

CIRCULAR DATED 11 AUGUST 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by Q & M Dental Group (Singapore) Limited (the “**Company**”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

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Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration No. 200800507R)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) **THE PROPOSED SPIN-OFF LISTING OF QINHUANGDAO AIDITE HIGH TECHNICAL CERAMIC CO., LTD, A PRINCIPAL SUBSIDIARY OF THE COMPANY, ON THE NATIONAL EQUITIES EXCHANGE AND QUOTATIONS OF THE PEOPLE’S REPUBLIC OF CHINA (THE “PROPOSED SPIN-OFF”);**
- (2) **PURSUANT TO THE PROPOSED RESTRUCTURING EXERCISE IN CONNECTION WITH THE PROPOSED SPIN-OFF (“RESTRUCTURING EXERCISE”), THE SUBSCRIPTION OF 4,794,000 CLASS A PREFERENCE SHARES IN THE CAPITAL OF Q & M AIDITE INTERNATIONAL PTE. LTD., A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, BY THE Q & M PROFESSIONALS HOLDCO (AS DEFINED HEREIN) (THE “PROPOSED AIDITE SUBSCRIPTION”), WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL (AS DEFINED HEREIN); AND**
- (3) **THE PROPOSED SPIN-OFF AND THE RELEVANT RESTRUCTURING TRANSACTIONS (AS DEFINED HEREIN), WHICH WHEN AGGREGATED CONSTITUTE A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL (AS DEFINED HEREIN)**

Independent Financial Adviser to the Non-Interested Director of the Company

DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD

(Company Registration No. 200200144N)
(Incorporated in the Republic of Singapore)

Important Dates and Times:

- | | | |
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| Last date and time for lodgement of Proxy Form | : | 24 August 2016 at 6:00 p.m. |
| Date and time of Extraordinary General Meeting | : | 26 August 2016 at 6:00 p.m. |
| Place of Extraordinary General Meeting | : | PARKROYAL on Kitchener Road
181 Kitchener Road
Singapore 208533
Emerald Ballroom 1 |

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

- “Act”** : The Companies Act, Chapter 50, of Singapore as may be amended, supplemented or modified from time to time
- “Acquisition”** : The acquisition of 100.0% of the equity interest of Aidite from the Vendors by Q & M Aidite pursuant to the Master Agreement
- “Additional Loan”** : The interest-free loan of S\$1.26 million provided by Q & M China to Q & M Aidite pursuant to the Restructuring Exercise
- “Aidite”** : Qinhuangdao Aidite High Technical Ceramic Co., Ltd
- “Aidite Group”** : Aidite and its subsidiaries
- “Aidite Preference Shares”** : Collectively, the Class A Preference Shares and Class B Preference Shares
- “Aidite Sale Shares”** : The Aidite Shares that shall be sold by Q & M Aidite pursuant to the redemption of the Aidite Preference Shares
- “Aidite Shares”** : The ordinary shares in the capital of Aidite held by Q & M Aidite from time to time
- “Aidite Subscription Agreement”** : The subscription agreement entered into between the Company, Q & M Aidite and the Q & M Professionals Holdco on 10 August 2016
- “Aidite Subscription Consideration”** : S\$5.26 million that shall be paid by the Q & M Professionals Holdco to Q & M Aidite, to be satisfied in cash
- “Associate”** : (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 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
- “Associated Company”** : Companies in which at least 20.0% but not more than 50.0% of its shares are held by the Company or the Group

DEFINITIONS

“Audit Committee”	:	The audit committee of the Company as at the Latest Practicable Date
“Board”	:	The board of Directors of the Company as at the Latest Practicable Date
“Business Day”	:	A day (excluding Saturdays, Sundays and gazetted public holidays) on which commercial banks are open for business in Singapore
“CAD/CAM”	:	Computer Aided Design / Computer Aided Manufacturing
“CAD/CAM Distribution”	:	The distribution of dental equipment and supplies specifically to complement the manufacturing of zirconium oxide blocks
“Cancellation Consideration”	:	The aggregate consideration of RMB 28.7875 million (approximately S\$6.27 million, at the then exchange rate of S\$1: RMB 4.591) that was paid by Q & M China to the Vendors for the cancellation of the Vendors’ Options, where such Vendors’ Options were previously granted to the Vendors under the Service Agreements to acquire 24.5% each of Q & M Aidite for a nominal fee of S\$1.00 as consideration for their services to the Company and Q & M China
“CDP”	:	The Central Depository (Pte) Limited
“Change of Control Event”	:	The occurrence of such event where Dr. Ng Chin Siau’s direct or deemed interests in the Company fall below 40.0%
“Circular”	:	This circular dated 11 August 2016
“Class A Preference Shares”	:	The redeemable preference shares in the capital of Q & M Aidite that shall be subscribed for by the Q & M Professionals Holdco and Dr. Cheah Kim Fee, of which the rights, benefits and privileges are set out in Appendix A to this Circular
“Class B Preference Shares”	:	The redeemable preference shares in the capital of Q & M Aidite that shall be subscribed for by the Company, of which the rights, benefits and privileges are set out in Appendix A to this Circular
“Company”	:	Q & M Dental Group (Singapore) Limited
“Company Subscription Agreement”	:	The subscription agreement dated 10 August 2016 entered into between the Company and Q & M Aidite
“Company Subscription Shares”	:	4,660,848 new Shares to be issued and allotted to the Vendors
“Conditions”	:	The conditions pursuant to the approval in-principle from the SGX-ST on 9 November 2015 for the Proposed Spin-off. Please refer to section 1.2 of this Circular for further information in this regard
“Constitution”	:	The memorandum of association and/or articles of association of the Company

DEFINITIONS

“Controlling Shareholder”	:	A person who (i) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares in the Company or (ii) in fact exercises control over the Company
“CSRC”	:	China Securities Regulatory Commission
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“Distribution Services”	:	Dental equipment and supplies distribution services in Singapore, Malaysia and the PRC
“Dr. Cheah Subscription Agreement”	:	The subscription agreement dated 10 August 2016 entered into between the Company, Q & M Aidite and Dr. Cheah Kim Fee
“Dr. Cheah Subscription Consideration”	:	S\$0.1 million that shall be paid by Dr. Cheah Kim Fee to Q & M Aidite for his Class A Preference Shares
“EGM”	:	The extraordinary general meeting of the Company to be held on 26 August 2016 at 6:00 p.m. at PARKROYAL on Kitchener Road, 181 Kitchener Road, Singapore 208533, Emerald Ballroom 1, notice of which is set out on pages N-1 to N-3 of this Circular
“Employees’ Aidite Subscription”	:	The subscription by Jie Ying of 2,682,900 shares in Aidite, representing 5.4% of the enlarged share capital of Aidite, at the total issue price of approximately RMB 14.49 million (approximately S\$3.01 million, at the then exchange rate of S\$1: RMB 4.814)
“Encumbrances”	:	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
“EPS”	:	Earnings per share
“FY”	:	Financial year ended or ending 31 December, as the case may be
“Group”	:	The Company and its subsidiaries
“IFA”	:	Deloitte & Touche Corporate Finance Pte Ltd, the independent financial adviser appointed to advise on the Proposed Aidite Subscription as an interested person transaction
“IFA Letter”	:	The letter from the IFA dated 11 August 2016 in relation to the Proposed Aidite Subscription as an interested person transaction, as set out in Appendix D to this Circular
“Jie Ying”	:	Qinhuangdao Jie Ying Enterprises Management Consulting Centre, a limited partnership registered in the PRC for the purposes of holding the shares of Aidite on trust for selected employees of Aidite, where one of the Vendors, Mr. Li Hongwen, is the General Partner

DEFINITIONS

“Latest Practicable Date”	:	3 August 2016, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as amended from time to time
“Loan”	:	The interest-free loan of S\$17.0 million provided by Q & M China to Q & M Aidite in connection with the Acquisition
“Loan Capitalisation”	:	The capitalisation of S\$13.0 million of the Loan into Class B Preference Shares in accordance with the terms and on the conditions of the Company Subscription Agreement
“Manufacturing Business”	:	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
“Master Agreement”	:	The agreement dated 22 February 2014 entered into between Q & M China and the Vendors in respect of the Acquisition
“Master Supplemental Agreement”	:	The supplemental agreement to the Master Agreement dated 10 August 2016 entered into between Q & M China, Q & M Aidite and the Vendors
“Material Dilution”	:	The material dilution of 20.0% or more of the Company’s equity interest in Aidite following the Vendors’ Aidite Subscription which diluted the Company’s equity interest in Aidite from 100.0% to 51.0%
“Material Dilution Circular”	:	The circular of the Company, dated 15 December 2015, in relation to the Material Dilution
“NAV”	:	Net asset value
“Net Proceeds”	:	The proceeds of the sale of Aidite Sale Shares less taxes, fees, costs and expenses incurred by Q & M Aidite in connection with such sale, as more particularly described in section 3.4.2(b) of this Circular
“New Group”	:	The Group other than the Aidite Group
“New Third Board”	:	National Equities Exchange and Quotations of the PRC
“Non-Compete Agreement”	:	The non-compete agreement dated 6 July 2014 between Q & M China and the Vendors
“Non-Interested Director”	:	Professor Toh Chooi Gait, the Director who is considered to be independent for the purposes of making recommendations to Shareholders in respect of the Proposed Aidite Subscription
“Notice of EGM”	:	The notice of the EGM dated 11 August 2016, which is set out on pages N-1 to N-3 of this Circular
“NTA”	:	Net tangible assets

DEFINITIONS

“PBT”	:	Profit before tax
“PRC”	:	The People’s Republic of China
“Primary Healthcare Services”	:	Primary healthcare services comprising dentistry, family medicine, aesthetics and dental specialist services in Singapore and dentistry and dental specialist services in Malaysia and the PRC
“Profit Guarantee”	:	The Vendors’ guarantee to the Company with respect to the profit of Aidite for a twelve (12)-year period beginning 2014, pursuant to the terms of the Acquisition
“Profit Guarantee Discharge”	:	The discharge by the Company of the Vendor’s Profit Guarantee upon the completion of the Proposed Spin-off
“Profit Guarantee Year”	:	In relation to the Profit Guarantee, the period commencing on 1 January and ending on 31 December of each year within a twelve (12)-year period beginning 2014
“Proposed Aidite Subscription”	:	The subscription for 4,794,000 Class A Preference Shares for the Aidite Subscription Consideration by the Q & M Professionals Holdco in accordance with the terms and on the conditions of the Aidite Subscription Agreement
“Proposed Spin-off”	:	The spin-off of the Aidite Group via the Proposed Quotation
“Proposed Quotation”	:	The quotation of the Aidite Group on the New Third Board
“Redemption Notice”	:	The notice to be sent by the Company, being the holder of Class B Preference Shares, to Q & M Aidite, specifying the number of Aidite Shares that the Company wishes to dispose of and the minimum sale price of such disposal
“Relevant Restructuring Transactions”	:	The Vendors’ Aidite Subscription, the Employees’ Aidite Subscription, the Proposed Aidite Subscription, the Cancellation Consideration, the Profit Guarantee Discharge and the Loan Capitalisation
“Restructuring Exercise”	:	The restructuring exercise to take place in connection with the Proposed Spin-off
“Q & M Aidite”	:	Q & M Aidite International Pte. Ltd.
“Q & M China”	:	Q & M Dental Holdings (China) Pte. Ltd., a wholly-owned subsidiary of the Company
“Q & M Professionals Holdco”	:	Q & M Professionals Holding Pte. Ltd., a company incorporated for the purposes of subscribing to the Class A Preference Shares on behalf of the Q & M Professionals Team
“Q & M Professionals Team”	:	Shareholders of the Q & M Professionals Holdco which 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

DEFINITIONS

“Service Agreements”	:	The twelve (12)-year service agreements dated 17 March 2014 entered into by each Vendor with Q & M China and Q & M Aidite
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore, as may be amended, supplemented or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“SGXNET”	:	A broadcast network utilised by companies listed on the SGX-ST for the purposes of sending information (including announcements) to the SGX-ST (or any other broadcast or system networks prescribed by the SGX-ST)
“Shareholders”	:	Registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the persons whose direct securities accounts maintained with CDP are credited with the Shares
“Shares”	:	Ordinary shares in the capital of the Company
“Substantial Shareholder”	:	Shareholders who are beneficial holders of 5.0% or more of the Shares
“Tag-along Notice”	:	The notice in writing giving details of a proposed redemption of Class B Preference Shares to be sent by the Company to the Q & M Professionals Holdco, as more particularly described in section 3.4.2(a) of this Circular
“Tag-along Period”	:	A six (6)-year period commencing from the issuance and allotment of the Class A Preference Shares, where the redemption of the Class A Preference Shares will be made pursuant to the Tag-along Right, as more particularly described in section 3.4.2(a) of this Circular
“Tag-along Reply”	:	The notification of Q & M Aidite by the Q & M Professionals Holdco of its decision, within seven (7) Business Day of receipt of the Tag-along Notice, as more particularly described in section 3.4.2(a) of this Circular
“Tag-along Right”	:	The right of redemption of the Class A Preference Shares that will only arise upon the exercise of the right of redemption of the Class B Preference Shares by the Company, as more particularly described in section 3.4.2(a) of this Circular
“Transfer Restrictions”	:	The moratorium of the shares of Aidite before the Proposed Quotation, where such restrictions may only be lifted in three (3) equal tranches on the date of the quotation of Aidite, the first (1 st) anniversary of the quotation of Aidite and the second (2 nd) anniversary of the quotation of Aidite
“Valuation Summary Letter”	:	The valuation summary letter dated 10 August 2016 issued by the Valuer, as set out in Appendix C to this Circular
“Valuer”	:	Duff & Phelps Singapore Pte. Ltd., the valuer appointed in connection with the Proposed Aidite Subscription

DEFINITIONS

“Vendors”	:	Mr. Li Hongwen and Mr. Li Bin. The Vendors are the founders and directors of Aidite. In addition, Mr. Li Hongwen is the chief executive officer and Mr. Li Bin is the general manager of Aidite
“Vendors’ Aidite Subscription”	:	The subscription by the Vendors of 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, 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)
“Vendors’ Options”	:	The options granted to the Vendors under the Service Agreements to acquire 24.5% each of Q & M Aidite for a nominal fee of S\$1.00 as consideration for their services to the Company and Q & M China
“RMB”	:	Renminbi, the lawful currency of the PRC
“S\$”	:	Singapore dollars, the lawful currency of the Republic of Singapore
“%”	:	Per centum

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the SFA, the Listing Manual or any modification thereof and used in this Circular shall have the meaning assigned to it under the Act, the SFA, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless stated otherwise.

Unless otherwise stated, the exchange rate of S\$1: RMB 4.95 has been used in this Circular.

LETTER TO SHAREHOLDERS

Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration No. 200800507R)
(Incorporated in the Republic of Singapore)

Directors:

Mr. Narayanan Sreenivasan (*Non-Executive and Independent Chairman*)
Dr. Ng Chin Siau (*Group Chief Executive Officer*)
Dr. Ang Ee Peng Raymond (*Chief Operating Officer*)
Mr. Ng Weng Sui Harry (*Non-Executive and Independent Director*)
Professor Toh Chooi Gait (*Non-Executive and Independent Director*)

Registered Office:

81 Science Park Drive #02-04
The Chadwick
Singapore Science Park I
Singapore 118257

11 August 2016

To: The Shareholders of Q & M Dental Group (Singapore) Limited

Dear Sir / Madam,

- (1) **THE PROPOSED SPIN-OFF;**
- (2) **PURSUANT TO THE RESTRUCTURING EXERCISE, THE PROPOSED AIDITE SUBSCRIPTION, WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL; AND**
- (3) **THE PROPOSED SPIN-OFF AND RELEVANT RESTRUCTURING TRANSACTIONS, WHICH WHEN AGGREGATED CONSTITUTE A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL**

1. INTRODUCTION

On 17 November 2015, the Board announced that the Company would undertake a Proposed Spin-off by the quotation of Aidite on the New Third Board and that the 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.

A copy of the Company's announcement dated 17 November 2015 is available on the SGX-ST's website at www.sgx.com.

1.1 Approval of Material Dilution pursuant to Vendors' Aidite Subscription

On 15 December 2015, a circular that contained preliminary information on the Proposed Spin-off and the Restructuring Exercise was despatched to 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

LETTER TO SHAREHOLDERS

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 (“**Proposed Quotation**”). However, if the Vendors become shareholders of Aidite in FY2015, the quotation can take place based on audited results of FY2015, which is time and cost effective for the Group.

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

1.2 The Proposed Spin-off

As disclosed in the Company’s announcement on 17 November 2015 and in the Material Dilution Circular, 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;
- (b) Chapter 9 of the Listing Manual will apply to the Proposed Aidite Subscription 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; and (ii) seek Shareholders’ approval for the Proposed Aidite Subscription; and
- (c) Chapter 10 of the Listing Manual is applicable to the Proposed Spin-off and the Relevant Restructuring Transactions; accordingly, the Proposed Spin-off and Relevant Restructuring Transactions will be viewed as a whole and tested against Rule 1006 of the Listing Manual.

Pursuant to the completion of the Restructuring Exercise, the Company will own an effective equity interest of 38.17% in Aidite. Assuming that Aidite issues 10.0% of its share capital as new shares for the Proposed Quotation, the Company will own an effective equity interest of 34.35% in Aidite upon completion of the Proposed Spin-off. The board of directors of Aidite will also be reconstituted and it will be managed by a separate management team and board of directors independent of the Company. Accordingly, upon completion of the Proposed Spin-off and the Restructuring Exercise, Aidite will cease to be a subsidiary of the Company. In accordance with Rule 805(2)(a) of the Listing Manual, the approval of the Shareholders at the EGM must be sought. Please refer to section 4 of this Circular for information on the cessation of Aidite as a subsidiary of the Company upon completion of the Proposed Spin-off.

Further to the above, the Company wishes to provide Shareholders with information and updates relating to the Proposed Spin-off and the Restructuring Exercise. Please refer to sections 2 and 7.2 of this Circular for information on the Proposed Spin-off and section 3 of this Circular for information on the Restructuring Exercise.

1.3 The Restructuring Exercise

On 10 August 2016, the Company announced that in connection with the Proposed Spin-off, the Company shall also undertake a Restructuring Exercise. A summary of the Restructuring Exercise is set out below:

(a) **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).

LETTER TO SHAREHOLDERS

(b) **Stage 2: Cancellation of Options and Discharge of Profit Guarantee**

As part of the Acquisition, the Vendors signed the Service Agreements on 17 March 2014 with Q & M China and Q & M Aidite. 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. However, it is a legal requirement that there must be Chinese shareholders in the 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 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**").

As part of the Acquisition, the Vendors, under the Master Agreement, had provided the Profit Guarantee with respect to the profit and the net distributable profit after tax of Aidite for a twelve (12)-year period beginning 2014. 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 dated 10 August 2016 (the "**Master Supplemental Agreement**"), which provides that upon the successful quotation of Aidite on the New Third Board, the Profit Guarantee will be discharged (the "**Profit Guarantee Discharge**").

Accordingly, in order to fulfill the legal requirement that there must be Chinese shareholders in the China-incorporated company that is seeking a quotation on the New Third Board, the Vendors, through their partnerships, had directly subscribed for equity interests in Aidite.

(c) **Stage 3: Loan Capitalisation**

In connection with the Acquisition, Q & M China had provided an aggregate amount of S\$18.26 million interest-free loan to Q & M Aidite, comprising an interest-free loan of S\$17.0 million (the "**Loan**") and a further interest-free loan of S\$1.26 million (the "**Additional Loan**"). 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 the subscription agreement dated 10 August 2016 entered into between the Company and Q & M Aidite (the "**Company Subscription Agreement**"), Q & M Aidite shall capitalise S\$13.0 million of the Loan into 18,965,064 Class B Preference Shares (the "**Loan Capitalisation**"). In order to ensure that Q & M Aidite has no actual, deferred or contingent liabilities as a holding company of Aidite, Q & M Aidite shall utilise the Aidite Subscription Consideration for the repayment of the remaining amount of the Loan and the Additional Loan.

(d) **Stage 4: Proposed Subscription of Preference Shares in Q & M Aidite**

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 of their corresponding economic interest in Aidite.

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 in the share capital of Q & M Aidite, for a subscription consideration of S\$5.26 million (the "**Aidite Subscription Consideration**"). Following the Proposed Aidite Subscription, the Q & M Professionals Holdco will hold 20.0% of the aggregate Aidite Preference Shares.

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(e) **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.

(f) **Stage 6: Employees' Aidite Subscription**

Pursuant to a subscription agreement entered into on 9 April 2016 between Aidite and Jie Ying, Jie Ying subscribed for 2,682,900 shares in Aidite, representing 5.4% of the enlarged share capital of Aidite, at the total issue price 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**"). 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. Employees who are entitled to the shares are required to enter into employment agreements ranging from three (3) to six (6) years.

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.

1.4 Proposed Aidite Subscription as an Interested Person Transaction

Among the shareholders of the Q & M Professionals Holdco, Dr. Ng Chin Siau is an Executive Director of the Company 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 55.58% of the issued and paid-up share capital of the Company held by Quan Min Holdings Pte. Ltd..

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

Accordingly, each of Dr. Ng Chin Siau, Quan Min Holdings Pte. Ltd., Ms. Foo Siew Juan, Ms. Ng Sook Hwa and the Q & M Professionals Holdco is regarded as an "interested person" within the meaning of Chapter 9 of the Listing Manual, and the Proposed Aidite Subscription constitutes an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual.

Please refer to section 5 of this Circular for information, including the rationale and benefits, on the Proposed Aidite Subscription and Appendix D to this Circular for the IFA Letter.

1.5 Proposed Spin-off and Relevant Restructuring Transactions as a Major Transaction

The Proposed Spin-off and several stages of the Restructuring Exercise constitute a major transaction within the meaning of Chapter 10 of the Listing Manual. 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**"), together with the Proposed Spin-off, will be viewed as a whole and shall be tested against Rule 1006 of the Listing Manual.

As the relative figures computed on the bases set out in Rule 1006 of the Listing Manual 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 the EGM.

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Please refer to section 2 of this Circular for information, including the rationale and benefits, on the Proposed Spin-off and sections 3 and 6 of this Circular for information, including the rationale and benefits, on the Relevant Restructuring Transactions.

1.6 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with information pertaining to the Proposed Spin-off, the Proposed Aidite Subscription and the Relevant Restructuring Transactions and to seek Shareholders' approval of the same at the EGM.

The Board wishes to emphasise that, even if the Proposed Spin-off, the Proposed Aidite Subscription and the Relevant Restructuring Transactions are approved by way of ordinary resolutions at the EGM and the other outstanding conditions are fulfilled, the final decision of the Board as to whether or not to proceed with the Proposed Spin-off is subject to the market conditions prevailing at the time immediately before the Proposed Spin-off. If the Board decides not to proceed with the Proposed Spin-off, the Company will make an immediate announcement via SGXNET.

In the meantime, Shareholders are advised to refrain from taking any action in respect of their Shares which may be prejudicial to their interests and to exercise caution when dealing with their Shares. In the event that Shareholders wish to deal in the Shares, they should consult their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Circular.

2. THE PROPOSED SPIN-OFF

2.1 Information on the New Third Board

The New Third Board is the over-the-counter national securities trading platform of the PRC located in Beijing. It was established in 2012 in accordance with the Securities Law of the PRC upon approval by the State Council of the PRC and mainly serves innovation-oriented medium, small and micro enterprises with growth potential. The domestic joint stock companies that satisfy relevant requirements may apply for quotation on the New Third Board to publicly transfer shares and carry out equity financing, debt financing, asset reorganisation and other business.

Companies applying for quotation should have clearly determined businesses and clearly defined property rights, carry out legal and regulated businesses and maintain sound corporate governance policies. There is no requirement for companies seeking a quotation on the New Third Board to be profitable, but companies should disclose information in accordance with the rules of the New Third Board and the information disclosed should be authentic, accurate and complete. The National Equities Exchange and Quotations Co., Ltd. is responsible for organising and overseeing the share transfer and related activities of quoted companies. The New Third Board adopts a host sponsor system, where the host sponsor must be satisfied that the company has fulfilled the necessary requirements for the proposed quotation. The host sponsor shall also be responsible for the continuous supervision of the quoted company post-quotation. Nanjing Securities Co., Ltd. has been appointed as the host sponsor to Aidite.

A company quoted on the New Third Board must satisfy the continuous flotation conditions prescribed by the National Share Transfer System. Where a quoted company fails to satisfy the continuous flotation conditions, the National Share Transfer System may decide to suspend or terminate the flotation of the shares, make an announcement in a timely manner, and report the situation to the China Securities Regulatory Commission ("CSRC") for record-filing. A quoted company may also apply to suspend trading of its floated shares in specific circumstances that are necessary to maintain a fair, orderly and transparent market.

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Floated shares may be transferred by way of market making, by agreement, by competitive bidding or by other means approved by the CSRC. The National Share Transfer System adopts an investor suitability management system. Investors participating in the transfer of shares must have certain securities investment experience and appropriate ability for risk identification and tolerance, and must understand and be familiar with relevant business rules.

Upon quotation on the New Third Board, quoted companies are subject to continuous disclosure requirements, including amongst others, the publication of half-year and full-year reports and the announcement of any material information relating to the company's activities that might be price-sensitive. Furthermore, quoted companies are required to maintain a sound system of corporate governance and implement an internal system for key decisions to be made. Financial reports must also be prepared in accordance with the prescribed accounting standards.

2.2 Information on Aidite

Aidite was incorporated in the PRC on 15 March 2007 as a private limited company. As at the Latest Practicable Date, Aidite has a paid-up capital of RMB 49.68 million (approximately S\$10.47 million) and share premium of RMB 11.8 million (approximately S\$2.45 million). It is based in Qinhuangdao, Hebei Province, the PRC, and is in the business of manufacturing zirconium oxide blocks, which are used in dental Computer-Aided Design/Computer-Aided Manufacturing (“**CAD/CAM**”) machines in the fabrication of dental prosthesis, and the distribution of dental equipment and supplies specifically to complement the manufacturing of zirconium oxide blocks (“**CAD/CAM Distribution**”). The CAD/CAM system uses computer-aided design and manufacturing technology to fabricate ceramic and resin restorations such as inlays, onlays, crowns and bridges.

Since its incorporation, Aidite has steadily built and established a reputation for manufacturing zirconium oxide blocks. It started by making dental blocks for various types of dental processing equipment in 2007. In 2010, it obtained the ISO13485 quality system, the European Union CE certification – CE0029 and the American FDA certification that allowed it to export its products to many countries globally. Currently, the Aidite Group exports to about fifty (50) countries world-wide including the United States of America, the European Union, the Middle East, India, Egypt, South Africa, South Korea and Australia. The Aidite Group uses distributors in most countries. It is estimated that Aidite has approximately 30.0% of the PRC market share.

On 13 August 2014, Q & M Aidite acquired 100.0% of the equity interest of Aidite from the Vendors pursuant to the Master Agreement (the “**Acquisition**”) for a consideration of RMB 39.5 million (approximately S\$8.01 million, at the then exchange rate of S\$1: RMB 4.93), with an agreement to further inject RMB 35.0 million (approximately S\$7.07 million, at the then exchange rate of S\$1: RMB 4.95) as capital into Aidite for its expansion. The Vendors' Options, which entitled the Vendors to acquire 24.5% each of Q & M Aidite for a nominal fee of S\$1.00, contemplated that the Company does not hold the entire economic interest of Aidite at the outset. Accordingly, the Company has recognised only its 51.0% equity interest in Aidite since completion of the Acquisition in August 2014. The Company injected RMB 35.0 million (approximately S\$7.49 million, at the then exchange rate of S\$1: RMB 4.67) into Aidite on 30 April 2015. In connection with the Acquisition, Q & M China paid the Vendors a sum of RMB 5.5 million (approximately S\$1.2 million, at the then exchange rate of S\$1: RMB 4.58) as consideration for the entry into the Non-Compete Agreement, details of which are set out in section 3.2.1 of this Circular. Please refer to the Company's announcements dated 18 November 2013, 24 February 2014, 28 February 2014, 18 March 2014 and 13 August 2014 for further information on the Acquisition.

On 21 May 2015, Aidite incorporated a wholly-owned subsidiary, Qinhuangdao Courage Medical Equipment Co., Ltd, which has a registered capital of RMB 1 million. Qinhuangdao Courage Medical Equipment Co., Ltd operates a dental laboratory in the PRC that manufactures custom-made prosthetic devices based on specifications of individual patients provided by the dentists. Oral healthcare professionals adopt these devices for jaw realignment to rehabilitate mastication (chewing), improve aesthetics, and aid speech. These devices also provide an artificial replacement of missing teeth or associated tooth structure. The manufacturing of zirconium oxide blocks, which are used in dental CAD/CAM machines in the fabrication of dental prosthesis, and

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the manufacturing of custom-made prosthesis form the manufacturing business of Aidite (the “**Manufacturing Business**”). Please refer to the Company’s announcement dated 18 January 2016 for further information.

Each of the announcements is available on the SGX-ST’s website at www.sgx.com.

Based on the audited consolidated financial statements of the Group for FY2015, the total revenue and net profit after tax contributed by the Aidite Group to the Group amounted to S\$16.6 million and S\$5.1 million respectively, representing 13.4% and 34.5% of the Group’s revenue and net profit after tax respectively. As at 31 December 2015, the NTA of the Aidite Group amounted to S\$3.35 million, representing 11.0% of the Group’s NTA.

2.3 Information on the Proposed Spin-off

2.3.1 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 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 will continue to remain as 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. In connection with the Proposed Quotation, approximately 5.0% to 10.0% of the shares of Aidite will be sold to Nanjing Securities Co., Ltd. as initial inventory shares for the purposes of market making. Shareholders are to note that the actual gain from the Proposed Spin-off for the Group can only be determined based on the final placement price of the shares of Aidite to Nanjing Securities Co., Ltd.. As the initial inventory shares are for the purposes of market making by the host brokerage, it will not be returned to the Company.

Please refer to section 2.1 of this Circular for more information on the New Third Board.

2.3.2 Board of Directors of Aidite after the Proposed Spin-off

Aidite is currently managed by its board of directors under the supervision of the Board. The current board of directors of Aidite include the Vendors and the nominees of the Company, Dr. Ng Chin Siau, Dr. Cheah Kim Fee and Mr. San Yi Leong. After Aidite is converted to a company limited by shares, Mr. Andrew Young will replace Mr. San Yi Leong as a director of Aidite.

As per the rules of the New Third Board, a listed company is required to have a minimum of five (5) directors. Upon quotation of Aidite on the New Third Board, the board of directors of Aidite will be reconstituted and it will be managed by a separate management team and board of directors independent of the Company, save for one (1) nominee of the Company. Two of the then nominees of the Company on the board of Aidite, namely Dr. Ng Chin Siau, Dr. Cheah Kim Fee and Mr. Andrew Young will resign immediately after the quotation of Aidite on the New Third Board. The Vendors will retain their positions on the reconstituted board of Aidite. The rules of the New Third Board do not mandate the appointment of an independent director on the board of a listed company.

2.4 Key Terms of the Proposed Quotation on the New Third Board

2.4.1 Conditions Precedent

The Proposed Quotation will be conditional upon, amongst others, the following:

- (a) the approval of Shareholders being obtained at the EGM for the Proposed Spin-off;
- (b) the examination opinion and approval of the National Equities Exchange and Quotations Co., Ltd.;
- (c) approval of the CSRC in the event that the shareholders of Aidite exceeds 200; and

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- (d) such other regulatory or other approvals or consents as may be required or advisable in connection with the Proposed Quotation being obtained on terms acceptable to the Company and Aidite and the same remaining in full force and effect.

The Company wishes to highlight that there can be no assurance that approval for the Proposed Quotation will be granted by the National Equities Exchange and Quotations Co., Ltd., or the Proposed Quotation can materialise, or otherwise proceed in a timely fashion. In the event that any of the foregoing is not achieved or fulfilled, the Company will not be able to proceed with the Proposed Quotation.

2.4.2 Transfer Restriction of Aidite Shares

Pursuant to the rules of the New Third Board, the shares of the quoted company held, directly or indirectly by the controlling shareholder(s) and actual controller(s) before the flotation shall be subject to the Transfer Restrictions. The Transfer Restrictions may only be lifted in three (3) equal tranches on the date of the quotation, the first (1st) anniversary of the quotation of Aidite and the second (2nd) anniversary of the quotation of Aidite. Each tranche shall comprise one third of the shares that the quoted company had held prior to the flotation. Save for the initial inventory shares obtained by Nanjing Securities Co., Ltd., the host brokerage to Aidite, for the purposes of market making, the Transfer Restrictions shall also apply to any shares that were transferred within twelve (12) months prior to the quotation. The lifting of the Transfer Restrictions shall be proposed to the host sponsor by the quoted company, and the host sponsor shall report to the New Third Board for the purpose of record-filing. The relevant shares that are the subject of the Transfer Restrictions may only be determined immediately prior to the Proposed Quotation.

2.5 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, “**Primary Healthcare Services**”); (b) dental equipment and supplies distribution services in Singapore, Malaysia and the PRC (“**Distribution Services**”); and (c) the Manufacturing Business and 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.

Rule 210(6) of the Listing Manual provides that a subsidiary of an existing listed issuer will not normally be considered suitable for listing if the assets and operations of the applicant are substantially the same as those of the existing issuer. The Company would like to update Shareholders that the SGX-ST had on 9 November 2015 confirmed that the Proposed Spin-off complied with Rule 210(6) of the Listing Manual. As outlined below, the Manufacturing Business and CAD/CAM Distribution are distinct and substantially different from the Primary Healthcare Services and Distribution Services. The Proposed Spin-off therefore does not constitute a chain listing.

Furthermore, the Board is of the view that there are minimal risks arising from the Proposed Spin-off as Aidite is subject to increased compliance and regulation as a listed entity on the New Third Board.

The rationale and benefits of the Proposed Spin-off are described in greater detail below:

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2.5.1 Enable the Group and the New Group to focus on their respective areas of business and pursue separate opportunities

As outlined above, the principal activities and geographical scope of the business of the Aidite Group is distinct from that of the Group other than the Aidite Group (the “**New Group**”). Following the Proposed Spin-off, the New Group will continue to provide Primary Healthcare Services and Distribution Services in Singapore, Malaysia and the PRC. The Primary Healthcare Services and Distribution Services include:

- (a) sixty-seven (67) dental clinics, four (4) medical clinics, one (1) medical aesthetic centre and two (2) dental equipment and supplies distribution businesses in Singapore;
- (b) eight (8) dental clinics and one (1) dental equipment and supplies distribution business in Malaysia;
- (c) three (3) dental hospitals and nine (9) dental clinics in the PRC; and
- (d) one (1) dental equipment and supplies distribution office in the PRC.

In contrast, the Aidite Group will be involved in the Manufacturing Business and CAD/CAM Distribution through a dental supplies manufacturing factory and warehouse and a dental laboratory in the PRC. Accordingly, there is a clear geographical segregation and differentiation of the businesses.

As the nature of the Aidite Group’s Manufacturing Business and CAD/CAM Distribution business are distinct from the Primary Healthcare Services and Distribution Services undertaken by the New Group, different skills, expertise and financing needs are necessary for the Aidite Group and the New Group to compete in their respective industries.

The Proposed Spin-off will allow the Aidite Group and the New Group to focus on their respective core businesses and implement tailored plans and strategies to grow and expand their own businesses independently.

In addition, due to the distinct nature of the operations and assets of the Aidite Group and the New Group, the Aidite Group and the New Group will have different business risk profiles that require different financing needs to enable them to compete in their respective industries. The differences in business risk profiles arise from, amongst others, the operating margins of the New Group and the Aidite Group. Based on the audited financial statements of the Group for FY2015, the operating margins of the New Group and the Aidite Group are set out below:

Profit and Loss Margins	New Group (S\$'000)	Aidite Group (S\$'000)
Revenue	107,335	16,662
Profit before tax (“PBT”)	12,739	6,255
Net PBT Margin	12.0%	38.0%

Upon completion of the Proposed Spin-off, the financial results of the Aidite Group and the New Group will be segregated. However, the New Group will continue to recognise the Aidite Group as an Associated Company in its financial results. The management of the Aidite Group and the New Group will be free to pursue opportunities that bear different strategies and risks suitable for their respective businesses.

2.5.2 Capitalising on Growth Potential of the Manufacturing Business

The Board is of the view that the Manufacturing Business has considerable growth potential. Based on estimations provided by the Vendors, the global market for zirconium oxide blocks is worth about RMB 500 million (approximately S\$101.0 million) and has grown 20.0% yearly in the last three

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(3) years from 2012 to 2014. The larger markets for such materials include the United States of America with an estimated size of RMB 120 million (approximately S\$24.24 million), and the PRC market which is worth over RMB 100 million (approximately S\$20.2 million).

The Board is encouraged by the prospects for further business development in the zirconium oxide blocks manufacturing sector, which will in turn lead to a positive impact on the Group's business and financial performance through its investments in this sector. Aidite is one of the largest dental ceramic manufacturers specialising in ceramic and zirconium oxide blocks in the PRC. In light of the foregoing, the Board is of the view that neglecting to capitalise on the strong performance of the Manufacturing Business would not be in the interests of the Company or its Shareholders as any potential benefits from the growth of the Manufacturing Business will flow to the Shareholders ultimately through its approximately 34.35% effective shareholding interest in Aidite (assuming Aidite issues 10.0% of its share capital as new shares for the Proposed Quotation).

2.5.3 Allowing the Group to avoid utilising internal resources while still enjoying upsides from the Manufacturing Business

While the Board is of the view that it is important to capitalise on the strong performance of its investments in the dental materials manufacturing sector, the Company is an investment holding company with a diversified portfolio of strategic investments in various sectors.

In light of the fact that the Group has an extensive investment portfolio, it may not be in the best interests of the Shareholders if the Group concentrates its investments in one business segment (particularly a segment that is not considered a core business of the Group). In addition, the Proposed Spin-off will allow Aidite to gain financial autonomy and direct access to the capital markets to fund its existing operations and future expansion plans, thereby minimising reliance on the Group. As such, the Group will be able to conserve its internal resources for the purposes of implementing the Group's overall business strategy more effectively.

Following the Proposed Spin-off, the Group will still retain the opportunity to participate in any potential upside from the Aidite Group's business through its shareholding interest in Aidite. Benefits from the Aidite Group's business will flow to Shareholders through the Company's indirect shareholding interest in Aidite.

2.6 Impact on the Group subsequent to the Restructuring Exercise and the Proposed Spin-off

2.6.1 The Group will remain viable and profitable subsequent to the Restructuring Exercise and the Proposed Spin-off

The revenues, PBTs and NAVs of both the Group and the Aidite Group for each of FY2013, FY2014 and FY2015, based on the audited financial statements of the Group for FY2013, FY2014 and FY2015, are set out below:

<u>Period</u>		<u>Revenue</u> <u>(S\$'000)</u>	<u>PBT</u> <u>(S\$'000)</u>	<u>NAV</u> <u>(S\$'000)</u>
FY2013	The Group	71,154	6,989	46,714
	The Aidite Group	-	-	-
	As a % of the Group	-	-	-
FY2014	The Group	100,284	11,784	89,327
	The Aidite Group	6,644	2,974	7,832
	As a % of the Group	7.0%	25.0%	9.0%
FY2015	The Group	123,997	16,845	108,208
	The Aidite Group	16,662	6,255	20,502
	As a % of the Group	13.0%	37.0%	19.0%

As the Aidite Group was only acquired in August 2014, the Aidite Group did not contribute to the revenue and PBT of the Group in FY2013. In addition, the Aidite Group did not make up any of the NAV of the Group as at 31 December 2013.

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2.6.2 The New Group will continue to meet the admission criteria of the Main Board of the SGX-ST after the Restructuring Exercise and the Proposed Spin-off

Assuming the completion of the Proposed Spin-off, the pro forma financial performance of the New Group, based on the audited financial statements of the Group for FY2013, FY2014 and FY2015, is set out below:

	<u>FY2013</u> <u>(S\$'000)</u>	<u>FY2014</u> <u>(S\$'000)</u>	<u>FY2015</u> <u>(S\$'000)</u>
Revenue	71,154	93,640	107,335
PBT	6,989	9,832	12,739
NAV	46,714	84,185	94,748
Cashflow from Operating Activities	4,135	9,687	8,464

Based on the above, the New Group will continue to be in compliance with Rule 210(2)(b) of the Listing Manual subsequent to the Proposed Spin-off, on the basis that the New Group has a pre-tax profit of approximately S\$12.8 million for FY2015 and an operating track record of at least three (3) years. Based on the prevailing market condition and the pre-tax profit of the New Group, the Company is of the view that the market capitalisation of the New Group would continue to meet the admission criteria of the Main Board of the SGX-ST.

3. THE RESTRUCTURING EXERCISE

Pursuant to an internal restructuring exercise, 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 the Aidite Group are kept separate from the New 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 Terms of the Service Agreements

As part of the terms of the Acquisition, the Vendors signed the Service Agreements on 17 March 2014 with Q & M China and Q & M Aidite, and the Non-Compete Agreement on 6 June 2014 with Q & M China whereby Q & M China paid the Vendors a sum of RMB 5.5 million (approximately S\$1.2 million, at the then exchange rate of S\$1: RMB 4.58) as consideration for the entry into the Non-Compete Agreement. The Vendors also provided the Profit Guarantee as part of the terms of the Acquisition to the Company, the terms of which are disclosed by the Company in its announcement dated 28 February 2014. Notwithstanding the transfer of Q & M China's entire equity interest of Q & M Aidite to the Company, no novation of the rights and obligations under the Service Agreements and Non-Compete Agreement shall be necessary given that Q & M China continues to be a wholly-owned subsidiary of the Company.

The Service Agreements provide that the Vendors are to be engaged to provide services in relation to the development of the business of Q & M Aidite and Aidite and will provide, amongst others, the following services:

- (a) recruiting and retaining the senior management and key technical employees of Q & M Aidite and Aidite;

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- (b) reviewing the operations of Q & M Aidite and Aidite;
- (c) ensuring that all licenses, permits and approvals necessary for Aidite to carry on its business in the PRC are obtained;
- (d) ensuring that all reporting, registration and filing obligations of Aidite in the PRC are complied with; and
- (e) providing training and management to the employees of Q & M Aidite and Aidite.

The Non-Compete Agreement provides that the Vendors undertake that they will not, amongst others, take any action to:

- (a) be employed, engaged or interested (whether directly or indirectly) in any business in any territories anywhere in the world in which Q & M China, Q & M Aidite and/or Aidite has business operations, that is in competition with the business of Aidite;
- (b) solicit in competition with Q & M China, Q & M Aidite and/or Aidite, any person, firm or company who is or who was a customer or supplier of Q & M China, Q & M Aidite and/or Aidite; and
- (c) induce any director, employee, consultant of Q & M China, Q & M Aidite or Aidite to terminate such directorship or employment or contract with Q & M China, Q & M Aidite or Aidite.

Under the Profit Guarantee, the Vendors guaranteed that for the period commencing 1 January and ending on 31 December of each year (each a “**Profit Guarantee Year**”) within a twelve (12)-year period beginning 2014, the profit of Aidite in the relevant Profit Guarantee Year shall be no less than the amount set out for each year in the table as follows:

<u>Year</u>	<u>Guaranteed Amount</u> <u>(RMB'000,000)</u>
2014	15
2015	17.25
2016	19.84
2017	22.81
2018	26.24
2019	30.17
2020	30.17
2021	30.17
2022	30.17
2023	30.17
2024	30.17
2025	30.17

The Vendors further guaranteed that the sum of net distributable profit after tax payable to Q & M China in the relevant Profit Guarantee Year shall be no less than the amount set out for each year in the table as follows:

<u>Year</u>	<u>Guaranteed Amount</u> <u>(RMB'000,000)</u>
2014	7.65
2015	8.80
2016	10.12
2017	11.63
2018	13.38
2019	15.39
2020	15.39

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<u>Year</u>	<u>Guaranteed Amount</u> <u>(RMB'000,000)</u>
2021	15.39
2022	15.39
2023	15.39
2024	15.39
2025	15.39

In respect of Profit Guarantee Year 2014, the guaranteed amount was pro-rated to reflect the completion of the Acquisition in August 2014. Aidite was able to meet the Profit Guarantee for the Profit Guarantee Year 2014 and Profit Guarantee Year 2015.

3.2.2 Discharge of Profit Guarantee

Under the terms of the Master Supplemental Agreement, the Profit Guarantee will be discharged upon the successful quotation of Aidite on the New Third Board.

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 Year 2014 and Profit Guarantee Year 2015.

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. Accordingly, the Proposed Spin-off will ensure that the Group's investment will be sufficiently protected.

Shareholders should note that the Profit Guarantee will remain unaltered in the event Aidite is not listed on the New Third Board.

3.2.3 Cancellation of the Vendors' Options

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 (the "**Vendors' Options**"). The Vendors' Options were made exercisable within five (5) years upon the satisfaction of, amongst others, the following conditions (the "**Options Conditions**", and each a "**Option Condition**"):

- (a) the Vendors having subscribed for RMB 10.0 million (approximately S\$2.02 million) worth of Shares;
- (b) the Vendors having performed all their obligations required to be performed under the Master Agreement; and
- (c) Q & M Aidite having been legally registered as the sole shareholder of Aidite.

As at the Latest Practicable Date, Option Condition (c) has been satisfied. Option Condition (b) is an ongoing obligation.

In relation to Option Condition (a), the Vendors proposed to subscribe for 4,660,848 new Shares (the "**Company Subscription Shares**") at an issue price of S\$0.46 for each Company Subscription Share on the terms and subject to the conditions of the subscription agreement dated 21 January

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2015 between the Company and the Vendors. Pursuant thereto, the Vendors paid an amount of RMB 10.0 million (approximately S\$2.1 million, at the then exchange rate of S\$1: RMB 4.76) to the Company towards the Company Subscription Shares. On 22 February 2015, the Company announced that it had received the approval in-principle from the SGX-ST for the admission of the Company Subscription Shares to the Official List of the SGX-ST and the listing and quotation of the Company Subscription Shares. The approval in-principle from the SGX-ST was subject to, amongst others, the condition that Shareholders' approval is obtained for the Vendors' Options. The Vendors have paid the entire consideration for the Company Subscription Shares.

It is a legal requirement that there must be Chinese shareholders in the 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 pursuant to which, amongst others, the Vendors agreed to revoke their rights to the Vendors' Options and Q & M China had paid the Vendors the Cancellation Consideration of RMB 28.79 million (approximately S\$6.27 million, at the then exchange rate of S\$1: RMB 4.591) (of which Mr. Li Hongwen received RMB 17.04 million (approximately S\$3.72 million, at the then exchange rate of S\$1: RMB 4.591) and Mr. Li Bin received RMB 11.75 million (approximately S\$2.56 million, at the then exchange rate of S\$1: RMB 4.591)).

The Company Subscription Shares have not been issued to the Vendors as at the Latest Practicable Date. The Company Subscription Shares, when issued, represent 0.59% of the issued share capital of the Company as at the Latest Practicable Date.

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, Q & M China and the Vendors 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).

3.2.4 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).

A key term of the Acquisition was that the paid up capital of Aidite should be RMB 47.0 million (approximately S\$9.9 million, at the then exchange rate of S\$1: RMB 4.74). As disclosed under section 3.1 of this Circular, 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)

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and as such, the consideration of RMB 23.03 million (approximately S\$4.86 million, at the then exchange rate of S\$1: RMB 4.74) was arrived at based on a 49.0% stake of the paid up capital of RMB 47.0 million (approximately S\$9.9 million, at the then exchange rate of S\$1: RMB 4.74).

The proceeds of the Vendors' Aidite Subscription were paid in cash to Aidite, where it shall be used for general working capital purposes.

Rationale for and Benefits of the Vendors' Aidite Subscription

As disclosed under section 3.2.3 of this Circular, in connection with the Proposed Spin-off, it is a legal requirement that there must be Chinese shareholders in the 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, through their partnerships, have subscribed for equity interests in Aidite directly instead of through Q & M Aidite.

3.3 Stage 3: Capitalisation of the Loan

In connection with the Acquisition, Q & M China had provided the Loan of S\$17.0 million to Q & M Aidite to fund Q & M Aidite's acquisition of the entire issued and paid-up share capital of Aidite. Pursuant to the proposed Restructuring Exercise, Q & M China had provided the Additional Loan of S\$1.26 million to Q & M Aidite. Save for the Loan and Additional Loan, no other 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 currently owed directly to the Company.

Pursuant to the Company Subscription Agreement, the Company and Q & M Aidite have agreed to capitalise S\$13.0 million of the Loan into 18,965,064 Class B Preference Shares as partial settlement of the debts owed to the Company.

The Aidite Subscription Consideration 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 repayment of the outstanding amount of the Loan and Additional Loan. Upon completion of the Proposed Aidite Subscription, the entire amount of the Loan and the Additional Loan shall stand settled.

Rationale for and the Benefits of the Loan Capitalisation

As disclosed in sections 3.4 and 3.5 of this Circular, the Company and the Q & M Professionals Holdco shall hold its equity interest in Aidite through Q & M Aidite. Accordingly, the Loan Capitalisation will 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 Background of the Subscription Agreements for the Subscription of Aidite Preference Shares by the Company and the Q & M Professionals Holdco

In order to provide a tax efficient capital structure, the Company will procure Q & M Aidite to allot and issue two (2) classes of redeemable preference shares in the issued share capital of Q & M Aidite, namely the Class A Preference Shares and the Class B Preference Shares. Each class of Aidite Preference Shares shall represent the subscribers' respective economic interests in Aidite, details of which are set out in section 3.4.2 of this Circular.

(a) Class A Preference Shares

Pursuant to the Aidite Subscription Agreement, Q & M Aidite shall allot and issue an aggregate of 4,794,000 Class A Preference Shares, representing 20.0% of the aggregate Aidite Preference Shares, for the Aidite Subscription Consideration of S\$5.26 million. 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 conducted by the Independent Valuer and the valuation report dated 10 August 2016 and the Valuation Summary Letter issued by the Valuer. The methodology of the valuation adopted by the Valuer is set out in paragraph 3 of the Valuation Summary Letter.

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The Proposed Aidite Subscription will not result in a fair value gain or loss to the Company as there is no deemed disposal of shares and no reclassification of Q & M Aidite from a subsidiary to an Associated Company.

Class A Preference Shares will also be issued to Dr. Cheah Kim Fee, representing 0.88% of the aggregate Aidite Preference Shares. Details of the allotment and issuance of Class A Preference Shares to Dr. Cheah Kim Fee are set out in section 3.6 of this Circular.

(b) Class B Preference Shares

Q & M Aidite has entered into the Company Subscription Agreement with the Company pursuant to which Q & M Aidite will allot and issue 18,965,064 Class B Preference Shares to the Company pursuant to the Loan Capitalisation. Once all of the Class A Preference Shares are issued, the Class B Preference Shares shall represent 79.12% of the aggregate Aidite Preference Shares.

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

In order to ensure that the Proposed Quotation can be carried out in a timely manner, the Company has been advised by its PRC legal advisers that prior to the completion of the Proposed Quotation, there should be no changes to the shareholding structure of Q & M Aidite following the issuance of the Class B Preference Shares such that a new shareholder is introduced to Q & M Aidite. Accordingly, Q & M Aidite, the Q & M Professionals Holdco and Dr. Cheah Kim Fee had collectively agreed that the completion of the subscription of the Class A Preference Shares in Q & M Aidite by the Q & M Professionals Holdco and Dr. Cheah Kim Fee shall only take place at the earlier of (i) the completion of the Proposed Quotation; or (ii) 31 December 2016 or such other date as may be agreed on by the Company, Q & M Aidite and the Q & M Professionals Holdco.

Pursuant to the terms of the Aidite Subscription Agreement, the subscription of the Class A Preference Shares by the Q & M Professionals Holdco will, however, be conditional on, amongst others, the approval by the Shareholders at the EGM. **Shareholders are to note that the Aidite Subscription Consideration will be payable upon Shareholders' approval of the Proposed Aidite Subscription. The Aidite Subscription Consideration will be held in escrow until the completion of the subscription of the relevant Aidite Preference Shares by the Q & M Professionals Holdco and Dr. Cheah Kim Fee. In the event that Shareholders' approval is obtained and all other conditions precedent are satisfied but the Proposed Quotation does not take place, the Class A Preference Shares will still be issued to the Q & M Professionals Holdco and Dr. Cheah Kim Fee on 31 December 2016 or such other date as may be agreed on by the Company, Q & M Aidite and the Q & M Professionals Holdco.**

3.4.2 Terms of the Aidite Preference Shares

(a) Redemption of 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. The economic interests of the Company and the Q & M Professionals Holdco in Aidite shall be represented by the proportion of its respective class of Aidite Preference Shares out of all of the outstanding issued Aidite Preference Shares. Accordingly, the aggregate number of Aidite Shares that the Company is entitled to dispose shall be limited to the extent represented by its economic interest. Pursuant to the redemption, a notice shall be sent to Q & M Aidite, specifying the number of Aidite Shares that the Company wishes to dispose of and the desired minimum sale price of such disposal (the "Redemption Notice").

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In accordance with the terms of the 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 ("**Tag-along Right**"). Concurrent with the Redemption Notice, the Company shall send to the Q & M Professionals Holdco a notice in writing giving details of the proposed redemption ("**Tag-along Notice**"). Pursuant to the Tag-along Right, the Q & M Professionals Holdco shall have the option, but not the obligation, to redeem such number of Class A Preference Shares on the same terms and conditions and on a *pro rata* basis to the amount of Class B Preference Shares that are subject to redemption. The Q & M Professionals Holdco shall, within seven (7) Business Days of receipt of the Tag-along Notice, notify Q & M Aidite of its decision ("**Tag-along Reply**"). The option to redeem the *pro rata* portion of the Class B Preference Shares shall lapse after seven (7) Business Days of receipt of the Tag-along Notice.

The Tag-along Right shall subsist for a period of six (6) years from the issuance and allotment of the Class A Preference Shares ("**Tag-along Period**"). Upon the cessation of the Tag-along Period and subject to section 3.4.2(c) of this Circular, the holders of the Class A Preference Shares shall be entitled to redeem their Class A Preference Shares at their sole discretion.

(b) Sale of Aidite Shares

Upon receipt of the Tag-along Reply, Q & M Aidite shall use commercially reasonable endeavours to procure the sale of the Aidite Shares at the desired minimum sale price, subject to the Transfer Restrictions of the New Third Board. As the Company holds all of the Class B Preference Shares, the desired minimum sale price will be determined by the Board. In particular, the Board shall take into account the performance of the Aidite Shares on the New Third Board and assess the opportune time to realise its investment.

The number of Aidite Shares that shall be sold is represented by the economic interests of the aggregate amount of Class A Preference Shares and Class B Preference Shares that are subject to redemption ("**Aidite Sale Shares**"). The proceeds of the sale less taxes, fees, costs and expenses incurred by Q & M Aidite in connection with the sale ("**Net Proceeds**") shall represent the redemption price for the Aidite Preference Shares that are the subject of the redemption. The Net Proceeds shall be repaid in full by Q & M Aidite to the holders of the Aidite Preference Shares, *pro rata* according to the number of Aidite Preference Shares that are subject to redemption. The Aidite Preference Shares shall be deemed to be redeemed upon payment of the Net Proceeds to the holders of the Aidite Preference Shares.

In the event that Q & M Aidite is unable to procure the sale of any Aidite Sale Shares at the desired minimum sale price, no redemption of any Aidite Preference Shares shall be deemed to have taken place.

In the event that Q & M Aidite is unable to procure the sale of all the Aidite Sale Shares, the number of Aidite Sale Shares that shall be sold shall be apportioned between the holders of the Aidite Preference Shares, *pro rata* according to the number of each class of Aidite Preference Shares that is originally redeemed. The final amount of Aidite Preference Shares that shall be redeemed will be determined by the actual number of Aidite Sale Shares that is sold.

(c) Exchange of Preference Shares

If permitted under the applicable laws and the rules of the New Third Board, all Class A Preference Shares shall be mandatorily and automatically exchanged into Aidite Shares after the cessation of the Tag-along Period. The number of Aidite Shares that shall be transferred from Q & M Aidite to the holders of the Class A Preference Shares shall be determined based on the economic interests of the holders of the Class A Preference Shares in Aidite at the time of transfer. Upon the completion of the transfer, the holders of the Class A Preference Shares shall cease to hold any interests in Q & M Aidite and will have direct interests in Aidite, while the Company, being the holder of the Class B Preference Shares, will continue to hold its interests through Q & M Aidite.

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However, in the event that the exchange of the Class A Preference Shares to Aidite Shares is not permissible, the holders of the Class A Preference Shares shall be entitled to redeem its Class A Preference Shares at its sole discretion.

(d) Change of Control of the Company

Pursuant to the terms of the Class A Preference Shares, in the event that Dr. Ng Chin Siau's direct or deemed interests in the Company fall below 40.0% ("**Change of Control Event**") before the expiry of the Tag-along Period, the Tag-along Period shall cease to subsist. The holders of the Class A Preference Shares shall be entitled to redeem its Class A Preference Shares at its sole discretion or pursuant to the Tag-along Right as set out in section 3.4.2(a) of this Circular.

3.5 Key Terms of the Aidite Subscription Agreement

As set out in section 3.5.4 of this Circular, 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**").

3.5.1 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 Encumbrances over any of the Class A Preference Shares, subject to the redemption of the Class A Preference Shares pursuant to the Tag-along Right as set out in section 3.4.2(a) of this Circular.

In addition, upon the occurrence of a Change of Control Event, 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.

3.5.2 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 NTA 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.

3.5.3 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:

- (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;

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- (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.

3.5.4 Shareholding Structure of the Q & M Professionals Holdco

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 ⁽¹⁾	Non-Executive and Independent Chairman	0.55
Mr. Ng Weng Sui Harry ⁽¹⁾	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 Jiuan ⁽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) Please refer to section 5 of this Circular for more information on the Proposed Aidite Subscription being an interested person transaction.
- (2) Ms. Foo Siew Jiuan 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 B 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.

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

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3.6 Stage 5: Dr. Cheah's Aidite Subscription

Pursuant to the Dr. Cheah Subscription Agreement, Dr. Cheah Kim Fee, the Chief Executive Officer of Q & M China, who currently holds 1.0% in the share capital of Q & M Dental Group (China) Pte. Ltd., shall subscribe for an aggregate of 210,936 Class A Preference Shares, representing 0.88% of the aggregate Aidite Preference Shares, for the Dr. Cheah Subscription Consideration of S\$0.1 million. In connection with his subscription of the Class A Preference Shares, 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

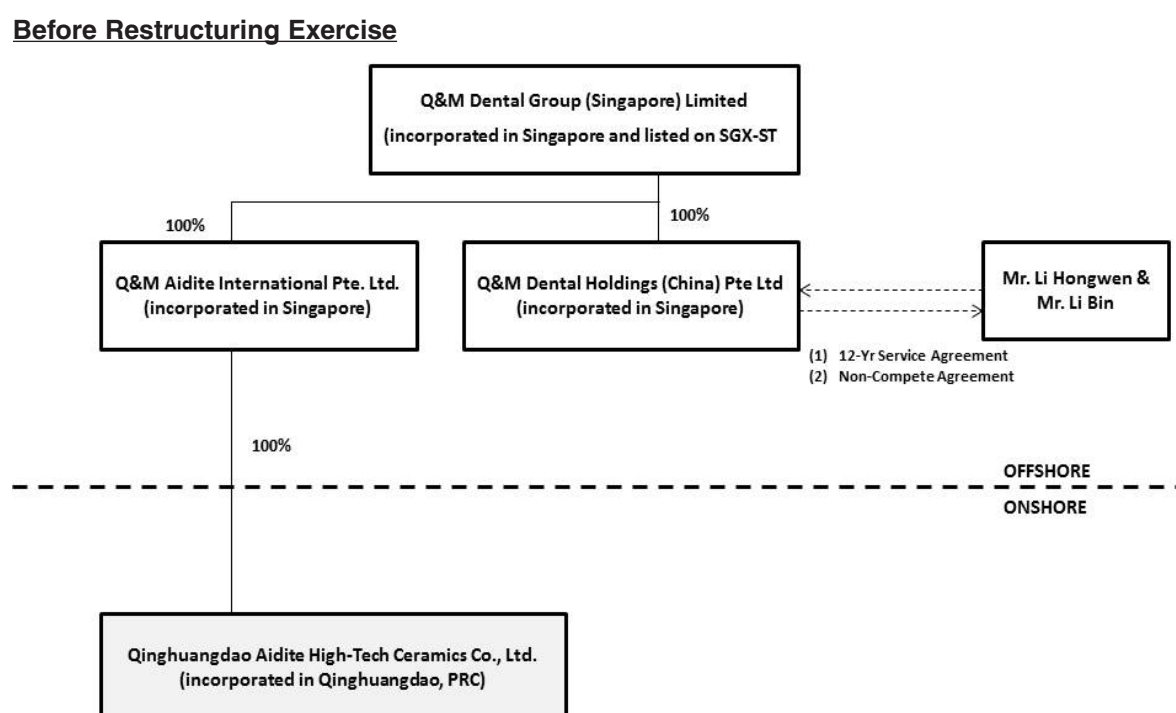
Further to the above, pursuant to a subscription agreement entered into on 9 April 2016 between Aidite and Jie Ying, Jie Ying subscribed for 2,682,900 shares in Aidite, representing 5.4% of the enlarged share capital of Aidite, at a cash consideration of approximately RMB 14.49 million (approximately S\$3.01 million, at the then exchange rate of S\$1: RMB 4.814). 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 an effective equity interest of 46.354% and 5.4% in Aidite respectively.

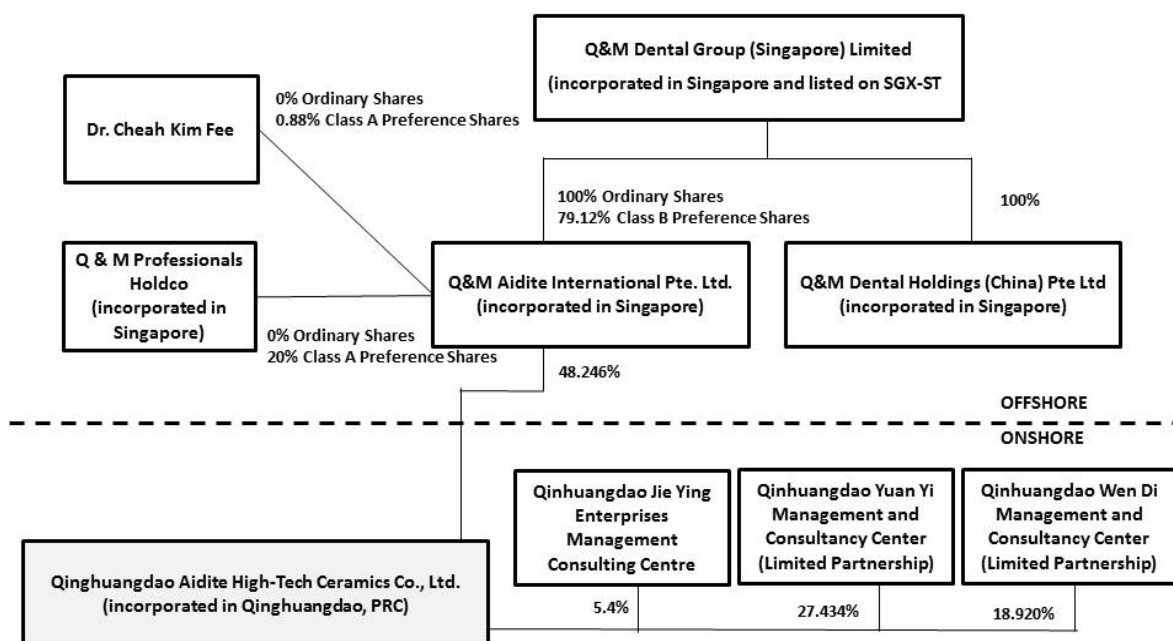
3.9 Group Structure

The group structure before and after the Restructuring Exercise is depicted below (Onshore refers to companies incorporated in the PRC and offshore refers to companies incorporated outside the PRC):



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After Restructuring Exercise



4. RULE 805(2) OF THE LISTING MANUAL

Rule 805(2)(a) of the Listing Manual requires an issuer to obtain the prior approval of shareholders in general meeting if a principal subsidiary ceases to be a subsidiary of the issuer. 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 the minority interest relating to that subsidiary) accounts for 20.0% or more of such pre-tax profits of the Group. In determining profits, exceptional and extraordinary items are to be excluded.” Aidite’s pre-tax profit compared to the Group for FY2015 is 37.0%.

Assuming that Aidite issues 10.0% of its share capital as new shares for the Proposed Quotation, the Company will own an effective equity interest of 34.35% in Aidite upon completion of the Proposed Spin-off. As disclosed in section 2.3.2 of this Circular, the board of Aidite will also be reconstituted and it will be managed by a separate management team and board of directors independent of the Company, save for one (1) nominee of the Company. Accordingly, upon completion of the Proposed Spin-off, Aidite will cease to be a subsidiary of the Company and Aidite will be an Associated Company. Aidite’s financial statements (including assets, liabilities, revenue and net income) will no longer be consolidated with the financial statements of the Group.

As such, in accordance with Rule 805(2)(a) of the Listing Manual, the approval of the Shareholders at the EGM must be sought for the Proposed Spin-off.

5. THE PROPOSED AIDITE SUBSCRIPTION AS AN INTERESTED PERSON TRANSACTION

5.1 Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual governs transactions in which an entity at risk (as defined below) enters into or proposes to enter into with a party who is an interested person (as defined below). Under Chapter 9 of the Listing Manual, an immediate announcement and subsequent shareholders’ approval is required in respect of a transaction between an entity at risk and an interested person if the value of that transaction exceeds 5.0% of the latest audited NTA value of the listed group (as defined below).

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The following definitions are contained under Chapter 9 of the Listing Manual:

- (a) the term “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.
- (b) the term “entity at risk” means:
 - (i) the issuer;
 - (ii) a subsidiary of the issuer that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the issuer that is not listed on the SGX-ST or an approved exchange, provided that the issuer and its subsidiaries (the “**listed group**”), or the listed group and its interested person(s) has control over the associated company.
- (c) the term “interested person”, in the case of a company, means:
 - (i) a director, chief executive officer, or controlling shareholder of the issuer; or
 - (ii) an Associate of any such director, chief executive officer, or controlling shareholder.
- (d) the term “interested person transaction” means a transaction between an entity at risk and an interested person.

5.2 Compliance with Chapter 9 of the Listing Manual

As disclosed under section 3.5.4 of this Circular, Dr. Ng Chin Siau is an Executive Director of the Company 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 55.58% of the issued and paid-up share capital of the Company held by Quan Min Holdings Pte. Ltd.. 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 Associates of Dr. Ng Chin Siau. As Dr. Ng Chin Siau holds more than 30.0% 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” within the meaning of Chapter 9 of the Listing Manual for the purposes of the Proposed Aidite Subscription.

Accordingly, 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.

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

5.3 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 NTA, the

LETTER TO SHAREHOLDERS

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, Shareholders' approval is required for the Proposed Aidite Subscription.

Please refer to sections 3.4 and 3.5 of this Circular for more information on the Proposed Aidite Subscription.

5.4 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 Juan, Ms. Ng Sook Hwa and the Q & M Professionals Holdco for the current financial year up to the Latest Practicable Date that need to be aggregated with the value of the Aidite Subscription Consideration pursuant to Rule 906 of the Listing Manual.

5.5 Rationale and Benefits of the Proposed Aidite Subscription

As disclosed in section 3.5.3 of this Circular, 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:

- (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.

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5.6 Opinion of the IFA

Deloitte & Touche Corporate Finance Pte Ltd has been appointed as the independent financial adviser (“IFA”) to the Non-Interested Director, Professor Toh Chooi Gait, to opine on whether the Proposed Aidite Subscription will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

A copy of the IFA Letter, containing the IFA’s opinion in full, is set out in Appendix D to this Circular. Shareholders are advised to read the letter in its entirety.

Having considered the factors set out in the IFA Letter and subject to the assumptions and qualifications contained therein, the IFA is of the opinion that the Proposed Aidite Subscription is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. Accordingly, the IFA has advised the Non-Interested Director, Professor Toh Chooi Gait, to recommend that the Shareholders vote in favour of the Proposed Aidite Subscription.

5.7 Opinion of the Audit Committee

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

Accordingly, having considered, amongst others, the terms, rationale for and benefits of the Proposed Aidite Subscription, as well as the opinion and advice of the IFA on the Proposed Aidite Subscription, Professor Toh Chooi Gait, being the remaining member of the Audit Committee, concurs with the opinion of the IFA and is of the view that the Proposed Aidite Subscription is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

5.8 Abstention from Voting on the Proposed Aidite Subscription

Rule 919 of the Listing Manual requires that interested persons and their Associates must not vote on any Shareholders’ resolution approving any interested person transactions. Accordingly, each of Dr. Ng Chin Siau, Quan Min Holdings Pte. Ltd., Ms. Foo Siew Jiuan and Ms. Ng Sook Hwa will abstain, and has undertaken to ensure that his/her/its Associates will abstain, from voting on the ordinary resolution to approve the Proposed Aidite Subscription as set out in the Notice of EGM. In addition, each of Mr. Narayanan Sreenivasan and Mr. Ng Weng Sui Harry, who are interested in the Proposed Aidite Subscription, will abstain, and has undertaken to ensure that his Associates will abstain, from voting on the ordinary resolution to approve the Proposed Aidite Subscription as set out in the Notice of EGM. Each of Dr. Ang Ee Peng Raymond and the Q & M Professionals Holdco has undertaken to ensure that his/its Associates will abstain from voting on the ordinary resolution to approve the Proposed Aidite Subscription as set out in the Notice of EGM. Based on the foregoing, the aggregate shareholding interests of the interested persons and their Associates and the Directors that will abstain from voting represent approximately 57.09% of the issued share capital of the Company as at the Latest Practicable Date.

Dr. Ng Chin Siau, Dr. Ang Ee Peng Raymond, Mr. Narayanan Sreenivasan and Mr. Ng Weng Sui Harry, being the Directors, have also abstained from making any recommendation to Shareholders on the Proposed Aidite Subscription.

Further, the interested persons and their Associates shall decline to accept appointment as proxies at the EGM unless the Shareholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of such resolution.

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6. THE PROPOSED SPIN-OFF AND THE RELEVANT RESTRUCTURING TRANSACTIONS AS A MAJOR TRANSACTION

6.1 Compliance with Chapter 10 of the Listing Manual

As stated in section 1.2 of this Circular, 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.

Please refer to section 2 of this Circular for information on the Proposed Spin-off, section 3.2.4 of this Circular for information on the Vendors' Aidite Subscription, section 3.7 of this Circular for information on the Employees' Aidite Subscription, sections 3.4 and 3.5 of this Circular for information on the Proposed Aidite Subscription, section 3.2.3 of this Circular for information on the Cancellation Consideration, section 3.2.2 of this Circular for information on the Profit Guarantee Discharge and section 3.3 of this Circular for information on the Loan Capitalisation. The rationale for and the benefits of the Proposed Spin-off and the respective Relevant Restructuring Transaction are set out in the separate sections above.

6.2 Listing Manual Computations

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 consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable.
(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.

LETTER TO SHAREHOLDERS

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 the EGM.

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 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".

LETTER TO SHAREHOLDERS

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>After the Proposed Spin-off</u>
	<u>(Audited) (S\$'000)</u>	<u>(S\$'000)</u>
Total Borrowings	80,165	80,165
Cash and Cash Equivalent	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%

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8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of Directors and Substantial Shareholders in the Shares, as recorded in the Company's register of Directors' Shareholdings and register of Substantial Shareholders' shareholdings respectively, are set out below:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors						
Mr. Narayanan Sreenivasan	290,000	0.04	-	-	290,000	0.04
Dr. Ng Chin Siau ⁽²⁾	11,240,110	1.41	442,696,529	55.58	453,936,639	56.99
Dr. Ang Ee Peng Raymond	-	-	-	-	-	-
Professor Toh Chooi Gait	-	-	-	-	-	-
Mr. Ng Weng Sui Harry	240,000	0.03	-	-	240,000	0.03
Substantial Shareholders (who are not Directors)						
Quan Min Holdings Pte. Ltd. ⁽³⁾	442,696,529	55.58	-	-	442,696,529	55.58
Heritas Helios Investments Pte. Ltd.	64,076,115	8.04	-	-	64,076,115	8.04
Heritas Capital Management Pte. Ltd. ⁽⁴⁾	-	-	64,076,115	8.04	64,076,115	8.04
IMC Heritas Investments Ltd. ⁽⁵⁾	-	-	64,076,115	8.04	64,076,115	8.04
IMC Pan Asia Alliance Corporation ⁽⁶⁾	-	-	64,076,115	8.04	64,076,115	8.04

Notes:

- (1) The percentage shareholding interest is computed based on 796,564,000 Shares.
- (2) Dr Ng Chin Siau is deemed to have an interest in the Shares held by Quan Min Holdings Pte. Ltd. by virtue of his 37.03% direct shareholding in Quan Min Holdings Pte. Ltd.
- (3) Quan Min Holdings Pte. Ltd. is an investment holding company incorporated in Singapore and is the Company's ultimate parent company.
- (4) Heritas Capital Management Pte. Ltd. is deemed to have an interest in the Shares held by Heritas Helios Investments Pte. Ltd. as it is the investment manager of Heritas Helios Investments Pte. Ltd.
- (5) IMC Heritas Investments Ltd. is deemed to have an interest in the Shares held by Heritas Helios Investments Pte. Ltd. as it is the owner of the entire share capital of Heritas Helios Investments Pte. Ltd.
- (6) IMC Pan Asia Alliance Corporation is deemed to have an interest in the Shares held by Heritas Helios Investments Pte. Ltd. as it is the owner of the entire share capital of IMC Heritas Investments Ltd., which is in turn the owner of the entire share capital of Heritas Helios Investments Pte. Ltd.

9. EXTRAORDINARY GENERAL MEETING

The EGM will be held on 26 August 2016 at 6:00 p.m. at PARKROYAL on Kitchener Road, 181 Kitchener Road, Singapore 208533, Emerald Ballroom 1 for the purpose of considering and, if thought fit, passing with or without any modifications, the resolutions set out in the Notice of EGM.

10. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf, may complete, sign and return the Proxy Form attached to the Notice of EGM in accordance with the instructions printed thereon as soon as possible and in any event so as to reach the registered office of the Company not less than forty-eight (48) hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Shareholder does not preclude him from attending and voting at the EGM should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

LETTER TO SHAREHOLDERS

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register at least seventy-two (72) hours before the time fixed for the EGM. Depositors who are individuals and who wish to attend the EGM in person need not take any further action and can attend and vote at the EGM without the lodgement of any Proxy Form.

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.

11. RECOMMENDATIONS OF DIRECTOR

Having reviewed, amongst others, the terms, rationale and financial effects of the Proposed Spin-off and the Relevant Restructuring Transactions, Professor Toh Chooi Gait, being the Non-Interested Director, is of the view that the Proposed Spin-off and the Relevant Restructuring Transactions are in the interest of the Company, and accordingly, Professor Toh Chooi Gait recommends that the Shareholders vote in favour of the Proposed Spin-off and the Relevant Restructuring Transactions at the EGM.

Having reviewed, amongst others, the terms, rationale and financial effects of the Proposed Aidite Subscription, Professor Toh Chooi Gait, being the Non-Interested Director, is of the view that the Proposed Aidite Subscription is in the interest of the Company, and accordingly, Professor Toh Chooi Gait recommends that the Shareholders vote in favour of the Proposed Aidite Subscription at the EGM.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Spin-off, the Proposed Aidite Subscription and the Relevant Restructuring Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular 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 Circular in its proper form and context.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Proposed Aidite Subscription and the Group are fair and accurate in all material aspects.

13. CONSENTS

13.1 Consent from the Valuer

Duff & Phelps Singapore Pte. Ltd., the Valuer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the Valuation Summary Letter (attached to this Circular as Appendix C) and all references thereto, in the form and context in which they appear in this Circular.

13.2 Consent from the IFA

Deloitte & Touche Corporate Finance Pte Ltd, the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the IFA Letter (attached to this Circular as Appendix D) and all references thereto, in the form and context in which they appear in this Circular.

LETTER TO SHAREHOLDERS

14. DOCUMENTS AVAILABLE 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, from the date of this Circular up to and including the date of the EGM:

- (a) the Constitution of the Company;
- (b) the Master Agreement;
- (c) the supplemental agreement to the Master Agreement dated 1 December 2015;
- (d) the subscription agreement dated 1 December 2015;
- (e) the Master Supplemental Agreement;
- (f) the Aidite Subscription Agreement;
- (g) the Company Subscription Agreement;
- (h) the Dr. Cheah Subscription Agreement;
- (i) the valuation report issued by the Valuer dated 10 August 2016;
- (j) the Valuation Summary Letter;
- (k) the IFA Letter;
- (l) the letter of consent dated 11 August 2016 from the Valuer; and
- (m) the letter of consent dated 11 August 2016 from the IFA.

Yours faithfully,

For and on behalf of the Board of Directors of
Q & M Dental Group (Singapore) Limited

Dr. Ng Chin Siau
Group Chief Executive Officer

APPENDIX A – KEY TERMS OF THE AIDITE PREFERENCE SHARES

	Class A Preference Shares	Class B Preference Shares
Issue Price	<ul style="list-style-type: none">• S\$1.0968 (The Q & M Professionals Holdco)• S\$0.4741 (Dr. Cheah Kim Fee)	S\$0.6802
Dividends	<p>The Class A Preference Shares shall rank <i>pari passu</i> with the Class B Preference Shares, in respect of any declaration and payment of dividends by Q & M Aidite.</p> <p>The Aidite Preference Shares shall rank for dividends in priority to all ordinary shares of Q & M Aidite from time to time in issue. So long as any Aidite Preference Shares are in issue, no dividends shall be paid out on any ordinary shares.</p>	
Ranking	<p>The Class A Preference Shares shall rank <i>pari passu</i> with the Class B Preference Shares in respect of participation in profits. The proceeds arising from the redemption of the Aidite Preference Shares do not constitute profits for this purpose.</p> <p>The Aidite Preference Shares shall rank in priority to the ordinary shares of Q & M Aidite and <i>pari passu</i> with all other shares in the capital of Q & M Aidite to the extent that they are expressed to rank <i>pari passu</i> therewith.</p>	
Redemption Rights	<p>A holder of the Class A Preference Shares shall be entitled to exercise its right of redemption pursuant to its Tag-along Right during the Tag-along Period.</p> <p>Upon the occurrence of a Change of Control Event before the expiry of the Tag-along Period, a holder of the Class A Preference Shares shall be entitled to exercise its right of redemption at its sole discretion or pursuant to its Tag-Along Right.</p> <p>Upon the expiry of the Tag-along Period and subject to the “Exchange Rights” below, a holder for the Class A Preference Shares shall be entitled to exercise its right of redemption at its sole discretion.</p>	<p>A holder of the Class B Preference Shares shall be entitled to exercise its right of redemption at its sole discretion.</p>

APPENDIX A – KEY TERMS OF THE AIDITE PREFERENCE SHARES

	Class A Preference Shares	Class B Preference Shares
Exchange Rights	If permitted under applicable laws and the rules of the designated stock exchange upon which the shares of Aidite may be listed, the Class A Preference Shares shall be mandatorily and automatically exchanged into Aidite Shares upon the expiry of the Tag-along Period.	Class B Preference Shares will not be exchangeable into Aidite Shares.
Voting Rights	The holders of the Aidite Preference Shares will be entitled to receive notices of all general meetings but will not be entitled to attend or vote at any general meeting.	
Liquidation Preference	In the event of the commencement of any liquidation, dissolution or winding-up of Q & M Aidite, whether voluntary or involuntary and subject to applicable laws, the Class A Preference Shares shall rank <i>pari passu</i> with the Class B Preference Shares in respect of the distribution of Q & M Aidite's equity interest in Aidite, to the extent that such distribution represents the economic interests of the holder of each class of Aidite Preference Shares. The Aidite Preference Shares shall rank <i>pari passu</i> with the ordinary shares of Q & M Aidite in the distribution of any residual assets of Q & M Aidite.	
Governing Law	The laws of the Republic of Singapore	

**APPENDIX B – LIST OF OTHER SHAREHOLDERS IN THE Q & M
PROFESSIONALS HOLDCO**

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

Q & M Dental Group (Singapore) Limited
81 Science Park Drive #02-04
The Chadwick
Singapore Science Park 1
Singapore 118257

10 August 2016

**Valuation Summary Letter on
Fair Value of Q & M Professionals Holdco's 20.0% Equity Interest in
Q & M Aidite International Pte Ltd as at 31 March 2016**

Dear Sirs,

Pursuant to our engagement letter dated 25 February 2016 and addendum dated 2 June 2016 between Q & M Dental Group (Singapore) Limited (“Q & M Dental Group” or the “Client”) and Duff & Phelps Singapore Pte Ltd (“Duff & Phelps”) (the “Agreement”), we have performed an analysis on the fair value Q & M Professionals Holdco's 20.0% equity stake in Q & M Aidite International Pte Ltd (“Q & M Aidite”) as at 31 March 2016 (the “Valuation Date”).

1. BACKGROUND AND INTRODUCTION

Founded in 1996 and listed on the Mainboard of the Singapore Stock Exchange (“SGX”), Q & M Dental Group operates various private dental outlets in Singapore, Malaysia and China. The company operates through various business segments including Primary Healthcare, Dental Equipment & Supplies Distribution, and Dental Supplies Manufacturing segments.

In August 2014, Q & M Dental Group's wholly-owned subsidiary, Q & M Dental Holdings (China) Pte Ltd (“Q & M China”), acquired 100.0% of Qinhuangdao Aidite High Technical Ceramic Co., Ltd (“Aidite”), via an investment holding company known as Q & M Aidite, from Mr. Li Bin and Mr. Li Hongwen for a cash consideration of RMB39.5 million, plus an additional RMB35.0 million to be injected as capital for Aidite's expansion (herein known as the “Acquisition”).

Aidite is a private company based in Hebei Province, China. Established in 2007, the company is in the business of manufacturing dental ceramics and zirconium oxide blocks, which are the key materials used in dental computer-aided design/computer-aided manufacturing (“CAD/CAM”) machines for fabrication of dental prosthesis. In addition, the company also distributes dental equipment, spare parts and other dental consumables.

In November 2015, Q & M Dental Group announced its decision to spin-off Aidite (“Proposed Spin-off”) via a listing on the New Third Board in Beijing, China. In connection

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with the Proposed Spin-off, Q & M Dental Group will undertake a restructuring exercise in which Q & M Aidite shall allot and issue Class A preference shares representing 20.0% of the aggregate preference shares to Q & M Professionals Holdco, Class A preference shares representing 79.12% of the aggregate preference shares to Q & M Dental Group and Class A preference shares representing 0.88% of the aggregate preference shares to Dr. Cheah Kim Fee, the Chief Executive Officer of Q & M China. On completion of the subscription, Q & M Dental Group will hold 100.0% of the ordinary shares and 79.12% of the preference shares of Q & M Aidite while Q & M Professionals Holdco will hold 20.0% of the preference shares of Q & M Aidite (herein known as the “Proposed Restructuring Exercise”). The preference shares held by Q & M Professionals Holdco allows them rights to proportionate (20%) economic interest in Q & M Aidite but no voting rights.

We understand from the management of Q & M Dental Group (“Management”) that the Q & M Professionals Holdco will be owned by the management team, employees and Singapore-based dentists who have contributed to the development and success of Q & M Dental Group. Given that the shareholders of Q & M Professionals Holdco are also the shareholders of Q & M Dental Group, the Proposed Restructuring Exercise is deemed as Interested Party Transaction (“IPT”) under the Chapter 9 of the Listing Manual of the SGX-ST.

In conjunction with the IPT, Duff & Phelps is engaged to perform a fair valuation of Q & M Professionals Holdco’s 20.0% stake in Q & M Aidite in the form of preference shares (herein known as the “Equity Value”) as at the Valuation Date.

Management has informed us that there are two significant post Valuation Date events that have been implemented at Aidite:

1. In April 2016, we understand from Management that Q & M Dental Group’s shareholding interest in Aidite has been decreased to 48.246% from 51% pursuant to the completion of a subscription agreement entered into on 9 April 2016 between Aidite and Qinhuangdao Jie Ying Enterprises Management Consulting Centre (“Jie Ying”), a limited partnership registered in the PRC with Mr. Li Hongwen (the “Subscription Agreement”).

Pursuant to the Subscription Agreement, Jie Ying shall subscribe for 2,682,900 shares in Aidite (the “Subscription Shares”), representing 5.4% of the enlarged share capital of Aidite, at a cash consideration of approximately RMB14.49 million (equivalent to approximately SGD3.01 million).

2. Further, a dividend of RMB15 million has been declared by Aidite and has been approved by the Board in late March 2016. However, this dividend has not been paid out as of 31 March 2016. We understand from Management that Q & M Aidite is entitled to 51% of the dividend as it was declared before the issuance of fresh shares to Jie Ying.

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Management has instructed Duff and Phelps to incorporate the impact of the share issuance and dividend payment (herein collectively referred to as “Post Valuation Date Transactions”) into the valuation as at 31 March 2016.

We understand that the purpose of our analysis is solely to be used for public disclosure in the circular to the Client’s shareholders in respect of the Proposed Restructuring Exercise (the “Circular”) and our final report titled “Estimation of the Fair Value of Q & M Professionals Holdco’s 20.0% Equity as at 31 March 2016” dated 10 August 2016 (the “Final Valuation Report”) is made available to the Client’s shareholders for inspection in compliance with the SGX rulebook.

This valuation summary letter has been prepared for the purpose of incorporation in the Circular to be issued in relation to the announcement of the Proposed Restructuring Exercise, and is a summary of the information contained in our Final Valuation Report. Accordingly, this letter should be read in conjunction with our Final Valuation Report. For further details, please refer to the Final Valuation Report made available at the Client’s registered office at 81 Science Park Drive #02-04, The Chadwick, Singapore Science Park 1, Singapore 118257.

Unless otherwise stated, words and expressions defined in the Circular for the purpose of obtaining shareholder’s approval for the Proposed Restructuring Exercise will have the same meaning in this letter.

2. TERMS OF REFERENCE

Basis of Valuation

Fair value, as defined by the International Valuation Standards Council, is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.

Definition of Business Enterprise and Equity Value

Business enterprise is the total invested capital, that is equivalent to the combination of all interest-bearing debts, shareholders’ loans and shareholders’ equity. Alternatively, the business enterprise is equivalent to the combination of all tangible assets (buildings, machinery and equipment), long-term investment, net operating working capital and intangible assets of a continuing business. Equity value is equivalent to business enterprise value less net debt (being the interest-bearing debts less any excess cash).

3. VALUATION METHODOLOGIES

Our valuation conclusion relies on the approaches judged to be most appropriate for the purpose and scope of our analysis, as well as the nature and reliability of the data available to us. Utilizing the appropriate approaches, we estimated the enterprise and equity value

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of the company, and applied a weighting to each approach (if more than one approach is being used), to arrive at a range of estimated value for the subject company.

A. Income Approach

The income approach explicitly recognizes that the current value of the business (or asset) is premised on the expected receipt of future economic benefits to be generated over its remaining life. These benefits can be in the form of earnings, net income, cash flow, or other measures of profitability and should include the proceeds from final disposition as well as cost savings and tax deductions. Value indications are developed by discounting expected benefits to their present value at the required rate of return that incorporates the time value of money and risks associated with the particular asset. The discount rate selected is generally based on expected rates of return available from alternative investments of similar type, quality, and risk as of the Valuation Date.

B. Market Approach

The market approach is a technique used to estimate value from an analysis of actual transactions or offerings for economically comparable business (or asset) available as of the Valuation Date. The process is essentially that of comparison and correlation between the subject business and similar business which have recently been sold or are offered for sale in the market. The transaction or offering prices of the comparable business are adjusted for dissimilarities in characteristics including status/stage, location, time of sale, growth and size, and among others. The adjusted prices of the comparable business provide an indication of value for the subject business.

C. Cost Approach

The cost approach is a technique that uses the reproduction or replacement cost as basis for value. The cost to reproduce or replace the subject asset with a new asset, either identical (reproduction) or having the same utility (replacement), establishes the highest amount a prudent investor is likely to pay. To the extent that the asset being valued provides less utility than a new one, due to physical deterioration, functional obsolescence, and/or economic obsolescence, the value of the subject asset is adjusted for those reductions in value. Adjustments may be made for age, physical wear and tear, technological inefficiencies, changes in price levels, and reduced demand, among other factors. This approach might be considered as a reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to the asset.

In forming our opinion of fair value of the business enterprise as going concern business, we relied on the discounted cash flow (“DCF”) method under the income approach as well as the guideline public company method under the market approach.

We have not considered using the cost approach as it does not capture future earnings potential of the business or current operating features of the subject company and, thus, is generally not considered in the valuation of going concern business. Please refer to our

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Final Valuation Report for detailed information on historical financial analysis, Management projections, valuation methodologies applied and other assumptions.

4. VALUATION SUMMARY AND CONCLUSION

Our valuation conclusion relies on the approaches judged to be most appropriate for the purpose and scope of our analysis, as well as the nature and reliability of the data available to us.

Based on our analysis and information provided by Management, the **Equity Value of Q & M Professionals Holdco's 20.0% stake in Q & M Aidite is estimated to range between SGD5.1 million to SGD5.4 million**. Our valuation conclusion is summarized in Exhibit 1 below:

Q & M Dental Group (Singapore) Limited Exhibit 1
 Estimation of the Fair Value of Q & M Aidite International Pte Ltd ("Q & M Aidite") as of 31 Mar 2016
 In Chinese Yuan thousands unless otherwise indicated

Summary of Values

Summary					
	Inputs	Weighting	Estimated Range of Value as at Valuation Date		
			Low	Base	High
(1) Income Approach - Discounted Cash Flow Method		50.0%	211,366.6	224,815.9	240,407.6
(1) Market Approach - Guideline Public Company Method		50.0%	363,000.0	363,000.0	363,000.0
Enterprise Value of Aidite			287,983.3	290,907.9	301,703.8
(2) Plus: Excess Cash & Equivalents			14,214.2	14,214.2	14,214.2
(2) Excess/(Deficit) DFNWC, Net of Excess Cash			-	-	-
(2) Less: Interest-Bearing Debt			-	-	-
Equity Value of Aidite (at 100.0% stake)			301,397.5	308,122.2	315,918.1
Post Valuation Date Adjustments					
(2) Less: Dividend Declaration		100.0%	15,000.0	15,000.0	15,000.0
(2) Plus: Cash Consideration for 5.4% of the share capital of Chihuangdao Aidite			14,490.0	14,490.0	14,490.0
Equity Value of Aidite after adjustments (at 100.0% stake)			300,887.5	307,612.2	315,408.1
(3) Equity Value of Aidite (at 48.246% stake)		48.2%	145,966.2	148,418.6	152,171.8
(4) Equity Value of Aidite (at 48.246% stake, in SGD '000s)		4.78	30,378.0	31,056.9	31,844.0
(1) Less: Present Value of Q & M Aidite Corporate Overheads			305.3	305.3	305.3
(2) Plus: Excess Cash of Q & M Aidite (company level)			177.2	177.2	177.2
Equity Value of Q & M Aidite (sum-of-parts)			30,250.0	30,928.9	31,716.0
(5) Less: Discount for Lack of Marketability		15.0%	4,537.5	4,639.3	4,757.4
Adjusted Equity Value of Q & M Aidite (non-marketable basis)			25,712.5	26,289.6	26,958.6
(6) Concluded Equity Value for Professionals Holdco		20.0%	5,142.5	5,257.9	5,391.7

Notes:

- (1) Please refer to Exhibit 2-8.
- (2) Source: Management.
- (3) Effective equity stake of Aidite owned by Q & M Aidite.
- (4) Based on SGD/CNY exchange rate as at Valuation Date. Source: Ceanda.com.
- (5) Computed based on Flannerty Model. Source: Duff & Phelps.
- (6) Effective equity stake of Professionals Holdco in Q & M Aidite.

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4.1 Equity Value of Aidite

A. Summary of Results based on Income Approach

Using the DCF method, it is in our opinion that the enterprise value (“EV”) of Aidite is reasonably ranging from RMB211.4 million to RMB240.4 million. In arriving at our conclusion, we have relied on cash flow projections provided by Management from FY2016 to FY2020 and also adopted the following key assumptions and inputs:

- Weighted average cost of capital (“WACC”): 16.0%;
- Perpetual growth rate: 3% p.a. based on the long-term inflation rate in China; and
- Sensitivity analysis on the EV: based on +/- 1.0% difference to the base discount rate of 16.0%.

B. Summary of Results based on Market Approach

Using the Market Approach, it is in our opinion that the EV of Aidite is reasonably stated at RMB363.0 million. In arriving at our conclusion, we have adopted the following key inputs:

- Comparable companies multiples: based on last-twelve-month (“LTM”) EV/revenue multiples of 4.67x; and
- LTM revenue of Aidite: RMB77.8 million.

Based on the average of the two approaches above, Aidite’s EV ranges from RMB287.2 million to RMB301.7 million. The EV is then adjusted for RMB14.2 million of cash (nil debt), RMB15 million of dividend declaration and RMB14.5 million of cash consideration for 5.4% of the share capital of Aidite to arrive at the equity value of Aidite on a 100.0% basis. Considering that Q & M Aidite only owns 48.246% of Aidite, Aidite’s equity value at 48.246% stake is stated between RMB145.2 million and RMB152.2 million (approximately between SGD30.4 million and SGD31.8 million based on the SGD/RMB exchange rate of 4.78 as at Valuation Date).

4.2 Adjustments for Q & M Aidite Corporate Overheads

We have considered the following adjustments based on the Q & M Aidite company-level financial statements provided by Management:

- Corporate overheads: Q & M Aidite has SGD33,798.00 corporate overheads in FY2015. Given that these are recurring in nature, we have assumed the corporate overheads to grow at an annual inflation rate of 1.8% - 1.9% p.a. based on the estimated future inflation rate of Singapore. The overheads are discounted to the Valuation Date using Singapore WACC of 12.0% and the present valued corporate overheads is stated at SGD305,251.10; and

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- Excess cash: SGD177,246.90

4.3 Other Adjustments

As we understand that the shareholders of Q & M Professionals Holdco only own 20.0% preferred equity in Q & M Aidite and the preference shares will be locked-in for a period of six years (for all shareholders of Q & M Professionals Holdco excluding those who are also independent directors in Q & M Dental Group namely Mr. Narayanan Sreenivasan and Mr. Ng Weng Sui Harry), the Equity Value of Q & M Professionals Holdco's 20.0% stake in Q & M Aidite needs to be adjusted with a lack of marketability discount ("DLOM"). Using the Finnerty Model, we have arrived at a 15.0% DLOM.

5. LIMITING CONDITIONS TO OUR VALUATION

- i. Duff & Phelps' Final Valuation Report does not constitute an audit in accordance with Auditing Standards. Duff & Phelps has not independently investigated or verified the data provided by Management. We have, however, reviewed such data for its consistency and reasonableness, relied on explanations and information provided by Management and accepted such data to be true and accurate.
- ii. The responsibility for forecasts and the assumptions on which they are based is solely that of the Management. Duff & Phelps do not provide assurance on the achievability of the results forecasted because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of Management. It must be emphasized that revenue and profit forecasts necessarily depend upon subjective judgment. They are to a greater or lesser extent, according to the nature of the business and the period covered by the forecasts, subject to substantial inherent uncertainties. In consequence, they are not capable of being audited or substantiated in the same way as financial statements, which present the results of completed periods.
- iii. Duff & Phelps has relied on data from external sources. These sources are considered to be reliable and therefore, Duff & Phelps assumes no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where Duff & Phelps has relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure the accuracy of such data and that such data has been accurately and correctly extracted from those sources. Duff & Phelps has assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences.
- iv. The scope of work has been limited both in terms of the areas of the business and operations which have been reviewed. There may be matters, other than those noted in this report, which might be relevant in the context of the transaction and which a wider scope might uncover.

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Q & M Dental Group (Singapore) Limited

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- v. Our Final Valuation Report is issued on the understanding that Management has drawn our attention to all matters of which they are aware concerning the financial position of the businesses, which may have an impact on the Final Valuation Report up to the Valuation Date. Duff & Phelps has no responsibility to update the Final Valuation Report for events and circumstances occurring after the Valuation Date.
- vi. Management is the sole intended user of the Final Valuation Report, and the use of the Final Valuation Report is restricted to Management for the purpose indicated herein. Duff & Phelps authorizes the Client to include a copy of this valuation summary letter in the Circular. Such disclosure is authorised in the consideration of the condition that Duff & Phelps shall have a reasonable opportunity to review and approve any references to Duff & Phelps, its work, this engagement and the Final Valuation Report prior to the disclosure to SGX.
- vii. Duff & Phelps does not have any responsibility or liability to any third parties for their reliance on our reports. Duff & Phelps expressly disclaims all liability for any loss or damage of whatever kind which may arise from any person acting on any information and opinions contained in the Final Valuation Report which are contrary to the stated purpose. Full terms and conditions of our work are included in our Agreement.
- viii. Duff & Phelps has acted as an independent third party and, as such, shall not be considered an advocate should any dispute arise between concerned parties.
- ix. Duff & Phelps have no present or planned future interest in our Client or its group companies and the fee for our Final Valuation Report is not contingent upon the outcome of the transaction.

6. CONFIDENTIALITY AND DUTY OF CARE

This valuation summary letter and our Final Valuation Report are addressed strictly to our Client and are for the intended purpose as set out above and accordingly neither the valuation summary letter nor the Final Valuation Report may be used or relied upon in any other connection, and are not intended to confer any benefit on, any other person (including without limitations the respective shareholder of Q & M Dental Group). Any recommendation made by the Board of Directors in respect to this Proposed Restructuring Exercise shall remain the responsibility of the Board of Directors.

In rendering our valuation conclusion, we have not had regard to the specific investment objectives, financial situation or individual circumstances of any shareholders. Our valuation conclusion should not be the sole basis for deciding whether or not to execute the Proposed Restructuring Exercise. The responsibility of determining the final transaction price rests solely with the Client.

We understand that the Independent Financial Advisor (“IFA”) may require this valuation summary letter and our Final Valuation Report for their internal reference. The IFA will

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Q & M Dental Group (Singapore) Limited

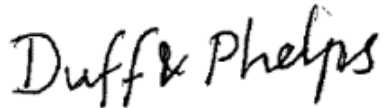
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perform their own separate analysis to satisfy their roles and responsibilities. Our role and report is not meant to substitute their own procedures to substantiate the opinion they are required to render.

While a copy of this letter may be reproduced in the Circular, neither the Client nor its Board of Directors may reproduce, disseminate or refer to this letter and the Final Valuation Report (or any part thereof) for any other purposes at any time and in any manner without the prior written consent of Duff & Phelps in each specific case. In any event, giving our consent to the inclusion of letter in such a circular, we do not accept any duty of care and deny any responsibilities or liability to any third party other than the party to whom our letter and report is addressed, unless otherwise provided by law.

Respectfully submitted by,

A handwritten signature in black ink that reads "Duff & Phelps". The signature is written in a cursive, flowing style.

DUFF & PHELPS SINGAPORE PTE LTD

APPENDIX D – IFA LETTER

11 August 2016

The Non-Interested Director
Q & M Dental Group (Singapore) Limited
81 Science Park Drive #02-04 The Chadwick
Singapore Science Park I
Singapore 118257

Dear Madam

THE PROPOSED SUBSCRIPTION OF CLASS A PREFERENCE SHARES IN THE CAPITAL OF Q & M AIDITE INTERNATIONAL PTE. LTD. BY THE Q & M PROFESSIONALS HOLDCO AS AN INTERESTED PERSON TRANSACTION

For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the circular dated 11 August 2016 to the Shareholders of Q & M Dental Group (Singapore) Limited (the “Circular”).

1. INTRODUCTION

- 1.1. On 24 April 2015, Q & M Dental Group (Singapore) Limited (the “**Company**”) announced that the Company was exploring a possible spin-off (the “**Proposed Spin-off**”) of its PRC manufacturing business conducted through its indirect subsidiary of Qinhuangdao Aidite High Technical Ceramic Co., Ltd (“**Aidite**”), via a listing on a reputable stock exchange. On 17 November 2015, the Company updated its Shareholders that it had decided to proceed with the Proposed Spin-off through the quotation of Aidite on the New Third Board (the “**Proposed Quotation**”) and that the 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.
- 1.2. On 2 December 2015, the Company announced that in connection with the Proposed Spin-off, it is envisaged that the Company will undertake a restructuring exercise (the “**Restructuring Exercise**”). The Restructuring Exercise will include, *inter alia*, the conversion of Aidite into a company limited by shares and the subscription for equity interests in Aidite by Mr. Li Hongwen and Mr. Li Bin (the “**Vendors**”) resulting in them holding 29.0% and 20.0% of the equity interests of Aidite respectively (the “**Vendors’ Aidite Subscription**”). The Vendors’ Aidite Subscription would result in a dilution of the Company’s effective equity interest in Aidite from 100.0% to 51.0% (“**Material Dilution**”). A circular in connection with the Material Dilution dated 15 December 2015 was despatched to the Shareholders (the “**Material Dilution Circular**”) and the Company had 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) of the Listing Manual. The Vendors had since subscribed for 49.0% equity interest in Aidite.
- 1.3. In connection with the Restructuring Exercise, the Company will, *inter alia*, procure Q & M Aidite International Pte. Ltd. (“**Q & M Aidite**”), to allot and issue two classes of preference shares, namely the Class A Preference Shares and Class B Preference Shares, to a company whose shareholders 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 (the “**Q & M Professionals Holdco**”) and Dr. Cheah Kim Fee, and the Company respectively. Each class of the preference shares represent the subscribers’ respective economic interest in Aidite. In relation to the foregoing, Q & M Aidite shall enter into a subscription agreement (the “**Aidite Subscription Agreement**”) with the Q & M Professionals Holdco that will be incorporated and owned by management team and employees of the Company, and Singapore based dentists (the “**Q & M Professional Team**”). Pursuant to the Aidite Subscription Agreement, Q & M Aidite shall allot and issue an aggregate of 4,794,000

APPENDIX D – IFA LETTER

Class A Preference Shares, representing 20.0% of the aggregate Aidite Preference Shares, for a subscription consideration of S\$5.26 million (the “**Aidite Subscription Consideration**”) (the “**Proposed Aidite Subscription**”). Pursuant to the subscription agreement entered into with the Company and Q & M Aidite (the “**Dr. Cheah Subscription Agreement**”), Dr. Cheah Kim Fee 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**”). The Company will subscribe for the 79.12% of the aggregate Aidite Preference Shares.

1.4. Among the shareholders of Q & M Professionals Holdco:

- Dr. Ng Chin Siau is an Executive Director of the Company 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 55.58% of the issued and paid-up share capital of the Company held by Quan Min Holdings Pte. Ltd.;
- 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 Associates of Dr. Ng Chin Siau. As Dr. Ng Chin Siau holds more than 30.0% 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.

Accordingly, 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” within the meaning of Chapter 9 of the Listing Manual, and the Proposed Aidite Subscription constitutes an “interested person transaction” within the meaning of Chapter 9 of the Listing Manual. In addition, Dr. Ang Ee Peng Raymond, Mr. Narayanan Sreenivasan and Mr. Ng Weng Sui Harry are interested in the Proposed Aidite Subscription. Therefore, Professor Toh Chooi Gait, is the only Director who is deemed to be independent for the purpose of the Proposed Aidite Subscription (the “**Non-Interested Director**”).

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 Company as at 31 December 2015. As the Aidite Subscription Consideration is more than 5.0% of the latest audited consolidated NTA of the Company, for the purposes of Chapter 9 of the Listing Manual, Shareholders’ approval is required for the Proposed Aidite Subscription.

Deloitte & Touche Corporate Finance Pte Ltd (“**DTCF**”), has been appointed as the independent financial adviser to Professor Toh Chooi Gait, being the Non-Interested Director.

2. TERMS OF REFERENCE

Our responsibility is to provide our opinion as to whether the Proposed Aidite Subscription is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

We were neither a party to the negotiations entered into in relation to the Proposed Aidite Subscription nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the Proposed Aidite Subscription.

We do not, by this letter or otherwise, advise or form any judgement on the strategic, commercial or financial merits or risks of the Proposed Aidite Subscription. All such evaluations, advice, judgements or comments remain the responsibility of the Directors and their advisers. We have however, drawn upon such evaluations, judgements and comments as we deem necessary and appropriate in arriving at our opinion.

APPENDIX D – IFA LETTER

The scope of our appointment does not require us to express, and nor do we express, a view on the future growth prospects, earnings potential or value of the Company. We do not express any view as to the price at which the Shares may trade nor on the future value, financial performance or condition of the Company.

It is also not within our terms of reference to compare the merits of the Proposed Aidite Subscription to any alternative arrangements that were or may have been available to the Company. Such comparison and consideration remain the responsibility of the Directors and their advisers.

We have relied upon the assurances of the Directors who have accepted full responsibility for the accuracy and completeness of the information provided to us. The Directors have confirmed to us that to the best of their knowledge, information and belief, all material information available to them in connection with the Proposed Aidite Subscription have been disclosed to us and that such information constitutes full and true disclosure of all material information relating to such transactions and that there is no other information the omission of which would cause any of the information disclosed to us or relied on by us in making our recommendation to be inaccurate, incomplete, untrue or misleading in any material respect. We have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty (whether express or implied) is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information. We have nonetheless made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

We have not performed an independent valuation of Q & M Aidite. We have been furnished with a valuation report on shares of Q & M Aidite as of 31 March 2016 (the “**Valuation Report**”) issued by Duff & Phelps Singapore Pte. Ltd. (the “**Independent Valuer**” or “**Duff & Phelps**”) for the purpose of the Proposed Aidite Subscription on which we have placed reliance for such valuation. The Independent Valuer has also prepared a valuation summary letter (“**Valuation Summary Letter**”) to summarise the Valuation Report. Please refer to Appendix C to the Circular for the Valuation Summary Letter.

Our views are based on market, economic, industry, monetary and other conditions (where applicable) prevailing on and our analysis of the information made available to us as at the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion, factors or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or factors or assumptions contained herein. Shareholders should take note of any announcements relevant to their considerations of the Proposed Aidite Subscription which may be released by the Company after the Latest Practicable Date.

The Company has been separately advised by its own legal adviser in the preparation of the Circular other than this letter. We have had no role or involvement and have not provided any advice whatsoever in the preparation, review and verification of the Circular other than this letter. Accordingly, we take no responsibility for, and express no views, whether express or implied, on the contents of the Circular except as for this letter.

Our opinion in relation to the Proposed Aidite Subscription as set out under Section 7 of this letter should be considered in the context of the entirety of our advice. While a copy of this letter may be reproduced in the Circular, the Company may not reproduce, disseminate or quote this letter or any part thereof for any purpose, other than for the purpose stated herein, without our prior written consent in each instance.

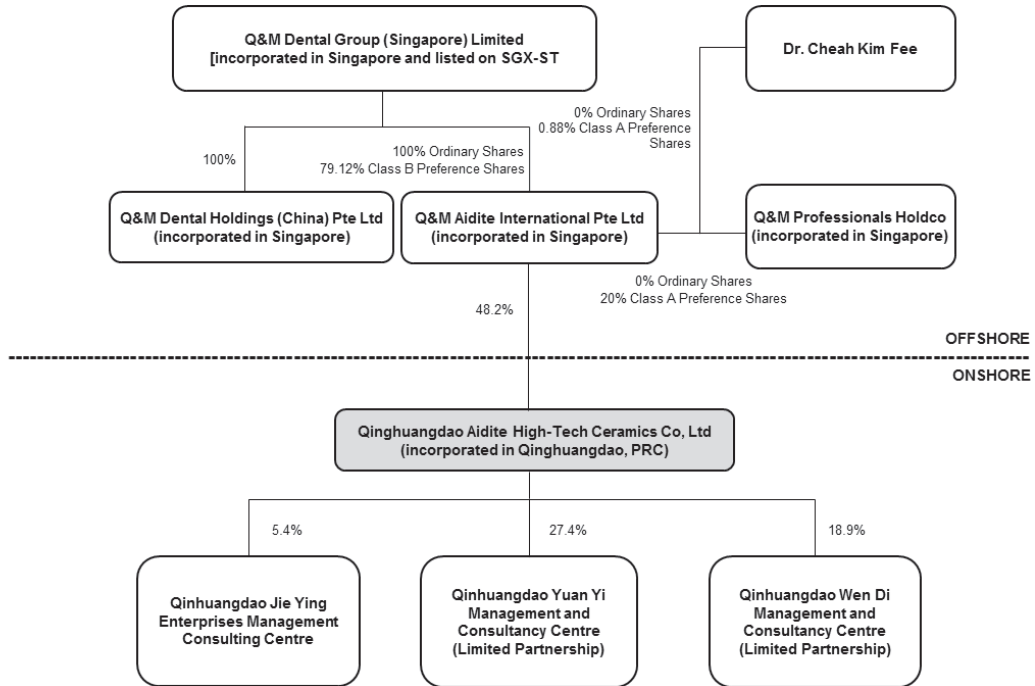
We have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder. As Shareholders will have different investment objectives, we advise Non-Interested Director to recommend that any Shareholder who may require specific advice in relation to his or her specific investment objectives or portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

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3. INFORMATION ON Q & M AIDITE AND AIDITE

3.1. Background on Q & M Aidite and Aidite

Q & M Aidite was a wholly-owned subsidiary of Q & M Dental Holdings (China) Pte. Ltd. (“**Q & M China**”) and was incorporated in Singapore for the purposes of acquiring the entire issued and paid up share capital of Aidite for the Company. In connection with an internal restructuring exercise, on 18 March 2016, Q & M China had transferred its entire equity interest in Q & M Aidite to the Company in order to ensure that the assets and business of the Aidite and its subsidiaries are kept separate from other businesses of the Company. After the transfer of shares, the group structure is as follows:



Aidite was incorporated in the PRC on 15 March 2007 as a private limited company. As at the Latest Practicable Date, Aidite has a paid-up capital of RMB49.68 million (approximately S\$10.47 million) and share premium of RMB11.8 million (approximately S\$2.45 million). It is based in Qinhuangdao, Hebei Province, the PRC, and is in the business of manufacturing zirconium oxide blocks, which are used in dental Computer-Aided Design/Computer-Aided Manufacturing (“**CAD/CAM**”) machines in the fabrication of dental prosthesis, and the distribution of dental equipment and supplies specifically to complement the manufacturing of zirconium oxide blocks (“**CAD/CAM Distribution**”). The CAD/CAM system uses computer-aided design and manufacturing technology to fabricate ceramic and resin restorations such as inlays, onlays, crowns and bridges.

Since its incorporation, Aidite has steadily built and established a reputation for manufacturing zirconium oxide blocks. It started by making dental blocks for various types of dental processing equipment in 2007. In 2010, it obtained the ISO13485 quality system, the European Union CE certification – CE0029 and the American FDA certification that allowed it to export its products to many countries globally. Currently, the Aidite Group exports to about 50 countries world-wide including the United States of America, the European Union, the Middle East, India, Egypt, South Africa, South Korea and Australia. The Aidite Group uses distributors in most countries.

3.2. Overview on the Acquisition of Aidite

The Company announced that on 13 August 2014, Q & M Aidite acquired 100.0% equity interest of Aidite from the Vendors, pursuant to the agreement dated 22 February 2014 entered into between Q & M China and the Vendors (the “**Master Agreement**”), (the “**Acquisition**”) for a consideration of RMB39.5 million (approximately S\$8.01 million, at the exchange rate of S\$1:

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RMB4.93) (“**Initial Consideration**”) with an agreement to further inject RMB35.0 million (approximately S\$7.07 million, at the then exchange rate of S\$1: RMB4.95) (“**Subsequent Consideration**”) as capital into Aidite for its expansion. Pursuant to a twelve (12)-year service agreement (“**Service Agreement**”) signed between each of the Vendors and Q & M Aidite and Q & M China on 18 March 2014, Q & M China had granted options to each the Vendors, exercisable within five years (the “**Vendors’ Options**”), entitling the Vendors to acquire 24.5% each of Q & M Aidite for a nominal fee of \$1.00, contemplated that the Company does not hold the entire economic interest of Aidite at the outset. Accordingly, the Company has recognised only its 51.0% equity interest in Aidite since completion of the Acquisition in August 2014. The Company injected the Subsequent Consideration of RMB35.0 million (approximately S\$7.49 million, at the then exchange rate of S\$1: RMB4.67) into Aidite on 30 April 2015. In connection with the Acquisition, Q & M China paid the Vendors a sum of RMB5.5 million (approximately S\$1.2 million, at the then exchange rate of S\$1: RMB4.58) as consideration (“**Non-Compete Consideration**”) for the entry into a non-compete agreement (“**Non-Compete Agreement**”), details of which are set out in Section 3.2.1 of the Circular.

As part of the Restructuring Exercise, on 1 December 2015, the Company entered into a supplemental agreement to the Master Agreement, pursuant to which, amongst others, the Vendors agreed to revoke their rights to the Vendors’ Options and Q & M China had paid the Vendors an aggregate consideration of RMB28.79 million (approximately S\$6.27 million, at the then exchange rate of S\$1: RMB4.591). Following the cancellation of the Vendors’ Options, the Vendors entered into a subscription agreement with Aidite, 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 RMB23.03 million (approximately S\$4.86 million, at the then exchange rate of S\$1: RMB4.74). Following the Vendors’ Aidite Subscription, Mr. Li Hongwen and Mr. Li Bin hold an 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). We understand from the management of the Company (“**Company Management**”) that of the RMB28.79 million of compensation, RMB23.03 million was financed by capital reduction of Aidite and RMB5.76 million (approximately S\$1.21 million, at the then exchange rate of S\$1: RMB4.76) (“**Option Cancellation Consideration**”) was financed by the Company.

Please refer to Section 2.2 of the Circular for more information on the Acquisition of Aidite.

4. DETAILS ON THE PROPOSED SPIN-OFF

4.1. Background

On 24 April 2015, the Company announced that it is exploring a possible spin-off of its subsidiary, Q & M Aidite via a Proposed Quotation.

On 17 November 2015, the Company announced its decision to proceed with the Proposed Spin-off by the Proposed Quotation. Further, the SGX-ST informed the Company that it had no objections to the Proposed Spin-off, subject to the following Conditions being fulfilled:

- (a) the Proposed Spin-off will require approval of the Shareholders under Rule 805(2) of the Listing Manual;
- (b) Chapter 9 of the Listing Manual will apply to the Proposed Aidite Subscription 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; and (ii) seek Shareholders’ approval for the Proposed Aidite Subscription; and

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- (c) Chapter 10 of the Listing Manual is applicable to the Proposed Spin-off and the Relevant Restructuring Transactions; accordingly, the Proposed Spin-off and Relevant Restructuring Transactions will be viewed as a whole and tested against Rule 1006 of the Listing Manual.

Pursuant to the completion of the Restructuring Exercise, the Company will own an effective equity interest of 38.17% in Aidite. Assuming that Aidite issues 10.0% of its share capital as new shares for the Proposed Quotation, the Company will effectively own an equity interest of 34.35% in Aidite upon completion of the Proposed Spin-off. The Vendors and Qinhuangdao Jie Ying Enterprises Management Consulting Centre (“**Jie Ying**”) will effectively own an equity interest of 46.4% and 5.4% in Aidite respectively.

Accordingly, as disclosed in Section 2.3.2 of the Circular, the board of Aidite will also be reconstituted and it will be managed by a separate management team and board of directors independent of the Company, save for one (1) nominee of the Company. Upon completion of the Proposed Spin-off and the Restructuring Exercise, Aidite will cease to be a subsidiary of the Company and be an Associated Company. Aidite’s financial statements (including assets, liabilities, revenue and net income) will no longer be consolidated with the financial statement of the Group.

As such, in accordance with Rule 805(2)(a) of the Listing Manual, the approval of the Shareholders at the EGM must be sought. Please refer to Section 4 of the Circular for information on the cessation of Aidite as a subsidiary of the Company upon completion of the Proposed Spin-off.

Proposed Quotation on the New Third Board

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 as a result of the reconstitution of the board of Aidite and dilution by the Company in Aidite due to the issuance of new shares. As a result, the Company 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. In connection with the Proposed Quotation, approximately 5.0% to 10.0% of the shares of Aidite will be sold to Nanjing Securities Co., Ltd. as initial inventory shares for the purposes of market making. Please refer to Section 2.1 of the Circular for more information on the New Third Board.

Board of Directors of Aidite after the Proposed Spin-off

Aidite is currently managed by its board of directors under the supervision of the Board. The current board of directors of Aidite include the Vendors and the nominees of the Company, Dr. Ng Chin Siau, Dr. Cheah Kim Fee and Mr. San Yi Leong.

As per the rules of the New Third Board, a listed company is required to have a minimum of five (5) directors. Upon quotation of Aidite on the New Third Board, the board of directors of Aidite will be reconstituted and it will be managed by a separate management team and board of directors independent of the Company, save for one (1) nominee of the Company. Two of the then nominees of the Company on the board of Aidite, namely Dr. Ng Chin Siau, Dr. Cheah Kim Fee and Mr. Andrew Young will resign immediately after the quotation of Aidite on the New Third Board. The Vendors will retain their positions in the reconstituted board of Aidite. The rules of the New Third Board do not mandate the appointment of an independent director on the board of a listed company.

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4.2. The Restructuring Exercise

In connection with the Proposed Spin-off, the Company shall undertake a Restructuring Exercise. The Restructuring Exercise shall be carried out in six (6) stages namely, (1) capital reduction exercise; (2) cancellation of the Vendors' Options and Discharge of Profit Guarantee; (3) Loan Capitalisation; (4) Proposed Subscription of Preference Shares in Q & M Aidite; (5) Dr. Cheah's Aidite Subscription and (6) Employees' Aidite Subscription

In respect of the Employees' Aidite Subscription, pursuant to a subscription agreement entered into on 9 April 2016 between Aidite and Jie Ying, Jie Ying subscribed for 2,682,900 shares in Aidite, representing 5.4% of the enlarged share capital of Aidite, at the total issue price of approximately RMB14.49 million (approximately S\$3.01 million, at the then exchange rate of S\$1: RMB4.814) ("**Employees' Aidite Subscription**"). 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. Employees who are entitled to the shares are required to enter into employment agreements ranging from three (3) to six (6) years.

As at the Latest Practicable Date, stages 1 and 6 have been completed.

Please refer to Section 3 of the Circular for more information on the various stages of the Restructuring Exercise.

4.2.1. Proposed Subscription of Preference Shares in Q & M Aidite

Overview

In connection with stage 3 of the Restructuring Exercise, in order to provide a tax efficient capital structure, the Company will procure Q & M Aidite to allot and issue two classes of redeemable preference shares in the issued share capital of Q & M Aidite, namely the Class A Preference Shares and the Class B Preference Shares (collectively, "**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 of their corresponding economic interest in Aidite.

(a) Class A Preference Shares

Q & M Aidite shall enter into a subscription agreement with Q & M Professionals Holdco (the "**Aidite Subscription Agreement**"). Pursuant to the Aidite Subscription Agreement, Q & M Aidite shall allot an aggregate of 4,794,000 Class A Preference Shares, representing 20.0% of the aggregate Aidite Preference Shares, for the Aidite Subscription Consideration of S\$5.26 million. 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 conducted by the Independent Valuer and the Valuation Report dated 10 August 2016 and the Valuation Summary Letter issued by the Independent Valuer. The methodology of the valuation adopted by the Valuer is set out in paragraph 3 of the Valuation Summary Letter. The Proposed Aidite Subscription will not result in a fair value gain or loss to the Company as there is no deemed disposal of shares and no reclassification of Q & M Aidite from a subsidiary to an associated company.

Class A Preference Shares will also be issued to Dr. Cheah Kim Fee, representing 0.88% of the aggregate Aidite Preference Shares. Details of the allotment and issuance of Class A Preference Shares to Dr. Cheah Kim Fee are set out in Section 3.6 to the Circular.

(b) Class B Preference Shares

Further to the above, an agreement was entered into between the Company and Q & M Aidite (the "**Company Subscription Agreement**") pursuant to which Q & M Aidite

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will allot and issue 18,965,064 Class B Preference Shares to the Company. Once all of the Class A Preference Shares are issued, the Class B Preference Shares shall represent 79.12% of the aggregate Aidite Preference Shares.

Save for the Class A Preferences Shares, Class B Preference Shares and one (1) ordinary shares held by the Company, there will be no other classes of shares in the issued share capital of Q & M Aidite. The ordinary shares of Q & M Aidite are being held by the Company.

In order to ensure that the Proposed Quotation can be carried out in a timely manner, the Company has been advised by its PRC legal advisers that there should be no changes to the shareholding structure of Q & M Aidite prior to the completion of the Proposed Quotation. Accordingly, the Company, Q & M Aidite and the Q & M Professionals Holdco and Dr. Cheah Kim Fee had collectively agreed that the completion of the subscription of the Aidite Preference Shares in Q & M Aidite by the Company and Q & M Professionals Holdco and Dr. Cheah Kim Fee shall only take place at the earlier of (i) the completion of the Proposed Quotation; or (ii) 31 December 2016 or such other date as may be agreed on by the Company, Q & M Aidite and the Q & M Professionals Holdco.

Pursuant to the terms of the Aidite Subscription Agreement, the subscription of the Class A Preference Shares by the Q & M Professionals Holdco will, however, be conditional on the approval by the Shareholders at the EGM. Shareholders are to note that the Aidite Subscription Consideration will be payable upon Shareholders' approval of the Proposed Aidite Subscription. The Aidite Subscription Consideration will be held in escrow until the completion of the subscription of the Aidite Preference Shares. In the event that Shareholders' approval is obtained and all other conditions precedent are satisfied but the Proposed Quotation does not take place, the Aidite Preference Shares will still be issued to the Company, the Q & M Professionals Holdco and Dr. Cheah Kim Fee on 31 December 2016 or such other date as maybe agreed on by the Company, Q & M Aidite and the Q & M Professionals Holdco.

Shareholding structure of the Q & M Professionals Holdco

The Q & M Professionals Team comprises the following:

Name of shareholders	Present Appointment in Company	Total Interest in the Q & M Professionals Holdco (%)
Mr. Narayanan Sreenivasan ⁽¹⁾	Non-Executive and Independent Chairman	0.55
Mr. Ng Weng Sui Harry ⁽¹⁾	Non-Executive and Independent Director	0.55
Dr. Ng Chin Siau ⁽¹⁾	Executive Director and Company Chief Executive Officer	52.14
Dr. Ang Ee Peng Raymond ⁽¹⁾	Executive Director and Chief Operating Officer	4.54
Ms Foo Siew Jiuan ⁽¹⁾⁽²⁾	General Manager	4.54
Ms Ng Sook Hwa ⁽¹⁾⁽³⁾	Company 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	Company Legal Counsel	4.54
Employees ⁽⁴⁾	-	5.89
Singapore-based Dentists ⁽⁴⁾	-	13.63
Total		100

Notes:

- (1) Please refer to Section 5 of the Circular for more information on the Proposed Aidite Subscription being an interested person transaction.
- (2) Ms. Foo Siew Jiuan 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 B to the Circular for the list of employees of the Company and Singapore-based dentists that will be entitled to the shares in the Q & M Professionals Holdco.

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Terms of the Aidite Preference Shares

Aidite Preference Shares are subject to terms and conditions as stipulated in the Circular. We have reproduced some of the terms as below:

(i) Redemption of 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. The economic interests of the Company and the Q & M Professionals Holdco in Aidite shall be represented by the proportion of its respective class of Aidite Preference Shares out of all of the outstanding issued Aidite Preference Shares. Accordingly, the aggregate number of Aidite Shares that the Company is entitled to dispose shall be limited to the extent represented by its economic interest. Pursuant to the redemption, a notice shall be sent to Q & M Aidite, specifying the number of Aidite Shares that the Company wishes to dispose and the desired minimum sale price of such disposal ("**Redemption Notice**").

In accordance with the terms of the 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 ("**Tag-along Right**"). Concurrent with the Redemption Notice, the Company shall send to the Q & M Professionals Holdco a notice in writing giving details of the proposed redemption ("**Tag-along Notice**"). Pursuant to the Tag-along Right, the Q & M Professionals Holdco shall have the option, but not the obligation, to redeem such number of Class A Preference Shares on the same terms and conditions and on a pro rata basis to the amount of Class B Preference Shares that are subject to redemption. The Q & M Professionals Holdco shall, within seven (7) business days of receipt of the Tag-along Notice, notify Q & M Aidite of its decision ("**Tag-along Reply**"). The option to redeem the pro-rata portion of the Class B Preference Shares shall lapse after seven (7) business days of receipt of the Tag-along Notice.

The Tag-along Right shall subsist for a period of six (6) years from the issuance and allotment of the Class A Preference Shares ("**Tag-along Period**"). Upon the cessation of the Tag-along Period and subject to Section 3.4.2(c) of the Circular, the holders of the Class A Preference Shares shall be entitled to redeem their Class A Preference Shares at their sole discretion.

(ii) Sale of Aidite Shares

Upon receipt of the Tag-along Reply, Q & M Aidite shall use commercially reasonable endeavours to procure the sale of the Aidite Shares at the desired minimum sale price, subject to the Transfer Restrictions of the New Third Board. As the Company holds all of the Class B Preference Shares, the desired minimum sale price will be determined by the Board. In particular, the Board shall take into account the performance of the Aidite Shares on the New Third Board and assess the opportune time to realise its investment.

The number of Aidite Shares that shall be sold is represented by the economic interests of the aggregate amount of Class A Preference Shares and Class B Preference Shares that are subject to redemption ("**Aidite Sale Shares**"). The proceeds of the sale less taxes, fees, costs and expenses incurred by Q & M Aidite in connection with the sale ("**Net Proceeds**") shall represent the redemption price for the Aidite Preference Shares that are the subject of the redemption. The Net Proceeds shall be repaid in full by Q & M Aidite to the holders of the Aidite Preference Shares, *pro rata* according to the number of Aidite Preference Shares that are subject to redemption. The Aidite Preference Shares shall be deemed to be redeemed upon payment of the Net Proceeds to the holders of the Aidite Preference Shares. In the event that Q & M Aidite is unable to procure the sale of any Aidite Sale Shares

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at the desired minimum sale price, no redemption of any Aidite Preference Shares shall be deemed to have taken place.

In the event that Q & M Aidite is unable to procure the sale of all the Aidite Sale Shares, the number of Aidite Sale Shares that shall be sold shall be apportioned between the holders of the Aidite Preference Shares, *pro rata* according to the number of each class of Aidite Preference Shares that is originally redeemed. The final amount of Aidite Preference Shares that shall be redeemed will be determined by the actual number of Aidite Sale Shares that is sold.

(iii) Exchange of Preference Shares

If permitted under the applicable laws and the rules of the New Third Board, all Class A Preference Shares shall be mandatorily and automatically exchanged into Aidite Shares after the cessation of the Tag-along Period. The number of Aidite Shares that shall be transferred from Q & M Aidite to the holders of the Class A Preference Shares shall be determined based on the economic interests of the holders of the Class A Preference in Aidite at the time of transfer. Upon the completion of the transfer, the holders of the Class A Preference Shares shall cease to hold any interests in Q & M Aidite and will have direct interest in Aidite while the Company, being the holder of the Class B Preference Shares will continue to hold its interests through Q & M Aidite.

However, in the event that the exchange of the Class A Preference Shares to Aidite Shares is not permissible, the holders of the Class A Preference Shares shall be entitled to redeem its Class A Preference Shares at its sole discretion.

(iv) Change of Control of the Company

Pursuant to the terms of the Class A Preference Shares, in the event that Dr. Ng Chin Siau's direct or deemed interests in the Company fall below 40.0% ("**Change of Control Event**") before the expiry of the Tag-along Period, the Tag-along Period shall cease to subsist. The holders of the Class A Preference Shares shall be entitled to redeem its Class A Preference Shares at its sole discretion or pursuant to the Tag-along Right as set out in Section 3.4.2(a) of the Circular.

Key Terms of the Aidite Subscription Agreement

(i) 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 ("**Moratorium Period**"), the Q & M Professionals Holdco shall not sell, transfer, mortgage, charge, pledge, grant an option over, or otherwise dispose of or create Encumbrances over any of the Class A Preference Shares, subject to the redemption of the Class A Preference Shares pursuant to the Tag-along Right as set out in Section 3.4.2(a) of the Circular.

In addition, upon the occurrence of a Change of Control Event, 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.

(ii) 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 at a discounted price. The price of the purchase

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shall be based on the NTA 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.

Please refer to Section 3.4 and 3.5 of the Circular for more information on the terms of the Aidite Preference Shares and Aidite Subscription Agreement.

Rights, benefits and privileges of Aidite Preference Shares

The detailed rights, benefits and privileges of the Class A Preference Shares and Class B Preference Shares are set out in Appendix A to the Circular and reproduced below for reference:

	Class A Preference Shares	Class B Preference Shares
Issue Price	<ul style="list-style-type: none"> • S\$1.0968 (The Q & M Professionals Holdco) • S\$0.4741 (Dr. Cheah Kim Fee) 	S\$0.6802
Dividends	<p>The Class A Preference Shares shall rank <i>pari passu</i> with the Class B Preference Shares, in respect of any declaration and payment of dividends by Q & M Aidite.</p> <p>The Aidite Preference Shares shall rank for dividends in priority to all ordinary shares of Q & M Aidite from time to time in issue. So long as any Aidite Preference Shares are in issue, no dividends shall be paid out on any ordinary shares.</p>	
Ranking	<p>The Class A Preference Shares shall rank <i>pari passu</i> with the Class B Preference Shares in respect of participation in profits. The proceeds arising from the redemption of the Aidite Preference Shares do not constitute profits for this purpose.</p> <p>The Aidite Preference Shares shall rank in priority to the ordinary shares of Q & M Aidite and <i>pari passu</i> with all other shares in the capital of Q & M Aidite to the extent that they are expressed to rank <i>pari passu</i> therewith.</p>	
Redemption Rights	<p>A holder of the Class A Preference Shares shall be entitled to exercise its right of redemption pursuant to its Tag-along Right during the Tag-along Period.</p> <p>Upon the occurrence of a Change of Control Event before the expiry of the Tag-along Period, a holder of the Class A Preference Shares shall be entitled to exercise its right of redemption at its sole discretion or pursuant to its Tag-Along Right.</p> <p>Upon the expiry of the Tag-along Period and subject to the "Exchange Rights" below, a holder for the Class A Preference Shares shall be entitled to exercise its right of redemption at its sole discretion.</p> <p>A holder of the Class B Preference Shares shall be entitled to exercise its right of redemption at its sole discretion.</p>	

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	Class A Preference Shares	Class B Preference Shares
Exchange Rights	If permitted under applicable laws and the rules of the designated stock exchange upon which the shares of Aidite may be listed, the Class A Preference Shares shall be mandatorily and automatically exchanged into Aidite Shares upon the expiry of the Tag-along Period.	Class B Preference Shares will not be exchangeable into Aidite Shares.
Voting Rights	The holders of the Aidite Preference Shares will be entitled to receive notices of all general meetings but will not be entitled to attend or vote at any general meeting.	
Liquidation Preference	In the event of the commencement of any liquidation, dissolution or winding-up of Q & M Aidite, whether voluntary or involuntary and subject to applicable laws, the Class A Preference Shares shall rank <i>pari passu</i> with the Class B Preference Shares in respect of the distribution of Q & M Aidite's equity interest in Aidite, to the extent that such distribution represents the economic interests of the holder of each class of Aidite Preference Shares.	
	The Aidite Preference Shares shall rank <i>pari passu</i> with the ordinary shares of Q & M Aidite in the distribution of any residual assets of Q & M Aidite.	
Governing Law	The laws of the Republic of Singapore	

5. KEY FINANCIAL INFORMATION OF Q & M AIDITE AND AIDITE

5.1. Financial Information of Q & M Aidite

The table below sets out the financial performance of Q & M Aidite for the last available twelve month financial period ("FY") ended 31 December 2015 and 3-month period ("1Q") ended 31 March 2015 and 31 March 2016. As Q & M Aidite owned a 51.0% equity interest in Aidite during the relevant period, the Company Management has prepared consolidated Q & M Aidite financial statements. The consolidated financial statements below are presented in Singapore dollars.

Highlights of financial performance of Q & M Aidite for FY2015, 1Q2015 and 1Q2016

(S\$'000)	FY2015	1Q2015	1Q2016
Revenue	16,668	4,435	3,725
Profit for the year	5,159	1,898	1,655
Profit attributable to equity holders of parent, net of tax	2,686	968	938
Profit attributable to minority interest, net of tax	2,473	930	718
EBITDA	6,388	2,248	1,932

Source: Company Management

Consolidated Balance Sheet of Q & M Aidite for year ended 31 March 2016

Set out below is the latest available balance sheet of Q & M Aidite as at 31 March 2016. We understand from the Company Management that post 31 March 2016, Aidite has:

- (i) issued 2,682,900 shares in Aidite, representing 5.4% of the enlarged share capital of Aidite, at a cash consideration of approximately RMB14.49 million to Jie Ying; and
- (ii) declared dividend of RMB15 million to its shareholders.

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(collectively referred to as “**Post Balance Sheet Events**”)

As such, the Company Management has prepared a proforma balance sheet as at 31 March 2016 taking into account of the Post Balance Sheet Events.

(S\$'000)	As at 31 March 2016	Proforma as at 31 March 2016
<u>ASSETS</u>		
Non-Current Assets		
Goodwill	11,100	11,100
Customer relationships	1,138	1,138
Accumulated amortisation – customer relationships	(190)	(190)
R&D	938	938
Property, Plant and Equipment	4,538	4,538
Total Non-Current Assets	17,524	17,524
Current Assets		
Inventories	6,279	6,279
Account receivables	3,231	3,231
Other current assets	5,021	5,021
Prepayments	1,812	1,812
Cash and cash equivalents	3,150	4,658
Total Current Assets	19,493	21,001
Total Assets	37,017	38,525
<u>EQUITY AND LIABILITIES</u>		
Equity		
Share capital	n.m**	n.m**
Other reserves	68	68
Retained earnings	4,845	4804
Translation reserves	(237)	(222)
Equity, Attributable to Equity Shareholder of the Parent,	4,676	4,650
Minority interest	10,747	12,280
Total Equity	15,423	16,930
Non-Current Liabilities		
Deferred tax	257	257
Total Non-Current Liabilities	257	257
Current Liabilities		
Current tax payables	211	211
Account payables	962	962
Accrued expenses	138	138
Sales deposit received from customers	1,270	1,270
Other payables	18,757	18,757
Total Current Liabilities	21,338	21,338
Total Liabilities	21,594	21,594
Total Equity and Liabilities	37,017	38,525

Source: Company Management

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*: Does not add up due to rounding

** Not meaningful

We understand from the Company Management that goodwill amounting to S\$11.1 million has resulted from the acquisition of Aidite. Other payables mainly consist of shareholder's loans by Q & M China.

For the purpose of our analysis we have used the following ratios implied by the Aidite Subscription Consideration:

- (i) EV-to-Revenue ratio (“**EV/Revenue**”). This ratio illustrates the market value of a company's business relative to its sales, without regard to the company's existing capital structure; and
- (ii) EV-to-EBITDA ratio (“**EV/EBITDA**”). This ratio illustrates the market value of a company's business relative to its historical pre-tax operating cash flow performance, without regard to the company's existing capital structure; and
- (iii) Price-to-Net tangible asset ratio (“**P/NTA**”). This ratio is used to show the extent the value of each share is backed by net tangible assets. The NTA approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities and intangible assets of the group.

EV/Revenue and EV/EBITDA

The enterprise value (“**EV**”) for Q & M Aidite as implied by the Aidite Subscription Consideration and based on Q & M Aidite's proforma balance sheet as at 31 March 2015, is calculated as follows:

	(\$\$'million)
Market value of Q & M Aidite implied by Aidite Subscription Consideration ⁽¹⁾	54.49
Less: Cash and cash equivalents	<u>(4.66)</u>
EV	49.83

Note:

- (1) Market value of Q & M Aidite re-grossed to effect 100% interest in Aidite. Calculated based on Aidite Subscription Consideration of S\$5.26 million divided by 9.65% effective equity interest that the Q & M Professionals Holdco will be interested in.

Q & M Aidite's revenue for FY2015, 1Q2015 and 1Q2016 represented 100.0% of Aidite's revenue. Q & M Aidite's trailing 12-month (“**T12M**”) revenue was S\$15.96 million. Hence, the implied EV/Revenue ratio applicable to Q & M Aidite implied by Aidite Subscription Consideration is **3.12 times**.

Similarly, Q & M Aidite's EBITDA for FY2015, 1Q2015 and 1Q2016 represented 100.0% of Aidite's EBITDA. Q & M Aidite's T12M EBITDA was S\$6.07 million. The implied **EV/EBITDA** ratio applicable to Q & M Aidite implied by the Aidite Subscription Consideration is **8.21 times**.

P/NTA

As set out in Section 3.3 of the Circular, in connection with the Acquisition, Q & M China had provided an aggregate amount of S\$17.0 million interest-free loan 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 proposed Restructuring Exercise, Q & M China had provided a further interest-free loan of S\$1.26 million (the “**Additional Loan**”) to Q & M Aidite. Save for the Loan and Additional Loan, no other loans have been disbursed to Q & M Aidite.

Pursuant to terms of Company Subscription Agreement, the Company and Q & M Aidite have agreed to capitalise S\$12.98 million of the Loan into 18,965,064 Class B Preference Shares as partial settlement of the debts owed to the Company, (“**Loan Capitalisation**”).

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The Aidite Subscription Consideration 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 repayment of the outstanding amount of Loan and Additional Loan. Upon completion of the Proposed Aidite Subscription, the entire amount of the Loan and Additional Loan shall stand settled.

Taking the Loan Capitalisation into consideration as mentioned above and the proforma balance sheet as at 31 March 2016, the adjusted NTA of Q & M Aidite is as follows:

(S\$'000)	As at 31 March 2016
NAV	16.93
Loan Capitalisation	12.98
Adjusted NAV	29.91
Less: Goodwill	(11.10)
Less: Intangible assets	(1.89)
Adjusted NTA	16.92

Taking the Adjusted NTA of S\$16.92 million into account and the equity value of Q & M Aidite implied by the Aidite Subscription Consideration of S\$54.49⁽¹⁾ million, the implied Adjusted P/NTA ratio is **3.22 times**.

Note:

- (1) Value of Q & M Aidite's 100.0% equity interest in Aidite. Calculated based on Aidite Subscription Consideration of S\$5.26 million divided by 9.65% being effective equity interest that will be held by the Q & M Professionals Holdco.

5.2. Review of operating results of Aidite

The table below sets out below the key financial performance of Aidite for the financial years ended 31 December 2013, 2014 and 2015 (“**FY2013**, **FY2014**, and **FY2015**”) and last two 3-month periods ended 31 March, that is 1Q2015 and 1Q2016. The financial statements are presented in RMB, which is the functional currency of Aidite.

RMB '000	← Audited →			← Unaudited →	
	FY2013	FY2014	FY2015	1Q2015	1Q2016
Revenue	20,342	57,708	80,494	19,686	17,291
Gross Profit	6,006	35,990	51,883	13,084	12,490
Profit after tax	1,179	17,649	28,021	8,450	6,472
EBITDA	1,536	23,630	33,324	10,008	7,818

Source: Company Management

Revenue

Aidite had been profitable for the last three financial years, from FY2013 to FY2015, with year-on-year growth of 183.7% and 39.5% in the periods of FY2013-2014 and FY2014-2015 respectively. As per Company Management, the growth rate is attributed to investment in R&D to improve the quality of zirconium oxide blocks, its key product, to better match the appearance and translucency of natural teeth. This has led to increased market demand for the product. Further, since its acquisition by the Company, Aidite has established wider distribution channels both in China and overseas.

Aidite's revenue in 1Q2016 fell by 12.2% compared to 1Q2015. As per Company Management this is attributable to relocation of a factory at the end of 2015 as well as a timing difference in sales recognition.

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Gross Profit

From FY2013 to FY2015, Aidite's gross profit has increased. The gross profit margin is more than 60% for FY2014 and FY2015. We understand from the Company Management that these high margins are due to greater economies of scale from increased sales of its new zirconium oxide blocks. Aidite is also experiencing lower production wastage and manufacturing cost due to the supply of higher quality material from a key supplier that manufactures high quality zirconium oxide and ultrafine zirconia.

Aidite's gross profit has fallen by 4.5% from 1Q2015 to 1Q2016 while gross profit margin increased from 66.5% to 72.2%. The increase in gross profit margin is due to a change in product mix, where more zirconium oxide blocks with higher gross profit margins and fewer equipment with lower gross profit margins were sold.

EBITDA and Profit after Tax

As a result of the abovementioned factors, the EBITDA and profit after tax of the company have increased, especially during FY2014 and FY2015. Aidite has achieved EBITDA and net profit margins of above 40% and 30% during FY2014 and FY2015 respectively.

Aidite's profit after tax decreased by 23.4% from 1Q2015 to 1Q2016. This was attributed to increase in training costs, freight charges, travelling expenses and professional fees incurred for the Quotation.

EBITDA was 21.9% lower in 1Q2016 as compared to 1Q2015 due to higher expenses incurred as mentioned above.

5.3. Review of unaudited financial position of Aidite

The table below sets out the balance sheet of Aidite as at 31 March 2016,

Unaudited balance sheet of Aidite	As at 31 March 2016 (RMB\$ '000)
ASSETS	
Cash and Cash Equivalents	14,214
Bills Receivable	30
Accounts Receivable	15,420
Advance & Prepayments	8,244
Other receivables	583
Inventory	29,647
Total Current Assets	68,138
Fixed Assets	26,958
Intangible Assets	3,316
Non-current deferred expenses	122
Deferred tax asset	-
Total Non-current Assets	30,396
TOTAL ASSETS	98,534
LIABILITIES AND EQUITY	
Accounts Payable	10,517
Advances from Customers	6,073
Wage Payable	648
Current Tax Payable	1,009
Other Payables	1,921
Total Current Liabilities	20,168
Non-current Deferred Tax	461

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Unaudited balance sheet of Aidite	As at 31 March 2016 (RMB\$ '000)
Total Non-current Liabilities	461
TOTAL LIABILITIES	20,629
Issued Share Capital	23,970
Other Reserves	326
Retained Earnings	53,609
Total Shareholders' Equity	77,905
TOTAL LIABILITIES AND EQUITY	98,534

Source: Company Management

Assets

Aidite has total assets of RMB98.53 million as at 31 March 2016, comprising current assets of RMB68.14 million (69.2%) and non-current assets of RMB26.80 million (30.8%).

Total current assets of RMB68.14 million comprise mainly inventory of RMB29.65 million (43.5%), accounts receivable of RMB15.42 million (22.6%), cash and cash equivalents of RMB14.21 million (20.9%), and advance and prepayment of RMB8.24 million (12.1%).

Total non-current assets of RMB30.40 million comprise mainly fixed assets of RMB26.96 million (88.7%), intangible assets of RMB3.32 million (10.9%). Fixed assets in Aidite comprise mainly of land and buildings, plants and machinery, transportation equipment and electronic equipment. Intangible assets mainly consist

Liabilities

Aidite has total liabilities of RMB20.63 million as at 31 March 2016, comprising current liabilities of RMB20.17 million (97.8%) and non-current liabilities of RMB0.46 million (2.2%).

Total current liabilities of RMB20.63 million comprise mainly accounts payable of RMB10.52 million (51.0%), advances from customers of RMB6.07 million (29.4%), other payables of RMB1.92 million (9.3%) and current tax payable of RMB1.01 million (4.9%).

Total non-current liabilities of RMB0.46 million mainly comprise of non-current deferred tax liabilities.

6. EVALUATION OF THE PROPOSED AIDITE SUBSCRIPTION AS AN INTERESTED PERSON TRANSACTION

In our evaluation of the Proposed Aidite Subscription, we have given due consideration to the following factors:

- (a) rationale for the Proposed Aidite Subscription;
- (b) assessment of the Aidite Subscription Consideration for the Proposed Aidite Subscription; and
- (c) other relevant considerations.

6.1. Rationale for the Proposed Aidite Subscription

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Aidite Subscription or the future prospects of the Company after the Proposed Aidite Subscription. Nevertheless, we have reviewed the rationale for the Proposed Aidite

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Subscription. The details of the rationale for the Proposed Aidite Subscription are set out in Section 3.5.3 of the Circular. We have reproduced excerpts of this Section 3.5.3 below:

“3.5.3 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:

- (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.”*

6.2. Assessment of the Aidite Subscription Consideration for the Proposed Aidite Subscription

In assessing the Aidite Subscription Consideration for the Proposed Aidite Subscription, we have considered the following:

- (i) acquisition cost of Aidite;
- (ii) the independent valuation of Aidite; and
- (iii) the valuation ratios of selected listed companies whose business is broadly comparable to Aidite;

6.2.1. Acquisition cost of Aidite

We note that the Company effectively acquired⁽¹⁾ 48.2% equity interest in Aidite for a consideration of:

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Description ⁽²⁾	(RMB' million)
Initial Consideration	39.50
Non-Compete Consideration	5.50
Subsequent Consideration	35.00
Options Cancellation Consideration	5.76
Acquisition cost for 48.2% of Aidite incurred by the Company	85.76

In connection with the Proposed Aidite Subscription, the Q & M Professionals Holdco will acquire 20.0% of the total Aidite Preference Shares of Q & M Aidite. As set of in Section 4.2.1 of this Letter, Aidite Preference Shares will rank higher in priority as compared to the ordinary shares in terms of dividends and participation in profits of Q & M Aidite, that is, the Q & M Professionals Holdco is acquiring 20.0% of the economic interest in Q & M Aidite. However, the holders of Aidite Preference Shares do not have any voting rights.

We note that the Aidite Subscription Consideration for 20.0% of the total Aidite Preference Shares of S\$5.26 million is at a 51.74% premium above the price implied by Q & M Aidite's acquisition cost of Aidite (S\$3.47⁽³⁾ million).

Notes:

- (1) On 13 August 2014, the Company announced the completion of the acquisition of Aidite.
- (2) Please refer to Section 3.2 of this Letter for the details of the respective consideration.
- (3) Based on the exchange rate used in the Circular of SG\$1: RMB4.95.

6.2.2. Independent Valuation of Aidite

Assessment of the approach used in the Independent Valuation of Q & M Aidite

In connection with the Proposed Aidite Subscription, the Company has commissioned the Independent Valuer to carry out an independent valuation to determine the equity value of Class A Preference Shares in relation to the Proposed Aidite Subscription by Q & M Professionals Holdco as at 31 March 2016. The Valuation Summary Letter dated 11 August 2016 is set out in Appendix C to the Circular.

In the opinion of the Independent Valuer, the estimated equity value of the Class A Preference Shares in relation to the Proposed Aidite Subscription is between S\$5.1 million and S\$5.4 million.

Valuation Methodology

The Independent Valuer has concluded the equity value of Q & M Aidite based on the following steps:

1) Calculate the equity value of Aidite using both income and market approaches.

We note that the Independent Valuer considered the Income Approach, Market Approach and Cost Approach in estimating the fair value of Q & M Aidite. Fair Value, as defined by the International Valuation Standards Council, is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflect the respective interests of those parties.

The valuation methodologies considered by the Independent Valuer are summarized as italics below:

“Income (Income Capitalization) Approach: The income (income capitalization) approach explicitly recognizes that the current value of the business (or asset) is premised on the expected receipt of future economic benefits to be generated over its remaining life. These benefits can be in the form of earnings net income, cash flow, or other measures of profitability and should include the proceeds from final disposition as well as cost savings and tax deductions. Value indications are developed by discounting expected benefits to their present value at the required rate of return that

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incorporates the time value of money and risks associated with the particular asset. The discount rate selected is generally based on expected rates of return available from alternative investments of similar type, quality, and risk as of the Valuation Date.

Market (Sales Comparison) Approach: *The market (sales comparison) approach is a technique used to estimate value from an analysis of actual transactions or offerings for economically comparable business (or asset) available as of the Valuation Date. The process is essentially that of comparison and correlation between the subject business and similar business which have recently been sold or are offered for sale in the market. The transaction or offering prices of the comparable business are adjusted for dissimilarities in characteristics including status/stage, location, time of sale, growth and size, and among others. The adjusted prices of the comparable business provide an indication of value for the subject business.*

Cost (Asset-Based) Approach

The cost approach is a technique that uses the reproduction or replacement cost as basis for value. The cost to reproduce or replace the subject asset with a new asset, either identical (reproduction) or having the same utility (replacement), establishes the highest amount a prudent investor is likely to pay. To the extent that the asset being valued provides less utility than a new one, due to physical deterioration, functional obsolescence, and/or economic obsolescence, the value of the subject asset is adjusted for those reductions in value. Adjustments may be made for age, physical wear and tear, technological inefficiencies, changes in price levels, and reduced demand, among other factors. This approach might be considered as reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to the asset.”

We note that a 50%-50% weightage is applied to the Income and Market Approaches in deriving the equity value of Aidite. Under the Market Approach, the Independent Valuer has looked at the revenue and earnings multiples of the comparable companies. They note that Aidite's profit margin (e.g. EBIT and EBITDA margin, NPAT margin) is significantly higher than that of comparable companies. The Independent Valuer has observed that most of the comparable companies were founded in early 1990s and they have achieved a stable stream of profit and cash flows, while Aidite is currently at its expansion phase. As a result, the Independent Valuer is of the view that earnings multiples are not deemed to be comparable and they have not used the earnings multiples for their analysis. Accordingly, the Independent Valuer has used EV/Revenue multiple in valuing Aidite based on Market Approach.

2) Adjustment of excess cash and corporate overheads based on Q & M Aidite's company level financial statements.

The overheads of Q & M Aidite are recurring in nature and the Independent Valuer had computed the present value of the corporate overheads assuming that these expenses grow at an annual inflation rate of 1.8%-1.9%.

3) Conclude equity value of Q & M Aidite based on sum-of-parts of 48.2% equity of Aidite, excess cash of Q & M Aidite, and deduction of present value of Q & M Aidite's corporate overheads.

4) Apply discount for lack of marketability to the equity value of Q & M Aidite.

Pursuant to the terms of the Aidite Subscription Agreement, the Q & M Professionals Holdco has undertaken to Q & M Aidite that for the 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 create encumbrances over any of the Class A Preference Shares.

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Accordingly, the Independent Valuer have used the Finnerty Model to determine the discount for lack of marketability of 15%.

5) Concluded the equity value for 20% equity interest in Q & M Aidite.

Based on the various steps taken by the Independent Valuer, they have estimated the equity value of Q & M Professionals Holdco's 20.0% stake in Q & M Aidite in relation to the Proposed Aidite Subscription to be in the range between S\$5.1 million and S\$5.4 million. The base equity value of the 20.0% is at S\$5.26 million. Below is the summary of the steps taken by the Independent Valuer in reaching their conclusion:

	Inputs	Currency ('000s)	Weighting	Estimated Range of Value as at Valuation Date		
				Low	Base	High
Income Approach – DCF Method		In RMB	50.00%	211,366.6	224,815.9	240,407.6
Market Approach – Guideline Public Company Method		In RMB	50.00%	363,000.0	363,000.0	363,000.0
Enterprise Value of Aidite		In RMB		287,183.3	293,907.9	301,703.8
Plus: Excess Cash & Equivalents		In RMB		14,214.2	14,214.2	14,214.2
Excess/(Deficit) DFNWC, Net of Excess Cash		In RMB		-	-	-
Less: Interest-Bearing Debt		In RMB		-	-	-
Equity Value of Aidite (at 100.0% stake)		In RMB		292,161.8	298,762.6	306,413.6
Less: Dividends Declaration	100.0%			15,000.0	15,000.0	15,000.0
Plus: Cash Consideration for 5.4% of the share capital of Qinhuangdao Aidite				14,490.0	14,490.0	14,490.0
Equity Value of Aidite after adjustments (at 100.0% stake)				300,887.5	307,612.2	315,408.1
Equity Value of Aidite (at 48.2% stake)	48.2%	In RMB		149,166.2	148,410.6	156,171.8
Equity Value of Aidite (at 48.2% stake, in SGD '000s)	4.78	In SGD		30,378.0	31,056.9	31,844.0
Less: Present Value of Q & M Aidite Corporate Overheads		In SGD		305.3	305.3	305.3
Plus: Excess Cash at Q & M Aidite (company level)		In SGD		177.2	177.2	177.2
Equity Value of Q & M Aidite (sum-of-parts)				30,250.0	30,928.9	31,716.0
Less: Discount for Lack of Marketability	15.0%	In SGD		4,537.5	4,639.3	4,757.4
Adjusted Equity Value of Q & M Aidite (non-marketable basis)				25,712.5	26,289.6	26,958.6
Concluded Equity Value for Q & M Professionals Holdco	20.0%	In SGD		5,142.5	5,257.9	5,391.7

Source: Valuation Report

For the purpose of our analysis, we note that the Aidite Subscription Consideration is at par with the base case valuation of the Q & M Professionals Holdco's 20.0% stake in Q & M Aidite in relation to the Proposed Aidite Subscription.

6.2.3. Comparison of valuation ratios of the selected listed companies

For the purposes of assessing the Aidite Subscription Consideration for the Proposed Aidite Subscription, we have considered companies whose business is broadly comparable to Aidite, the underlying asset of Q & M Aidite. As Aidite is primarily engaged in the dental implant operations, we have considered companies that are involved in the same principal business which are listed on various stock exchanges. There are five such companies we have identified, namely Osstem Implant Co Ltd, DIO Corp, SDI Ltd, Shofu Inc and Danameco Medical JSC ("Comparable Companies").

We have had discussions with the Company Management about the suitability and reasonableness of the selected Comparable Companies acting as a basis for comparison with Aidite. Relevant information has been extracted from Bloomberg L.P.. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The Comparable Companies' accounting policies with respect to the values for which the assets or revenue and costs are recorded may differ from that of Q & M Aidite.

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We wish to highlight that the Comparable Companies may not be exhaustive and they differ from Aidite in terms of, *inter alia*, market capitalisation, size of operations, client base, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria respectively. As such, any comparison made is necessarily limited and merely serves as an illustrative guide.

We set out below a list of Comparable Companies:

Company	Exchange	Principal Business
Osstem Implant Co Ltd ("Osstem Implant")	KOSDAQ	Osstem Implant Co., Ltd. manufactures dental implant system. The company also markets dental management software and provides products for dental surgery and exports abroad.
DIO Corp ("DIO")	KOSDAQ	DIO manufactures dental implant and related device. The company's product includes internal & external implant system, implant surgical device, dental material and sterilizer.
Shofu Inc ("Shofu")	Tokyo Stock Exchange	Shofu Inc. manufactures materials used for dental treatment. The company also wholesales dental equipment. Shofu's products include artificial teeth, dental abrasives, dental stone, metal products, and endodontic instruments.
SDI Ltd ("SDI")	Australia Stock Exchange	SDI produces and distributes amalgam (which is used for filling tooth cavities) and composite restorative materials along with other dental materials.
Danameco Medical JSC ("Danameco Medical")	Hanoi Stock Exchange	Danameco Medical manufactures disposable medical products. The company produces gauze, cotton wool, sponges, elastic bandages, adhesive tape, first aid kits, face masks, shoe covers and gloves.

Source: Bloomberg L.P.

For the purpose of our evaluation and for illustration, we have made comparisons between Aidite and Comparable Companies on a historical basis:

Comparable Companies	Last financial year-end	Market capitalisation as at Latest Practicable Date (US\$ 'million)	EV/Revenue (times)	EV/EBITDA (times)	P/NTA (times)
Osstem Implant Co Ltd	31 Dec 15	971.62	3.57	23.91 ⁽¹⁾	8.90 ⁽¹⁾
DIO Corp	31 Dec 15	777.63	10.11 ⁽¹⁾	32.28 ⁽¹⁾	10.46 ⁽¹⁾
Shofu Inc	31 Mar 16	223.09	0.88	7.73	1.37
SDI Ltd	30 Jun 15	62.73	1.20	6.17	2.23
Danameco Medical JSC	31 Dec 15	6.18	0.77	6.37	2.38
High			3.57	7.73	2.38
Low			0.77	6.17	1.37
Mean			1.60	6.76	1.99
Median			1.20	6.37	2.23
Implied by Aidite Subscription Consideration			3.12	8.21	3.22

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Source: Bloomberg L.P.

Note:

- (1) Excluded as statistical outlier for the computation of mean and median.

Based on the above, we note that:

- (i) the EV/Revenue ratio of Q & M Aidite as implied by the Aidite Subscription Consideration of 3.12 times is within range, above the mean and median of the EV/Revenue ratios of the Comparable Companies;
- (ii) the EV/EBITDA ratio of Q & M Aidite as implied by the Aidite Subscription Consideration of 8.21 times is above the upper range, the mean and the median of the EV/EBITDA ratios of the Comparable Companies; and
- (iii) the Adjusted P/NTA ratio of Q & M Aidite as implied by the Aidite Subscription Consideration of 3.22 times is above the upper range, the mean and the median of the P/NTA ratios of the Comparable Companies.

Please refer to Section 5.1 of this Letter for the computation of EV/Revenue, EV/EBITDA and Adjusted P/NTA ratios implied by the Aidite Subscription Consideration.

6.3. Other relevant considerations

6.3.1. Moratorium on shares of the Proposed Aidite Subscription and Service Agreements

In order for the Q & M Professionals Team to demonstrate their commitment to the Company, pursuant to the terms of the Aidite Subscription Agreement, the Q & M Professionals Holdco undertakes to Q & M Aidite that for the 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 Encumbrances over any of the Class A Preference Shares, subject to the redemption of the Class A Preference Shares pursuant to the Tag-along Right.

In addition, 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-year service agreements with the Company. This ensures the goals of the Q & M Professionals Holdco are kept aligned with Aidite's interests.

6.3.2. Transfer restriction of Aidite Shares

In accordance with the rules of the New Third Board, the Aidite shares held indirectly by the Company are subject to a moratorium. The restriction on such shares may only be lifted in three equal tranches on the date of the quotation, the first (1st) anniversary of the quotation and the second (2nd) anniversary of the quotation. Q & M Professionals Holdco's Tag-along Right is limited by this moratorium.

Please refer to Section 2.4.2 of the Circular for further details of the transfer restriction of Aidite Shares under the rules of the New Third Board.

6.3.3. Incentivisation of the Q & M Professionals Holdco

In recognition for the contributions and services of the individuals in the Q & M Professionals Team, the Board seeks to reward and incentivise them with the allotment and issuance of Aidite Preference Shares as opposed to a stock option plan that would be attributed as a cost to the Company. Through this, the Board aims to encourage dedication and loyalty amongst these individuals and motivate them to contribute towards the Company's long-term prosperity while the Q & M Professionals Team collectively benefits from the success of Aidite.

APPENDIX D – IFA LETTER

6.3.4. Rights of Class A Preference Shares

With reference to the key terms of the Aidite Preference Shares, we note that holders of Class A Preference Shares will be entitled to their respective economic interests in Aidite, that is, with respect to the Q & M Professionals Holdco, 20.0% of Q & M Aidite's 48.2% stake in Aidite. However, they will not be entitled to voting rights at any general meeting. We note that the Company retains 100.0% of the voting rights in Q & M Aidite upon the completion of the Proposed Aidite Subscription despite the sale of 20.0% of economic interest, for which the Company receives the Aidite Subscription Consideration in return.

7. OUR RECOMMENDATION ON THE PROPOSED AIDITE SUBSCRIPTION

In arriving at our recommendation, we have taken into account the following factors which we consider to have a significant bearing on our assessment of the Proposed Aidite Subscription:

- (1) The rationale for the Proposed Aidite Subscription;
- (2) The Aidite Subscription Consideration for the Proposed Aidite Subscription; and
 - With regard to the acquisition cost of Aidite, we note that the Aidite Subscription Consideration for 20.0% of the total Aidite Preference Shares of S\$5.26 million is at a 51.74% premium above the consideration implied by Q & M Aidite's acquisition cost of Aidite of (S\$3.47 million).
 - With regard to the independent valuation of Aidite, we note that the Aidite Subscription Consideration is at par with the Independent Valuer's conclusion of base equity value of the Q & M Professionals Holdco's 20.0% stake in Q & M Aidite in relation to the Proposed Aidite Subscription.
 - With regard to the comparison of valuation ratios of the selected Comparable Companies, we note that
 - (i) the EV/Revenue ratio of Aidite as implied by the Aidite Subscription Consideration of 3.12 times is above the mean and median of the EV/Revenue ratios of the Comparable Companies;
 - (ii) the EV/EBITDA ratio of Aidite as implied by the Aidite Subscription Consideration of 8.21 times is within range, above the mean and median of the EV/EBITDA ratios of the Comparable Companies; and
 - (iii) the Adjusted P/NTA ratio of Aidite as implied by the Aidite Subscription Consideration of 3.22 times is above the upper range, the mean and median of the P/NTA ratios of the Comparable Companies.
- (3) Other relevant considerations
 - In order for the Q & M Professionals Team to demonstrate their commitment to the Company, the Q & M Professionals Holdco has undertaken to not sell, transfer mortgage, charge, pledge, grant an option over, or otherwise dispose of create encumbrances over any of the Class A Preference Shares.
 - Q & M Professionals Holdco's Tag-along Right is limited by the moratorium that the Company has to observe under the rules of the New Third Board.
 - The Company seeks to reward and incentivise them with the allotment and issuance of Aidite Preference Shares in order to encourage dedication and loyalty amongst these individuals and motivate them to contribute towards the Company's long-term prosperity.

APPENDIX D – IFA LETTER

- We note that the company retains 100.0% of the voting rights in Q & M Aidite upon the completion of the Proposed Aidite Subscription despite the sale of 20.0% of economic interest to the Q & M Professionals Holdco, for which the Company receives the Aidite Subscription Consideration in return.

Having considered the above and subject to the assumptions and qualifications set out herein, we are of the opinion that the Proposed Aidite Subscription is on normal commercial terms and is not prejudicial to the Company and its minority Shareholders. Accordingly, we advise that Non-Interested Director recommend that the Shareholders vote in favour of the Proposed Aidite Subscription.

Our recommendations are addressed to the Non-Interested Director for her benefit, in connection with and for the purposes of her consideration of the Proposed Aidite Subscription. Any recommendations made by the Non-Interested Director in respect of the Proposed Aidite Subscription shall remain her responsibility.

Our recommendations are governed by the laws of Singapore and are strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully

Deloitte & Touche Corporate Finance Pte Ltd

Ng Jiak See
Executive Director

NOTICE OF EXTRAORDINARY GENERAL MEETING

Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration No. 200800507R)
(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of the members of Q & M Dental Group (Singapore) Limited (the “**Company**”) will be held on 26 August 2016 at 6:00 p.m. at PARKROYAL on Kitchener Road, 181 Kitchener Road, Singapore 208533, Emerald Ballroom 1 for the purpose of considering and, if thought fit, passing with or without any modifications the following resolutions:

All capitalised terms in the Notice of EGM shall, unless otherwise defined in this Notice of EGM, bear the respective meanings ascribed thereto in the circular to shareholders dated 11 August 2016.

AS ORDINARY RESOLUTION 1: THE PROPOSED SPIN-OFF

That:

- (1) approval be and is hereby given for the proposed spin-off of Qinhuangdao Aidite High Technical Ceramic Co., Ltd (“**Aidite**”), a principal subsidiary of the Company, on the National Equities Exchange and Quotations of the People’s Republic of China (the “**Proposed Spin-off**”), the allotment and issuance of any further shares by Aidite and such other transactions contemplated thereunder;
- (2) approval be and is hereby given for the cessation of Aidite as a principal subsidiary of the Company in connection with the Proposed Spin-off and the Restructuring Exercise, and any director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary, desirable or expedient to give effect to the matters referred to herein; and
- (3) any director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary, desirable or expedient to give effect to the matters referred to in paragraphs (1) and (2) above and/or to give effect to this resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required) as he shall think fit and in the interests of the Company.

AS ORDINARY RESOLUTION 2: THE PROPOSED AIDITE SUBSCRIPTION, WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL

That:

- (1) approval be and is hereby given for the subscription of 4,794,000 Class A Preference Shares in the capital of Q & M Aidite International Pte. Ltd., a wholly-owned subsidiary of the Company, by the Q & M Professionals Holdco (the “**Proposed Aidite Subscription**”), which constitutes an interested person transaction under Chapter 9 of the Listing Manual and such other transactions contemplated thereunder; and
- (2) any director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary, desirable or expedient to give effect to the matters referred to in paragraph (1) above and/or to give effect to this resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required) as he shall think fit and in the interests of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

AS ORDINARY RESOLUTION 3: THE PROPOSED SPIN-OFF AND RELEVANT RESTRUCTURING TRANSACTIONS WHICH WHEN AGGREGATED CONSTITUTE A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL

That:

- (1) 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**"), together with the Proposed Spin-off, when aggregated, constitute a major transaction under Chapter 10 of the Listing Manual and such other transactions contemplated thereunder, be and are hereby approved; and
- (2) any director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary, desirable or expedient to give effect to the matters referred to in paragraph (1) above and/or to give effect to this resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required) as he shall think fit and in the interests of the Company.

By Order of the Board

Dr. Ng Chin Siau
Group Chief Executive Officer

11 August 2016

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) Except for a member who is a relevant intermediary as defined under Section 181(6) of the Act, a member entitled to attend, speak and vote at the EGM may appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
- (2) Pursuant to Section 181(1C) of the Act, a member who is a relevant intermediary as defined under Section 181(6) of the Act is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
- (3) A member which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member.
- (4) The instrument appointing a proxy must be duly deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, at 80 Robinson Road #11-02, Singapore 068898, not later than forty-eight (48) hours before the time appointed for the holding of the EGM.
- (5) The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
- (6) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at seventy-two (72) hours before the time fixed for holding the EGM in order for the Depositor to be entitled to attend, speak and vote at the EGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration No. 200800507R)
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Cap. 50 of Singapore (the "Act"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Extraordinary General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company ("CPF/SRS Investors"), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS Investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Extraordinary General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 11 August 2016.

*I/We (Name) _____

(NRIC/Passport/Co. Registration No.) _____

of (Address) _____

being *a member/members of **Q & M DENTAL GROUP (SINGAPORE) LIMITED** (the "Company") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her/them, the Chairman of the Extraordinary General Meeting (the "EGM"), as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the EGM of the Company to be held at PARKROYAL on Kitchener Road, 181 Kitchener Road, Singapore 208533, Emerald Ballroom 1, on 26 August 2016 at 6:00 p.m. or at any adjournment thereof.

NO.	ORDINARY RESOLUTION	FOR	AGAINST
1.	To approve the Proposed Spin-off		
2.	To approve the Proposed Aidite Subscription as an interested person transaction under Chapter 9 of the Listing Manual		
3.	To approve the Proposed Spin-off and the Relevant Restructuring Transactions as a major transaction under Chapter 10 of the Listing Manual		

(Voting will be conducted by poll. If you wish to vote all your shares "For" or "Against" the relevant resolution, please indicate with a "X" in the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the relevant number of shares in the relevant boxes provided above. In the absence of specific directions, the proxy/proxies will vote or abstain as he/she/they may think fit, as he/she/they will on any other matter arising at the EGM.)

Dated this _____ day of _____ 2016.

	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s)
or Common Seal of Corporate Member

* Delete as appropriate

IMPORTANT: PLEASE READ NOTES OVERLEAF



PROXY FORM

Notes:

1. Except for a member who is a relevant intermediary as defined under Section 181(6) of the Act, a member entitled to attend, speak and vote at the EGM may appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
2. Pursuant to Section 181(1C) of the Act, a member who is a relevant intermediary as defined under Section 181(6) of the Act is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. A proxy need not be a member of the Company.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
5. The instrument appointing a proxy or proxies, duly executed, must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, at 80 Robinson Road, #11-02, Singapore 068898, not later than forty-eight (48) hours before the time appointed for the holding of the EGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Act.
9. The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the EGM if he so wishes.
10. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.
11. Investors who buy shares in the Company using CPF monies and/or SRS monies (as may be applicable) ("**CPF/SRS Investors**") may attend and cast their vote at the EGM in person. CPF/SRS Investors who are unable to attend the EGM but would like to vote, may inform CPF and/or SRS Approved Nominees to appoint Chairman of the EGM to act as their proxy, in which case, the CPF/SRS Investors shall be precluded from attending the EGM.