



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

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## RESPONSE TO SGX QUERIES

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1. The board of directors (the "**Board**" or "**Directors**") of Q & M Dental Group (Singapore) Limited ("**Q & M**" or the "**Company**", and together with its subsidiaries, the "**Group**") has received certain queries from Singapore Exchange Securities Trading Limited ("**SGX-ST**") in respect of its announcement dated 27 February 2020 in relation to, *inter alia*, the Company's full year financial statements for the year ended 31 December 2019 ("**FY2019 Results Announcement**"), and wishes to provide its response as follows:

*Unless otherwise defined, capitalized terms used herein shall bear the same meanings ascribed to them in the FY2019 Results Announcement.*

2. **SGX-ST's queries:**

- Q1. On 27 February 2020, the Company announced its FY2019 financial statements. On page 2 of the FY2019 results, the Company disclosed Allowance for / Reversal of Impairment of Trade and Other Receivables amounting to \$2.077 million. Please disclose the nature of this debt and the identity of the debtor which gave rise to this significant impairment. Please explain why the Company has to make provision for this debtor and why the debtor is unable to pay the amount owing.**

**Reply by the Company:**

The Company has outstanding receivables based on profit guarantees given by various clinics operating in Malaysia and the People's Republic of China ("**PRC**") amounting to S\$1.1 million. The remaining amount of the debt relates to certain trade and other receivables in Singapore and Malaysia. The Board notes that a significant portion of these amounts have been due for more than twelve (12) months, with no collections being made in 2019. The Company is in discussions with these debtors to recover these amounts.

- Q2. On page 5 of the FY2019 results, the Company reported Depreciation of Right-Of-Use Assets amounting to \$11.716 million. Please disclose the asset that resulted in such a significant increase in depreciation when the accounting impact disclosed in paragraph 5 reported only an increase in lease liabilities of \$34.1million.**

**Reply by the Company:**

The assets referred to are the premises used by the Company for its dental, medical and office operations. Lease contracts for such premises are typically for a fixed period of three (3) years and may be further renewed. The increase

in lease liabilities as at 31 December 2019 is due to leases with a remaining lease period ranging from one (1) year to three (3) years which have such options to renew. Please note that the depreciation was derived from the adoption of the new lease accounting standards under the SFRS(I) 16 in FY2019.

- Q3. On page 12 of the FY2019 results, the Company disclosed that “The increase of \$0.6 million was mainly due to increase in legal and professional fees arising from regulatory compliance, the legal cases in China and Malaysia and drafting of agreements.” Please disclose the details of the legal cases in China.**

**Reply by the Company:**

The legal case in the PRC refers to the arbitration proceedings undertaken by a subsidiary of the Group against its joint venture partner Dr. Lou Tie Ying in relation to the Company's investment in Nanjing. This subsidiary is not a significant subsidiary of the Group and the amount claimed is not substantial. The Company had announced on 7 September 2017, in response to an SGX-ST query that the full investment amount in respect of the Nanjing joint venture had been impaired and accordingly, the Board is of the view that these legal proceedings have no material impact on the Company's financial performance. The Board is in the process of obtaining legal advice in respect of these proceedings and further announcement(s) will be made by the Company as and when required.

- Q4. On page 13 of the FY2019 results, the Company disclosed that “Trade and other receivables as at 31 December 2019 increased to \$69.8 million from \$16.7 million as at 31 December 2018. The increase of \$53.1 million was mainly due to proceeds receivable of \$53.0 million from the partial disposal of 36% of equity-accounted associate, Aidite.” Please disclose if the proceeds of \$53 million has since been paid in cash. If not yet, please disclose when the amount is payable under the contract.**

**Reply by the Company:**

As disclosed at page 15 of the FY2019 results, the Group has received S\$60.1 million (approximately RMB 311 million) of the total proceeds thus far, of which the Group's portion is S\$45.1 million (approximately RMB 233 million). The remaining amount will be paid after the Company has produced the requisite tax clearance certificate to the buyers of the Aidite shares who are situated outside the PRC. The Company is in the process of paying the necessary PRC tax for the disposal of Aidite shares and the process has been delayed by the ongoing COVID-19 crisis. Further announcement(s) will be made by the Company when the total proceeds have been received.

**By Order of the Board**

Q & M Dental Group (Singapore) Limited

Vitters Sim  
Chief Financial Officer  
11 March 2020

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For more information, please contact:

**Chief Financial Officer**

Vitters Sim

Tel: 6705 9888

Email: [vitters@qnm.sg](mailto:vitters@qnm.sg)