



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

**RESPONSE TO QUERIES FROM THE SECURITIES INVESTOR ASSOCIATION (SINGAPORE)
ON THE ANNUAL REPORT**

The board of directors (the "**Board**" or "**Directors**") of Q & M Dental Group (Singapore) Limited ("**Q & M**" or the "**Company**"), refers to the queries raised by the Securities Investor Association (Singapore) ("**SIAS**") in relation to the Company's Annual Report for the Financial Year Ended 31 December 2018 and appends its requisite replies as follows:

Question 1(a)

As noted in the "Message to shareholders", Singapore remains the Group's main market and management is seeking organic growth through expansion of its network of dental clinics and acquisition of specialist dental clinics.

Given that the Group increased the outlet count by 4 to 74 dental outlets (and 4 medical outlets) in Singapore, how much more growth can the market support before the Group starts to cannibalise its own sales?

Company's Response to Question 1(a)

The Group's current market share in Singapore is estimated at around 10%. This can be derived in two ways. Firstly, according to government data, as of 2017 there were about 2,225 dentists and dental specialists in Singapore practicing actively.¹ Q & M has over 250 dentists and dental specialists practicing in Singapore. Secondly, Q & M serves more than 600,000 patients island-wide. The population of Singapore as of end-June 2018 according to government data was 5.64 million.²

At only 10% market share, the Group still has a large runway for growth in Singapore and Singapore remains a key market for the Group. New clinics continue to pick up pace quickly due to Q & M's strong brand equity in the local market, and quality dentists and dental specialists. The Group is also stepping up recruitment efforts to enlarge its base of dentists and dental specialists.

¹https://data.gov.sg/dataset/number-of-dentists-and-oral-health-therapists?view_id=952b336b-fc1c-45e5-9e9f-4adaf947102f&resource_id=cf1218e3-a811-4326-ba92-be77759ea129

²<https://www.singstat.gov.sg/find-data/search-by-theme/population/population-and-population-structure/latest-data>

Question 1(b)

Has the board evaluated the Group's market share in Singapore?

Company's Response to Question 1(b)

As above.

Question 1(c)

To help shareholders understand the performance of the outlets, would the Group also disclose the number of patients served, same-store sales of the outlets and the average dental bill on a comparable basis?

Company's Response to Question 1(c)

The Group serves more than 5,000 new walk-in patients a month, with total patient visits exceeding 20,000 a month in Singapore. New clinics such as those in Woodlands, North Point and Punggol MRT station continue to pick up pace quickly due to Q & M's strong branding in the local market, and quality dentists and dental specialists.

The Board is of the view that the disclosure of number of patients served, disclosures in financial statements and disclosures of store openings and closures sufficiently balanced the Company's interests with the necessity to provide sound information to the investors for their investment decisions.

Given the highly competitive condition of the industry that the Group operates in, it is in the best interest of the Group to maintain confidentiality of same-store sales and average dental bill size.

Question 1(d)

How does the Group, especially its dental professionals, balance the profit consideration and professional ethics?

Company's Response to Question 1(d)

Dental professionals are governed by regulatory bodies such as the Ministry of Health and Singapore Dental Council, and the Group and its dental professionals conduct its operations in accordance to guidelines and code of ethics set out by these regulatory bodies. The Group's core values are customer satisfaction, accessibility, responsibility and excellence, and patients' experience and care are of the utmost importance.

The Group is also driving the creation of dental artificial intelligence (AI) technology in its ongoing efforts to improve the high quality of care provided at its clinics. This will help improve the Group's monitoring and standardisation of treatment plans across the Group and increase patient autonomy through better understanding of their own health.

The Group also believes in a culture of continuing education to ensure the capabilities of its dental professionals continue to grow and that they are current with the latest ethical guidelines. Through Q & M Dental Institute ("QDI"), the Group conducts regular workshops, seminars and conferences which assists and facilitates the Group's dental professionals in their continuous efforts to keep abreast with the latest technology and evidence-based practices. In end-2018, the Group also announced its intention to expand the education of its dental professionals through Q & M College of Dentistry Pte. Ltd. ("QMCD").

Question 1(e)

For the Group's business in Kuala Lumpur, is the Group able to replicate the business model in Singapore more closely and scale up the operations more densely in Kuala Lumpur/Klang Valley?

There are currently 17 dental outlets in Malaysia (up by 3 in the financial year), with the Group set to open 8 more outlets in FY2019. Has management evaluated how big Kuala Lumpur/Klang Valley can be for the Group?

Company's Response to Question 1(e)

The Group's expansion is not limited to any single state but other states like Johor and Malacca in Malaysia and the Group is already replicating its business model in Malaysia. ASEAN on the whole, driven by pro-growth policies and presence of dynamic companies, continue to be among one of the world's best performing emerging economies, and Malaysia is no exception.

Malaysia's economy has been on an upward trajectory, averaging growth of 5.4 percent since 2010, and is expected to achieve its transition from an upper middle-income economy to a high-income economy by 2024.¹

Malaysia's proximity to the Group's core market and similarities in cultural landscape allow for smoother execution of expansion and straightforward application of business capabilities and know-how. Geographically and demographically, Malaysia is a much larger country compared to Singapore and the Group is overall positive on the prospects and about replicating its success in Malaysia.

¹<https://www.worldbank.org/en/country/malaysia/overview>

Question 2(a)

In November 2018, Aidite (Qinhuangdao) Technology Co. Ltd ("**Aidite**"), the Group's associated company, delisted its shares from the National Equities Exchange and Quotations of the People's Republic of China to explore certain strategic business development opportunities.

Since the deconsolidation of Aidite in 2016, what is the level of oversight and influence by management to safeguard, the Group's interest?

Company's Response to Question 2(a)

As an associate company of the Group, the Group provides strategic guidance to Aidite in the form of insight into the thought process and requirements of dental practitioners and the dental healthcare eco-system which continues to help identify growth opportunities for Aidite.

The Group's Chief Executive Officer, Dr Ng Chin Siau, was a director on the board of Aidite from the date of acquisition on 13 August 2014 to 30 December 2016. Dr Ng was reappointed a director on 15 May 2018. His duties include but are not limited to policymaking and planning exercises.

Under its current management, Aidite has grown steadily and continued to perform well. Net profit for 2016 was about RMB25 million, for 2017 about RMB33 million, and for 2018, about RMB47 million.

Question 2(b)

What is the Group's board representation in Aidite?

Company's Response to Question 2(b)

As above.

Question 2(c)

It has been almost 6 months since the delisting of Aidite. Does management have any visibility of the strategic business development opportunities? Please help shareholders understand what kind of strategic business development opportunities would require the delisting of an issuer.

Company's Response to Question 2(c)

As announced on 23 April 2019 on SGX, the Group informed shareholders that it had been approached by two different and unrelated parties in relation to a potential partial acquisition of the Company's stake in Aidite by such parties.

The discussions with the aforementioned parties are ongoing and no definitive terms have been agreed upon between the parties. There is no certainty or assurance whatsoever that any transaction will arise from these discussions.

Question 2(d)

As at 31 December 2018, the Group's investment in Aidite Qinhungdao is regarded as unquoted equity shares and recognised using fair value (value 2) that was determined by the placement price at its IPO. What was the last traded price of Aidite on the new Third Board? Is there a significant difference between the valuation based on the last traded price of Aidite and the carrying value?

Company's Response to Question 2(d)

The placement price of Aidite shares at IPO was based on 20 times price-to-earnings (P/E) on a net profit of approximately RMB25 million, capped at a market capitalisation of RMB500 million. For FY2018, net profit stood at RMB47 million. There was no trading of Aidite shares during the time of listing.

Question 3(a)

To comply with the 2012 CG Code, Guideline 9.4 states that the remuneration of immediate family members of a director of the CEO should be disclosed in incremental bands of \$50,000.

Would the Board, especially the remuneration committee, help shareholders understand if the Group's current disclosure practices meet the recommendation in the 2012 CG Code?

Company's Response to Question 3(a)

The Board advocates good corporate governance and transparency in managing issues and matters raised by shareholders and all its stakeholders. The Board will take into consideration the recommendation in the 2012 CG Code for future disclosures in the annual report.

Question 3(b)

To comply with 2012 CG Code, would the Group disclose the remuneration of immediate family members of a director or the CEO in incremental bands of \$50,000?

Company's Response to Question 3(b)

The remuneration of each key executive of the Company has been disclosed on page 23 of the FY2018 Annual Report. A detailed disclosure of the aggregate remuneration paid to the key executives who are immediate family members of Dr Ng Chin Siau, the Group Chief Executive Officer (the "Group CEO") and Executive Director of the Company is set out as follows:

	Remuneration Band	Salary	Bonus	Benefits¹	Total
Name	Below \$250,000	%	%	%	%
Ms Foo Siew Jiuan ²	<input type="checkbox"/> <input checked="" type="checkbox"/>	85	7	8	100
Ms Ng Sook Hwa ²	<input type="checkbox"/> <input checked="" type="checkbox"/>	84	7	9	100

¹ Benefits refer to mainly employer's contribution to the Central Provident Fund

² Key executives who are related to the Group CEO and Executive Director, Dr Ng Chin Siau. (i) Ms Foo Siew Jiuan is the wife of Dr Ng Chin Siau. (ii) Ms Ng Sook Hwa is the sister of Dr Ng Chin Siau.

The Board is of the opinion that the disclosure above is sufficient for shareholders and investors to have an adequate appreciation of the Company's remuneration policies and practices in respect of the Company's key executives.

By Order of the Board

Q & M Dental Group (Singapore) Limited

Vitters Sim
Chief Financial Officer
26 April 2019

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