



Financial Statement Announcement For The Third Quarter Ended 30 September 2013 (“3Q13”)

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTER (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR RESULTS

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

	Note	Group					
		Third Quarter			Year-To-Date		
		Q3 2013 \$'000	Q3 2012 \$'000	Change %	30/9/2013 \$'000	30/9/2012 \$'000	Change %
Revenue							
Dental and Medical Clinics		16,999	13,645	25	47,640	39,104	22
Dental Equipment & Supplies Distribution		1,716	645	166	2,194	1,685	30
Other Items of Income							
Interest Income		21	7	NM	33	37	(11)
Other Credits	1(a)(i)	65	37	76	184	206	(11)
Other Items of Expense							
Consumables and Supplies Used in Dental & Medical Clinics		(963)	(604)	59	(3,202)	(2,347)	36
Cost of Sales - Dental Equipment & Supplies		(1,252)	(475)	164	(1,568)	(1,158)	35
Employee Benefits Expense		(11,150)	(9,111)	22	(31,236)	(25,878)	21
Depreciation Expense		(551)	(393)	40	(1,480)	(1,100)	35
Rental Expense		(1,736)	(1,443)	20	(5,036)	(4,086)	23
Other Expenses		(1,453)	(1,120)	30	(3,421)	(2,838)	21
Other Charges	1(a)(ii)	(45)	(3)	NM	(100)	(6)	NM
Finance Costs		(107)	(50)	114	(255)	(113)	126
Share of Profit/(Loss) from Equity-Accounted Associates		48	(42)	NM	107	(35)	NM
Profit Before Tax from Continuing Operations		1,592	1,093	46	3,860	3,471	11
Income Tax Expense		(68)	(90)	(24)	(319)	(258)	24
Profit From Continuing Operations, Net of Tax		1,524	1,003	52	3,541	3,213	10
Other Comprehensive Income:							
Exchange Differences on Translating Foreign Operations, Net of Tax		114	(15)	NM	134	(13)	NM
Other Comprehensive Income/ (Loss) for the Period, Net of Tax		114	(15)	NM	134	(13)	NM
Total Comprehensive Income for the Period		1,638	988	66	3,675	3,200	15
Profit attributable to:							
Owners of the Parent, Net of Tax		1,502	983	53	3,513	3,180	10
Non-Controlling Interests, Net of Tax		22	20	10	28	33	(15)
Profit Net of Tax		1,524	1,003	52	3,541	3,213	10
Total Comprehensive Income attributable to:							
Owners of the Parent		1,616	968	67	3,647	3,167	15
Non-Controlling Interests		22	20	10	28	33	(15)
Total Comprehensive Income		1,638	988	66	3,675	3,200	15

NM: Not Meaningful



Q & M Dental Group (Singapore) Limited
(Incorporated in the Republic of Singapore)
(Company Registration No: 200800507R)

Notes:

1(a)(i) Other Credits

	Group			
	Third Quarter		Year-To-Date	
	Q3 2013	Q3 2012	30/9/2013	30/9/2012
	\$'000	\$'000	\$'000	\$'000
Gain on Disposal of Plant and Equipment	-	1	9	1
Foreign Exchange Translation Gain	-	22	-	43
Profit Guarantee from a Shareholder of an Associate	41	14	123	162
Enhanced Special Employment Credit	24	-	52	-
	65	37	184	206

1(a)(ii) Other Charges

	Group			
	Third Quarter		Year-To-Date	
	Q3 2013	Q3 2012	30/9/2013	30/9/2012
	\$'000	\$'000	\$'000	\$'000
Plant & Equipment Written Off	18	1	29	4
Foreign Exchange Translation Loss	27	2	64	2
Impairment Loss of Plant and Equipment	-	-	7	-
	45	3	100	6



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	
	30/9/2013	31/12/2012	30/9/2013	31/12/2012
	\$'000	\$'000	\$'000	\$'000
ASSETS				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	18,619	17,194	264	230
Investment in Subsidiaries	-	-	4,960	4,760
Investment in Associates	3,413	3,306	-	-
Intangible Assets	5,428	1,023	-	-
Other Receivables	472	580	42	66
Other Assets	970	645	548	384
Total Non-Current Assets	28,902	22,748	5,814	5,440
<u>Current Assets</u>				
Inventories	3,932	1,498	-	-
Trade and Other Receivables	9,884	5,604	24,544	18,515
Other Assets	1,490	969	848	681
Cash and Cash Equivalents	25,435	18,487	16,704	9,650
Total Current Assets	40,741	26,558	42,096	28,846
Total Assets	69,643	49,306	47,910	34,286
EQUITY AND LIABILITIES				
<u>Equity Attributable to Owners of the Parent</u>				
Share Capital	39,722	22,947	39,722	22,947
Retained Earnings	2,877	5,510	573	457
Other Reserves, Total	538	383	407	386
Equity Attributable to Owners of the Parent, Total	43,137	28,840	40,702	23,790
Non-Controlling Interests	594	100	-	-
Total Equity	43,731	28,940	40,702	23,790
<u>Non-Current Liabilities</u>				
Provisions	350	359	-	-
Deferred Tax Liabilities	784	767	-	-
Other Financial Liabilities	8,517	8,664	5,717	5,669
Total Non-Current Liabilities	9,651	9,790	5,717	5,669
<u>Current Liabilities</u>				
Income Tax Payable	177	60	5	5
Trade and Other Payables	12,086	9,901	1,486	4,822
Other Financial Liabilities	3,998	615	-	-
Total Current Liabilities	16,261	10,576	1,491	4,827
Total Liabilities	25,912	20,366	7,208	10,496
Total Equity and Liabilities	69,643	49,306	47,910	34,286



1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following at the end of the financial period reported on with comparative figures at the end of the immediately preceding financial year.

	<u>As at 30/9/2013</u>	<u>As at 31/12/2012</u>
	\$'000	\$'000
<u>Bank Loans</u>		
Amount repayable within one year	3,873	305
Amount repayable after one year	2,800	2,953

The bank loans are secured by legal mortgages of properties, plant and equipment and corporate guarantee from the Company.

	<u>At 30/9/2013</u>	<u>At 31/12/2012</u>
	\$'000	\$'000
<u>Convertible Loan</u>		
Amount repayable within one year	-	-
Amount repayable after one year	5,717	5,669

The convertible loan of US\$5 million from International Finance Corporation ("IFC") is to be used to finance the Group's expansion plans in the People's Republic of China ("PRC"). Material subsidiaries which comprise of the profitable entities and clinics of the Group have provided corporate guarantees to secure the repayment of all amounts owed by the Company under the loan agreement.

	<u>At 30/9/2013</u>	<u>At 31/12/2012</u>
	\$'000	\$'000
<u>Finance Leases</u>		
Amount repayable within one year	125	310
Amount repayable after one year	-	42

The finance leases are secured on the plant and equipment under finance leases.



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.

	Q3 2013	Q3 2012
	\$'000	\$'000
<u>Cash Flows From Operating Activities</u>		
Profit Before Tax	1,592	1,093
Adjustments for:		
Interest Income	(21)	(7)
Interest Expense	107	50
Plant and Equipment Written Off	18	-
Depreciation of Plant and Equipment	551	393
Provision	(9)	-
Foreign Currency Translation Reserve	148	(9)
Share of (Profit)/Loss of Associates	(48)	42
Share Option Expense	4	(4)
Operating Cash Flows Before Changes in Working Capital	2,342	1,558
Inventories	(205)	(418)
Trade and Other Receivables	(3,319)	267
Other Assets	104	(526)
Trade and Other Payables	4,675	611
Net Cash Flows From Operating Activities Before Interest and Tax	3,597	1,492
Income Taxes Paid	(304)	(75)
Net Cash Flows From Operating Activities	3,293	1,417
<u>Cash Flows Used in Investing Activities</u>		
Purchase of Plant and Equipment	(866)	(4,513)
Sale Proceeds from Disposal of Plant and Equipment	4	-
Other Assets	12	26
Trade and Other Receivables	(62)	(213)
Other Receivables, Non-Current	23	143
Interest Received	21	7
Acquisition of Subsidiary (Net of Cash Acquired)	(3,377)	(192)
Acquisition of Associate	-	(15)
Net Cash Flows Used in Investing Activities	(4,245)	(4,757)
<u>Cash Flows From Financing Activities</u>		
Finance Lease Repayment	(102)	(77)
Increase from New Borrowing	-	3,104
Repayment of Bank Loans	(124)	(49)
Interest Paid	(70)	(45)
Dividends Paid to Equity Owners	(3,875)	(1,652)
Net Cash Flows (Used in)/From Financing Activities	(4,171)	1,281
Net Decrease in Cash and Cash Equivalents	(5,123)	(2,059)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance of the Period	30,558	14,939
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance of the Period	25,435	12,880
Cash and Cash Equivalents at End of Period includes the following:		
Cash and Bank Balances	25,435	12,880
Cash and Cash Equivalents at End of Period	25,435	12,880



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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.

	<u>Total Equity</u>	<u>Attributable to Parent Sub-total</u>	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Other Reserves</u>	<u>Non-Controlling Interest</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group - Current period						
Opening Balance at 1 July 2013	45,625	45,392	39,722	5,250	420	233
Movements in Equity:						
Total Comprehensive Income for the period	1,638	1,616	-	1,502	114	22
Share Option Expense	4	4	-	-	4	-
Dividends Paid	(3,875)	(3,875)	-	(3,875)	-	-
Contribution by Non-Controlling Interests	339	-	-	-	-	339
Closing Balance at 30 September 2013	43,731	43,137	39,722	2,877	538	594
Group - Previous period						
Opening Balance at 1 July 2012	27,796	27,729	22,947	4,358	424	67
Movements in Equity:						
Total Comprehensive Income for the period	988	968	-	983	(15)	20
Share Option Expense	(4)	(4)	-	-	(4)	-
Dividends Paid	(1,652)	(1,652)	-	(1,652)	-	-
Closing Balance at 30 September 2012	27,128	27,041	22,947	3,689	405	87



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)

	<u>Total Equity</u>	<u>Share Capital</u>	<u>Other Reserve</u>	<u>Retained Earnings</u>
	\$'000	\$'000	\$'000	\$'000
Company - Current period				
Opening Balance at 1 July 2013	40,717	39,722	403	592
Movements in Equity:				
Total Comprehensive Income for the period	3,856	-	-	3,856
Share Option Expense	4	-	4	-
Dividends Paid	(3,875)	-	-	(3,875)
Closing Balance at 30 September 2013	40,702	39,722	407	573
Company - Previous period				
Opening Balance at 1 July 2012	23,759	22,947	412	400
Movements in Equity:				
Total Comprehensive Income for the period	1,613	-	-	1,613
Share Option Expense	(4)	-	(4)	-
Dividends Paid	(1,652)	-	-	(1,652)
Closing Balance at 30 September 2012	23,716	22,947	408	361



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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

Ordinary shares

	<u>Number of Shares</u> '000	<u>Share Capital</u> \$'000
At 1 Jan 2013	550,453	22,947
At 30 September 2013	605,453	39,722

Employee Share Option

During the period ended 30 September 2013, no share options were issued, lapsed or exercised. There are 906,000 (post share split) options outstanding as at 30 September 2013 (30 September 2012: 906,000).

Ordinary Shares

On 17 January 2013, the Company completed the placement of 55 million new Q&M ordinary shares at \$0.305 per share for a total consideration of \$16.78 million (30 September 2012: Nil).

Convertibles

As at 30 September 2013, there were outstanding convertible options for conversion into 18,260,868 shares (post share split) of the Company arising from the IFC convertible loan (30 September 2012: 18,260,868).

Treasury Shares

The Company did not have any treasury shares as at 30 September 2013 and 30 September 2012.

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.

	As at 30/9/2013	As at 31/12/2012
Total number of issued shares excluding treasury shares	<u>605,452,994</u>	<u>550,452,994</u>

1 (d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of current financial period reported on.



2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been reviewed / 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 Note 5 of this announcement, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those used in the most recently audited annual financial statements as at 31 December 2012.

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 new or revised Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT FRS") that are relevant to its operations and are effective for first-time adoption during the current reporting period. The adoption of these new and revised FRS and INT FRS has no 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.

Earnings per ordinary share for the period :-	Third Quarter		Year-To-Date	
	Q3 2013	Q3 2012	30/9/2013	30/9/2012
(i) Basic earnings per share (cents)	0.25	0.18	0.58	0.58
(ii) On a fully diluted basis (cents)	0.25	0.18	0.57	0.57

The basic EPS for the quarter and nine months ended 30 September 2013 and 30 September 2012 have been computed based on the profit attributable to equity holders of parent, net of tax and the weighted average number of ordinary shares of 602,229,551 shares for 2013 and 550,452,994 shares for 2012 (ESOP share options are anti-dilutive) after adjusting for the share split.

The fully diluted EPS for the quarter and nine months ended 30 September 2013 and 30 September 2012 have been computed based on the profit attributable to equity holders of parent after convertible loan interest, net of tax and the weighted average number of ordinary shares of 620,490,420 shares for 2013 and 559,716,720 shares for 2012 after adjusting for the convertible loan and share split.



7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
- current financial period reported on; and**
 - immediately preceding financial year.**

	Group		Company	
	As at		As at	
	30/9/2013	31/12/2012	30/9/2013	31/12/2012
Net asset value per ordinary share (cents)	7.1	5.2	6.7	4.3

The net asset value per ordinary share of the Group and the Company as at 30 September 2013 has been calculated based on the total issued number of ordinary shares of 605,452,994 (2012: 550,452,994).

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:**
- any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

Statement of Comprehensive Income

Revenue

Revenue from dental and medical outlets for the three months ended 30 September 2013 ("3Q13") increased by 25% to \$17.0 million, from \$13.6 million in the previous corresponding quarter ("3Q12"). The increase of \$3.4 million was attributed to higher revenue from existing dental outlets, as well as contributions from new dental and medical outlets in Singapore and in Malaysia.

As at 30 September 2013, the Group had a total of 54 dental outlets, 1 mobile dental clinic, 4 medical outlets and 1 aesthetic centre in operation, compared to 52 dental outlets and 1 mobile dental clinic as at 30 September 2012 in Singapore.

In 3Q13, the Group recorded revenue of \$0.87 million from new dental and medical outlets in Singapore. Existing dental outlets in Singapore and Malaysia contributed incremental revenue of \$2.53 million during 3Q13.

Revenue contribution from the dental equipment and supplies distribution business for 3Q13 increased to \$1.7 million from \$0.6 million in 3Q12. In 3Q13, the revenue was higher mainly due to the acquisition of a dental equipment and supplies distribution company in Malaysia in July 2013.

For the first nine months ended 30 September 2013, revenue from dental and medical outlets increased by 22% to \$47.6 million, compared to \$39.1 million in the previous corresponding period. The increase was attributed mainly to an expansion in the network of new dental and medical outlets and an increase in revenue from existing dental clinics in Singapore.



For the first nine months ended 30 September 2013, revenue from the dental equipment and supplies distribution business increased to \$2.2 million from \$1.7 million in the corresponding period. This was due mainly to the acquisition of a dental equipment and supplies distribution company in Malaysia in July 2013.

Other Items of Income

Other credits in 3Q13 amounted to \$65k compared to \$37k in 3Q12. Other credits in 3Q13 were mainly due to the recognition of profit guarantee from Q&M Dental (Shanghai) Pte. Ltd..

Other Items of Expense

Consumables and Supplies Used in Dental & Medical Clinics

Consumables and supplies used in 3Q13 rose 59% to \$1.0 million from \$0.60 million in 3Q12. The increase was due to an increase in number of patients seen, increase in costs of purchase and higher costs of consumables and supplies for higher value dental healthcare services. There was also a change in accounting practice in 3Q12 which resulted in lower costs of consumables and supplies being recorded in 3Q12. As a percentage of revenue from the dental outlets, consumables and dental supplies used in the dental outlets in 3Q13 were 5.7% compared to 4.4% in 3Q12.

Comparing nine months ended 30 September 2013 with 30 September 2012, consumables and supplies used increased by \$0.86 million or 36%, for the same reason given above.

Cost of Sales Dental Equipment and Supplies

The cost of sales from dental equipment and supplies distribution business increased to \$1.3 million in 3Q13 compared to \$0.47 million in 3Q12 mainly due to the increase in revenue from the acquisition of a dental equipment and supplies distribution company in Malaysia in July 2013.

Comparing nine months ended 30 September 2013 with 30 September 2012, cost of sales from dental equipment and supplies distribution business increased by \$0.4 million or 35%, for the same reason given above.

Employee Benefits Expense

Employee benefits expense in 3Q13 rose 22% to \$11.2 million, from \$9.1 million in 3Q12 which was mainly due to increase in headcount to support more dental outlets in Singapore and Malaysia, new medical clinics and aesthetic centre as well as the increased in head count from the acquisition of a dental equipment and supplies distribution company in Malaysia in July 2013. As a percentage of revenue, employee benefits expense in 3Q13 was 59.6% compared to 63.8% in 3Q12.

Comparing nine months ended 30 September 2013 with 30 September 2012, employee benefit expense increased by \$5.4 million or 21%, for the same reasons given above.

Depreciation Expense

Depreciation expense in 3Q13 increased 40% to \$0.55 million from \$0.39 million in 3Q12. The increase of \$0.16 million was due mainly to purchase of dental equipment, furniture, fixtures and fittings for existing and new dental outlets in Singapore and Malaysia. As a percentage of revenue, depreciation expense in 3Q13 was 2.9% compared to 2.8% in 3Q12.

Comparing nine months ended 30 September 2013 with 30 September 2012, depreciation expense increased by \$0.38 million or 35%, for the same reason given above.



Rental Expense

Rental expense in 3Q13 increased 20% to \$1.7 million from \$1.4 million in 3Q12. The increase of \$0.30 million was due mainly to an increase in the number of dental, medical and aesthetic outlets in Singapore and dental outlets in Malaysia. As a percentage of revenue, rental expense in 3Q13 was 9.3% compared to 10% in 3Q12.

Comparing nine months ended 30 September 2013 with 30 September 2012, rental expense increased by \$0.95 million or 23%, for the same reason given above.

Other Expenses

Other expenses in 3Q13 increased 30% to \$1.5 million from \$1.1 million in 3Q12. The increase was mainly in tandem with the growth in Group dental revenue and dental equipment and supplies distribution business. As a percentage of revenue, other expense in 3Q13 and 3Q12 was 7.8%.

Comparing nine months ended 30 September 2013 with 30 September 2012, other expense increased by \$0.58 million or 21%, for the same reasons given above.

Finance Costs

Finance costs in 3Q13 increased to \$0.1 million from \$50k in 3Q12 mainly due to the interest payable on the convertible loan from IFC.

Share of Profit from Equity-Accounted Associates

The Group recorded a share of profit from associates of \$48k in 3Q13 compared to a loss of \$42k in 3Q12. These associate companies, namely Q & M Dental (Beijing) Pte. Ltd. and Q & M Dental (Shanghai) Pte. Ltd., are related to the Group's joint ventures in the People's Republic of China (PRC).

Profit Before Tax and Net Profit

As a result of the above factors the Group's profit before tax for 3Q13 was \$1.6 million compared with \$1.1 million for 3Q12.

After deducting provision for income tax expense of \$68k, the Group's net profit in 3Q13 increased 44% to \$1.5 million from \$1.0 million in 3Q12.

For nine months ended 30 September 2013, net profit after tax was \$3.5 million, compared with \$3.2 million for 30 September 2012.

Statement of Financial Position

As at 30 September 2013, the Group remained in a strong financial position with cash and cash equivalents of \$25.4 million and bank borrowing, convertible loan and finance leases totalling \$12.5 million.

Current Assets

Cash and cash equivalents as at 30 September 2013 increased to \$25.4 million from \$18.5 million as at 31 December 2012. The net increase of \$6.9 million was mainly due to the proceeds from private placement of 55 million new Q&M ordinary shares at \$0.305 per share on 17 January 2013.

Other assets as at 30 September 2013 increased to \$1.5 million from \$1 million as at 31 December 2012. The net increase of \$0.5 million was mainly due to the increase in prepayment and payment of sign on bonuses to dentists.



Trade and other receivables increased to \$9.9 million as at 30 September 2013 from \$5.6 million as at 31 December 2012. The increase of \$4.3 million was due mainly to tender deposit for new dental clinics premises, rental deposits for new dental and medical outlets and an increase in trade and other receivables from the acquisition of a dental equipment and supplies distribution company in Malaysia in July 2013.

Inventories increased to \$3.9 million as at 30 September 2013 from \$1.5 million as at 31 December 2012. The increase of \$2.4 million was due mainly to inventories from the acquisition of a dental equipment and supplies distribution company in Malaysia in July 2013.

Non-Current Assets

The net book value of property, plant and equipment as at 30 September 2013 increased to \$18.6 million from \$17.2 million as at 31 December 2012. The increase of \$1.4 million was mainly due to the purchase of plant and equipment for existing and new dental clinics in Singapore and Malaysia as well as the new medical clinics and aesthetic centre in Singapore.

Investment in associate companies is in Q & M Dental (Beijing) Pte. Ltd., Q & M Dental (Shanghai) Pte. Ltd. and Punggol Medical & Dental Pte. Ltd.. Q & M Dental (Beijing) Pte. Ltd. and Q & M Dental (Shanghai) Pte. Ltd. are related to the Group's joint ventures in two dental healthcare groups in the PRC.

Intangible assets as at 30 September 2013 increased to \$5.4 million from \$1 million as at 31 December 2012. The increase of \$4.4 million was mainly due to the acquisitions of Shanghai Chuangyi Investment & Management Co. Ltd., D & D Dental Sdn. Bhd., Medsolutions Pte. Ltd. and AR Dental Supplies Sdn. Bhd..

Other assets as at 30 September 2013 increased to \$1 million from \$0.6 million as at 31 December 2012. The increase of \$0.4 million was mainly due to the payment of sign on bonuses to dentists.

Current Liabilities

Trade and other payables as at 30 September 2013 increased to \$12.1 million from \$9.9 million as at 31 December 2012, mainly due to the conversion of the advance received for the proposed joint acquisition of Singapore Medical Group Limited ("SMG") with a private party to placement of 55 million of new Q&M ordinary shares and trade and other payables from the acquisition of a dental equipment and supplies distribution company in Malaysia in July 2013.

At the end of 3Q13, the Group current portion of bank loan and finance leases increased to \$4 million from \$0.6 million due mainly to the bank loan relating to the Clementi Central property.

Statement of Cash Flows

The Group generated net cash flow from operating activities of \$3.3 million in 3Q13.

Net cash used in investing activities in 3Q13 amounted to \$4.2 million, mainly due to the acquisition of a dental equipment and supplies distribution company in Malaysia in July 2013

Net cash used in financing activities in 3Q13 was \$4.2 million arose mainly from interim dividends payment of \$3.9 million with respect to FY2013.

Consequent to the above factors, the Group's cash and cash equivalents was \$25.4 million as at 30 September 2013.

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

No forecast or prospect statement had been issued for the current financial reporting period.



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

Industry Prospects

Barring any unforeseen circumstances, there are no significant changes in the trends and competitive conditions of the industry in which the Group operates and no major known factors or events that may adversely affect the Group in the next reporting period and the next twelve months.

Recent Developments

- Memorandum of Understanding ("MOU")

The Group has signed a non-binding MOU with Dr. Yongxin Shao to acquire 60% of Aoxin Stomatology Group for RMB108 million (approximately \$21.6 million) on 30 July 2013.

- Memorandum of Understanding ("MOU")

The Group has signed a non-binding MOU with Dr. Sun to acquire 60% of Liaoning Donggang City Stomatology Hospital and the upcoming Dandong New Zone Stomatology Hospital for RMB30 million (approximately \$6 million) on 28 August 2013.

- New specialist clinics in Singapore

The Group has opened 2 specialist clinics specialising in respiratory care and gastroenterology on 29 October 2013.

- Sale of property

The Group completed the sale of its property in Clementi Central to a third party for a consideration of \$5 million on 5 November 2013.

Future Plans

The Group intends to continue executing the business plans outlined below.

- Expansion of network of dental clinics in Singapore

The Group will continue widening its network of dental clinics in Singapore. It will also continue to expand its team of dentists to support the growth of its operations in Singapore. With 56 dental outlets and 1 mobile dental clinic in Singapore, the Group believes it is well-positioned to cater to the rising demand for primary and higher value specialist dental healthcare services. The Group targets to have 60 dental outlets in Singapore by 2015, subject to the economic conditions in Singapore.

- Expansion into private dental healthcare market in Malaysia

Currently, the Group operates 4 dental clinics in Johor, 1 dental centre and 3 dental clinics in Kuala Lumpur. With a positive outlook of the Malaysia's dental healthcare market which is envisaged to grow on raising consumer affluence and an expanding pool of dentists, the Group believes that Malaysia will become an important pillar of



the Group's expansion plan. The Group targets to have 15 dental clinics in Malaysia by 2015, subject to the economic conditions in Malaysia.

- Expansion into private dental healthcare market in the PRC

The main thrust of the Group's proposed joint ventures and organic growth initiatives in PRC is to develop a new and sustainable growth pillar that can yield long term value for the Group. The Group will seek opportunities for the acquisition of larger and established institutions and not just dental clinics and laboratories.

- Expansion into the medical services business

The Group will continue its expansion into the medical services business which comprises of general practice and specialists practice. This expansion will enable the Group to offer a comprehensive and holistic medical care in line with the trend of increasing consumer expenditure on healthcare services, longer life expectancy and stronger purchasing power in Asia. The Group currently operates 4 medical clinics, 2 specialist clinics and 1 aesthetic centre in Singapore.

- Expansion through acquisitions, joint ventures and/or strategic alliances

The Group is constantly looking out for opportunities to expand its business through acquisitions, joint ventures or strategic alliances with parties who create synergistic value with its existing business in Singapore, PRC and Malaysia.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) The date the dividend is payable.

NA.

(d) Book closure date

NA.

12. If no dividend has been declared (recommended), a statement to that effect.

Not applicable.

13. If the group has obtained a general mandate from shareholders for Interested Parties Transactions (IPTs), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group did not obtain a general mandate from shareholders for IPTs.

14. Confirmation pursuant to Rule 705 (5) of the Listing Manual



Q & M Dental Group (Singapore) Limited
(Incorporated in the Republic of Singapore)
(Company Registration No: 200800507R)

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial statements of the Group and the Company for the period ended 30 September 2013 to be false or misleading in any material aspect.

15. Use of proceeds

We have raised approximately \$16.78 million from the private placement of 55 million new Q&M ordinary shares on 17 January 2013. The original purpose of the proceeds was for the acquisition of the Singapore Medical Group Ltd.. However, the acquisition was terminated on 9 May 2013. As such, the proceeds shall now be utilised for expansion of dental and medical business of the Group in Singapore and overseas and for working capital.

We have used \$1.99 million from the proceeds for clinics' expansion and working capital in Singapore, \$800k for working capital in China, as well as \$520k for acquisitions and working capital in Malaysia.

BY ORDER OF THE BOARD

Dr Ng Chin Siau
Group Chief Executive Officer
11 November 2013