



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

ANNOUNCEMENT IN RELATION TO:

- (I) UPDATE ON PROPOSED SPIN-OFF AND LISTING OF THE GROUP'S MANUFACTURING BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA; AND**
 - (II) THE PROPOSED MATERIAL DILUTION OF 20% OR MORE OF THE COMPANY'S EQUITY INTEREST IN QINHUANGDAO AIDITE HIGH TECHNICAL CERAMIC CO., LTD, A PRINCIPAL SUBSIDIARY OF THE COMPANY, PURSUANT TO THE PROPOSED SPIN-OFF LISTING**
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1. INTRODUCTION

The board of directors (the "**Board**" or the "**Directors**") of Q & M Dental Group (Singapore) Limited (the "**Company**") refers to its announcement made on 24 April 2015 regarding the Company exploring a possible spin-off of its indirect subsidiary, Qinhuangdao Aidite High Technical Ceramic Co., Ltd ("**Aidite**"), via a listing on a reputable Stock Exchange and its announcement made on 17 November 2015 in connection with the Company's decision to proceed with the Proposed Spin-off on the New Third Board and that SGX-ST had on 9 November 2015 issued a letter to the Company that it had no objection to the Proposed Spin-off subject to certain conditions being fulfilled (the "**Previous Announcements**").

Capitalised terms used herein, unless otherwise defined, shall bear the same meanings given to them in the Previous Announcements.

2. THE PROPOSED SPIN-OFF LISTING

2.1 In connection with the Proposed Spin-Off Listing, the Company shall undertake a restructuring exercise (the "**Restructuring Exercise**").

2.2 Pursuant to the Restructuring Exercise, the Company, through its wholly owned subsidiary, Q & M Dental Holdings (China) Pte. Ltd. ("**Q & M China**"), had on 1 December 2015 entered into a supplemental master agreement with Mr Li Hongwen and Mr Li Bin, the founders of Aidite (the "**Vendors**") to effect the following restructuring steps:

(a) Aidite shall undertake a capital reduction exercise pursuant to applicable laws in the People's Republic of China to reduce the equity capital of Aidite from the existing sum of RMB 47 million (approximately S\$10.59 million) to RMB 23.97 million (approximately S\$5.40 million).

(b) The Company shall pay the Vendors an aggregate consideration of RMB 28.7875 million (approximately S\$6.48 million) in Singapore dollars (the "**Cancellation Consideration**") (of which Mr Li Hongwen will receive a sum of approximately RMB 17.04 million

(approximately S\$3.84 million) and Mr Li Bin will receive a sum of approximately RMB 11.75 million (approximately S\$2.65 million) for the cancellation of the option granted by Q & M China, to each of the Vendors to buy 24.5% of the shareholding of Q & M Aidite for a nominal fee (the “**Options**”).

The Cancellation Consideration was arrived at after negotiations between Q & M China and the Vendors. In arriving at the Cancellation Consideration, the parties took into account: (i) the need to compensate the Vendors for the economic value of the Options; and (ii) the Chinese tax risk the Vendors may incur as shareholders of Aidite.

Please refer to the Company’s announcement dated 18 March 2014, “Update on Proposed Acquisition of Qinhuangdao Aidite High Technical Ceramic Co., Ltd.”, for more details with respect to the Options.

- (c) Aidite shall undertake a placement of equity interests to the Vendors, pursuant to which the Vendors shall subscribe for equity interests in Aidite, resulting in Mr Li Hongwen holding 29% and Mr Li Bin holding 20% of the equity interests of Aidite, at the total issue price of RMB 23.03 million (approximately S\$5.19 million) (the “**Proposed Subscription**”).

On 1 December 2015, Aidite entered into a subscription agreement with the Vendors to effect the Proposed Subscription.

3. THE MATERIAL DILUTION

- 3.1 Pursuant to Rule 805(2)(b) of the listing manual of the SGX-ST (the “**Listing Manual**”), an issuer must obtain the prior approval of its shareholders in a general meeting if a principal subsidiary of an issuer issues shares that will or may result in a percentage reduction of 20% or more of the issuer’s equity interest in the principal subsidiary. The Listing Manual defines a principal subsidiary as “a subsidiary whose latest audited consolidated pre-tax profits excluding the minority interest relating to that subsidiary) as compared with the latest audited pre-tax profits of the group (excluding minority interest relating to that subsidiary) accounts for 20% or more of such pre-tax profits of the group. In determining profits, exceptional and extraordinary items are to be excluded”.
- 3.2 Pursuant to the Proposed Subscription discussed in paragraph 2.2(c) above, the Vendors shall subscribe for equity interests in Aidite. As a result of the Proposed Subscription, the Company’s equity interest in Aidite will be reduced from 100% to 51%. Accordingly, the Company’s equity interest in Aidite would be diluted by at least 20% from its current equity interest.
- 3.3 The Proposed Subscription will constitute a material dilution of the Company’s equity interest in Aidite, which is a principal subsidiary of the Company. In accordance with Rule 805(2)(b) of the Listing Manual, the material dilution of the Company’s equity interest in Aidite will be subject to the approval of the shareholders of the Company (the “**Material Dilution**”).
- 3.4 The Directors have decided to convene an extraordinary general meeting (“**EGM**”) to seek shareholders’ approval for the Material Dilution.
- 3.5 A circular setting out further information and details of the Proposed Subscription and the Material Dilution, together with a notice of the EGM, will be despatched by the Company to its shareholders in due course.

4. FURTHER ANNOUNCEMENTS

The Company is in the process of finalising the terms of the Restructuring Exercise and the Proposed Spin-off Listing, and intends to make the appropriate announcement(s) and convene further extraordinary general meeting(s) as may be required under the Listing Manual to approve the transactions contemplated in the Restructuring Exercise and the Proposed Spin-off Listing.

The Company would like to highlight that the Proposed Spin-off Listing is in its preliminary stages and is dependent on, *inter alia*, the results of preparatory work to be undertaken, the requisite approvals from the relevant regulatory authorities and the then-prevailing market conditions.

Further, the Directors may, notwithstanding that all requisite regulatory approvals have been obtained, decide not to proceed with the Proposed Spin-off Listing if, having regard to investors' interests and response at the material time and any other relevant factors, the Directors deem it not in the interests of the Company to proceed with the same. Accordingly, there is no assurance that the Proposed Spin-off Listing will materialise in due course.

Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt about the actions that they should take.

By Order of the Board

Q & M DENTAL GROUP (SINGAPORE) LIMITED

Vitters Sim
Chief Financial Officer
2 December 2015

For more information, please contact:

Legal Counsel

Andrew Young Tel: 6705 9888 Email: Andrew@gandm.com.sg.

Chief Financial Officer

Vitters Sim Tel: 6705 9888 Email: Vitters@gandm.com.sg.