



Q & M DENTAL GROUP (SINGAPORE) LIMITED
(Company Registration Number 200800507R)
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX-ST'S QUERIES

1. INTRODUCTION

The Board of Directors (the "**Board**") of Q & M Dental Group (Singapore) Limited (the "**Company**") and together with its subsidiaries the "**Group**") wishes to announce that the Company has received certain queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on its unaudited consolidated financial statements for the financial year ended 31 December 2018 ("**FY2018**") announced by the Company on 28 February 2019 ("**FY2018 Results**") and wishes to provide its responses as set out below.

Unless otherwise stated, capitalized terms used herein shall have the same meaning ascribed to them in the FY2018 Results.

2. SGX-ST'S QUERIES

- A. **Query 1:** On page 2 of the FY2018 Results, the Company reported a "Profit Guarantee Received/Receivable from Vendors/Shareholders" amounting to \$921,000. Please provide a discussion on the performance of the underlying entities which resulted in the Company drawing on the Profit Guarantee. Please advise when the profit guarantee will be paid to the Company.

Company's Response

- (a) In the course of the Group's expansion, the Group has acquired various clinics and hospitals in Singapore as well as in other South Asian countries like China and Malaysia. As part of these acquisitions, the Group requires the vendors to provide profit guarantees or profit targets to the Group for a certain number of years following the completion of the acquisition. If the vendor is unable to meet its contractual profit guarantee or profit target obligations to the Group for a particular year, the vendor is required to pay any shortfall to the Group.
- (b) The "Profit Guarantee Received/Receivable from Vendors/Shareholders" amounting to \$921,000 ("**Profit Guarantee Receivables**") arose due to the inability of: (i) certain subsidiaries (the "**Aoxin Q&M Subsidiaries**") of Aoxin Q&M Dental Group Limited ("**Aoxin Q&M**"), an associated company of the Group, and (ii) five other subsidiaries of the Group (collectively the "**Q&M Subsidiaries**"), to meet their contractual profit guarantee obligations for FY2018.

Please refer to Aoxin Q&M 's offer document dated 18 April 2017 in respect of its listing on the Catalist for further information on the profit guarantees provided by

the Aoxin Q&M Subsidiaries to the Group. A copy of the said offer document is available on the website of the SGX-ST at www.sgx.com.

- (c) The inability of the Aoxin Q&M Subsidiaries to meet their profit guarantee obligations is due to the fact that Aoxin Q&M is in an expansion mode. Their operating cost has increased due to execution of the expansion plans and their profit has been impacted by gestation losses incurred in respect of certain newly acquired/opened clinics and hospitals. This fact was announced by Aoxin Q&M in a press release dated 28 February 2019 accompanying its FY2018 unaudited consolidated results. The Board understands that this has impacted the Aoxin Q&M group as a whole and in turn has affected the ability of the Aoxin Q&M Subsidiaries to meet their profit guarantee obligations.

A copy of the press release is available on the website of the SGX-ST at www.sgx.com.

- (d) The inability of the Q&M Subsidiaries to meet their respective profit guarantee obligations is attributable to various factors such as:
- (i) decrease in revenue due to relocation of clinic or loss of doctors;
 - (ii) expansion to new locations and resulting gestation losses; and
 - (iii) increasing cost of dental supplies and inventories.
- (e) The Group considers its clinics and subsidiaries to be crucial to the success of the Group and creation of shareholder value. The Board expects the majority of the Profit Guarantee Receivables to be collected within the timeframe stipulated in the respective contracts. The Board will be monitoring the Profit Guarantee Receivables and the performance of the respective entities in determining the steps required to be taken, if any, for recovery.

- B. **Query 2:** In the Statement of Financial Position, the Company reported "Other Financial Liabilities" amounting to \$86.2 million under Non-Current Liabilities as at 31 December 2018, an increase from \$26.4 million as at 31 December 2017. Please provide details and terms of these significant liabilities.

Company's Response

- (a) On 25 January 2018, the Company announced that the Company obtained the following loan facilities, in order to redeem the S\$60,000,000 4.40 per cent. Notes (the "**Notes**") issued by the Company pursuant to the S\$200,000,000 Multicurrency Medium Term Note Programme established by the Company on 25 November 2013 (the "**MTN Programme**"):
- (i) a 3-year term loan facility of S\$30,000,000 from United Overseas Bank Limited; and
 - (ii) a 3-year term loan facility of S\$30,000,000 from Overseas-Chinese Banking Corporation Limited.

The Company decided to redeem the Notes using the above banking facilities as the interest rate of the facilities were lower than those under the MTN Programme. The Company announced on 27 March 2018 that the Notes have been fully redeemed. Copies of the Company's announcements dated 25 January 2018 and 27 March 2018 are available on the website of the SGX-ST at www.sgx.com.

- (b) The increase in the Non-Current Liabilities of the Company as at 31 December 2018 is due to the above banking facilities.

By Order of the Board
Q & M Dental Group (Singapore) Limited

Vitters Sim
Chief Financial Officer
6 March 2019

For more information, please contact:

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