



Financial Statement Announcement For The Third Quarter Ended 30 September 2019 (“3Q19”)

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					
		Third Quarter			Year-To-Date		
		Q3 2019 \$'000	Q3 2018 \$'000	Change %	30/9/2019 \$'000	30/9/2018 \$'000	Change %
Revenue							
Dental and Medical Clinics		29,239	27,682	6	84,662	81,470	4
Dental Equipment & Supplies Distribution		1,864	1,833	2	6,854	6,285	9
Total Revenue		31,103	29,515	5	91,516	87,755	4
Other Items of Income							
Interest Income		8	9	(11)	26	90	(71)
Other Items of Expense							
Consumables and Supplies Used in Dental & Medical Clinics		(2,329)	(1,976)	18	(6,426)	(6,021)	7
Cost of Sales - Dental Equipment & Supplies		(1,451)	(1,281)	13	(4,934)	(4,384)	13
Employee Benefits Expense		(18,303)	(16,999)	8	(53,016)	(50,055)	6
Depreciation and Amortisation Expense		(835)	(758)	10	(2,423)	(2,332)	4
Depreciation of Right-Of-Use Assets		(3,064)	-	NM	(8,981)	-	NM
Rental Expense		-	(3,060)	NM	-	(9,596)	NM
Other Expenses		(1,647)	(1,826)	(10)	(5,323)	(4,972)	7
Finance Costs		(988)	(656)	51	(2,867)	(1,964)	46
Other Gains - Net		447	198	126	1,567	823	90
Share of Profit from Equity-Accounted Associates		755	539	40	3,131	3,578	(12)
Profit Before Tax from Continuing Operations		3,696	3,705	-	12,270	12,922	(5)
Income Tax Expense		(44)	(64)	(31)	(192)	(193)	(1)
Profit From Continuing Operations, Net of Tax		3,652	3,641	-	12,078	12,729	(5)
Other Comprehensive Loss:							
Exchange Differences on Translating Foreign Operations, Net of Tax		(568)	(657)	(14)	(837)	(260)	222
Other Comprehensive Loss for the Period, Net of Tax		(568)	(657)	(14)	(837)	(260)	222
Total Comprehensive Income for the Period		3,084	2,984	3	11,241	12,469	(10)
Profit Attributable to:							
Owners of the Parent, Net of Tax		3,642	3,618	1	11,974	12,678	(6)
Non-Controlling Interests, Net of Tax		10	23	(57)	104	51	104
Profit Net of Tax		3,652	3,641	-	12,078	12,729	(5)
Total Comprehensive Income Attributable to:							
Owners of the Parent		3,070	2,923	5	11,138	12,357	(10)
Non-Controlling Interests		14	61	(77)	103	112	(8)
Total Comprehensive Income		3,084	2,984	3	11,241	12,469	(10)

NM: Not Meaningful



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

Notes:

1(a)(i) Other Gains - Net

	Group			
	Third Quarter		Year-To-Date	
	Q3 2019	Q3 2018	30/9/2019	30/9/2018
	\$'000	\$'000	\$'000	\$'000
Gain on Disposal of Plant and Equipment	-	-	10	3
Plant & Equipment Written Off	(38)	(107)	(49)	(166)
Foreign Exchange Translation Loss	(3)	(11)	(8)	(9)
Profit Guarantee Received/Receivable from Vendors/Shareholders	471	296	1,677	485
Reversal of Provision for Impairment on Other Receivables	-	-	-	273
Impairment of Plant and Equipment	(24)	-	(42)	-
Gain on Deem Disposal of Associate	-	-	-	123
Enhanced Special Employment Credit and Wage Credit Scheme / PIC (Reversal)	41	20	(21)	114
	447	198	1,567	823



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	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
	\$'000	\$'000	\$'000	\$'000
ASSETS				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	23,554	20,417	450	512
Right-Of-Use Assets	35,068	-	90	-
Investment in Subsidiaries	-	-	78,014	77,526
Investment in Associates	79,770	77,444	32,468	32,468
Intangible Assets	53,139	53,329	-	-
Other Receivables	1,079	1,062	980	980
Other Assets	13,187	10,756	2,136	-
Total Non-Current Assets	205,797	163,008	114,138	111,486
<u>Current Assets</u>				
Inventories	7,371	6,945	-	-
Trade and Other Receivables	17,240	16,653	48,847	46,079
Other Assets	3,717	2,622	1,478	558
Cash and Cash Equivalents	19,670	24,924	2,192	2,653
Total Current Assets	47,998	51,144	52,517	49,290
Total Assets	253,795	214,152	166,655	160,776
EQUITY AND LIABILITIES				
<u>Equity Attributable to Owners of the Parent</u>				
Share Capital	86,758	86,758	86,758	86,758
Treasury Shares	(11,558)	(11,558)	(11,558)	(11,558)
Retained Earnings	43,667	38,135	2,003	3,317
Other Reserves, Total	(3,520)	(2,684)	-	-
Equity Attributable to Owners of the Parent, Total	115,347	110,651	77,203	78,517
Non-Controlling Interests	1,138	1,035	-	-
Total Equity	116,485	111,686	77,203	78,517
<u>Non-Current Liabilities</u>				
Provisions	591	638	-	-
Deferred Tax Liabilities	1,084	1,072	-	-
Lease Liabilities Arising from Right-Of-Use Assets	23,956	-	-	-
Other Financial Liabilities	88,319	86,185	80,957	75,000
Total Non-Current Liabilities	113,950	87,895	80,957	75,000
<u>Current Liabilities</u>				
Income Tax Payable	-	110	-	84
Trade and Other Payables	11,274	14,018	8,085	7,175
Lease Liabilities Arising from Right-Of-Use Assets	11,581	-	92	-
Other Financial Liabilities	505	443	318	-
Total Current Liabilities	23,360	14,571	8,495	7,259
Total Liabilities	137,310	102,466	89,452	82,259
Total Equity and Liabilities	253,795	214,152	166,655	160,776



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 30/9/2019</u> \$'000	<u>As at 31/12/2018</u> \$'000
<u>Bank Loan</u>		
Amount repayable within one year	318	263
Amount repayable after one year	80,957	78,870

The bank loans amounting to \$4.2 million are secured by legal mortgage of Group's properties and covered by corporate guarantee from the Company.

	<u>At 30/9/2019</u> \$'000	<u>At 31/12/2018</u> \$'000
<u>Finance Leases</u>		
Amount repayable within one year	9	2
Amount repayable after one year	47	-

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

	<u>As at 30/9/2019</u> \$'000	<u>As at 31/12/2018</u> \$'000
<u>Bills Payable</u>		
Amount repayable within one year	178	178

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

	<u>As at 30/9/2019</u> \$'000	<u>As at 31/12/2018</u> \$'000
<u>Preference Shares</u>		
Amount repayable after one year	7,315	7,315

Preference shares issued on 23 December 2016 to Q & M Professionals Holding Pte. Ltd. and Dr. Cheah Kim Fee and preference shares issued to All Win Investment Holdings Pte. Ltd., Full Win Investment Holdings Pte. Ltd. and Initial Capital Investment Pte. Ltd. on 15 November 2017 by Q & M Aidite International Pte. Ltd. which will be mandatorily redeemed in 6 years time.



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.

	Q3 2019	Q3 2018
	\$'000	\$'000
<u>Cash Flows From Operating Activities</u>		
Profit Before Tax	3,696	3,705
Adjustments for:		
Interest Income	(8)	(9)
Interest Expense	988	656
Plant and Equipment Written Off	38	107
Depreciation of Property, Plant and Equipment and Amortisation Expense	835	758
Depreciation of Right-Of-Use Assets	3,064	-
Impairment of Plant and Equipment	24	-
Provision	(36)	(3)
Foreign Currency Translation Adjustments	81	227
Share of Profit from Equity – Associated Associates	(755)	(539)
Operating Cash Flows Before Changes in Working Capital	7,927	4,902
Inventories	(309)	19
Trade and Other Receivables	450	(146)
Other Assets	(577)	95
Trade and Other Payables	(105)	(2,717)
Net Cash Flows From Operating Activities Before Interest and Tax	7,386	2,153
Income Taxes Paid	(595)	(177)
Net Cash Flows From Operating Activities	6,791	1,976
<u>Cash Flows Used in Investing Activities</u>		
Purchase of Plant and Equipment	(1,885)	(715)
Sale Proceeds from Disposal of Plant and Equipment	178	112
Other Assets	(843)	(1,205)
Other Receivables	450	(145)
Other Receivables, Non-Current	9	-
Interest Received	8	9
Acquisition of Business Assets	-	(143)
Net Cash Flows Used in Investing Activities	(2,083)	(2,087)
<u>Cash Flows Used in Financing Activities</u>		
Finance Lease Repayment	(1)	(1)
Proceeds from Finance Lease	57	-
Repayment of Lease Liabilities	(2,782)	-
Bill payables	(258)	(472)
Repayment of Bank Loans	(83)	(50)
Interest Paid	(988)	(656)
Dividends Paid to Equity Owners	(3,142)	(3,156)
Share Buy Back Exercise	-	(1,662)
Net Cash Flows Used in Financing Activities	(7,197)	(5,997)
Net Decrease in Cash and Cash Equivalents	(2,489)	(6,108)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance of the Period	22,159	29,509
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance of the Period	19,670	23,401
Cash and Cash Equivalents at End of Period includes the following:		
Cash and Bank Balances	19,670	23,401
Cash and Cash Equivalents at End of Period	19,670	23,401



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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
Group - Current period							
Opening Balance at 1 July 2019	116,543	115,419	86,758	43,167	(11,558)	(2,948)	1,124
Movements in Equity:							
Total Comprehensive Income for the Period	3,084	3,070	-	3,642	-	(572)	14
Dividends Paid	(3,142)	(3,142)	-	(3,142)	-	-	-
Opening Balance at 30 September 2019	116,485	115,347	86,758	43,667	(11,558)	(3,520)	1,138
Group - Previous period							
Opening Balance at 1 July 2018	112,955	111,971	86,758	36,340	(9,896)	(1,231)	984
Movements in Equity:							
Total Comprehensive Income for the Period	2,984	2,923	-	3,618	-	(695)	61
Share Buy Back	(1,662)	(1,662)	-	-	(1,662)	-	-
Dividends Paid	(3,156)	(3,156)	-	(3,156)	-	-	-
Opening Balance at 30 September 2018	111,121	110,076	86,758	36,802	(11,558)	(1,926)	1,045



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
Company - Current period					
Opening Balance at 1 July 2019	78,754	86,758	(11,558)	-	3,554
Movements in Equity:					
Total Comprehensive Income for the Period	1,591	-	-	-	1,591
Dividends Paid	(3,142)	-	-	-	(3,142)
Closing Balance at 30 September 2019	77,203	86,758	(11,558)	-	2,003
Company - Previous period					
Opening Balance at 1 July 2018	82,493	86,758	(9,896)	-	5,631
Movements in Equity:					
Total Comprehensive Income for the Period	1,083	-	-	-	1,083
Share Buy Back	(1,662)	-	(1,662)	-	-
Dividends Paid	(3,156)	-	-	-	(3,156)
Closing Balance at 30 September 2018	78,758	86,758	(11,558)	-	3,558



- 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. State also the number of shares held as treasury shares and the number of subsidiary holding, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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>	<u>Share Capital</u>
	'000	\$'000
At 1 Jan 2019	785,622	75,200
At 30 Sep 2019	785,622	75,200

Employee Share Option

During the period ended 30 September 2019, no share options were issued or exercised. No share options outstanding as at 30 September 2019 (30 September 2018: NIL).

Treasury Shares

The Company has 19,265,879 treasury shares as at 30 September 2019 (30 September 2018: 19,265,879) and there is no subsidiary holdings as at 30 September 2019 (30 September 2018: Nil).

- 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 30/9/2019	As at 31/12/2018
Total number of issued shares excluding treasury shares	<u>785,621,921</u>	<u>785,621,921</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 2018.

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.

On 1 January 2019, the Group adopted the new / revised SFRS(I)s that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s.

Other than the adoption of SFRS(I) 16, as disclosed below. The adoption of these new / revised SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reports for the current or prior financial years.

The right-of-use ("ROU") assets as at 30 September 2019 were mainly related to leases of the premises occupied by the Group's clinics and business units. Accordingly, there was a corresponding increase in lease liabilities of \$35.5 million as at 30 September 2019.

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 :-	Third Quarter		Year-To-Date	
	Q3 2019	Q3 2018	30/9/2019	30/9/2018
(i) Basic earnings per share (cents)	0.46	0.46	1.52	1.60
(ii) On a fully diluted basis (cents)	0.46	0.46	1.52	1.60

The basic EPS for the period ended 30 September 2019 and 30 September 2018 are based on the profit attributable to equity holders of parent, net of tax and the weighted average number of ordinary shares of 785,621,921 shares and 792,963,943 shares respectively.

There is no dilutive effect on the EPS for the period ended 30 September 2019 and 30 September 2018.



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	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
Net asset value per ordinary share (cents)	14.7	14.1	9.8	10.0

The net asset value per ordinary share of the Group and the Company as at 30 September 2019 has been calculated based on the total issued number of ordinary shares of 785,621,921 (2018: 785,621,921).

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 outlets increased by 6% from \$27.7 million for the three months ended 30 September 2018 ("3Q18") to \$29.2 million for the three months ended 30 September 2019 ("3Q19"). The increase of \$1.5 million was mainly due to higher revenue from existing dental outlets in Singapore in 3Q19.

As at 30 September 2019, the Group has a total of 77 dental outlets and 4 medical outlets in operations, compared to 72 dental outlets and 4 medical outlets as at 30 September 2018 in Singapore.

As at 30 September 2019, the Group has a total of 27 dental outlets in Malaysia and 1 dental outlet in People's Republic of China ("PRC") in operation, compared to 16 dental outlets in Malaysia and 1 dental outlet in PRC as at 30 September 2018 in Singapore.

Revenue contribution from the dental equipment and supplies distribution business increased by 2% from \$1.8 million for 3Q18 to \$1.9 million for 3Q19. The increase was due to higher revenue from the dental equipment and supplies distribution company in Malaysia in 3Q19.

For the first nine months ended 30 September 2019, revenue from dental and medical outlets increased by 4% to \$84.7 million, compared to \$81.5 million in the previous corresponding period mainly due to higher revenue from dental outlets in Singapore.

For the first nine months ended 30 September 2019, revenue from the dental equipment and supplies distribution business increased by 9% to \$6.9 million from \$6.3 million in the corresponding period mainly due to higher revenue from the dental equipment and supplies distribution company in and Malaysia.



Other Gains – Net

Other gains- net in 3Q19 amounted to \$0.4 million was mainly due to the recognition of profit guarantee in 3Q19 offset by plant and equipment written off and provision for impairment of plant and equipment.

Other Items of Expense

Consumables and Supplies Used in Dental & Medical Clinics

Consumables and supplies used increased by 18% from \$2.0 million in 3Q18 to \$2.3 million in 3Q19. The increase was in line with the increase in revenue and new dental clinics opened in Singapore and Malaysia in 3Q19.

As a percentage of revenue from the dental and medical outlets, consumables and dental supplies used in the dental and medical outlets in 3Q19 were 8.0% compared to 7.1% in 3Q18.

Comparing nine months ended 30 September 2019 with 30 September 2018, consumables and supplies used increased by \$0.4 million or 7% 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 by 13% from \$1.3 million in 3Q18 to \$1.5 million in 3Q19. The increase was mainly due increase in revenue from the dental equipment and supplies distribution company in Malaysia.

As a percentage of revenue from dental equipment and supplies distribution, cost of sales used in the dental equipment and supplies distribution in 3Q19 was 77.8% compared to 69.9% in 3Q18.

Comparing nine months ended 30 September 2019 with 30 September 2018, cost of sales from dental equipment and supplies distribution business increased by \$0.6 million or 13% mainly due to the same reason given above.

Employee Benefits Expense

Employee benefits expense increased by 8% from \$17.0 million in 3Q18 to \$18.3 million in 3Q19. The increase of \$1.3 million was mainly due to increase in headcount to support more dental outlets in Singapore and Malaysia as well as amortisation of sign on bonus for dentists.

As a percentage of revenue, employee benefits expense in 3Q19 was 58.8% compared to 57.6% in 3Q18.

Comparing nine months ended 30 September 2019 with 30 September 2018, employee benefits expense increased by \$3.0 million or 6% mainly due to the same reasons given above.

Depreciation and Amortisation Expense

Depreciation and amortisation expense increased by 10% from \$758k in 3Q18 to \$835k in 3Q19. The increase of \$77k was due mainly to purchase of dental equipment, furniture, fixtures and fittings for new dental outlets in Singapore and Malaysia.

As a percentage of revenue, depreciation and amortisation expense in 3Q19 was 2.7% compared to 2.6% in 3Q18.

Comparing nine months ended 30 September 2019 with 30 September 2018, depreciation and amortisation expense increased by \$0.1 million or 4% due the same reason given above.

Depreciation of Right-Of-Use (“ROU”) Assets

Depreciation of ROU assets amounted to \$3.1 million due to the adoption of SFRS(I) 16 in FY2019.



Rental Expense

There was no rental expense due to the adoption of SFRS(I) 16 in FY2019.

As a percentage of revenue, total expenses on depreciation of ROU assets and rental in 3Q19 was 9.9% as compared to 10.4% in 3Q18.

Other Expenses

Other expenses decreased by 10% from \$1.8 million in 3Q18 to \$1.6 million in 3Q19. The decrease of \$0.2 million was mainly due to the decrease in advertising, marketing expenses and legal and professional fees.

As a percentage of revenue, other expense in 3Q19 was 5.3% as compared to 6.2% in 3Q18.

Comparing nine months ended 30 September 2019 with 30 September 2018, other expenses increased by \$0.4 million or 7% mainly due to increase in legal fees for China legal case.

Finance Costs

Finance costs increased by 51% from \$0.7 million in 3Q18 to \$1.0 million in 3Q19. The increase of \$0.3 million was mainly due to the adoption of SFRS(I) 16 in FY2019.

As a percentage of revenue, finance costs in 3Q19 was 3.2% as compared to 2.2% in 3Q18.

Comparing nine months ended 30 September 2019 with 30 September 2018, finance costs increased by \$0.9 million or 46% mainly due to the same reason given above.

Share of Profit from Equity-Accounting Associates

Share of profit from equity-accounting associates increased by 40% from \$0.5 million in 3Q18 to \$0.8 million in 3Q19. The increase of \$0.3 million was due to higher share of profit from Aidite offset by share of losses from Aoxin Q & M in 3Q19. Aoxin Q & M suffered losses during this period mainly due to start up losses from new hospitals and clinics as well as higher expenses for training dentists and staff to cater for its expansion.

Comparing nine months ended 30 September 2019 with 30 September 2018, share of profit from equity-accounting associates decreased by \$0.4 million or 12% mainly due to the same reasons given above.

Profit Before Tax and Net Profit

For the reasons given above, the Group's profit before tax remain the same at \$3.7 million for 3Q19 and 3Q18.

Comparing the nine months ended 30 September 2019 with 30 September 2018, profit attributable to owners of the parent decreased by 6% or \$0.7 million mainly due to the same reasons given above.

Statement of Financial Position

As at 30 September 2019, the Group has cash and cash equivalents of \$19.7 million, bank borrowings plus finance leases amounted to \$88.9 million.

Current Assets

Cash and cash equivalents as at 30 September 2019 decreased to \$19.7 million from \$24.9 million as at 31 December 2018. The decrease of \$5.2 million was mainly due to final dividend payment with respect to FY2018, interim dividend payment with respect to FY2019 and payment of sign on bonus to new dentists offset by cash generated from operations.



Other assets as at 30 September 2019 increased to \$3.7 million from \$2.6 million as at 31 December 2018. The increase of \$1.1 million was mainly due to an increase in sign on bonus to new dentists, prepayment to Enterprise Singapore for participation in the scale up programme and deposit paid for the acquisition of a property located at Novena Medical Centre which was completed on 31 October 2019.

Non-Current Assets

The net book value of property, plant and equipment as at 30 September 2019 increased to \$23.6 million from \$20.4 million as at 31 December 2018. The increase of \$3.2 million was mainly due to the purchase of a clinic's property located in Bishan amounting to \$2.9 million as well as new plant and equipment for new dental clinics in Singapore and Malaysia offset by depreciation of plant and equipment.

The net book value of ROU assets as at 30 September 2019 was \$35.1 million due to the adoption of SFRS(I) 16 in FY2019. The ROU assets relate to leases of premises occupied by the Group's clinics and business units.

Other assets as at 30 September 2019 increased to \$13.2 million from \$10.8 million as at 31 December 2018. The increase of \$2.4 million was mainly due to the an increase in sign on bonus to new dentists and scholarship to local BDS undergraduates for 9 students.

Current Liabilities

Trade and other payables as at 30 September 2019 decreased to \$11.3 million from \$14.0 million as at 31 December 2018. The decrease of \$2.7 million was mainly due to payment of staff bonuses which were accrued as at 31 December 2018.

Other financial liabilities as at 30 September 2019 increased to \$0.5 million from \$0.4 million as at 31 December 2018. The increase of \$0.1 million was mainly due to bill payables arising from the Group's dental and equipment supplies distribution business in Malaysia.

Lease liabilities arising from ROU assets amounting to \$11.6 million as at 30 September 2019 due to the adoption of SFRS(I) 16 in FY2019.

Non-Current Liabilities

Lease liabilities arising from ROU assets amounting to \$24.0 million as at 30 September 2019 due to the adoption of SFRS(I) 16 in FY2019.

Other financial liabilities as at 30 September 2019 increased to \$88.3 million from \$86.2 million as at 31 December 2018. The increase of \$2.1 million was mainly due to a new bank loan for the purchase of a clinic's property located in Bishan amounting to \$2.9 million.

Statement of Cash Flows

The Group generated net cash flow from operating activities of \$6.8 million in 3Q19. This was mainly derived from the profit generated in 3Q19, offset by income taxes paid.

Net cash used in investing activities in 3Q19 amounted to \$2.1 million, mainly due to purchase of plant and equipment for the opening of new dental clinics and sign on bonus for dentists.

Net cash used in financing activities in 3Q19 amounted to \$7.2 million, mainly due to interim dividend payment with respect to FY2019 and repayment of lease liabilities arising from right-of-use assets and interest paid.

Consequent to the above factors, the Group's cash and cash equivalents was \$19.7 million as at 30 September 2019.



9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast had been issued for the current financial reporting period. The financial results are in line with the expectations as disclosed in previous quarterly announcements.

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

• Update on the Company's Singapore Operations

The Company has secured locations to open 4 new dental clinics which are expected to commence operations in the fourth quarter 2019 or first quarter of 2020.

• Update on the Company's Malaysia Operations

The Company has secured locations to open 5 new dental clinics which are expected to commence operations in the fourth quarter 2019 or first quarter of 2020.

• Addition of Dr Lim Kheng Ann to the Group

On 3 September 2019, the Group announced the addition of Dr Lim Kheng Ann, an Oral Maxillofacial Surgeon, to the Group. Dr Lim has been in surgical practice for more than 30 years and specialise in treating disease, injuries and jaw discrepancies in the oral and maxillofacial regions.

• Incorporation of Q & M Dental AI. Sdn. Bhd.

On 8 October 2019, the Company announced the incorporation of a wholly-owned subsidiary in Malaysia named Q & M Dental AI. Sdn. Bhd. ("QDAI") with an initial issued and paid up capital of MYR100 comprising of 100 ordinary shares. The principle activities of QDAI is to carry out the business of design, development, implement, installation, repair and maintenance of software and the related artificial intelligent in dental healthcare system.

• Proposed Disposal of 36% of the Registered Capital of Aidite (Qinhuangdao) Technology Co., Ltd.

On 10 October 2019, the Company announced the proposed disposal of 36% of the registered capital of Aidite (Qinhuangdao) Technology Co., Ltd. by its subsidiary, Q & M Aidite International Pte Ltd. ("QMAI"). The Company has, through its 75.02% preference shareholding in QMAI, an economic interest of 75.02% in the sales proceeds of the proposed disposal, which is approximately \$53.2 million (MB270 million). The net gain by the Company from the proposed disposal is estimated to be \$19 million after taking into account the associated costs of the proposed disposal. It is estimated that the Company will received net proceeds of approximately \$49 million. The transaction is subjected to approval by shareholders at an EGM to be held and fulfilment of various conditions precedent.



- Singapore's First Private Dentistry College (Registration No. 201841969G) Offering Diplomas in Clinical Dentistry

On 17 October 2019, the Group officially opened Singapore's first private dentistry college offering graduates diplomas studies in clinical dentistry at City Square Mall. Senior Minister of the State, Ministry of Trade & Industry and Ministry of Education, Mr Chee Hong Tat was the Guest-of-Honour at the official opening. The period of registration is from 20 June 2019 to 19 June 2021
- Incorporation of Q & M Dental Centre (River Valley) Pte. Ltd.

On 5 November 2019, the Company announced the incorporation of a wholly-owned subsidiary in Singapore named Q & M Dental Centre (River Valley) Pte. Ltd. with an initial issued and paid up capital of \$0.1 million comprising of 100,000 ordinary shares.
- Incorporation of Q & M Dental Surgery (Woodlands) Pte. Ltd.

On 5 November 2019, the Company announced the incorporation of a wholly-owned subsidiary in Singapore named Q & M Dental Surgery (Woodlands) Pte. Ltd. with an initial issued and paid up capital of \$0.1 million comprising of 100,000 ordinary shares.
- Incorporation of Bright Smile Dental Surgery (Buangkok MRT) Pte. Ltd.

On 5 November 2019, the Company announced the incorporation of a wholly-owned subsidiary in Singapore named Bright Smile Dental Surgery (Buangkok MRT) Pte. Ltd. with an initial issued and paid up capital of \$0.1 million comprising of 100,000 ordinary shares.
- Incorporation of Q & M Medical Clinic (Buangkok MRT) Pte. Ltd.

On 5 November 2019, the Company announced the incorporation of a wholly-owned subsidiary in Singapore named Q & M Medical Clinic (Buangkok MRT) Pte. Ltd. with an initial issued and paid up capital of \$0.1 million comprising of 100,000 ordinary shares.
- Incorporation of Q & M Dental Surgery (Tanjong Katong) Pte. Ltd.

On 5 November 2019, the Company announced the incorporation of a wholly-owned subsidiary in Singapore named Q & M Dental Surgery (Tanjong Katong) Pte. Ltd. with an initial issued and paid up capital of \$0.1 million comprising of 100,000 ordinary shares.
- Incorporation of Q & M Dental Surgery (Kovan) Pte. Ltd.

On 5 November 2019, the Company announced the incorporation of a wholly-owned subsidiary in Singapore named Q & M Dental Surgery (Kovan) Pte. Ltd. with an initial issued and paid up capital of \$0.1 million comprising of 100,000 ordinary shares.
- Incorporation of Q & M Dental Surgery (Clementi West) Pte. Ltd.

On 5 November 2019, the Company announced the incorporation of a wholly-owned subsidiary in Singapore named Q & M Dental Surgery (Clementi West) Pte. Ltd. with an initial issued and paid up capital of \$0.1 million comprising of 100,000 ordinary shares.



- Incorporation of Q & M Dental (Southern) Sdn. Bhd. and Q & M Dental Surgery (Taman Merdeka) Sdn. Bhd.

On 5 November 2019, the Company announced the incorporation of wholly-owned subsidiaries in Malaysia named Q & M Dental (Southern) Sdn. Bhd. and Q & M Dental Surgery (Taman Merdeka) Sdn. Bhd..

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

Currently, the Group operates 77 clinics in Singapore. The Group will be focusing on its operation in Singapore and has initiated a strategy of intensive organic growth of its dental clinics in Singapore. It will expand its team of dentists to support the future growth of its operations in Singapore. The Group has secured locations to open 4 new clinics which are expected to commence operations in fourth quarter 2019 or first quarter of 2020. The eventual number of dental outlets will depend on opportunities and market conditions. 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 27 clinics in Malaysia. The clinics are 11 dental clinics in Johor, 1 dental centre and 12 dental clinics in Kuala Lumpur and 3 dental clinics in Malacca. The Group has secured locations to open 5 new clinics which are expected to commence operations in fourth quarter 2019 or first quarter of 2020. The eventual number of dental clinics will depend on opportunities and market conditions.

- 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 is actively working on all viable opportunities to acquire large and established dental institutions 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, Southeast Asia and PRC.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No



(c) The date the dividend is payable.

Not applicable.

(d) Book closure date

Not applicable.

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 September 2019 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 Rule 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
12 November 2019