



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Aoxin Q & M Dental Group Limited

Stock code: 1D4

Meeting details:

Date: 28 April 2022

Time: 2.30 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. The company acquired a 49% stake in Acumen Diagnostics Pte. Ltd., a medical technology company that focuses on the research, manufacture, sale and distribution of polymerase chain reaction (“PCR”) diagnostic test kits, as well as conducting of laboratory testing, including but not limited to infectious diseases, cancer and COVID-19.

Acumen is also slated to launch a panel of new PCR tests for infectious diseases, sepsis and cancer, as it seeks to broaden its range of medical testing solutions in addition to Covid-19 related viruses. Acumen’s capabilities in biomarkers and companion diagnostics are also capable of helping pharmaceutical companies in their drug development for precision medicine.

The investment in Acumen is recognised as an associate and it is considered a material associate.

- (i) **Has Acumen’s performance met the board/management’s expectations since its acquisition?**
- (ii) **Given that Acumen is a 49% held associate, what roles does management of the company play in Acumen?**
- (iii) **Is there any synergy between Acumen and the group which has its core focus on dental services and supplies? What are the level of influence and the group’s ability to value-add to Acumen?**
- (iv) **What is the progress of the purchase price allocation exercise?**
- (v) Acumen appointed UOB Kay Hian Private Limited to assist it with the listing evaluation and preparatory work in relation to the proposed listing on the NASDAQ stock exchange. **What is the progress made?**

Q2. For the year in review, the group’s revenue increased by RMB27.6 million or 20.8%, from RMB132.6 million in FY2020 to RMB160.2 million in FY2021, due to the recovery in all 3 of its business segments – Primary Healthcare, Distribution of Dental Equipment and Supplies and Laboratory Services.

Net loss after tax was RMB(7.3) million, an improvement from the net loss of RMB(12.1) million from a year ago.

In particular, cost of sales (increased by 22.5%), employee benefits expenses (increased by 28.5%) and other expenses (increased by 43.4%) outpaced the 20.8% increase in revenue.

- Employee benefits expense increased by 28.5% to RMB70.1 million in FY2021, mainly due to the waiver of social insurance contributions (approximately RMB6.3 million) granted by the Chinese government in FY2020, which ended in January 2021. The increase in employee benefits expenses was also due to staff salaries increment and recruitment during the year. As a percentage of revenue, overall employee benefits expenses in FY2021 increased to 43.7% from 41.1% in FY2020.
- Other expenses increased by 43.4% to RMB19.8 million in FY2021, mainly due to (a) increase in professional fee of RMB1.9 million mainly due to service fee paid to outsourced professional dentists; (b) acquisition-related expenses of RMB1.3 million; and increase in other tax expenses of RMB1.1 million.

Net loss was RMB(7.3) million in FY2021 and accumulated losses, at the group level, have increased from RMB(16.8) million to RMB(24.8) million. Despite the increase in revenue, the group continues to be loss-making.

- (i) **What are management's plans to turnaround the business? In particular, what are the operational milestones to be achieved to allow the group to breakeven/be profitable?**
- (ii) **How cost-efficient is the group? With the current size, is the group able to benefit from economies of scale?**
- (iii) **Can management help shareholders understand if the polyclinics and hospitals are able to pass on the cost increases to patients?**

Q3. As shown in Note 6 (page 79 – Other income and gains and (other losses)), the group received profit guarantees from vendors of acquired subsidiaries of RMB1.75 million.

In the previous financial year, the group recognised compensation damages, de-recognition of contingent consideration payable and impairment loss from goodwill relating to closure of business operation in Shenyang Aoxin Jinfeng Dental Clinic Co., Ltd.

- (i) **Can management (re)state its growth strategy in the core business of dental healthcare?**
- (ii) **Has the board reviewed the group's past acquisitions and further finetune its acquisition strategy going forward?**
- (iii) **Can the company also help shareholders why it has the vision to become the leading dental healthcare group in Northern China? Are there opportunities in other parts of China?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)