



Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration No. 200800507R)

(Incorporated in the Republic of Singapore)

PROPOSED SPIN-OFF OF THE GROUP'S MANUFACTURING AND CAD/CAM DISTRIBUTION BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA AND PROPOSED RESTRUCTURING EXERCISE IN CONNECTION WITH THE PROPOSED SPIN-OFF

1. INTRODUCTION

- 1.1.** The board of directors (the "**Board**" or the "**Directors**") of Q & M Dental Group (Singapore) Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to its announcements dated 24 April 2015, 17 November 2015, 2 December 2015 and 30 December 2015 (the "**Previous Announcements**") in relation to the proposed spin-off (the "**Proposed Spin-off**") of its China manufacturing business conducted through its indirect subsidiary, Qinhuangdao Aidite High Technical Ceramic Co., Ltd ("**Aidite**"), via a quotation on the National Equities Exchange and Quotations of the People's Republic of China (the "**PRC**") (the "**New Third Board**"), and the restructuring exercise in connection thereto (the "**Restructuring Exercise**").

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

- 1.2.** On 15 December 2015, a circular that contained preliminary information on the Proposed Spin-off and the Restructuring Exercise was despatched to the shareholders of the Company (the "**Shareholders**") (the "**Material Dilution Circular**"). As disclosed in the Material Dilution Circular, pursuant to the Restructuring Exercise, Aidite, a principal subsidiary of the Company, will be converted into a company limited by shares and Mr. Li Hongwen and Mr. Li Bin (collectively, the "**Vendors**") have agreed to subscribe for equity interests in Aidite resulting in Mr. Li Hongwen holding 29.0% and Mr. Li Bin holding 20.0% of the equity interests of Aidite (the "**Vendors' Aidite Subscription**"). The Company obtained the approval of the Shareholders at the extraordinary general meeting of the Company on 30 December 2015 for the Vendors' Aidite Subscription pursuant to Rule 805(2)(b) of the Listing Manual since the Vendors' Aidite Subscription would result in a dilution of the Company's effective equity interest in Aidite from 100.0% to 51.0% (the "**Material Dilution**").

As details of the Proposed Spin-off and the Restructuring Exercise were not finalised at that time, approval of the Shareholders for the Vendors' Aidite Subscription was sought separately because the Company was advised by its PRC counsel that under PRC laws, if the Vendors become shareholders of Aidite after FY2015, the Company will have to prepare audited accounts for Aidite for the first quarter of 2016 in order to facilitate its quotation on the New Third Board (the "**Proposed Quotation**").

A copy of the Material Dilution Circular dated 15 December 2015 is available on the SGX-ST's website at www.sgx.com.

2. THE PROPOSED SPIN-OFF

2.1. Background

Upon the completion of the Proposed Spin-off, subject to the rules of the New Third Board and prevailing market conditions, Aidite will issue approximately 5.0% to 10.0% of its share capital as new shares for the Proposed Quotation. The shares of Aidite will be listed and traded on the New Third Board and Aidite shall become an associated company of the Company as a result of the reconstitution of the board of Aidite and dilution of the Company's shareholding interest in Aidite from the issuance of new shares by Aidite. Q & M Aidite International Pte. Ltd. ("**Q & M Aidite**") will continue to remain a major shareholder of Aidite after the Proposed Spin-off.

Nanjing Securities Co., Ltd. has been appointed as the issue manager and host brokerage to Aidite in relation to the Proposed Quotation.

2.2. Rationale for and the Benefits of the Proposed Spin-off

The Group is currently engaged in three (3) main business segments, namely:

- (a) primary healthcare comprising dentistry, family medicine, aesthetics and dental specialist services in Singapore and dentistry and dental specialist services in Malaysia and the PRC (collectively, the "**Primary Healthcare Services**");
- (b) dental equipment and supplies distribution services in Singapore, Malaysia and the PRC (the "**Distribution Services**"); and
- (c) the manufacturing of zirconium oxide blocks, which are used in dental CAD/CAM machines in the fabrication of dental prosthesis, and the manufacturing of custom-made prosthetic devices (the "**Manufacturing Business**") and the distribution of dental equipment and supplies specifically to complement the manufacturing of zirconium oxide blocks ("**CAD/CAM Distribution**").

The Board believes that the Proposed Spin-off will, amongst others, provide access to an additional source of funding to capitalise on growth opportunities for the capital-intensive Manufacturing Business and to allow investors and Shareholders the opportunity to independently assess the market value of the Manufacturing Business.

By creating a separate listed entity, the Group will be able to increase the scale of its Manufacturing Business going forward as it will have additional financial capacity and direct access to the capital markets. The Proposed Spin-off will also enable the Group to achieve a more balanced exposure in its business units. This is consistent with the Group's approach of optimising its business growth with prudent capital management.

2.3. Approval in-principle from the SGX-ST

As disclosed in the Company's announcement on 17 November 2015, the Company received approval in-principle from the SGX-ST on 9 November 2015 for the Proposed Spin-off, subject to the following conditions being fulfilled (the "**Conditions**", and each a "**Condition**"):

- (a) the Proposed Spin-off will require approval of the Shareholders under Rule 805(2) of the listing manual of the SGX-ST (the "**Listing Manual**");
- (b) Chapter 9 of the Listing Manual will apply to the Proposed Aidite Subscription (as defined below) as an interested person transaction and the Company will be required to (i) appoint an independent financial adviser to opine on the terms of the Proposed Aidite Subscription (as defined below); and (ii) seek Shareholders' approval for the Proposed Aidite Subscription (as defined below); and
- (c) Chapter 10 of the Listing Manual is applicable to the Proposed Spin-off and the Relevant Restructuring Transactions (as defined below); accordingly, the Proposed Spin-off and Relevant Restructuring Transactions (as defined below) will be viewed as a whole and tested against Rule 1006 of the Listing Manual.

3. RESTRUCTURING EXERCISE

Pursuant to an internal restructuring exercise, Q & M Dental Holdings (China) Pte. Ltd. ("**Q & M China**") had on 18 March 2016 transferred its entire equity interest in Q & M Aidite to the Company in order to ensure that the assets and business of Aidite are kept separate from the Group.

In connection with the Proposed Spin-off, the Company shall also undertake a Restructuring Exercise. The Restructuring Exercise is contemplated to be carried out in six (6) stages:

3.1. Stage 1: Capital Reduction Exercise

Aidite has undergone a capital reduction exercise pursuant to applicable laws in the PRC, which involved a cash distribution of RMB 23.03 million (approximately S\$4.86 million, at the then exchange rate of S\$1: RMB 4.74) by Aidite to Q & M Aidite, its sole shareholder. Following the capital reduction of Aidite, the paid up capital of Aidite was RMB 23.97 million (approximately S\$5.06 million, at the then exchange rate of S\$1: RMB 4.74).

3.2. Stage 2: Cancellation of the Vendors' Options and Discharge of Profit Guarantee

3.2.1. Cancellation of the Vendors' Options

As part of the acquisition of Aidite from the Vendors by Q & M Aidite in 2014 (the "**Acquisition**"), each of the Vendors signed a twelve (12) year service agreement (each a "**Service Agreement**" and collectively, the "**Service Agreements**") on 17 March 2014 with Q & M China and Q & M Aidite in connection with the Acquisition. Pursuant to the Service Agreements, each of the Vendors was granted an option to acquire 24.5% of Q & M Aidite for a nominal fee of S\$1.00 as

consideration for his services to the Company and Q & M China, subject to the satisfaction of certain conditions (the “**Vendors’ Options**”).

However, it is a legal requirement that there must be Chinese shareholders in a China-incorporated company that is seeking a quotation on the New Third Board. As Aidite is seeking a quotation on the New Third Board, the Vendors would need to subscribe for equity interests in Aidite directly instead of through Q & M Aidite. Accordingly, on 1 December 2015, the Company entered into a supplemental agreement to the Master Agreement (as defined below) pursuant to which, amongst others, the Vendors agreed to revoke their rights to the Vendors’ Options and an aggregate consideration of RMB 28.7875 million (approximately S\$6.27 million, at the then exchange rate of S\$1: RMB 4.591) was paid to the Vendors by Q & M China (the “**Cancellation Consideration**”).

Rationale for and the Benefits of the Cancellation Consideration

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:

- (a) the need to compensate the Vendors for the economic value of the Vendors’ Options as the Vendors were giving up their rights to exercise their Vendors’ Options to acquire shares in a Singapore-incorporated company; and
- (b) the tax risk that the Vendors may incur in the PRC as shareholders of Aidite.

The economic value of the Vendors’ Options is approximately RMB 23.03 million (approximately S\$4.86 million, at the then exchange rate of S\$1: RMB 4.74), which is based on 49.0% of the paid up capital of Aidite. The tax risk arising from capital gain taxes is estimated to be approximately RMB 5.76 million (approximately S\$1.21 million, at the then exchange rate of S\$1: RMB 4.76).

3.2.2. Discharge of Profit Guarantee

As part of the Acquisition, the Vendors had provided a profit guarantee with respect to the profit and the net distributable profit after tax of Aidite for a twelve (12) year period beginning 2014 (the “**Profit Guarantee**”). In connection with the Restructuring Exercise, Q & M China, Q & M Aidite and the Vendors have entered into a supplemental agreement to the master agreement entered into between Q & M China and the Vendors pursuant to the Acquisition dated 22 February 2014 (the “**Master Agreement**”) dated 10 August 2016 (the “**Master Supplemental Agreement**”), which provides that the Company and Vendors have agreed that upon the successful quotation of Aidite on the New Third Board, the Profit Guarantee will be discharged (the “**Profit Guarantee Discharge**”).

Rationale and Benefits of the Profit Guarantee Discharge

The Profit Guarantee Discharge was arrived at after negotiations between the Board and the Vendors. The Profit Guarantee was initially obtained by the Company to ensure the protection of the Group’s investment in Aidite.

However, as the nature of the Manufacturing Business is more capital intensive than the Primary Healthcare Services and Distribution Services, the Board is of the view that any expansion strategies of Aidite may directly affect the financial results of Aidite. The removal of the Profit Guarantee will allow Aidite to utilise new funds for its expansion without being restrained by the Profit Guarantee. Furthermore, Aidite has significantly exceeded the guaranteed amount under the Profit Guarantee for FY2014 and FY2015.

The Board agreed to the Profit Guarantee Discharge after considering, amongst others, the potential benefits of the Proposed Spin-off and the increased compliance and regulation on Aidite as a listed entity on the New Third Board in the PRC. Accordingly, the Proposed Spin-off will ensure that the Group's investment will be sufficiently protected.

3.2.3. Vendors' Aidite Subscription of Shares in Aidite

Following the cancellation of the Vendors' Options, Aidite had entered into a subscription agreement dated 1 December 2015 with the Vendors, pursuant to which the Vendors subscribed for equity interests in Aidite through two (2) limited partnerships, Qinhuangdao Yuan Yi Management and Consultancy Center (Limited Partnership) and Qinhuangdao Wen Di Management and Consultancy Center (Limited Partnership) at the total issue price of RMB 23.03 million (approximately S\$4.86 million, at the then exchange rate of S\$1: RMB 4.74). Following the Vendors' Aidite Subscription, Mr. Li Hongwen and Mr. Li Bin hold effective equity interests of 29.0% and 20.0% in Aidite respectively. Mr. Li Hongwen is the General Partner of Qinhuangdao Yuan Yi Management and Consultancy Center (Limited Partnership) while Mr. Li Bin is the General Partner of Qinhuangdao Wen Di Management and Consultancy Center (Limited Partnership).

Rationale for and Benefits of the Vendors' Aidite Subscription

As Aidite is seeking a quotation on the New Third Board, the Vendors, through their partnerships, have subscribed for equity interests in Aidite directly instead of through Q & M Aidite in order to comply with the laws of the PRC.

3.3. Stage 3: Capitalisation of the Loan

In connection with the Acquisition, Q & M China had provided an interest-free loan of S\$17.0 million to Q & M Aidite (the "**Loan**") to fund Q & M Aidite's acquisition of the entire issued and paid-up share capital of Aidite. Pursuant to the Restructuring Exercise, Q & M China had provided a further interest-free loan of S\$1.26 million (the "**Additional Loan**"). Save for the Loan and the Additional Loan, no others loans have been disbursed to Q & M Aidite. In connection with the transfer of Q & M China's entire equity interest in Q & M Aidite to the Company, the Loan and Additional Loan are being owed directly to the Company.

Pursuant to a subscription agreement dated 10 August 2016 entered into between the Company and Q & M Aidite (the "**Company Subscription Agreement**"), the Company and Q & M Aidite have agreed to capitalise S\$13.0 million of the Loan into Class B Preference Shares as partial settlement of the debts owed to the Company (the "**Loan Capitalisation**").

The Aidite Subscription Consideration (as defined below) of S\$5.26 million that is payable by the Q & M Professionals Holdco for the subscription of the Class A Preference Shares shall be utilised by Q & M Aidite for the partial repayment of the outstanding amount of the Loan and the Additional Loan. Upon completion of the Proposed Aidite Subscription (as defined below), the entire amount of the Loan and the Additional Loan shall stand settled.

Rationale for and the Benefits of the Loan Capitalisation

The Company and the Q & M Professionals Holdco shall hold their equity interests in Aidite through Q & M Aidite. Accordingly, the Loan Capitalisation would ensure that Q & M Aidite has no actual, deferred or contingent liabilities as a holding company for such purposes.

3.4. Stage 4: Proposed Subscription of Preference Shares in Q & M Aidite

3.4.1. Aidite Preference Shares

In order to provide a tax efficient capital structure, the Company will procure Q & M Aidite to allot and issue two (2) classes of preference shares in the issued share capital of Q & M Aidite, namely the Class A Preference Shares and the Class B Preference Shares (collectively, the “**Aidite Preference Shares**”). Each class of Aidite Preference Shares shall represent the subscribers’ respective economic interests in Aidite. Accordingly, pursuant to the terms of the Aidite Preference Shares, the redemption of the Aidite Preference Shares by a subscriber would result in the disposition by Q & M Aidite of a corresponding economic interest in Aidite. The proceeds of the sale, representing the redemption price for such number of Aidite Preference Shares that is redeemed, will be payable to the subscriber.

A company whose shareholders primarily comprise of the management team and employees of the Company, and Singapore-based dentists who have contributed to the development and success of the Company, Q&M Professionals Holding Pte. Ltd. (the “**Q & M Professionals Holdco**”), has entered into a subscription agreement dated 10 August 2016 with the Company and Q & M Aidite (the “**Aidite Subscription Agreement**”), pursuant to which the Q & M Professionals Holdco will subscribe for 4,794,000 Class A Preference Shares (the “**Proposed Aidite Subscription**”), for an aggregate consideration of S\$5.26 million (the “**Aidite Subscription Consideration**”). The Aidite Subscription Consideration was arrived at based on the fair market valuation of the Class A Preference Shares and on a willing-buyer-willing-seller basis, taking into account the valuation of the Class A Preference Shares by Duff & Phelps Singapore Pte. Ltd. (the “**Valuer**”). Following the Proposed Aidite Subscription, the Q & M Professionals Holdco will hold 20.0% of the aggregate Aidite Preference Shares.

The Company will subscribe for 18,965,064 Class B Preference Shares, representing 79.12% of the aggregate Aidite Preference Shares.

3.4.2. Rights, Benefits and Privileges of the Aidite Preference Shares

Pursuant to the terms of the subscription agreements, the Company, being the holder of the Class B Preference Shares, shall be entitled at its sole discretion, to redeem the Class B Preference Shares. For a period of six (6) years from the issuance and allotment of Class A

Preference Shares, the right of redemption of the Class A Preference Shares will only arise upon the exercise of the right of redemption of the Class B Preference Shares by the Company.

The respective rights, benefits and privileges of the Class A Preference Shares and Class B Preference Shares will be set out in the circular to be despatched to Shareholders in due course. Save for the Class A Preference Shares, Class B Preference Shares and one (1) ordinary share of Q & M Aidite held by the Company, there will be no other classes of shares in the issued share capital of Q & M Aidite.

Following the Proposed Aidite Subscription, the effective interest of the Company in Aidite before the Proposed Spin-off shall be 38.17%.

3.5. Key Terms of the Aidite Subscription Agreement

3.5.1. Shareholding Structure of Q & M Professionals Holdco

The shareholders of the Q & M Professionals Holdco include individuals who have contributed to the development and success of the Company and they primarily comprise the management team and employees of the Company, and Singapore-based dentists who have contributed to the development and success of the Company (the “Q & M Professionals Team”). The Q & M Professionals Team comprises the following:

<u>Name of shareholders</u>	<u>Present Appointment in the Group</u>	<u>Total Interest in the Q & M Professionals Holdco (%)</u>
Mr. Narayanan Sreenivasan	Non-Executive and Independent Chairman	0.55
Mr. Ng Weng Sui Harry	Non-Executive and Independent Director	0.55
Dr. Ng Chin Siau ⁽¹⁾	Executive Director and Group Chief Executive Officer	52.14
Dr. Ang Ee Peng Raymond ⁽¹⁾	Executive Director and Chief Operating Officer	4.54
Ms Foo Siew Jiu ⁽¹⁾⁽²⁾	General Manager	4.54
Ms Ng Sook Hwa ⁽¹⁾⁽³⁾	Group Financial Controller	4.54
Mr. San Yi Leong	China Chief Financial Officer	4.54
Mr. Sim Yu Xiong	Chief Financial Officer	4.54
Mr. Andrew Young	Group Legal Counsel	4.54
Employees ⁽⁴⁾	-	5.89
Singapore-based Dentists ⁽⁴⁾	-	13.63
Total		100

Notes:

(1) Dr. Ng Chin Siau, Ms. Foo Siew Jiu and Ms. Ng Sook Hwa shall each be deemed as an interested person for the purposes of the Proposed Aidite Subscription under Chapter 9 of the Listing Manual.

(2) Ms. Foo Siew Jiu is the wife of Dr. Ng Chin Siau.

- (3) Ms. Ng Sook Hwa is the sister of Dr. Ng Chin Siau.
- (4) Please refer to **Appendix A** for the list of employees of the Group and Singapore-based dentists that will be entitled to the shares in the Q & M Professionals Holdco.

3.5.2. Moratorium of Class A Preference Shares

Pursuant to the terms of the Aidite Subscription Agreement, the Q & M Professionals Holdco undertakes to Q & M Aidite that for a duration of six (6) years from the issuance and allotment of the Class A Preference Shares, the Q & M Professionals Holdco shall not sell, transfer, mortgage, charge, pledge, grant an option over, or otherwise dispose of or create Encumbrances¹ over any of the Class A Preference Shares, subject to the redemption of the Class A Preference Shares.

In addition, in the event that Dr. Ng Chin Siau's direct or deemed interests in the Company fall below 40.0%, the Q & M Professionals Holdco shall also be entitled to sell, transfer, mortgage, charge, pledge, grant an option over, or otherwise dispose of or create Encumbrances over any of its Class A Preference Shares.

3.5.3. Service Agreements

Save for Mr. Narayanan Sreenivasan and Mr. Ng Weng Sui Harry, being the Independent Directors of the Company, it is a condition of the Aidite Subscription Agreement that each of the shareholders of the Q & M Professionals Holdco will enter into six (6) year service agreements with the Company. Upon the breach of any term of the service agreement, the other shareholders of the Q & M Professionals Holdco will be entitled to purchase their shares in the Q & M Professionals Holdco at a discounted price. The price of the purchase shall be based on the net tangible assets of Q & M Aidite, last transacted market price of Aidite on the New Third Board or any other exchange board or the subscription price of the shares in the Q & M Professionals Holdco, whichever is lower.

3.5.4. Rationale and Benefits of the Proposed Aidite Subscription

The Company wishes to give recognition for past contributions and services to the individuals in the Q & M Professionals Team. The Board has considered various methods of incentives with the aim to encourage greater dedication and loyalty amongst these individuals and motivate them to contribute towards the Group's long-term prosperity. Accordingly, the Company is of the view that the allotment and issuance of the Aidite Preference Shares will be the best method as opposed to a stock option plan which would be attributed as a cost to the Company. The terms of the Proposed Aidite Subscription, including the Aidite Subscription Consideration, were determined based on the following considerations:

¹ "Encumbrances" means any interest (in law or in equity) of any person, including but without prejudice to the generality of the foregoing, any right to acquire, option and right of pre-emption, and any mortgage, charge, pledge, lien, assignment, hypothecation, security interest (including any created by law), title retention and other security agreement or arrangement and rental, title purchase and other agreements for payment on deferred terms.

- (a) the Q & M Professionals Team comprises employees who have contributed significantly to the development and success of the Group's business in Singapore, Malaysia and the PRC;
- (b) key individuals from the management of the Company have been instrumental in procuring suitable candidates for the Group's expansion in the PRC;
- (c) Mr. Narayanan Sreenivasan and Mr. Ng Weng Sui Harry, being the Independent Directors of the Company, have each been allocated 0.55% of the shares in the Q & M Professionals Holdco in recognition of their long-standing contributions and services to the Group since the initial public offering of the Company;
- (d) a selected group of Singapore-based dentists has been actively involved in contributing to the growth and success of the Company by providing expert premier care and advice to the patients of the Company and has developed the Company's brand as a market leader in the dental healthcare industry;
- (e) the Q & M Professionals Team will be able to collectively benefit from the success of Aidite;
- (f) save for Mr. Narayanan Sreenivasan and Mr. Ng Weng Sui Harry, each shareholder of the Q & M Professionals Team will have to commit to a six (6) year service agreement. This ensures the goals of the Q & M Professionals Team are kept aligned with Aidite's interests; and
- (g) as stakeholders of Q & M Aidite, the Company will be able to derive synergy and benefits from the Q & M Professionals Team.

3.6. Stage 5: Dr. Cheah's Aidite Subscription

Dr. Cheah Kim Fee, the Chief Executive Officer of Q & M China has entered into a subscription agreement dated 10 August 2016 with the Company and Q & M Aidite (the "**Dr. Cheah Subscription Agreement**"), pursuant to which he will subscribe for 210,936 Class A Preference Shares, representing 0.88% of the aggregate Aidite Preference Shares for the nominal subscription consideration of S\$0.1 million (the "**Dr. Cheah Subscription Consideration**"). Dr. Cheah Kim Fee currently holds 1.0% in the share capital of Q & M Dental Group (China) Pte. Ltd., a wholly-owned subsidiary of the Company. In connection with his subscription, Dr. Cheah Kim Fee will also sell all his shares in Q & M Dental Group (China) Pte. Ltd. for a nominal consideration to the Company.

Dr. Cheah Kim Fee's original shareholding in Q & M Dental Group (China) Pte. Ltd. was a result of his appointment as the PRC Chief Executive Officer in charge of the operations of the Group's businesses in the PRC.

3.7. Stage 6: Employees' Aidite Subscription

Further to the above, pursuant to a subscription agreement entered into on 9 April 2016 between Aidite and Qinhuangdao Jie Ying Enterprises Management Consulting Centre (“**Jie Ying**”), Jie Ying subscribed for 2,682,900 shares in Aidite, representing 5.4% of the enlarged share capital of Aidite, at a cash consideration of approximately RMB 14.49 million (approximately S\$3.01 million, at the then exchange rate of S\$1: RMB 4.814) (the “**Employees’ Aidite Subscription**”). Jie Ying is a limited partnership registered in the PRC with Mr. Li Hongwen as the General Partner. It is the intention that Jie Ying shall hold the shares on trust for selected employees of Aidite who have contributed to the development and success of Aidite. The key objective of the Employees’ Aidite Subscription is to attract, retain and provide incentives to the employees of Aidite to higher standards of performance as well as encourage greater dedication and loyalty by enabling Aidite to give recognition to past contributions and services as well as motivating the employees generally to contribute towards Aidite’s long term prosperity. Employees who are entitled to the shares are required to enter into employment agreements ranging from three (3) to six (6) years.

3.8. Effect of Restructuring Exercise

Upon completion of the Restructuring Exercise, the Company, through Q & M Aidite, will continue to own an effective equity interest of 38.17% in Aidite. The Vendors and Jie Ying will own effective equity interests of 46.354% and 5.4% in Aidite respectively.

4. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

One of the Conditions of the Proposed Spin-off is the application of Chapter 10 of the Listing Manual to the Proposed Spin-off and the Restructuring Exercise. In particular, the Vendors’ Aidite Subscription, the Employees’ Aidite Subscription, the Proposed Aidite Subscription, the Cancellation Consideration, the Profit Guarantee Discharge and the Loan Capitalisation (the “**Relevant Restructuring Transactions**”, and each a “**Relevant Restructuring Transaction**”), together with the Proposed Spin-off, will be viewed as a whole and tested against Rule 1006 of the Listing Manual.

Based on the latest announced unaudited consolidated financial statements of the Group for the financial period ended 31 March 2016, the relative figures for the Proposed Spin-off and Relevant Restructuring Transactions computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

	<u>Bases under Rule 1006</u>	<u>Relative Figure</u>
(a)	NAV of the assets to be disposed of, compared with the Group’s NAV. This basis is not applicable to an acquisition of assets.	35.96% ⁽¹⁾
(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits.	64.08% ⁽²⁾
(c)	Aggregate value of the consideration received, compared with the Company’s market capitalisation based on the total number of issued Shares excluding treasury shares.	0.96% ⁽³⁾
(d)	The number of equity securities issued by the Company as	Not applicable.

consideration for an acquisition, compared with the number of equity securities previously in issue.

- (e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil & gas company, but not to an acquisition of such assets. Not applicable.

Notes:

- (1) The NAV of the assets to be disposed of (inclusive of the Profit Guarantee Discharge) was approximately S\$53.9 million. The percentage dilution in the Group's interest in Aidite was calculated based on the assumption that Aidite had issued 10.0% of its share capital as new shares for the Proposed Quotation.
- (2) The net profits before income tax, minority interest and extraordinary items attributable to assets to be disposed of was approximately S\$30.97 million, pursuant to which S\$0.84 million has not been accounted in the Company's financial results as the Company has always recognised 51.0% equity interest in Aidite.
- (3) The Proposed Spin-off was expected to generate gross proceeds of approximately S\$5.36 million, based on the Aidite Subscription Consideration of S\$5.26 million and the Dr. Cheah Subscription Consideration of S\$0.1 million. The market capitalisation of the Company of approximately S\$558,391,364 was determined by multiplying 796,564,000 issued Shares (excluding treasury shares) as at 8 August 2016 by the volume-weighted average price of approximately S\$0.7010 per Share as at 8 August 2016.

As the relative figures computed on the bases set out in Rule 1006 exceed 20.0% but do not exceed 100.0%, the Proposed Spin-off and the Relevant Restructuring Transactions constitute a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, the Company proposes to seek the approval of the Shareholders for the Proposed Spin-off and the Relevant Restructuring Transactions at an extraordinary general meeting of the Company to be convened.

5. THE PROPOSED AIDITE SUBSCRIPTION AS AN INTERESTED PERSON TRANSACTION

5.1. Compliance with Chapter 9 of the Listing Manual

Pursuant to the Proposed Aidite Subscription, the subscription of the Class A Preference Shares in Q & M Aidite, an "entity at risk", and the Q & M Professionals Holdco, an "interested person" would constitute an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual.

Dr. Ng Chin Siau is an Executive Director and a Controlling Shareholder with (i) a direct interest in 1.41% of the issued and paid-up share capital of the Company and (ii) a deemed interest in 56.61% of the issued and paid-up share capital of the Company held by Quan Min Holdings Pte. Ltd. as at the date of this Announcement. Dr. Ang Ee Peng Raymond is an Executive Director of the Company. Mr. Narayanan Sreenivasan and Mr. Ng Weng Sui Harry are Independent Directors of the Company.

Ms. Foo Siew Jiuan, who is the wife of Dr. Ng Chin Siau, and Ms. Ng Sook Hwa, who is the sister of Dr. Ng Chin Siau, are Associates² of Dr. Ng Chin Siau. As Dr. Ng Chin Siau holds more than 30.0%

² "Associate" means (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate

interest in the Q & M Professionals Holdco and Quan Min Holdings Pte. Ltd., the Q & M Professionals Holdco and Quan Min Holdings Pte. Ltd. are Associates of Dr. Ng Chin Siau.

Based on the foregoing, each of Dr. Ng Chin Siau, Quan Min Holdings Pte. Ltd., Ms. Foo Siew Jiuan, Ms. Ng Sook Hwa and the Q & M Professionals Holdco is regarded as an “interested person” under the Listing Manual for the purposes of the Proposed Aidite Subscription.

In addition, Dr. Ang Ee Peng Raymond, Mr. Narayanan Sreenivasan and Mr. Ng Weng Sui Harry are interested in the Proposed Aidite Subscription.

5.2. Materiality Thresholds under Chapter 9 of the Listing Manual

In accordance with Rule 906(1)(a) and Rule 918 of Chapter 9 of the Listing Manual, where the value of an interested person transaction, or when aggregated with other transactions entered into during the same financial year, is equal to or exceeds 5.0% of the Group’s latest audited net tangible assets (“**NTA**”), the approval of Shareholders is required to be obtained either prior to the transaction being entered into, or if the transaction is expressed to be conditional on such approval, prior to the completion of such transaction, as the case may be.

The Aidite Subscription Consideration of S\$5.26 million represents approximately 16.78% of the latest audited consolidated NTA of S\$31.34 million of the Group as at 31 December 2015. As the Aidite Subscription Consideration is more than 5.0% of the latest audited consolidated NTA of the Group, for the purposes of Chapter 9 of the Listing Manual, the Company will be convening an extraordinary general meeting to seek Shareholders’ approval for the Proposed Aidite Subscription.

5.3. Current and On-going Interested Person Transactions

Save for the Proposed Aidite Subscription, there are no present and ongoing interested person transactions entered into between the Group and each of Dr. Ng Chin Siau, Dr. Ang Ee Peng Raymond, Mr. Narayanan Sreenivasan, Mr. Ng Weng Sui Harry, Quan Min Holdings Pte. Ltd., Ms. Foo Siew Jiuan, Ms. Ng Sook Hwa and the Q & M Professionals Holdco for the current financial year up to the date of this Announcement that need to be aggregated with the value of the Aidite Subscription Consideration pursuant to Rule 906 of the Listing Manual.

5.4. Appointment of IFA

Pursuant to Chapter 9 of the Listing Manual, Deloitte & Touche Corporate Finance Pte Ltd has been appointed as the independent financial adviser (“**IFA**”) to advise Professor Toh Chooi Gait, being the Director of the Company who is independent for the purposes of making recommendations to the Shareholders on whether the Proposed Aidite Subscription is on normal

family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more; and (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more.

commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders.

5.5. Opinion of the Audit Committee of the Company

As Mr. Narayanan Sreenivasan and Mr. Ng Weng Sui Harry are both interested in the Proposed Aidite Subscription, they will abstain from making any opinion on the Proposed Aidite Subscription in their capacity as members of the Audit Committee of the Company.

Professor Toh Chooi Gait, being the remaining member of the Audit Committee of the Company, will consider the opinion of the IFA before forming her own view on whether the Proposed Aidite Subscription is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed herein, none of the Directors or controlling Shareholders have any interests, direct or indirect, in the Proposed Spin-off or the Restructuring Exercise, other than through each of their respective shareholding interests, direct and/or indirect, in the Company.

7. FINANCIAL EFFECTS OF THE PROPOSED AIDITE SUBSCRIPTION AND THE PROPOSED SPIN-OFF

7.1. Financial Effects of the Proposed Aidite Subscription

7.1.1. Bases and Assumption

The pro forma financial effects are presented for illustration only and are not intended to reflect the actual future financial situation of the Company after the completion of the Proposed Aidite Subscription. These illustrative pro forma financial effects have been computed based on the Group's latest audited consolidated financial results for FY2015 and the financial results of Aidite being recognised as the Group's investment in its subsidiaries.

7.1.2. Share Capital

The Proposed Aidite Subscription will have no impact on the Company's issued share capital.

7.1.3. Net Tangible Assets

Assuming that the Proposed Aidite Subscription had been completed on 31 December 2015, the effect of the Proposed Aidite Subscription on the Group's NTA per share as at 31 December 2015 will be as follows:

	<u>NTA per Share (cents)</u>
Before the Proposed Aidite Subscription	1.92
After the Proposed Aidite Subscription	2.99

7.1.4. Earnings per Share

Assuming that the Proposed Aidite Subscription had been completed on 1 January 2015, the effect of the Proposed Aidite Subscription on the Group's earnings per share ("EPS") for FY2015 will be as follows:

	<u>EPS (cents)</u>
Before the Proposed Aidite Subscription	1.46
After the Proposed Aidite Subscription	1.39

7.1.5. Gearing

The financial effects of the Proposed Aidite Subscription on the Group's gearing will be as follows:

	<u>As at 31 December 2015</u> <u>(Audited) (S\$'000)</u>	<u>After the Proposed Aidite</u> <u>Subscription (S\$'000)</u>
Total Borrowings	80,165	80,165
Cash and Cash Equivalents	64,876	70,136
Net Borrowings ⁽¹⁾	15,289	10,029
Shareholder's Funds	92,124	100,637
Gross Gearing Ratio	87.0%	80.0%
Net Gearing Ratio	17.0%	10.0%

Note:

(1) "Net Borrowings" means total borrowings less cash and cash equivalents. Accordingly, the increase in "Cash and Cash Equivalents" due to the Aidite Subscription Consideration of S\$5.26 million will result in a decrease in "Net Borrowings".

7.2. Financial Effects of the Proposed Spin-off

7.2.1. Bases and Assumption

The pro forma financial effects are presented for illustration only and are not intended to reflect the actual future financial situation of the Company after the completion of the Proposed Spin-off and the Restructuring Exercise. These illustrative pro forma financial effects have been computed based on the Group's latest audited consolidated financial results for FY2015, the financial results of Aidite being recognised as the Group's investment in its associates and on the assumption that Aidite issues 10.0% of its share capital as new shares for the Proposed Quotation. The shareholding interest of the Company in Aidite will be reduced or diluted to approximately 34.35% pursuant to the Proposed Spin-off. The illustrative financial effects do not take into account the Cancellation Consideration that has already been paid to the Vendors as this has already been recognised in the financial results of the Group for FY2015.

7.2.2. Share Capital

The Proposed Spin-off will have no impact on the Company's issued share capital.

7.2.3. Net Tangible Assets

Assuming that the Proposed Spin-off had been completed on 31 December 2015, the effect of the Proposed Spin-off on the Group's NTA per share as at 31 December 2015 will be as follows:

	<u>NTA per Share (cents)</u>
Before the Proposed Spin-off	1.92
After the Proposed Spin-off	3.47

7.2.4. Earnings per Share

Assuming that the Proposed Spin-off had been completed on 1 January 2015, the effect of the Proposed Spin-off on the Group's EPS for FY2015 will be as follows:

	<u>EPS (cents)</u>
Before the Proposed Spin-off	1.46
After the Proposed Spin-off	3.04

7.2.5. Gearing

The financial effects of the Proposed Spin-off on the Group's gearing will be as follows:

	<u>As at 31 December 2015</u> <u>(Audited) (S\$'000)</u>	<u>After the Proposed Spin-off</u> <u>(S\$'000)</u>
Total Borrowings	80,165	80,165
Cash and Cash Equivalents	64,876	64,045
Net Borrowings	15,289	16,020
Shareholder's Funds	92,124	92,350
Gross Gearing Ratio	87.0%	87.0%
Net Gearing Ratio	17.0%	17.0%

8. EXTRAORDINARY GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

The Directors will be convening an extraordinary general meeting to seek the approval of Shareholders for the Proposed Spin-off and the Restructuring Exercise. A circular to Shareholders, containing, amongst others, details in relation to the Proposed Spin-off and the Restructuring Exercise will be despatched by the Company to Shareholders in due course.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 81 Science Park Drive, #02-04, The Chadwick, Singapore Science Park I, Singapore 118257, during normal business hours, for a period of three (3) months from the date of this Announcement:

- (a) the Master Agreement;
- (b) the supplemental agreement to the Master Agreement dated 1 December 2015;
- (c) the subscription agreement dated 1 December 2015;
- (d) the Master Supplemental Agreement;
- (e) the Aidite Subscription Agreement;
- (f) the Company Subscription Agreement;
- (g) the Dr. Cheah Subscription Agreement; and
- (h) the valuation report dated 10 August 2016 issued by the Valuer.

10. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Spin-off and the Restructuring Exercise, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

11. CAUTIONARY STATEMENT

The Company would like to highlight that the Proposed Spin-off is subject to various conditions, including, amongst others, approval by the New Third Board. Further, the Directors may, notwithstanding that all requisite regulatory approvals have been obtained, decide not to proceed with the Proposed Spin-off 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 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
11 August 2016

For more information, please contact:

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Chief Financial Officer
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APPENDIX A

Name of Singapore-based Dentists	Total Interest (%)
Dr. Maung Zaw Oo	1.82
Dr. Terence Jee Shizhuan	1.82
Dr. Yao Chao Shu	0.91
Dr. Koh Teck Chuan	0.45
Dr. Winston Lim	0.45
Dr. Alvin Lee Wei Zhi	0.91
Dr. Clement Eng Zhen Feng	0.45
Dr. Low Jiun Sian	0.91
Dr. Choo Keang Hai	0.91
Dr. Ramaswamy Sreeghandhan	0.91
Dr. Ronald Tan Hwa Ann	0.91
Dr. Fang Chui-Yun Mabel	0.91
Dr. Mervin Phng Hwee Leng	0.45
Dr. Xander Chua Khim Thai	1.82
Sub-Total	13.63

Name of Employees	Designation	Total Interest (%)
Yau Geok Boey Angela	General Manager (Quantum Leap)	0.91
Chung Pui Ping Andrea	Senior Group Accountant	0.91
Wan Sin Nee	Group Accountant	0.45
Ng Yoke Ling	Assistant Medisave Manager	0.36
Foo Sien Loon	General Manager (Malaysia)	1.36
Kow Ngan Chai	Business Development and Compliance Manager	1.36
Zhou Lu Lu	China Accountant	0.18
Huang Zhenxing	China Operations Manager	0.27
Huang Zhenjian	China Operations	0.09
Sub-Total		5.89