



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

Unaudited Financial Statements and Dividend Announcement for Third Quarter ("3Q2019") And Nine Months Ended 30 September 2019 ("9M2019")

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					
		Third Quarter			Nine Months		
		3Q2019 RMB'000	3Q2018 RMB'000	Change %	9M2019 RMB'000	9M2018 RMB'000	Change %
Revenue							
Primary healthcare		21,944	19,559	12	60,468	57,839	5
Distribution of dental equipment and supplies		11,975	9,761	23	32,462	25,254	29
Laboratory services		3,746	2,861	31	9,615	8,782	9
Total Revenue		37,665	32,181	17	102,545	91,875	12
Other Items of Income							
Interest income		23	39	(41)	106	117	(9)
Other Items of Expense							
Consumables and dental supplies		(3,579)	(2,905)	23	(8,944)	(7,818)	14
Cost of dental equipment and supplies		(9,874)	(8,089)	22	(26,538)	(20,457)	30
Cost of laboratory services		(795)	(707)	12	(1,944)	(2,102)	(8)
Employee benefits expense		(14,888)	(12,265)	21	(43,632)	(33,934)	29
Depreciation and amortisation expense		(2,797)	(2,016)	39	(7,909)	(5,256)	50
Depreciation of right-of-use assets		(2,633)	-	NM	(5,223)	-	NM
Rental expense		(675)	(1,949)	(65)	(1,019)	(5,597)	(82)
Finance costs		(890)	-	NM	(2,371)	-	NM
Other expenses		(3,633)	(4,071)	(11)	(12,944)	(11,465)	13
Other losses	(a)	(270)	(85)	>100	(395)	(404)	(2)
(Loss)/Profit before tax		(2,346)	133	NM	(8,268)	4,959	NM
Income tax expense		(139)	(675)	(79)	(167)	(2,102)	(92)
(Loss)/Profit after tax		(2,485)	(542)	>100	(8,435)	2,857	NM
Other comprehensive income							
Exchange differences on translating foreign operations		298	195	53	289	-	NM
Total other comprehensive income		298	195	53	289	-	NM
Total comprehensive (losses)/income		(2,187)	(347)	>100	(8,146)	2,857	NM
(Loss)/profit net of tax attributable to:							
- Owners of the Company		(2,485)	(542)	>100	(8,435)	2,857	NM
(Loss)/profit net of tax		(2,485)	(542)	>100	(8,435)	2,857	NM

NM: Not Meaningful



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

(a) Other losses

	Group			
	Third Quarter		Nine Months	
	3Q2019	3Q2018	9M2019	9M2018
	RMB'000	RMB'000	RMB'000	RMB'000
Plant and equipment written-off	(30)	-	(154)	-
Foreign exchange adjustment loss	(239)	(85)	(237)	(404)
Rental deposit written off	-	-	(3)	-
Bad debts written off	(1)	-	(1)	-
	(270)	(85)	(395)	(404)



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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.

	Group		Company	
	As at		As at	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	70,333	62,442	352	369
Right-of-use Assets	46,870	-	-	-
Intangible Assets	130,746	115,372	-	-
Investment in Subsidiaries	-	-	299,764	277,210
Other Assets	2,363	402	328	328
Total Non-Current Assets	250,312	178,216	300,444	277,907
<u>Current Assets</u>				
Inventories	12,404	9,576	-	-
Income Tax Recoverable	1,827	2,116	-	-
Trade and Other Receivables	22,822	19,586	17,269	10,501
Other Assets	1,961	5,962	548	289
Cash and Cash Equivalents	22,859	50,318	4,291	22,297
Total Current Assets	61,873	87,558	22,108	33,087
Total Assets	312,185	265,774	322,552	310,994
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share Capital	295,356	295,356	295,356	295,356
Retained Earnings/(Accumulated losses)	1,336	10,764	(4,947)	(2,638)
Other Reserves	(57,809)	(60,103)	24,304	15,971
Total Equity	238,883	246,017	314,713	308,689
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	1,383	1,536	-	-
Lease liabilities arising from Right-of-use Assets	40,125	-	-	-
Total Non-Current Liabilities	41,508	1,536	-	-
<u>Current Liabilities</u>				
Trade and Other Payables	21,988	17,284	7,839	2,305
Other Financial Liabilities	3,092	937	-	-
Lease liabilities arising from Right-of-use Assets	6,714	-	-	-
Total Current Liabilities	31,794	18,221	7,839	2,305
Total Liabilities	73,302	19,757	7,839	2,305
Total Equity and Liabilities	312,185	265,774	322,522	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:

	30 September 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	3,092	-	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.



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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			
	Third Quarter		Nine Months	
	3Q2019	3Q2018	9M2019	9M2018
	RMB'000	RMB'000	RMB'000	RMB'000
<u>OPERATING ACTIVITIES</u>				
(Loss)/Profit before tax	(2,346)	133	(8,268)	4,959
Adjustments for:				
Bad debts written off	1	-	1	-
Depreciation and amortisation expenses	2,797	2,016	7,909	5,256
Depreciation of right-of-use assets	2,633	-	5,223	-
Loss on disposal of plant and equipment	(2)	-	-	-
Plant and equipment written-off	30	-	154	-
Foreign currency translation reserve	289	1,551	256	1,359
Interest expense	890	-	2,371	-
Share-based payment	350	371	1,012	1,000
Operating cash flows before changes in working capital	4,642	4,071	8,658	12,574
Inventories	(7)	190	(2,828)	(412)
Trade and other receivables	1,028	(2,852)	(4,287)	(12,596)
Other assets	(2,607)	176	(643)	(3,511)
Trade and other payables	(5,876)	2,529	(6,225)	5,608
Bill payable	(1,696)	-	2,155	-
Net cash flows (used in)/ generated from operations	(4,516)	4,114	(3,170)	1,663
Income taxes paid	231	(1,075)	(33)	(2,274)
Net cash flows (used in)/generated from operating activities	(4,285)	3,039	(3,203)	(611)
<u>INVESTING ACTIVITIES</u>				
(Increase)/ Decrease in staff loan	(41)	63	68	(12)
Acquisition of subsidiaries	(529)	-	(7,577)	(16,182)
Purchase of plant and equipment	(2,799)	(10,763)	(13,804)	(26,878)
Net cash flows used in investing activities	(3,369)	(10,700)	(21,313)	(43,072)
<u>FINANCING ACTIVITIES</u>				
Dividend paid	-	-	-	(3,658)
Repayment of lease liabilities	23	-	(2,821)	-
Interest received/(paid)	1,359	-	(122)	-
Proceeds from share subscription	-	-	-	10,612
Net cash flows generated from/(used in) financing activities	1,382	-	(2,943)	6,954
Net decrease in cash and cash equivalents	(6,272)	(7,661)	(27,459)	(36,729)
Cash and cash equivalents at beginning of the period	29,131	66,197	50,318	95,265
Cash and cash equivalents at end of the period	22,859	58,536	22,859	58,536



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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	Retained earnings	Other reserves	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Opening balance at 1 January 2019	295,356	10,764	(60,103)	246,017
Changes in equity:				
Total comprehensive (loss)/income for the period	-	(8,435)	289	(8,146)
Transfer to statutory reserve	-	(993)	993	-
Share-based payments	-	-	1,012	1,012
Closing balance at 30 September 2019	295,356	1,336	(57,809)	238,883
Group				
Opening balance at 1 January 2018	284,744	16,584	(64,719)	236,609
Changes in equity:				
Total comprehensive income for the period	-	2,857	-	2,857
Issue of new shares	10,612	-	-	10,612
Dividend paid	-	(3,658)	-	(3,658)
Share-based payments	-	-	983	983
Closing balance at 30 September 2018	295,356	15,783	(63,736)	247,403



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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	Retained earnings / (accumulated losses)	Other reserves	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
Opening balance at 1 January 2019	295,356	(2,638)	15,971	308,689
Changes in equity:				
Total comprehensive (loss)/income for the period	-	(2,309)	7,321	5,012
Share-based payments	-	-	1,012	1,012
Closing balance at 30 September 2019	295,356	(4,947)	24,304	314,713
Company				
Opening balance at 1 January 2018	284,744	295	3,149	288,188
Changes in equity:				
Total comprehensive income for the period	-	430	1,369	1,799
Issue of new shares	10,612	-	-	10,612
Dividend paid	-	(3,658)	-	(3,658)
Share-based payments	-	-	983	983
Closing balance at 30 September 2018	295,356	(2,933)	5,501	297,924



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

There were no subsidiary holdings, treasury shares or outstanding convertibles as at 30 September 2019 and 30 September 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 Sep 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 September 2019 were mainly related to leases of the premises occupied by the Group in the various hospitals, clinics and business units. Accordingly, the ROU assets as at 30 September 2019 was RMB46.9 million. The lease liabilities amounted to RMB46.8 million as at 30 September 2019 and the depreciation of ROU assets amounted to RMB5.2 million for 9M2019.

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			
	3Q2019	3Q2018	9M2019	9M2018
Basic/Fully diluted earnings per share	(0.65)	(0.14)	(2.21)	0.75
Weighted average number of shares	381,574,909	381,574,909	381,574,909	379,520,323

The earnings per share have been computed by dividing the profit after tax attributable to equity holders of the Company against the weighted average number of shares for the respective financial periods. 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.



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 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Net asset value per ordinary share (RMB cents)	62.60	64.47	82.48	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 September 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 17% from RMB32.2 million for the 3 months ended 30 September 2018 ("**3Q2018**") to RMB37.7 million for 3Q2019.

Revenue from the primary healthcare segment increased by 12% from RMB19.6 million in 3Q2018 to RMB21.9 million in 3Q2019. This was mainly due to the increase in revenue generated from the newer hospitals and clinics amounting to approximately RMB3.6 million, but partially offset by a decrease in revenue of RMB0.8 million from older hospitals and clinics, and lower management fee of RMB0.6 million from Shenhe District No. 6 Hospital ("**6th Hospital**"), a company under management contract.

As at 30 September 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 September 2018.

Revenue from the distribution of dental equipment and supplies segment increased by 23% from RMB9.8 million in 3Q2018 to RMB12.0 million in 3Q2019. The increase was mainly due to the increase in sales of dental equipment to government hospitals.

Revenue from the provision of laboratory services increased by 31% from RMB2.9 million in 3Q2018 to RMB3.7 million in 3Q2019. The increase was mainly due to higher revenue from government hospitals.

The Group's total revenue increased by 12% from RMB91.9 million for the nine months ended 30 September 2018 ("**9M2018**") to RMB102.5 million for 9M2019.

Revenue from the primary healthcare segment increased by 5% to RMB60.5 million in 9M2019 from RMB57.8 million in 9M2018. This was mainly due to an increase in revenue generated from the newer hospitals and clinics of RMB10.9 million, which was partially offset by the decrease in revenue of



RMB6.3 million from older hospitals and clinics, and lower management fee of RMB1.9 million received from 6th Hospital.

Revenue from the distribution of dental equipment and supplies segment increased by 29% to RMB32.5 million in 9M2019 from RMB25.3 million in 9M2018 mainly due to higher revenue from sales of dental equipment to government hospitals.

Revenue from the provision of laboratory services increased by 9% to RMB9.6 million in 9M2019 from RMB8.8 million in 9M2018 mainly due to higher revenue from government hospitals.

Expenses

Cost of consumables and dental supplies

Consumables and dental supplies used increased by 23% from RMB2.9 million in 3Q2018 to RMB3.6 million in 3Q2019. This was mainly due to an increase in overall consumables and dental supplies used for the newer hospitals and clinics amounting to RMB0.4 million, and also an increase in overall consumables and dental supplies used for the older hospitals and clinics amounting to RMB0.3 million.

As a percentage of revenue from the primary healthcare segment, cost of consumables and dental supplies used increased to 16.3% in 3Q2019 as compared to 14.9% in 3Q2018.

For 9M2019, consumables and dental supplies used increased by 14% to RMB8.9 million from RMB7.8 million in 9M2018. This is mainly due to an increase in consumables and dental supplies used for the newer hospitals and clinics amounting to RMB0.9 million as well as an increase in consumables and dental supplies used for the older hospital and clinics amounting to RMB0.2 million.

As a percentage of revenue from the primary healthcare segment, cost of consumables and dental supplies used increased to 14.8% in 9M2019 as compared to 13.5% in 9M2018.

Cost of dental equipment and supplies

Cost of dental equipment and supplies increased by 22% from RMB8.1 million in 3Q2018 to RMB9.9 million in 3Q2019, 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 fell slightly to 82.5% in 3Q2019 as compared to 82.9% in 3Q2018.

For 9M2019, cost of sales from dental equipment and supplies increased by 30% to RMB26.5 million from RMB20.5 million in 9M2018. 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 increased to 81.8% in 9M2019 as compared to 81.0% in 9M2018.

Cost of laboratory services

Cost of laboratory services increased by 12% from RMB0.7 million in 3Q2018 to RMB0.8 million in 3Q2019. This is due to cost control measures implemented in 2019 whereby the increase in cost of laboratory services is much lower than the increase in revenue from the provision of laboratory services.

As a percentage of revenue from the laboratory services segment, cost of laboratory services was 21.2% in 3Q2019 as compared to 24.7% in 3Q2018.

For 9M2019, cost of laboratory services decreased by 8% to RMB1.9 million in 9M2019 from RMB2.1 million in 9M2018 as a result of cost control measures implemented.



As a percentage of revenue from the laboratory services segment, cost of laboratory services was 20.2% in 9M2019 as compared to 23.9% in 9M2018.

Employee benefits expense

Employee benefits expense increased by 21% from RMB12.3 million in 3Q2018 to RMB14.9 million in 3Q2019. These were mainly due to:

- (i) Increase in headcount, salary increment and bonus for the distribution of dental equipment and supplies segment amounting to RMB0.2 million; and
- (ii) Increase in headcount and salary cost for the primary healthcare segment mainly due to:
 - (a) Increase in headcount and salary costs for Dalian Aoxin Quanmin Stomatology Hospital (“**DLAX**”), Huludao Longgang District Aoxin Stomatology Polyclinic (“**HLG**”), Panjin Jingcheng Q&M Stomatology Co., Ltd (“**PJJC**”) and Anshan Lishan District Aoxin Q&M Stomatology Polyclinic which were set up in 2019 amounting to RMB1.0 million; and
 - (b) 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 RMB1.1 million.

As a percentage of revenue, employee benefits expense in 3Q2019 increased to 39.5% as compared to 38.1% in 3Q2018.

Comparing 9M2019 with 9M2018, employee benefits expense increased by 29% to RMB43.6 million in 9M2019 from RMB33.9 million in 9M2018, mainly due to the reasons stated above.

As a percentage of revenue, employee benefits expense in 9M2019 increased to 42.6% as compared to 36.9% in 9M2018.

Depreciation and amortisation expense

Depreciation and amortisation expense increased by 39% from RMB2.0 million in 3Q2018 to RMB2.8 million in 3Q2019. The increase of RMB0.8 million was mainly due to the increase in depreciation for dental equipment and renovation as a result of the opening of new hospitals and clinics.

Comparing 9M2019 with 9M2018, depreciation and amortisation expense increased by 50% to RMB7.9 million in 9M2019 from RMB5.3 million in 9M2018, for the same reasons stated above.

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

Depreciation of ROU assets in 3Q2019 amounted to RMB2.6 million due to the adoption of the new Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 16 Leases in FY2019.

Depreciation of ROU assets for 9M2019 was RMB5.2 million, for the reasons stated above.

Rental expense

Rental expense decreased by 65% from RMB1.9 million in 3Q2018 to RMB0.7 million in 3Q2019. The decrease of RMB1.2 million was mainly due to the adoption of the new SFRS(I) 16 Leases, which resulted in a corresponding decrease in rental expense. Rental expenses in 3Q2019 were derived from short-term leases.

Comparing 9M2019 with 9M2018, rental expense decreased by 82% to RMB1.0 million in 9M2019 from RMB5.6 million in 9M2018. 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.

As a percentage of revenue, total expenses on depreciation of ROU assets and rental expenses increased to 8.78% in 3Q2019 from 6.09% in 3Q2018.



Finance costs

The finance costs of RMB0.9 million and RMB2.4 million for 3Q2019 and 9M2019 respectively, was mainly due to the adoption of the new SFRS(I) 16 Leases, which resulted in a corresponding increase in finance cost in 3Q2019 and 9M2019.

Other expenses

Other expenses decreased by 11% from RMB4.1 million in 3Q2018 to RMB3.6 million in 3Q2019. The decrease was mainly due to decrease in expenses incurred by existing clinics of RMB0.7 million as a result of cost cutting measures, and partially offset by an increase in other expenses incurred for the distribution of dental equipment and supplies segment of RMB0.2 million, including entertainment, travelling and marketing expenses.

As a percentage of revenue, other expenses decreased to 9.7% in 3Q2019 as compared to 12.7% in 3Q2018.

Comparing 9M2019 with 9M2018, other expenses increased by 13% to RMB12.9 million in 9M2019 from RMB11.5 million in 9M2018, the increase was mainly due to:

- (i) increase in expenses incurred for setting up of new hospitals and clinics of RMB1.0 million;
- (ii) increase in non-claimable Value Added Tax as a result of management fee billed to subsidiaries of RMB0.6 million
- (iii) increase in other expenses incurred for distribution of dental equipment and supplies segment by RMB0.4 million, mainly attributable to entertainment and marketing expenses from the segment; and
- (iv) offset by decrease in other expenses incurred by existing clinics by RMB0.8 million as a result of cost cutting measures.

As a percentage of revenue, other expenses remained relatively stable at in 9M2019 as compared to 12.5% in 9M2018.

Other losses

Other losses of RMB0.3 million in 3Q2019 and RMB85k in 3Q2018 was mainly due to foreign exchange adjustment loss.

As a percentage of revenue, other losses in 3Q2019 were 0.7% as compared to 0.3% in 3Q2018.

Comparing 9M2019 with 9M2018, other losses decreased by 2% to RMB395,000 in 9M2019 from RMB404,000 in 9M2018. The decrease is mainly due to lower foreign exchange adjustment loss and offset by plant and equipment written-off of RMB0.2 million.

As a percentage of revenue, other losses in 9M2019 decreased to 0.39% as compared to 0.44% in 9M2018.

Loss After Tax

For the reasons given above, the Group's loss after tax increased from RMB0.5 million in 3Q2018 to RMB2.5 million in 3Q2019. As a result of the adoption of SFRS(I) 16, the front-loaded total lease expenses amounting to RMB1.8 million was recognised in 3Q2019.

Excluding the front-loaded total lease expenses impact, the Group's loss after tax in 3Q2019 will amount to RMB0.7 million as compared to RMB0.5 million in 3Q2018.

For 9M2019, loss after tax amounted to RMB8.4 million as compared to the profit after tax of RMB2.9 million for 9M2018.



Excluding the front-loaded total lease expenses impact, the Group's loss after tax in 9M2019 will amount to RMB6.9 million as compared to the profit after tax of RMB2.9 million for 9M2018.

Statement of Financial Position

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

Non-Current Assets

Property, plant and equipment increased by RMB7.9 million from RMB62.4 million as at 31 December 2018 to RMB70.3 million as at 30 September 2019 mainly due to the purchase of plant and equipment for newly acquired clinics and newly set up hospital and clinics, which was offset by depreciation of plant and equipment.

Right-of-use assets amounted to RMB46.9 million as at 30 September 2019 and is attributable to the adoption of SFRS(I) 16 Leases with effect from 1 January 2019.

Intangible assets increased by RMB15.3 million from RMB115.4 million as at 31 December 2018 to RMB130.7 million as at 30 September 2019 mainly due to the goodwill on acquisition of Huanggu and JZYX.

Other assets increased by RMB2.0 million mainly due to reclassification of 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 September 2019 mainly due to higher inventory level to cater for the higher demand from customers from the dental supplies and equipment segment.

Trade and other receivables increased by RMB3.2 million from RMB19.6 million as at 31 December 2018 to RMB22.8 million as at 30 September 2019 mainly due to increase in trade receivables for the laboratory services segment and distribution of dental supplies and equipment segment.

Other assets decreased by RMB4.0 million from RMB6.0 million as at 31 December 2018 to RMB2.0 million as at 30 September 2019 mainly due to reclassification of staff loan amounting to RMB2.0 million from current assets to non-current assets as the repayment is due in 2024 and the reclassification of prepaid rental of RMB2.2 million to lease liabilities resulting from the adoption of the new SFRS(I) 16 Leases.

Cash and cash equivalents decreased by RMB27.4 million from RMB50.3 million as at 31 December 2018 to RMB22.9 million as at 30 September 2019 mainly due to cash flow used in operations, purchase of plant and equipment for the opening of new hospitals and clinics as well as payment to vendors of newly acquired subsidiaries.

Non-Current Liabilities

Lease liabilities arising from ROU assets amounted to RMB40.1 million as at 30 September 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 RMB4.7 million from RMB17.3 million as at 31 December 2018 to RMB22.0 million as at 30 September 2019. The increase was mainly due to other payables relating to balance consideration owing to vendors of newly acquired subsidiaries of RMB5.9 million.

Other financial liabilities increased by RMB2.2 million from RMB0.9 million as at 31 December 2018 to RMB3.1 million as at 30 September 2019 mainly due to bill payables for the dental equipment and supplies segment in Shenyang Maotai Q & M Medical Equipment Co., Ltd. (“**SY Maotai**”).

Lease liabilities arising from ROU assets amount to RMB6.7 million as at as 30 September 2019 as a result of the adoption of the new SFRS(I)16 Leases. The lease liabilities relates to the present value of future lease payment for rental of hospitals and clinics premises.

Statement of Cash Flows

The Group’s net cash flow used in operating activities in 3Q2019 was RMB4.3 million. This was mainly due to the increase in other assets and decrease in trade and other payables and bill payable, and partially offset by the positive operating cash flows before changes in working capital, and decrease in trade and other receivables.

Net cash used in investing activities in 3Q2019 was RMB3.4 million, which was mainly attributable to purchases of plant and equipment and renovation cost for the opening of new clinics and hospitals.

Net cash generated from financing activities in 3Q2019 was RMB1.4 million, which was mainly attributable to interest received and cash inflow from repayment of lease liabilities arising from ROU assets.

The Group’s net cash flow used in operating activities in 9M2019 was RMB3.2 million. This was mainly due to increase in inventories, trade and other receivables, other assets, and decrease in trade and other payables, but partially offset by the positive operating cash flow before changes in working capital and an increase in bill payable.

Net cash used in investing activities in 9M2019 was RMB21.3 million, which was mainly attributable to purchases of plant and equipment, renovation cost for the opening of new hospitals, clinics and acquired clinics and the payment for the acquisition of subsidiaries.

Net cash used in financing activities in 9M2019 was RMB2.9 million, which was 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 RMB22.9 million as at 30 September 2019.

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

The 9M2019 results were broadly in line with the general prospect commentary of the Group that its performance for FY2019 will be impacted by gestation losses incurred for the new hospitals and clinics as disclosed in the unaudited 1Q2019 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 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.

- Strengthen Group's Dental Business

The Group will continue to focus our efforts on improving the revenue of the hospitals and clinics, reduce gestation losses, maximise the cost efficiency of the hospitals and clinics and increase dental chairs utilisation. The Group will remain focused on recruitment and training of undergraduate dentists, nurses and laboratory technicians to support the Group's long-term growth plan.

- 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.

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 3Q2019 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 Rule 720(1) of the Catalist Rules.

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

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 third quarter and nine months ended 30 September 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Dr. Shao Yongxin
Group Chief Executive Officer
12 November 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.

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