



Securities Investors Association (Singapore)

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Issuer: Q & M Dental Group (Singapore) Limited

Security: Q & M Dental Group (Singapore) Limited

Meeting details:

Date: 25 April 2019

Time: 5.30 p.m.

Venue: PARKROYAL on Kitchener Road, Emerald Ballroom 2, 181 Kitchener Road, Singapore 208533

Company Description

Aoxin Q & M Dental Group Limited, formerly Q & M Dental Holdings (China) Pte. Ltd., is a Singapore-based company, which provides dental services, equipment and supplies in the Liaoning Province, Northern People's Republic of China (PRC). The Company operates through two segments: provision of private dental services and distribution of dental equipment and supplies. The provision of private dental services includes the practice of stomatology and general dentistry, endodontics, orthodontics, periodontics, prosthodontics, dental implantology, oral and maxillofacial surgery, aesthetic dentistry and paedodontics. As of April 18, 2017, the Company operated 11 dental centers, comprising four dental hospitals and seven polyclinics, in four different cities in Liaoning Province, Northern PRC, namely, Shenyang, Huludao, Panjin and Gaizhou. The subsidiaries of the Company include Shanghai Q & M Investment Management & Consulting Co., Ltd. and Shenyang Aoxin Q & M Stomatology Hospital Co., Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1D4)

1. As noted in the “Message to shareholders”, Singapore remains the group’s main market and management is seeking organic growth through the expansion of its network of dental clinics and acquisition of specialist dental clinics.

- (i) 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?**
- (ii) Has the board evaluated the group’s market share in Singapore?**
- (iii) 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?**
- (iv) How does the group, especially its dental professionals, balance the profit consideration and professional ethics?**
- (v) 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?**

2. 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.

Aidite was listed on the exchange in November 2016.

In the responses to queries from the Exchange (dated 25 September 2018), the company has stated the following:

Aidite is quoted on the New Third Board and subject to its regulations. Aidite is an associated company of the Company and has its separate management which operates under the supervision of an independent board of directors. The Proposed Delisting was proposed by Aidite in view of certain business development opportunities that arose which has no connection to the duration of the listing on New Third Board. The Board is not in a position to disclose information not disclosed by Aidite in its own announcement. The Board will make appropriate announcement disclosing the details of the strategic business development opportunities and the reasons for the Proposed Delisting as and when Aidite makes further announcements.

- (i) Since the deconsolidation of Aidite in 2016, what is the level of oversight and influence by management to safeguard the group’s interests?**
- (ii) What is the group’s board representation in Aidite?**

(iii) 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.**

(iv) As at 31 December 2018, the group's investment in Aidite Qinhuangdao is regarded as unquoted equity shares and recognised using fair value (level 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?**

3. Guideline 9.4 of the 2012 Code of Corporate Governance (2012 CG Code) states that:

*“For transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee’s relationship with the relevant director or the CEO. **Disclosure of remuneration should be in incremental bands of S\$50,000.** The company need only show the applicable bands”. (emphasis added)*

In the Corporate Governance Report (page 23), the company had only indicated that the salary was “Below \$250,000” for the spouse and sister of the Group CEO and executive director.

Remuneration Band of key executives who are immediate family members of Dr Ng Chin Siau, the Group CEO and Executive Director of the company is set out as follows:

	Remuneration Band	Salary	Bonus	Benefits ¹	Total
Name	Below \$250,000	%	%	%	%
Ms Foo Siew Jiuan ³	√	85	7	8	100
Ms Ng Sook Hwa ³	√	84	7	9	100

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

2. Professional fees refer to fees received as a practising dentist from certain wholly-owned subsidiaries of the Company.

3. 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.

(iii) Mr San Yi Leong is the brother-in-law of Dr Ng Chin Siau and husband of Ms Ng Sook Hwa, who resigned as Business Development Director on 31 December 2018.

(Source: Company annual report)

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



- (i) Would the board, especially the remuneration committee, help shareholders understand if the company's current disclosure practices meet the recommendation in the 2012 CG Code?**

- (ii) To comply with the 2012 CG Code, would the company disclose the remuneration of immediate family members of a director or the CEO in incremental bands of \$50,000?**