64,719)	236,609
<b>Changes in equity:</b>				
Total comprehensive income/(loss) for the period	-	3,399	(195)	3,204
Issue of new shares	10,612	-	-	10,612
Dividend paid	-	(3,658)	-	(3,658)
Share-based payments	-	-	629	629
<b>Closing balance at 30 June 2018</b>	<b>295,356</b>	<b>16,325</b>	<b>(64,285)</b>	<b>247,396</b>



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

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	Retained earnings / (accumulated losses)	Other reserves	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
<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>
<b>Company</b>				
Opening balance at 1 January 2018	284,744	295	3,149	288,188
<b>Changes in equity:</b>				
Total comprehensive (loss)/income for the period	-	134	(152)	(18)
Issue of new shares	10,612	-	-	10,612
Dividend paid	-	(3,658)	-	(3,658)
Share-based payments	-	-	629	629
<b>Closing balance at 30 June 2018</b>	<b>295,356</b>	<b>(3,229)</b>	<b>3,626</b>	<b>295,753</b>



**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 April 2019 and 30 June 2019	<u>381,575</u>	<u>295,356</u>

There were no subsidiary holdings, treasury shares or outstanding convertibles as at 30 June 2019 and 30 June 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.**

	30 Jun 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 30 June 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 RMB52.2 million as at 30 June 2019. The finance cost from the lease liabilities amounted to RMB1.4 million for 1H2019 (RMB0.7 million for 2Q2019) and the depreciation for the ROU assets amounted to RMB2.6 million for 1H2019 (RMB1.4 million for 2Q2019). The principal payment was RMB4.3 million for 1H2019 on lease liabilities (RMB2.0 million for 2Q2019).

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			
	2Q2019	2Q2018	1H2019	1H2018
Basic/Fully diluted earnings per share <sup>1</sup>	(0.67)	0.53	(1.56)	0.90
Weighted average number of shares	381,574,909	381,574,909	381,574,909	378,506,495

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



The earnings per share have been computed by dividing the (loss)/profit after tax attributable to equity holders 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 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Net asset value per ordinary share (RMB cents)	63.08	64.47	81.57	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 30 June 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 total revenue increased by 10% from RMB31.2 million for the 3 months ended 30 June 2018 ("2Q2018") to RMB34.3 million for 2Q2019.

Revenue from the primary healthcare segment decreased by 1% from RMB19.9 million in 2Q2018 to RMB19.6 million in 2Q2019. This was mainly due to a decrease in revenue of RMB3.2 million from older hospitals and clinics, and lower management fee of RMB1.1 million received by Shenyang Aoxin Q & M Stomatology Hospital Co., Ltd. ("Aoxin"), which was offset by the increase in revenue generated from our newer hospitals and clinics amounting to RMB3.9 million.

As at 30 June 2019, the Group has a total of 17 dental centres, comprising 6 dental hospitals and 11 polyclinics as compared to 11 dental centres, comprising 5 dental hospitals and 6 polyclinics as at 30 June 2018.

Revenue from distribution of dental equipment and supplies segment increased by 39% from RMB8.3 million in 2Q2018 to RMB11.6 million in 2Q2019. The increase was mainly due to increase in sales of dental equipment.

Revenue from provision of laboratory services increased by 4% from RMB3.0 million in 2Q2018 to RMB3.1 million for 2Q2019. The increase was mainly due to an overall decrease in value-added tax rate in 2Q2019 compared to 2Q2018. As the Group absorbs the value-added tax, the overall decrease in tax rate resulted in higher revenue recorded by the Group for our laboratory services.



The Group's revenue increased by 9% from RMB59.7 million for the six months ended 30 June 2018 ("1H2018") to RMB64.9 million for 1H2019.

Revenue from primary healthcare segment increased by 1% to RMB38.5 million from RMB38.3 million in 1H2018. This was mainly due to an increase in revenue generated from newer hospitals and clinics of RMB7.1 million, which was offset by the decrease in revenue of RMB5.7 million from older hospital and clinics, and lower management fee of RMB1.2 million received by Aoxin.

Revenue from distribution of dental equipment and supplies segment increased by 32% to RMB20.5 million in 1H2019 from RMB15.5 million in 1H2018 mainly due to higher revenue from sales of dental equipment.

Revenue from provision of laboratory services remains stable at RMB5.9 million in 1H2019 and 1H2018.

### **Expenses**

#### Cost of consumables and dental supplies

Consumables and dental supplies used increased by 11% from RMB2.4 million in 2Q2018 to RMB2.7 million in 2Q2019. This was mainly due to an increase in consumables and dental supplies for our newer hospitals and clinics amounting to RMB392,000, offset by a decrease in cost of consumables and dental supplies from older hospitals and clinics amounting to RMB80,000.

As a percentage of revenue from the primary healthcare segment, cost of consumables and dental supplies used in 2Q2019 increased to 13.7% as compared to 12.1% in 2Q2018.

For 1H2019, cost of sales from consumables and dental supplies increased by 9% to RMB5.4 million from RMB4.9 million in 1H2018. This is mainly due to an increase in consumables and dental suppliers for our newer hospitals and clinics amounting to RMB500,000.

As a percentage of revenue from the primary healthcare segment, cost of consumables and dental supplies used in 1H2019 increased to 13.9% as compared to 12.8% in 1H2018.

#### Cost of dental equipment and supplies

Cost of dental equipment and supplies increased by 38% from RMB6.6 million in 2Q2018 to RMB9.1 million in 2Q2019, 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 2Q2019 improved slightly to 79.2% as compared to 79.7% in 2Q2018.

For 1H2019, cost of sales from dental equipment and supplies increased by 35% to RMB16.7 million from RMB12.4 million in 1H2018. The increase was in line with the increase in revenue from the distribution of dental equipment and supplies segment.

As a percentage of revenue from the distribution of dental equipment and supplies segment, cost of dental equipment and supplies in 1H2019 was 81.3% as compared to 79.8% in 1H2018.

#### Cost of laboratory services

Cost of laboratory services decreased by 17% from RMB0.7 million in 2Q2018 to RMB0.6 million in 2Q2019, as a result of cost control measures implemented in 2019.

As a percentage of revenue from the laboratory services segment, cost of laboratory services in 2Q2019 was 20.0% as compared to 25.0% in 2Q2018.



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

For 1H2019, cost of laboratory services decreased by 18% to RMB1.1 million in 1H2019 from RMB1.4 million in 1H2018 as a result of cost control measures implemented.

As a percentage of revenue from the laboratory services segment, cost of laboratory services in 1H2019 was 20.0% as compared to 24.0% in 1H2018.

Employee benefits expense

Employee benefits expense increased by 28% from RMB11.3 million in 2Q2018 to RMB14.5 million in 2Q2019. These were mainly due to:

- (i) Increase in headcount, salary increment and bonus for the existing distribution of dental equipment and supplies segment amounting to RMB251,000; and
- (ii) Increase in headcount and salary cost for the primary healthcare segment mainly due to:
  - (a) Increase in headcount and salary cost for the Panjin Aoxin Q&M Stomatology Hospital and the Shenyang Shenhe Aoxin Stomatology Polyclinic set up in May 2018 amounting to RMB895,000;
  - (b) Increase in headcount and salary costs for Dalian Aoxin Quanmin Stomatology Hospital (“DLAX”), Huludao Longgang District Aoxin Stomatology Polyclinic (“HLG”) and Anshan Lishan District Aoxin Q&M Stomatology Polyclinic set up in 2019 amounting to RMB950,000; and
  - (c) Increase in headcount and salary costs for newly acquired Shenyang Huanggu Aoxin Dental Clinic Co., Ltd. (“Huanggu”), Shenyang Aoxin Jinfeng Dental Clinic Co., Ltd (“Jinfeng”) and Youxin Dental Clinic (“JZYX”) in 2019 amounting to RMB1.0 million.

As a percentage of revenue, overall employee benefits in 2Q2019 increased to 42.2% as compared to 36.2% in 2Q2018.

Comparing 1H2019 with 1H2018, employee benefit expense increased by 33% to RMB28.7 million from RMB21.7 million in 1H2018, mainly due to the reasons stated above.

Depreciation and amortisation expense

Depreciation and amortisation expense increased by 58% from RMB1.7 million in 2Q2018 to RMB2.6 million in 2Q2019. The increase of RMB0.9 million was mainly due to the increase in depreciation for dental equipment and renovation as a result of newer hospitals and clinics.

Comparing 1H2019 with 1H2018, depreciation and amortisation expense increased by 58% to RMB5.1 million in 1H2019 from RMB3.2 million in 1H2018, for the reasons stated above.

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

Depreciation of ROU assets in 2Q2019 amounted to RMB1.4 million due to the adoption of the new Singapore Financial Reporting Standards (International) (“SFRS(I)”) 16 Leases in FY2019.

Comparing 1H2019 with 1H2018, depreciation of ROU assets was RMB2.6 million for the reasons stated above.

Rental expense

Rental expense decreased by 99% from RMB1.7 million in 2Q2018 to RMB12,000 in 2Q2019. 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 decrease in rental expense that are for low value leases and/or short-term leases.

As a percentage of revenue, rental expense in 2Q2019 was 0.04% as compared to 5.4% in 2Q2018.

Comparing 1H2019 with 1H2018, rental expense decreased by 91% to RMB0.3 million from RMB3.6 million in 1H2018. The decrease was mainly due to the adoption of the new SFRS(I) 16 Leases in FY2019, which resulted in a corresponding decrease in rental expense.



#### Finance costs

The increase in finance costs was mainly due to the adoption of the new SFRS(I) 16 Leases, which resulted in a corresponding increase in finance cost in 2Q2019 and 1H2019.

#### Other expenses

Other expenses increased by 15% from RMB4.3 million in 2Q2018 to RMB5.0 million in 2Q2019. The increase was mainly due to:

- (i) Increase in expenses incurred for setting up new hospitals and new clinics of RMB509,000 in 2Q2019 as compared to 2Q2018; and
- (ii) increase in non-claimable Value Added Tax as a result of management fee billed to subsidiaries of RMB590,000 in 2Q2019 as compared to 2Q2018.

As a percentage of revenue, other expenses in 2Q2019 were 14.4% as compared to 13.7% in 2Q2018.

Comparing 1H2019 with 1H2018, other expense increased by 25.7% to RMB9.3 million from RMB7.4 in 1H2018, for the reasons stated above.

#### Other losses

Other losses of RMB4,000 in 2Q2019 was mainly due to rental deposit written-off, while RMB16,000 in 2Q2018 was mainly due to foreign exchange losses.

Comparing 1H2019 with 1H2018, other losses decreased by 60% to RMB127,000 from RMB319,000 in 1H2018. The decreased are mainly due no exchange loss in 1H2019.

#### **Loss After Tax**

For the reasons given above, the Group's net profit decreased from RMB2.0 million in 2Q2018 to a loss after tax of RMB2.6 million in 2Q2019.

For 1H2019, loss after tax was RMB6.0 million, compared with profit after tax of RMB3.4 million for 1H2018.

#### **Statement of Financial Position**

The comparative performance for both the assets and liabilities are based on the Group financial statements as at 30 June 2019 and 31 December 2018.

#### **Non-Current Assets**

Property, plant and equipment increased by RMB7.7 million from RMB62.4 million as at 31 December 2018 to RMB70.2 million as at 30 June 2019 mainly due to capitalised renovation expenses and purchases of plant and equipment for DLAX, HLG, Jinfeng, and Panjin Jingcheng Q&M Stomatology Co., Ltd ("PJJC").

Right-of-use assets amounted to RMB52.5 million as at 30 June 2019 is attributable to the adoption of SFRS(I) 16 Leases with effect from 1 January 2019.

Intangible assets increased by RMB15.6 million from RMB115.4 million as at 31 December 2018 to RMB130.9 million as at 30 June 2019 mainly due to the goodwill on acquisition of Huanggu and JZYX.

Other assets increased by RMB1.9 million mainly due to reclassification of a staff loan amounting to RMB2.0 million from current assets to non-current assets as the repayment is due in 2024.



### **Current Assets**

Inventories increased by RMB2.8 million from RMB9.6 million as at 31 December 2018 to RMB12.4 million as at 30 June 2019 mainly due to higher carried inventory level to cater for 3 newly acquired clinics and opening of 2 organic clinics and a hospital.

Trade and other receivables increased by RMB3.7 million from RMB19.6 million as at 31 December 2018 to RMB23.2 million as at 30 June 2019 mainly due to an increase in trade receivables for the dental supplies and equipment segment by RMB3.6 million as a result of increased sales. Trade receivables for the laboratory services segment also increased by RMB1.8 million due to a longer collection period.

Other assets decreased by RMB2.0 million from RMB6.0 million as at 31 December 2018 to RMB4.0 million as at 30 June 2019 mainly due to the reclassification of a staff loan of RMB2.0 million from current assets to non-current assets.

Cash and cash equivalents decreased by RMB21.2 million from RMB50.3 million as at 31 December 2018 to RMB29.1 million as at 30 June 2019 mainly due to payment for purchase of plant and equipment.

### **Non-current Liabilities**

Lease liabilities arising from ROU assets amounted to RMB46.6 million as at 30 June 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 RMB10.6 million from RMB17.3 million as at 31 December 2018 to RMB27.9 million as at 30 June 2019. The increase was mainly due to other payables relating to amounts owing to a vendor of an acquired subsidiary of RMB 10.6 million.

Other financial liabilities increased by RMB3.8 million from RMB0.9 million as at 31 December 2018 to RMB4.8 million as at 30 June 2019 mainly due to bill payables for the dental equipment and supplies business.

Lease liabilities arising from ROU assets amount to RMB5.5 million as at as 30 June 2019 as a result of the adoption of the new SFRS(I)16 Leases. The lease liabilities related to the present value of future lease payment for rented premises.

### **Statement of Cash Flows**

The Group's net cash flow from operating activities in 1H2019 was RMB1.1 million. This was mainly due to positive operating cash flows before changes in working capital and an increase in bill payable, offset by the increase in inventories and trade and other receivables.

Net cash used in investing activities in 1H2019 was RMB18.0 million, which was mainly attributable to purchases of plant and equipment and renovation cost for DLAX, HLG, Jinfeng, PJJC.

Net cash used in financing activities in 1H2019 was RMB4.3 million, which was mainly attributable to repayment of lease liabilities arising from ROU assets and interest paid.

Consequent to the above, the Group's cash and cash equivalents was RMB29.1 million as at 30 June 2019.



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

The HY2019 results were broadly in line with the general prospect commentary of the Group expecting its performance for FY2019 to be impacted by gestation losses incurred for the new hospitals and clinics as disclosed in the unaudited financial results of the Group released on 14 May 2019.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.**

#### **Industry Prospects**

The Group expects its performance for the financial year ending 31 December 2019 to be impacted by the gestation losses incurred for the new hospitals and clinics as well as higher expenses for training of dentists and staff to cater for its expansion.

#### **Recent Developments**

- Update on development of the new clinic in Huludao

On 12 April 2019, the Group commenced operations of HLG, which is located in Huludao city, Liaoning Province, China. The principal activities are providing general and specialist dentistry services.

- Update on development of the new hospital in Dalian

On 31 July 2019, the Group announced the opening of the Dalian Aoxin Quanmin Stomatology Hospital.

- Update on development of new clinic in Anshan

On 31 July 2019, the Group announced the opening of the Anshan Lishan District Aoxin Q&M Stomatology Polyclinic.

#### **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.

- 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 2Q2019 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.

**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.





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

**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 2019 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

**Dr. Shao Yongxin**  
**Group Chief Executive Officer**  
**14 August 2019**

---

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 Foo Siang Sheng (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.