



Financial Statement And Dividend Announcement For The Second Quarter Ended 30 June 2014 ("2Q14")

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					
		Second Quarter			Year-To-Date		
		Q2 2014 \$'000	Q2 2013 \$'000	Change %	30/6/2014 \$'000	30/6/2013 \$'000	Change %
Revenue							
Dental and Medical Clinics		18,388	15,723	17	36,229	30,641	18
Dental Equipment & Supplies Distribution		1,870	185	911	3,542	478	641
Other Items of Income							
Interest Income		7	3	133	24	12	100
Other Credits	1(a)(i)	179	56	220	759	119	538
Other Items of Expense							
Consumables and Supplies Used in Dental & Medical Clinics		(1,376)	(1,265)	9	(2,651)	(2,239)	18
Cost of Sales - Dental Equipment & Supplies		(1,292)	(127)	917	(2,457)	(316)	678
Employee Benefits Expense		(12,463)	(10,344)	20	(24,505)	(20,086)	22
Depreciation and Amortisation Expense		(561)	(480)	17	(1,092)	(929)	18
Rental Expense		(2,008)	(1,712)	17	(3,933)	(3,300)	19
Other Expenses		(1,362)	(1,002)	36	(2,699)	(1,968)	37
Other Charges	1(a)(ii)	(19)	(12)	58	(108)	(55)	96
Finance Costs		(69)	(58)	19	(159)	(148)	7
Share of Profit from Equity-Accounted Associates		40	43	(7)	32	59	(46)
Profit Before Tax from Continuing Operations		1,334	1,010	32	2,982	2,268	31
Income Tax Expense		(64)	(113)	(43)	(183)	(251)	(27)
Profit From Continuing Operations, Net of Tax		1,270	897	42	2,799	2,017	39
Other Comprehensive (Loss)/Income:							
Exchange Differences on Translating Foreign Operations, Net of Tax		(122)	12	NM	(136)	20	NM
Other Comprehensive (Loss)/Income for the Period, Net of Tax		(122)	12	NM	(136)	20	NM
Total Comprehensive Income for the Period		1,148	909	26	2,663	2,037	31
Profit attributable to:							
Owners of the Parent, Net of Tax		1,181	888	33	2,722	2,011	35
Non-Controlling Interests, Net of Tax		89	9	NM	77	6	NM
Profit Net of Tax		1,270	897	42	2,799	2,017	39
Total Comprehensive Income attributable to:							
Owners of the Parent		1,059	900	18	2,586	2,031	27
Non-Controlling Interests		89	9	NM	77	6	NM
Total Comprehensive Income		1,148	909	26	2,663	2,037	31

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			
	Second Quarter		Year-To-Date	
	Q2 2014	Q2 2013	30/6/2014	30/6/2013
	\$'000	\$'000	\$'000	\$'000
Gain on Disposal of Plant and Equipment	21	14	21	9
Profit Guarantee Received/Receivable from Vendors/Shareholders	19	42	310	82
PIC Cash Payout	-	-	60	-
Gain on Disposal of Subsidiary	125	-	125	-
Enhanced Special Employment Credit	14	-	243	28
	179	56	759	119

1(a)(ii) Other Charges

	Group			
	Second Quarter		Year-To-Date	
	Q2 2014	Q2 2013	30/6/2014	30/6/2013
	\$'000	\$'000	\$'000	\$'000
Plant & Equipment Written Off	9	1	10	11
Foreign Exchange Translation Loss	10	4	98	37
Impairment Loss of Plant and Equipment	-	7	-	7
	19	12	108	55



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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	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
	\$'000	\$'000	\$'000	\$'000
ASSETS				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	28,192	15,364	458	280
Investment in Subsidiaries	-	-	4,852	4,852
Investment in Associates	3,405	3,452	-	-
Intangible Assets	5,313	5,453	-	-
Other Receivables	476	342	60	-
Other Assets	724	949	435	543
Total Non-Current Assets	38,110	25,560	5,805	5,675
<u>Current Assets</u>				
Inventories	4,694	4,113	-	-
Trade and Other Receivables	17,583	7,737	38,602	32,189
Other Assets	1,781	1,475	1,004	857
Cash and Cash Equivalents	14,291	28,749	2,701	9,556
Total Current Assets	38,349	42,074	42,307	42,602
Total Assets	76,459	67,634	48,112	48,277
EQUITY AND LIABILITIES				
<u>Equity Attributable to Owners of the Parent</u>				
Share Capital	39,722	39,722	39,722	39,722
Retained Earnings	4,552	5,826	173	190
Other Reserves, Total	409	543	405	403
Equity Attributable to Owners of the Parent, Total	44,683	46,091	40,300	40,315
Non-Controlling Interests	723	623	-	-
Total Equity	45,406	46,714	40,300	40,315
<u>Non-Current Liabilities</u>				
Provisions	362	350	-	-
Deferred Tax Liabilities	816	813	-	-
Other Financial Liabilities	20,353	8,699	5,957	5,918
Total Non-Current Liabilities	21,531	9,862	5,957	5,918
<u>Current Liabilities</u>				
Income Tax Payable	-	50	5	5
Trade and Other Payables	9,340	10,777	1,850	2,039
Other Financial Liabilities	182	231	-	-
Total Current Liabilities	9,522	11,058	1,855	2,044
Total Liabilities	31,053	20,920	7,812	7,962
Total Equity and Liabilities	76,459	67,634	48,112	48,277



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 30/6/2014</u>	<u>As at 31/12/2013</u>
	\$'000	\$'000
<u>Bank Loan</u>		
Amount repayable within one year	155	204
Amount repayable after one year	14,396	2,766

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

	<u>At 30/6/2014</u>	<u>At 31/12/2013</u>
	\$'000	\$'000
<u>Convertible Loan</u>		
Amount repayable within one year	-	-
Amount repayable after one year	5,957	5,918

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 30/6/2014</u>	<u>At 31/12/2013</u>
	\$'000	\$'000
<u>Finance Leases</u>		
Amount repayable within one year	27	27
Amount repayable after one year	-	15

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.

	Q2 2014	Q2 2013
	\$'000	\$'000
<u>Cash Flows From Operating Activities</u>		
Profit Before Tax	1,334	1,010
Adjustments for:		
Interest Income	(7)	(3)
Interest Expense	69	58
Gain on Disposal of Plant and Equipment	(21)	(14)
Gain on Disposal of Subsidiary	(125)	-
Plant and Equipment Written Off	9	1
Depreciation of Property, Plant and Equipment and Amortisation Expense	561	480
Foreign Currency Translation Reserve	24	45
Share of Profit of Associates	(40)	(43)
Share Option Expense	-	4
Operating Cash Flows Before Changes in Working Capital	1,804	1,538
Inventories	(650)	(370)
Trade and Other Receivables	57	(608)
Other Assets	(167)	(110)
Trade and Other Payables	304	430
Net Cash Flows From Operating Activities Before Interest and Tax	1,348	880
Income Taxes Paid	(154)	(110)
Net Cash Flows From Operating Activities	1,194	770
<u>Cash Flows Used in Investing Activities</u>		
Purchase of Property, Plant and Equipment	(12,360)	(1,038)
Acquisition of Subsidiary (Net of Cash Acquired)	(159)	(64)
Sale Proceeds from Disposal of Plant and Equipment	119	24
Sale Proceeds from Disposal of Subsidiary	146	-
Deposit for Proposed Acquisition in PRC	(1,588)	-
Other Assets	170	(205)
Trade and Other Receivables	(23)	(8)
Other Receivables, Non-Current	23	46
Interest Received	7	3
Contribution by Non-Controlling Interest	8	-
Net Cash Flows Used in Investing Activities	(13,657)	(1,242)
<u>Cash Flows From Financing Activities</u>		
Finance Lease Repayment	(6)	(78)
Repayment of Bank Loans	(47)	(89)
Interest Paid	(30)	(58)
Dividends Paid to Equity Owners	(3,996)	(2,271)
Proceeds from Bank Loan	11,700	3,700
Net Cash Flows From Financing Activities	7,621	1,204
Net (Decrease)/Increase in Cash and Cash Equivalents	(4,842)	732
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance of the Period	19,133	29,826
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance of the Period	14,291	30,558
Cash and Cash Equivalents at End of Period includes the following:		
Cash and Bank Balances	14,291	30,558
Cash and Cash Equivalents at End of Period	14,291	30,558



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 April 2014	48,231	47,620	39,722	7,367	531	611
Movements in Equity:						
Total Comprehensive Income for the period	1,148	1,059	-	1,181	(122)	89
Dividends Paid	(3,996)	(3,996)	-	(3,996)	-	-
Contribution by Non-Controlling Interests	23	-	-	-	-	23
Closing Balance at 30 June 2014	45,406	44,683	39,722	4,552	409	723
Group - Previous period						
Opening Balance at 1 April 2013	46,975	46,750	39,722	6,633	395	225
Movements in Equity:						
Total Comprehensive Income for the period	909	900	-	888	12	9
Equity Component of Convertible Loan	9	9	-	-	9	-
Share Option Expense	4	4	-	-	4	-
Dividends Paid	(2,271)	(2,271)	-	(2,271)	-	-
Contribution by Non-Controlling Interests	(1)	-	-	-	-	(1)
Closing Balance at 30 June 2013	45,625	45,392	39,722	5,250	420	233



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 / (Accumulated Losses)</u>
	\$'000	\$'000	\$'000	\$'000
Company - Current period				
Opening Balance at 1 April 2014	40,320	39,722	405	193
Movements in Equity:				
Total Comprehensive Income for the period	3,976	-	-	3,976
Dividends Paid	(3,996)	-	-	(3,996)
Closing Balance at 30 June 2014	40,300	39,722	405	173
Company - Previous period				
Opening Balance at 1 April 2013	40,507	39,722	390	395
Movements in Equity:				
Total Comprehensive Income for the period	2,468	-	-	2,468
Equity Component of Convertible Loan	9	-	9	-
Share Option Expense	4	-	4	-
Dividends Paid	(2,271)	-	-	(2,271)
Closing Balance at 30 June 2013	40,717	39,722	403	592



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 2014	<u>605,453</u>	<u>39,722</u>
At 30 Jun 2014	<u><u>605,453</u></u>	<u><u>39,722</u></u>

Employee Share Option

During the period ended 30 June 2014, no share options were issued or exercised. There were 302,000 (post share split) options which lapsed and 604,000 (post share split) options outstanding as at 30 June 2014 (30 June 2013: 906,000).

Convertibles

As at 30 June 2014, 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 June 2013: 18,260,868).

Treasury Shares

The Company did not have any treasury shares as at 30 June 2014 and 30 June 2013.

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 30/6/2014	As at 31/12/2013
Total number of issued shares excluding treasury shares	<u><u>605,452,994</u></u>	<u><u>605,452,994</u></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 2013.

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 :-	Second Quarter		Year-To-Date	
	Q2 2014	Q2 2013	30/6/2014	30/6/2013
(i) Basic earnings per share (cents)	0.20	0.15	0.45	0.33
(ii) On a fully diluted basis (cents)	0.20	0.15	0.44	0.33

The basic EPS for the period ended 30 June 2014 and 30 June 2013 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 605,452,994 shares for 2014 and 600,591,116 shares for 2013 (ESOP share options are anti-dilutive) after adjusting for the share split.

The fully diluted EPS for the period ended 30 June 2014 and 30 June 2013 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 623,713,864 shares for 2014 and 618,851,985 shares for 2013 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	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
Net asset value per ordinary share (cents)	7.4	7.6	6.7	6.7

The net asset value per ordinary share of the Group and the Company as at 30 June 2014 has been calculated based on the total issued number of ordinary shares of 605,452,994 (2013: 605,452,994).

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 clinics for the three months ended 30 June 2014 ("2Q14") increased 17% to \$18.4 million, from \$15.7 million in the previous corresponding quarter ("2Q13"). The increase of \$2.7 million was attributed to higher revenue from existing dental and medical outlets amounting to \$1.7 million, as well as contributions from new dental and medical outlets in Singapore and in Malaysia amounting to \$1 million.

At the end of June 2014, the Group had a total of 56 dental outlets, 1 mobile dental clinic, 3 medical outlets, 1 aesthetic centre and 2 specialist medical clinics in operations, compared to 56 dental outlets, 1 mobile dental clinic, 4 medical outlets and 1 aesthetic centre at the end of June 2013 in Singapore.

Revenue contribution from the dental equipment and supplies distribution business for 2Q14 increased to \$1.9 million from \$0.2 million in 2Q13. In 2Q14, 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 six months ended 30 June 2014 ("1H14"), revenue from dental and medical outlets increased by 18% to \$36.2 million, compared to \$30.6 million in the previous corresponding period ("1H13"). 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 and medical clinics in Singapore.

For the first six months ended 30 June 2014 ("1H14") revenue from the dental equipment and supplies distribution business increased to \$3.5 million from \$0.5 million in the corresponding period ("1H13"). 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 2Q14 amounted to \$179k compared to \$56k in 2Q13. Other credits in 2Q14 were mainly due to the recognition of a one-time gain on disposal of a dental polyclinic in Shanghai, PRC.

Other Items of Expense

Consumables and Supplies Used in Dental & Medical Clinics

Consumables and supplies used in 2Q14 rose 9% to \$1.4 million from \$1.27 million in 2Q13. The increase was in line with the increase in revenue from the dental and medical outlets.

As a percentage of revenue from the dental and medical outlets, consumables and dental supplies used in the dental and medical outlets in 2Q14 was 7.5% compared to 8% in 2Q13.

Comparing 1H14 with 1H13, consumables and supplies used increased by \$0.4 million or 18%, 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 2Q14 compared to \$127k in 2Q13. This was mainly due to the acquisition of a dental equipment and supplies distribution company in Malaysia in July 2013.

As a percentage of revenue from dental equipment and supplies distribution, cost of sales used in the dental equipment and supplies distribution in 2Q14 was 69.1% compared to 68.6% in 2Q13.

Comparing 1H14 with 1H13, cost of sales from dental equipment and supplies distribution business increased by \$2.1 million, for the same reason given above.

Employee Benefits Expense

Employee benefits expense in 2Q14 rose 20% to \$12.5 million, from \$10.3 million in 2Q13 which was mainly due to salary revision and an increase in headcount to support more dental outlets in Malaysia, new medical and specialist outlets as well as the increase in headcount 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 2Q14 was 61.5% compared to 65% in 2Q13.

Comparing 1H14 with 1H13, employee benefit expense increased by \$4.4 million or 22%, for the same reasons given above.

Depreciation Expense

Depreciation expense in 2Q14 increased 17% to \$0.56 million from \$0.48 million in 2Q13. The increase of \$0.08 million was due mainly to purchase of dental equipment, furniture, fixtures and fittings for new and existing dental outlets in Singapore and Malaysia, and new medical and specialist outlets in Singapore.

As a percentage of revenue, depreciation expense in 2Q14 was 2.8% compared to 3% in 2Q13.

Comparing 1H14 with 1H13, depreciation expense increased by \$0.2 million or 18%, for the same reason given above.



Rental Expense

Rental expense in 2Q14 increased 17% to \$2 million from \$1.7 million in 2Q13. The increase of \$0.3 million was due mainly to an increase in the number of medical and specialist outlets in Singapore and dental outlets in Malaysia as well as the increased in rental from the acquisition of a dental equipment and supplies distribution company in Malaysia in July 2013. As a percentage of revenue, rental expense in 2Q14 was 9.9% compared to 10.8% in 2Q13.

Comparing 1H14 with 1H13, rental expense increased by \$0.63 million or 19%, for the same reason given above.

Other Expenses

Other expenses in 2Q14 increased 36% to \$1.4 million from \$1 million in 2Q13. The increase was mainly due to the growth in Group's revenue as well as higher expenses incurred in more overseas trips to PRC. As a percentage of revenue, other expenses in 2Q14 was 6.7% compared to 6.3% in 2Q13.

Comparing 1H14 with 1H13, other expenses increased by \$0.73 million or 37%, for the same reason given above.

Share of Profit from Equity-Accounted Associates

The Group recorded a share of profit from associates of \$40k in 2Q14 compared to \$43k in 2Q13. 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).

Comparing 1H14 with 1H13, share of profit from associates derived from the above mentioned Chinese joint ventures decreased by \$27k or 46%.

Profit Before Tax and Net Profit

In 2Q14, the Group's profit before tax in 2Q14 rose 32% to \$1.3 million from \$1 million in 2Q13. The quarter to quarter losses in the medical business decreased from \$0.6 million in 1Q14 to \$0.3 million in 2Q14, as a result of measures taken to streamline the medical business.

After deducting provision for income tax expense of \$64k, the Group's net profit in 2Q14 rose 42% to \$1.3 million from \$0.9 million in 2Q13.

For 1H14, net profit after tax was \$2.8 million, compared with \$2 million for 1H13.

Statement of Financial Position

As at 30 June 2014, the Group was in a net cash position with cash and cash equivalents of \$14.3 million and bank borrowings, convertible loan and finance leases totalling \$20.5 million.

Current Assets

Cash and cash equivalents as at 30 June 2014 decreased to \$14.3 million from \$28.7 million as at 31 December 2013. The net decrease of \$14.4 million was mainly due to the deposit of \$7.9 million which relates to the Group's investment in Aoxin, the \$1.8 million deposit and incidental cost for the purchase of Jurong Gateway property and final dividend payments of \$4 million with respect to FY2013.

Trade and other receivables increased to \$17.6 million as at 30 June 2014 from \$7.7 million as at 31 December 2013. The increase of \$9.9 million was mainly due to the deposit of \$7.9 million which relates to the Group's investment in Aoxin and the increase in trade receivables of \$0.5 million due to the increase in revenue.



Inventories increased to \$4.7 million as at 30 June 2014 from \$4.1 million as at 31 December 2013. The increase of \$0.6 million was due mainly to inventories for the dental equipment and supplies distribution company in Singapore.

Non-Current Assets

The net book value of property, plant and equipment as at 30 June 2014 increased to \$28.2 million from \$15.4 million as at 31 December 2013. The increase of \$12.8 million was mainly due to the purchase of Jurong Gateway property, plant and equipment for existing and new dental clinics 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.

Current Liabilities

Trade and other payables as at 30 June 2014 decreased to \$9.3 million from \$10.8 million as at 31 December 2013, mainly due to payment of accrued expenses such as remuneration owing to dentists, staff bonuses as at 31 December 2013 and reduction in GST payable arising from the purchase of Jurong Gateway property.

Non-Current Liabilities

At the end of 2Q14, the Group non-current portion of bank loan and convertible loan increased to \$20.4 million from \$8.7 million due mainly to the bank loan relating to the purchase of Jurong Gateway property.

Statement of Cash Flows

The Group generated net cash flow from operating activities of \$1.2 million in 2Q14. This was derived from the profit generated in 2Q14, and after deducting the amount used for working capital.

Net cash used in investing activities in 2Q14 amounted to \$13.7 million, mainly due to the purchase of Jurong Gateway property, plant and equipment for existing and new dental and medical outlets in Singapore.

Net cash from financing activities in 2Q14 was \$7.6 million, which arose mainly from drawdown of the bank loan of \$11.7 million for Jurong Gateway property and after dividend payment of \$4 million with respect to FY2013.

Consequent to the above factors, the Group's cash and cash equivalents was \$14.3 million as at 30 June 2014.

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

- Grant of Call Option to Heritas Helios Investments Pte. Ltd. (“HHI”)

On 24 May 2014, the Company entered into a Call Option Agreement with HHI. Pursuant to the terms of the Call Option Agreement, the Company will grant to HHI a call option to subscribe for up to 63 million new ordinary shares in the capital of the Company with a 2-year option period for a minimum exercise price of \$0.48 per share. The Call Option Agreement is subject to shareholders approval at an EGM to be convened at a later date.

- Proposed Renounceable Non-Underwritten Right Issue

On 30 June 2014, the Company announced the proposed renounceable non-underwritten right issue of up to 140,481,405 new ordinary shares in the capital of the Company at an issue price of \$0.10 for each rights share on the basis of one right share for every five existing shares in the capital of the Company.

The Company will update shareholders on the progress of the right issue vide further announcements at the appropriate juncture.

- Termination of Memorandum of Understandings (“MOU”)

On 7 July 2014, the Group announced the termination of the MOU relating to a proposed joint venture in respect of Shenzhen New Perfect Exact Dental Research Co., Ltd, proposed acquisition of a dental practice in Kuala Lumpur and proposed strategic investment by Kunwu Jiuding Capital Co Ltd.

- Letter of Intent with Baihe Stomatology Hospital LLC (“Baihe”)

On 7 July 2014, the Group has entered into a non-binding letter of intent with Baihe to co-operate in the areas of clinical techniques, financial, business and legal issues that will help Baihe in future development and expansion.

- Completion of the Acquisition of 60% Shareholding in Aoxin Stomatology Group (“AOXIN”)

On 7 July 2014, the Group completed the acquisition of 60% shareholding in AOXIN for a total consideration of RMB 108 million (approximately \$21.6 million).



- Completion of the Acquisition of 100% Shareholding in Foo & Associates Pte Ltd ("F&A")

On 16 July 2014, the Group completed the acquisition of 100% shareholding in F&A for a total consideration of \$5.5 million payable by a share allotment of 15,089,163 new ordinary shares.

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 future 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 and 1 dental clinic in Malacca. 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 continue to seek opportunities for the acquisition of larger and established dental institutions and dental supplies manufacturers in PRC.

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

The Group is constantly looking 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? Yes

Name of dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	0.41 cents per ordinary share
Tax Rate	One Tier Tax Exempt

(b) Corresponding Period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes



Name of dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	0.64 cents per ordinary share
Tax Rate	One Tier Tax Exempt

(c) The date the dividend is payable.

The dividend will be paid on 3 September 2014.

(d) Book closure date

Notice is hereby given that Share Transfer Books and Register of Members of the Company will be closed on 22 August 2014 on which day no share transfer will be effected.

Duly completed and stamped transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), 80 Robinson Road, #02-00 Singapore 068898, up to 5.00 p.m. on 21 August 2014 will be registered to determine members' entitlements to the interim dividend. Members (being depositors) whose securities account with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 21 August 2014 will be entitled to the payment of the interim dividend.

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

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 June 2014 to be false or misleading in any material aspect.

15. Use of proceeds

(i) Of the \$16.78 million raised from the private placement on 17 January 2013, we have used \$9.56 million for clinics' expansion and working capital in Singapore, \$2.68 million for working capital in China, as well as \$1.02 million for acquisitions and working capital in Malaysia.

(ii) Of the US\$5 million IFC convertible loan, we have used US\$4.11 million for acquisition of Aoxin, Shenyang.

BY ORDER OF THE BOARD

Dr Ng Chin Siau
Group Chief Executive Officer
11 August 2014