



**Financial Statement And Dividend Announcement For The Second Quarter Ended 30 June 2016 ("2Q16")**

**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 2016 \$'000	Q2 2015 \$'000	Change %	30/6/2016 \$'000	30/6/2015 \$'000	Change %
<b>Revenue</b>							
Dental and Medical Clinics		29,347	22,525	30	57,598	44,576	29
Dental Equipment & Supplies Distribution		3,908	2,159	81	6,285	4,674	34
Dental Supplies Manufacturing		5,069	5,837	(13)	8,794	10,272	(14)
<b>Other Items of Income</b>							
Interest Income		51	137	(63)	167	156	7
Other Gains	1(a)(i)	448	2,066	(78)	1,114	2,300	(52)
<b>Other Items of Expense</b>							
Consumables and Supplies Used in Dental & Medical Clinics		(2,498)	(1,760)	42	(4,783)	(3,460)	38
Cost of Sales - Dental Equipment & Supplies		(2,754)	(1,529)	80	(4,378)	(3,153)	39
Cost of Dental Supplies Manufacturing		(2,245)	(2,152)	4	(3,083)	(3,637)	(15)
Employee Benefits Expense		(17,841)	(14,839)	20	(35,161)	(28,881)	22
Depreciation and Amortisation Expense		(1,095)	(888)	23	(2,157)	(1,810)	19
Rental Expense		(3,198)	(2,243)	43	(6,235)	(4,519)	38
Other Expenses		(3,031)	(2,762)	10	(5,816)	(5,133)	13
Other Losses	1(a)(ii)	(70)	(15)	367	(149)	(100)	49
Finance Costs		(905)	(833)	9	(1,730)	(1,080)	60
<b>Profit Before Tax from Continuing Operations</b>		<b>5,186</b>	<b>5,703</b>	(9)	<b>10,466</b>	<b>10,205</b>	3
Income Tax Expense		(462)	(794)	(42)	(1,013)	(1,399)	(28)
<b>Profit From Continuing Operations, Net of Tax</b>		<b>4,724</b>	<b>4,909</b>	(4)	<b>9,453</b>	<b>8,806</b>	7
<b>Other Comprehensive (Loss)/Income:</b>							
Exchange Differences on Translating Foreign Operations, Net of Tax		(1,349)	(589)	129	(2,306)	148	NM
<b>Other Comprehensive (Loss)/Income for the Period, Net of Tax</b>		<b>(1,349)</b>	<b>(589)</b>	129	<b>(2,306)</b>	<b>148</b>	NM
<b>Total Comprehensive Income for the Period</b>		<b>3,375</b>	<b>4,320</b>	(22)	<b>7,147</b>	<b>8,954</b>	(20)
<b>Profit attributable to:</b>							
Owners of the Parent, Net of Tax		3,699	3,687	NM	7,407	6,576	13
Non-Controlling Interests, Net of Tax		1,025	1,222	(16)	2,046	2,230	(8)
<b>Profit Net of Tax</b>		<b>4,724</b>	<b>4,909</b>	(4)	<b>9,453</b>	<b>8,806</b>	7
<b>Total Comprehensive Income attributable to:</b>							
Owners of the Parent		2,852	3,190	(11)	6,171	6,478	(5)
Non-Controlling Interests		523	1,130	(54)	976	2,476	(61)
<b>Total Comprehensive Income</b>		<b>3,375</b>	<b>4,320</b>	(22)	<b>7,147</b>	<b>8,954</b>	(20)

NM: Not Meaningful



**Q & M Dental Group (Singapore) Limited**  
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**Notes:**

1(a)(i) Other Gains

	Group			
	Second Quarter		Year-To-Date	
	Q2 2016	Q2 2015	30/6/2016	30/6/2015
	\$'000	\$'000	\$'000	\$'000
Gain on Disposal of Property, Plant and Equipment	-	1,788	-	1,782
Foreign Exchange Translation Gain	9	76	9	65
Profit Guarantee Received/Receivable from Vendors/Shareholders	87	128	176	128
PIC Cash Payout/PIC Bonus	254	-	465	-
Enhanced Special Employment Credit and Wage Credit Scheme	98	74	464	325
	448	2,066	1114	2,300

1(a)(ii) Other Losses

	Group			
	Second Quarter		Year-To-Date	
	Q2 2016	Q2 2015	30/6/2016	30/6/2015
	\$'000	\$'000	\$'000	\$'000
Plant & Equipment Written Off	70	15	114	100
Foreign Exchange Translation (Gain)/Loss	-	-	35	-
	70	15	149	100



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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	
	30/6/2016	31/12/2015	30/6/2016	31/12/2015
	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b><u>Non-Current Assets</u></b>				
Property, Plant and Equipment	34,420	34,291	449	431
Investment in Subsidiaries	-	-	72,119	47,276
Investment in Associates	15	15	-	-
Intangible Assets	88,301	76,867	-	-
Other Receivables	282	235	200	200
Other Assets	1,172	858	95	156
<b>Total Non-Current Assets</b>	<b>124,190</b>	<b>112,266</b>	<b>72,863</b>	<b>48,063</b>
<b><u>Current Assets</u></b>				
Inventories	14,799	11,185	-	-
Trade and Other Receivables	20,664	22,824	65,695	79,109
Assets Held For Sale	1,584	1,584	-	-
Other Assets	5,480	3,145	963	625
Cash and Cash Equivalents	65,477	64,876	21,831	35,343
<b>Total Current Assets</b>	<b>108,004</b>	<b>103,614</b>	<b>88,489</b>	<b>115,077</b>
<b>Total Assets</b>	<b>232,194</b>	<b>215,880</b>	<b>161,352</b>	<b>163,140</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Equity Attributable to Owners of the Parent</u></b>				
Share Capital	86,840	80,089	86,840	80,089
Treasury Shares	(5,795)	(727)	(5,795)	(727)
Retained Earnings	17,525	13,464	1,062	930
Other Reserves, Total	(1,021)	(702)	-	-
<b>Equity Attributable to Owners of the Parent, Total</b>	<b>97,549</b>	<b>92,124</b>	<b>82,107</b>	<b>80,292</b>
Non-Controlling Interests	19,382	16,084	-	-
<b>Total Equity</b>	<b>116,931</b>	<b>108,208</b>	<b>82,107</b>	<b>80,292</b>
<b><u>Non-Current Liabilities</u></b>				
Provisions	619	575	-	-
Deferred Tax Liabilities	1,220	1,270	-	-
Other Financial Liabilities	63,685	63,802	59,290	59,290
<b>Total Non-Current Liabilities</b>	<b>65,524</b>	<b>65,647</b>	<b>59,290</b>	<b>59,290</b>
<b><u>Current Liabilities</u></b>				
Income Tax Payable	233	644	-	8
Trade and Other Payables	24,129	25,730	4,955	8,550
Other Financial Liabilities	25,377	15,651	15,000	15,000
<b>Total Current Liabilities</b>	<b>49,739</b>	<b>42,025</b>	<b>19,955</b>	<b>23,558</b>
<b>Total Liabilities</b>	<b>115,263</b>	<b>107,672</b>	<b>79,245</b>	<b>82,848</b>
<b>Total Equity and Liabilities</b>	<b>232,194</b>	<b>215,880</b>	<b>161,352</b>	<b>163,140</b>



**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 30/6/2016</u>	<u>As at 31/12/2015</u>
	\$'000	\$'000
<u>Bank Loan</u>		
Amount repayable within one year	25,263	15,263
Amount repayable after one year	4,380	4,496

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

	<u>At 30/6/2016</u>	<u>At 31/12/2015</u>
	\$'000	\$'000
<u>Medium Term Note</u>		
Amount repayable within one year	-	-
Amount repayable after one year	59,290	59,290

On 19 March 2015, the Company issued \$60 million 4.40 per cent. 3 year Medium Term Note ("MTN") pursuant to the \$200 million Multicurrency Medium Term Note Programme.

	<u>At 30/6/2016</u>	<u>At 31/12/2015</u>
	\$'000	\$'000
<u>Finance Leases</u>		
Amount repayable within one year	42	91
Amount repayable after one year	15	16

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

	<u>As at 30/6/2016</u>	<u>As at 31/12/2015</u>
	\$'000	\$'000
<u>Bills Payable</u>		
Amount repayable within one year	72	297
Amount repayable after one year	-	-

The bills payable of the subsidiary are secured or covered by corporate guarantee, joint and severally guaranteed by certain directors, negative pledge and fixed deposit of the subsidiary.



**1(c) A consolidated statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>Q2 2016</b>	<b>Q2 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Cash Flows From Operating Activities</u></b>		
Profit Before Tax	5,186	5,703
Adjustments for:		
Interest Income	(51)	(137)
Interest Expense	905	833
Gain on Disposal of Property, Plant and Equipment	-	(1,788)
Plant and Equipment Written Off	70	15
Depreciation of Property, Plant and Equipment and Amortisation Expense	1,095	888
Foreign Currency Translation Reserve Provision	(940)	(967)
	(5)	-
<b>Operating Cash Flows Before Changes in Working Capital</b>	<b>6,260</b>	<b>4,547</b>
Inventories	(1,205)	(456)
Trade and Other Receivables	(2,448)	(1,711)
Other Assets	(1,144)	255
Trade and Other Payables	2,836	1,367
Net Cash Flows From Operating Activities Before Interest and Tax	<b>4,299</b>	<b>4,002</b>
Income Taxes Paid	(1,081)	(648)
<b>Net Cash Flows From Operating Activities</b>	<b>3,218</b>	<b>3,354</b>
<b><u>Cash Flows From/(Used in) Investing Activities</u></b>		
Purchase of Property, Plant and Equipment	(2,047)	(1,416)
Sale Proceeds from Disposal of Property, Plant and Equipment	178	14,826
Development Cost	(178)	-
Other Assets	(22)	(325)
Net Receivables arising from Sale of Property	-	(14,800)
Trade and Other Receivables	(1)	36
Other Receivables, Non-Current	25	206
Interest Received	51	137
Capital Injection by Non-Controlling Interest	7,827	-
<b>Net Cash Flows From/(Used In) Investing Activities</b>	<b>5,833</b>	<b>(1,336)</b>
<b><u>Cash Flows Used in Financing Activities</u></b>		
Finance Lease Repayment	(18)	(3)
Repayment of Bank Loans	(56)	(377)
Share Issue Expenses	(54)	(30)
Bill Payables	72	-
Interest Paid	(905)	(833)
Dividends Paid to Equity Owners	(3,346)	(2,491)
<b>Net Cash Flows Used In Financing Activities</b>	<b>(4,307)</b>	<b>(3,734)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>4,744</b>	<b>(1,716)</b>
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance of the Period	60,733	88,494
<b>Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance of the Period</b>	<b>65,477</b>	<b>86,778</b>
<b>Cash and Cash Equivalents at End of Period includes the following:</b>		
Cash and Bank Balances	65,477	86,778
<b>Cash and Cash Equivalents at End of Period</b>	<b>65,477</b>	<b>86,778</b>



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

	<u>Total Equity</u>	<u>Attributable to Parent Sub-total</u>	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Treasury Shares</u>	<u>Other Reserves</u>	<u>Non-Controlling Interest</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group - Current period</b>							
Opening Balance at 1 April 2016	109,075	92,378	82,024	17,172	(5,795)	(1,023)	16,697
<b>Movements in Equity:</b>							
Total Comprehensive Income for the period	3,375	2,852	-	3,699	-	(847)	523
Acquisition of a Non-Controlling Interest without a Change of Control	2,162	-	-	-	-	-	2,162
Capital Reserve	849	849	-	-	-	849	-
Share Issue Expense	(54)	(54)	(54)	-	-	-	-
Issue of Share Capital	4,870	4,870	4,870	-	-	-	-
Dividends Paid	(3,346)	(3,346)	-	(3,346)	-	-	-
Closing Balance at 30 June 2016	116,931	97,549	86,840	17,525	(5,795)	(1,021)	19,382
<b>Group - Previous period</b>							
Opening Balance at 1 April 2015	89,683	79,925	68,470	10,710	-	745	9,758
<b>Movements in Equity:</b>							
Total Comprehensive Income for the period	4,320	3,190	-	3,687	-	(497)	1,130
Acquisition of a Non-Controlling Interest without a Change of Control	3,670	-	-	-	-	-	3,670
Dividends Paid	(2,491)	(2,491)	-	(2,491)	-	-	-
Rights Issue Expenses	(30)	(30)	(30)	-	-	-	-
Closing Balance at 30 June 2015	95,152	80,594	68,440	11,906	-	248	14,558



**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. (Cont'd)**

	<u>Total Equity</u>	<u>Share Capital</u>	<u>Treasury Shares</u>	<u>Other Reserve</u>	<u>Retained Earnings</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Company - Current period</b>					
Opening Balance at 1 April 2016	77,357	82,024	(5,795)	-	1,128
<b>Movements in Equity:</b>					
Total Comprehensive Income for the period	3,280	-	-	-	3,280
Share Issue Expense	(54)	(54)	-	-	-
Issue of Share Capital	4,870	4,870	-	-	-
Dividends Paid	(3,346)	-	-	-	(3,346)
Closing Balance at 30 June 2016	82,107	86,840	(5,795)	-	1,062
<b>Company - Previous period</b>					
Opening Balance at 1 April 2015	69,383	68,470	-	-	913
<b>Movements in Equity:</b>					
Total Comprehensive Income for the period	1,963	-	-	-	1,963
Rights Issue Expenses	(30)	(30)	-	-	-
Dividends Paid	(2,491)	-	-	-	(2,491)
Closing Balance at 30 June 2015	68,825	68,440	-	-	385



**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 2016	<u>794,273</u>	<u>79,362</u>
At 30 Jun 2016	<u><u>796,564</u></u>	<u><u>81,045</u></u>

Employee Share Option

During the period ended 30 June 2016, no share options were issued or exercised. No share options outstanding as at 30 June 2016 (30 June 2015: NIL).

Treasury Shares

The company has 8,323,800 treasury shares as at 30 June 2016. (30 June 2015: NIL).

Grant of Call Option

On 23 May 2016, the Call Option has since expired without Heritas Helios Investments Pte. Ltd. exercising its rights under the option.

Ordinary Shares

On 19 April 2016, the Company issued 6,763,888 new ordinary shares as the Consideration Shares to Dr. Ramaswamy Sreeghandhan, Dr. Choo Keang Hai, Dr. Ronald Tan Hwa Ann and Dr. Fang Chui-Yun Mabel for the acquisition of Lee & Lee (Dental Surgeons) Pte. Ltd..

**1 (d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<b>As at 30/6/2016</b>	<b>As at 31/12/2015</b>
Total number of issued shares excluding treasury shares	<u><u>796,564,000</u></u>	<u><u>794,272,774</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 2015.

**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 2016	Q2 2015	30/6/2016	30/6/2015
(i) Basic earnings per share (cents)	0.47	0.52	0.94	0.92
(ii) On a fully diluted basis (cents)	0.47	0.50	0.94	0.89

The basic EPS for the period ended 30 June 2016 and 30 June 2015 are based on the profit attributable to equity holders of parent, net of tax and the weighted average number of ordinary shares of 786,561,516 shares and 711,028,457 shares respectively.

The diluted EPS for the period ended 30 June 2015 is based on the weighted average number of ordinary shares and shares of ordinary shares issuable upon assumed exercise of call option which would have a dilutive effect. The Call Option expired on 23 May 2016. There is no dilutive effect on the EPS for the period ended 30 June 2016.



**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	
	As at		As at	
	30/6/2016	31/12/2015	30/6/2016	31/12/2015
Net asset value per ordinary share (cents)	12.2	11.6	10.3	10.1

The net asset value per ordinary share of the Group and the Company as at 30 June 2016 has been calculated based on the total issued number of ordinary shares of 796,564,000 (2015: 794,272,774).

7. **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**

Revenue from dental and medical clinics increased 30% from \$22.5 million for the 3 months ended 30 June 2015 ("2Q15") to \$29.3 million for the 3 months ended 30 June 2016 ("2Q16"). The increase of \$6.8 million was attributed mainly to higher revenue from existing and new dental outlets in Singapore, coupled with acquisition of dental companies. Such acquisitions include TP Dental Surgeons Pte. Ltd., Tiong Bahru Dental Surgery Pte. Ltd. and Bright Smile Dental Surgery Pte. Ltd. in September 2015, acquisition of Aesthetics Dental Surgery Pte. Ltd. in November 2015, acquisition of Lee & Lee (Dental Surgeons) Pte. Ltd. in March 2016 and revenue contribution from the acquisitions of Panjin City Jingcheng Group of Clinics, Panjin City Jinsai Dental Clinic and Gaizhou Zhuoye Dental Clinic in January 2016.

As at 30 June 2016, the Group has a total of 68 dental outlets, 4 medical outlets and 1 aesthetic centre in operations, compared to 61 dental outlets, 1 mobile dental clinic, 3 medical outlets, 1 aesthetic centre as at 30 June 2015 in Singapore.

As at 30 June 2016, the Group has a total of 8 dental outlets in Malaysia and 3 dental hospitals and 8 dental outlets in People's Republic of China ("PRC") compared to 8 dental outlets in Malaysia and 3 dental hospitals and 4 dental outlets in PRC as at 30 June 2015.

Revenue contribution from the dental equipment and supplies distribution business increased 81% from \$2.2 million in 2Q15 to \$3.9 million in 2Q16. The increase was mainly due to revenue contribution from the acquisition of Shenyang Mao Tai Q & M Medical Equipment Leasing Co., Ltd. in PRC in January 2016.



Revenue contribution from Aidite, the dental supplies manufacturing company, decreased 13% from \$5.8 million in 2Q15 to \$5.1 million in 2Q16. The decrease was mainly due to operational issues arising from consolidation of operations at the new factory location, resulting in lower revenue.

For the first six months ended 30 June 2016 ("1H16"), revenue from dental and medical outlets increased by 29% to \$57.6 million, compared to \$44.6 million in the previous corresponding period ("1H15") for the same reasons given above.

For 1H16, revenue from the dental equipment and supplies distribution business increased by 34% to \$6.3 million from \$4.7 million in the previous corresponding period for the same reasons given above.

For 1H16, revenue from the dental supplies manufacturing business decreased by 14% to \$8.8 million from \$10.3 million in the previous corresponding period for the same reason given above.

#### **Other Items of Income**

Other gains in 2Q16 amounted to \$0.4 million compared to \$2.1 million in 2Q15. The decrease was mainly due to the recognition of a one off gain on sale of property amounting to \$1.8 million in 2Q2015.

For 1H16, the decrease in other gain was mainly due to the same reason given above.

#### **Other Items of Expense**

##### Consumables and Supplies Used in Dental & Medical Clinics

Consumables and supplies used increased 42% from \$1.8 million in 2Q15 to \$2.5 million in 2Q16. The increase was mainly due to an increase in the revenue from existing and new dental outlets, increase in purchase price of consumables in Singapore, the acquisition of TP Dental Surgeons Pte. Ltd. in September 2015 and the acquisitions of Panjin City Jingcheng Group of Clinics, Panjin City Jinsai Dental Clinic and Gaizhou Zhuoye Dental Clinic in January as well as 2016 the acquisition of Lee & Lee (Dental Surgeons) Pte. Ltd. in March 2016.

As a percentage of revenue from the dental and medical outlets, consumables and supplies used in the dental and medical outlets in 2Q16 was 8.5% compared to 7.8% in 2Q15.

For 1H16, consumables and supplies used increased 38% to \$4.8 million from \$3.5 million in the previous corresponding period for the same reasons given above.

##### Cost of Sales Dental Equipment and Supplies

The cost of sales from dental equipment and supplies distribution business increased 80% from \$1.5 million in 2Q15 to \$2.8 million in 2Q16. The increase was mainly due to an increase in revenue from the dental equipment and supplies distribution company in Singapore and the acquisition of Shenyang Mao Tai Q & M Medical Equipment Leasing Co., Ltd. in January 2016.

As a percentage of revenue from dental equipment and supplies distribution, cost of sales used in the dental equipment and supplies distribution in 2Q16 was 70.5% compared to 70.8% in 2Q15.

For 1H16, cost of sales from dental equipment and supplies distribution business increased 39% to \$4.4 million from \$3.2 million in the previous corresponding period for the same reasons given above.



#### Cost of Dental Supplies Manufacturing

Cost of sales from the dental supplies manufacturing business remained at \$2.2 million in 2Q15 and 2Q16.

As a percentage of revenue from dental supplies manufacturing business, cost of sales in 2Q16 was 44.3% compared to 36.9% in 2Q15.

For 1H16, cost of sales from dental supplies manufacturing business decreased 15% to \$3.1 million from \$3.6 million in the previous corresponding period mainly due to lower sales.

#### Employee Benefits Expense

Employee benefits expense increased 20% from \$14.8 million in 2Q15 to \$17.8 million in 2Q16 was in line with the increase in revenue from existing and new dental outlets in Singapore, increase in headcount to support more dental outlets in Singapore, increased in headcount from the acquisitions of TP Dental Surgeons Pte. Ltd., Tiong Bahru Dental Surgery Pte. Ltd. and Bright Smile Dental Surgery Pte. Ltd. in September 2015, acquisition of Aesthetics Dental Surgery Pte. Ltd. in November 2015 as well as the acquisition of Lee & Lee (Dental Surgeons) Pte. Ltd. in March 2016.

As a percentage of revenue, employee benefits expense in 2Q16 was 46.6% compared to 48.6% in 2Q15.

Comparing 1H16 with 1H15, employee benefit expense increased by \$6.3 million or 22%, for the same reasons given above.

#### Depreciation and Amortisation Expenses

Depreciation and amortisation expenses increased 23% from \$0.9 million in 2Q15 to \$1.1 million in 2Q16. The increase of \$0.2 million was mainly due to renovation and purchase of dental equipment in Aoxin dental hospital, renovation and purchase of equipment in Aidite, the acquisition of TP Dental Surgeons Pte. Ltd. in November 2015 as well as the acquisition of Lee & Lee (Dental Surgeons) Pte. Ltd. in March 2016.

As a percentage of revenue, depreciation and amortisation expenses in 2Q16 and 2Q15 were 2.9%.

Comparing 1H16 with 1H15, depreciation and amortisation expenses increased by \$0.3 million or 19%, for the same reasons given above.

#### Rental Expense

Rental expense increased 43% from \$2.2 million in 2Q15 to \$3.2 million in 2Q16. The increase of \$1.0 million was mainly due to an increase in the number of dental outlets in Singapore, increase in rental for existing clinics and the acquisitions of TP Dental Surgeons Pte. Ltd., Tiong Bahru Dental Surgery Pte. Ltd. and Bright Smile Dental Surgery Pte. Ltd. in September 2015, acquisition of Aesthetics Dental Surgery Pte. Ltd. in November 2015 and the acquisition of Lee & Lee (Dental Surgeons) Pte. Ltd. in March 2016 as well as the acquisitions of Panjin City Jingcheng Group of Clinics, Panjin City Jinsai Dental Clinic and Gaizhou Zhuoye Dental Clinic in January 2016.

As a percentage of revenue, rental expense in 2Q16 was 8.3% compared to 7.3% in 2Q15.

Comparing 1H16 with 1H15, rental expense increased by \$1.7 million or 38%, for the same reasons given above.



#### Other Expenses

Other expenses increased 10% from \$2.8 million in 2Q15 to \$3 million in 2Q16. The increase was mainly due to the acquisition of TP Dental Surgeons Pte. Ltd. in September 2015, acquisitions of Panjin City Jingcheng Group of Clinics, Panjin City Jinsai Dental Clinic and Gaizhou Zhuoye Dental Clinic in January 2016 as well as Lee & Lee (Dental Surgeons) Pte. Ltd. in March 2016.

As a percentage of revenue, other expenses in 2Q16 was 7.9% compared to 9% in 2Q15.

Comparing 1H16 with 1H15, other expenses increased by \$0.7 million or 13%, for the same reasons given above.

#### Finance Costs

Finance costs increased from \$833k in 2Q15 to \$905k in 2Q16. The increase was mainly due to accrual of interest for Medium Term Notes (MTN).

#### **Profit Before Tax and Net Profit**

The Group's profit before tax decreased by 9% from \$5.7 million in 2Q15 to \$5.2 million in 2Q16. The decrease of \$0.5 million was mainly due to reasons given above.

After deducting provision for income tax expense of \$462k, the Group's net profit decreased 4% from \$4.9 million in 2Q15 to \$4.7 million in 2Q16.

For 1H16, net profit after tax was \$9.5 million, compared with \$8.8 million for 1H15.

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

As at 30 June 2016, the Group has cash and cash equivalents of \$65.5 million and MTN, bank borrowings and finance leases totalling \$89.1 million.

#### **Current Assets**

Cash and cash equivalents as at 30 June 2016 increased to \$65.5 million from \$64.9 million as at 31 December 2015. The net increase of \$0.6 million was mainly due to positive cash flow generated from operations, a new term loan of \$10 million offset by the payment of \$5.1 million purchase consideration for the acquisition of Lee & Lee (Dental Surgeons) Pte. Ltd. in March 2016, \$5.2 million for share buyback and dividend payment of \$3.3 million with respect to FY2015.

Trade and other receivables as at 30 June 2016 decreased to \$20.7 million from \$22.8 million as at 31 December 2015. The decrease of \$2.1 million was mainly due to a decrease in trade and other receivables of Aidite.

Other assets as at 30 June 2016 increased to \$5.5 million from \$3.1 million as at 31 December 2015. The net increase of \$2.4 million was mainly due to an increase in prepayments from Aidite.

Inventories as at 30 June 2016 increased to \$14.8 million from \$11.2 million as at 31 December 2015. The increase of \$3.6 million was due mainly to increase in inventory from Aidite and inventory of Shenyang Mao Tai Q & M Medical Equipment Leasing Co., Ltd. acquired in January 2016.



### **Non-Current Assets**

The net book value of property, plant and equipment as at 30 June 2016 increased to \$34.4 million from \$34.3 million as at 31 December 2015. The increase of \$0.1 million was mainly due to purchase of property, plant and equipment offset by depreciation for 1H16.

Intangible assets as at 30 June 2016 increased to \$88.3 million from \$76.9 million as at 31 December 2015. The increase of \$11.4 million was mainly due to the goodwill arising from the newly acquired companies such as Lee & Lee (Dental Surgeons) Pte. Ltd., Panjin City Jingcheng Group of Clinics, Panjin City Jinsai Dental Clinic, Gaizhou Zhuoye Dental Clinic and Shenyang Mao Tai Q & M Medical Equipment Leasing Co., Ltd. in 1H16.

### **Current Liabilities**

Trade and other payables as at 30 June 2016 decreased to \$24.1 million from \$25.7 million as at 31 December 2015. The decrease of \$1.6 million was mainly due to the settlement of balance of purchase consideration for 1H16 acquisitions in PRC, deposits received from customers of Aidite and trade payables from Shenyang Mao Tai Q & M Medical Equipment Leasing Co., Ltd. offset by payment of fees to dentists, doctors and staff bonuses which were accrued as at 31 December 2015.

Other financial liabilities as at 30 June 2016 increased to \$25.4 million from \$15.7 million as at 31 December 2015. The increase of \$9.7 million was mainly due to a term loan of \$10 million taken up by a subsidiary which will be repaid within 12 months.

### **Statement of Cash Flows**

The Group generated net cash flow of \$3.2 million from operating activities in 2Q16. This was mainly attributable to the Group's profit before tax of \$5.2 million offset by the payment of income tax of \$1.1 million and the increase of working capital in 2Q16.

Net cash from investing activities in 2Q16 amounted to \$5.8 million, mainly due to capital injection from non-controlling interest of Aidite offset by purchase of property, plant and equipment.

Net cash used in financing activities in 2Q16 was \$4.3 million, which arose mainly from dividend payment of \$3.3 million with respect to FY2015 and interest payment for the Medium Term Note.

Consequent to the above factors, the Group's cash and cash equivalents was \$65.5 million as at 30 June 2016.

**8. 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.

**9. 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

- Cessation of Interest in the Proposed Acquisition of Orchard Scotts Dental Clinic and De Pacific Dental Group

On 17 May 2016, the Group announced that as the Proposed Acquisition has not taken place by 10 May 2016, the point of agreement dated 11 May 2015 has lapsed and the Company and Vendors have mutually decided not to extend the completion date.

- Proposed Acquisition of Shenzhen New Perfect Dental Research Co., Ltd. in People's Republic of China ("PRC")

On 7 June 2016, the Group announced the proposed acquisition of 47.14% of the shareholding in Shenzhen New Perfect Dental Research Co., Ltd. for a total consideration of RMB 66.0 million from Mr. Peng Hui Chang, Mr. Peng Jian Chang and Mr. Guo Yu Chun.

- Update on Proposed Spin-off and Listing of the Group's Dental Healthcare Business in People's Republic of China ("PRC")

On 10 June 2016, the Group announced the decision to proceed with the Proposed Spin-off by listing Q & M Dental Holdings (China) Pte. Ltd. on the Catalist Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

- Incorporation of Q & M Dental Holdings (Shenzhen) Pte. Ltd.

On 22 June 2016, the Group announced the incorporation of a wholly-owned subsidiary in Singapore, Q & M Dental Holdings (Shenzhen) Pte. Ltd. ("QDHS"), with an initial issued and paid-up share capital of S\$1 comprising 1 ordinary share. The principal activity of QDHS is an investment holding company.

- Completion of Proposed Acquisitions of Panjin City Jingcheng Dental Clinics, Panjin Jinsai Dental Clinic and Gaizhou City Dental Clinic Located in Liaoning Province, People's Republic of China ("PRC")

On 22 June 2016, the Group announced the completion of the acquisition of 60% shareholding in the Panjin City Jingcheng Group of Clinics located in Panjin City, Liaoning Province from Dr. Ren Hong, 60% shareholding in the Panjin City Jinsai Dental Clinic located in Panjin City, Liaoning Province from Dr. Zhang Chun and 60% shareholding in the Gaizhou Zhuoye Dental Clinic located in Gaizhou City, Liaoning Province from Dr. Li Zhuo and Mdm. Gao for a total purchase consideration of RMB 18.132 million.

- Completion of Proposed Acquisition of Shenyang Mao Tai Q & M Medical Equipment Co., Ltd. (Formerly known as Shenyang Lan Hai Tong Mao Medical Equipment Leasing Co., Ltd.) Located in Shenyang City, Liaoning Province, People's Republic of China ("PRC")

On 22 June 2016, the Group announced the completion of the acquisition of 60% shareholding in Shenyang Mao Tai Q & M Medical Equipment Leasing Co., Ltd., a dental supplies and equipment distribution company located in Shenyang City, Liaoning Province, PRC from Mr. Cui Guoan for a consideration of RMB 7.56 million.



- Cessation of Interest in the Proposed Acquisition of Smilebay Dental Clinics Located in Penang, Malaysia

On 28 June 2016, the Group announced that as the completion of the Proposed Acquisition has not taken place by 21 June 2016, the point of agreement dated 22 June 2015 has lapsed and the Company and the Vendors mutually agreed not to extend the completion date.

- Improprieties in the Company's Malaysian Subsidiaries in Johor Bahru, Malaysia

On 13 July 2016, the Group announced the uncovering of improper conduct in the Johor Bahru dental business operations under Q & M Dental Surgery (Molek) Sdn. Bhd. and Q & M Dental Surgery (Austin) Sdn. Bhd.. The Company has commenced legal proceedings in the High Court of Malaya at Johor Bahru (Commercial Division) by way of Suit No. JA-22 NCVC – 116 – 05/2016 against parties that are liable and have obtained various court orders in its favour. The Company will take further actions as and when appropriate to protect the interest of the Group.

- Proposed Spin-off of the Group's Manufacturing and CAD/CAM Distribution Business in People's Republic of China ("PRC") and Proposed Restructuring Exercise in Connection with the Proposed Spin-off

On 11 August 2016, the Group announced the Proposed Spin-off of the Group's manufacturing and CAD/CAM distribution business in PRC and Proposed Restructuring Exercise in connection with the Proposed Spin-off. The Directors will be convening an extraordinary general meeting to seek the approval of shareholders for the Proposed Spin-off and the Restructuring Exercise. A circular to shareholders, containing, amongst others, details in relation to the Proposed Spin-off and the Restructuring Exercise will be despatched by the Company to shareholders in due course.

## **Future Plans**

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

- Expansion of network of dental clinics in Singapore and acquisitions of specialist dental clinics in Singapore

The Group will continue widening its network of dental clinics in Singapore organically and through acquisition. It will also continue to expand its team of dentists to support the future growth of its operation in Singapore. With 68 dental outlets in Singapore, the Group believes it is well-positioned to cater to the rising demand for primary and higher value specialist dental healthcare services.

- Expansion into private dental healthcare market in Malaysia

Currently, the Group operates 4 dental clinics in Johor, 1 dental centre and 2 dental clinics in Kuala Lumpur and 1 dental clinic in Malacca. The Group is closely monitoring the Malaysian economy before making further expansion into Malaysia.

- Expansion into private dental healthcare market in the People's Republic of China ("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, dental laboratories and dental supplies manufacturers in PRC.





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

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

**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)	0.42 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)	0.42 cents per ordinary share
Tax Rate	One Tier Tax Exempt

**(c) The date the dividend is payable.**

The dividend will be paid on 5 September 2016.

**(d) Book closure date**

Notice is hereby given that Share Transfer Books and Register of Members of the Company will be closed on 25 August 2016 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 24 August 2016 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 24 August 2016 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.



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

**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 2016 to be false or misleading in any material aspect.

**15. Confirmation that the issuer has procured undertakings from all its directors and executive officer under Rules 720 (1) of the Listing Manual**

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

**BY ORDER OF THE BOARD**

**Dr Ng Chin Siau**  
**Group Chief Executive Officer**  
**11 August 2016**