



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

**PROPOSED DISPOSAL OF 36.000% OF THE REGISTERED CAPITAL OF AIDITE
(QINHUANGDAO) TECHNOLOGY CO., LTD.**

1. INTRODUCTION

- 1.1. Further to the holding announcement made by Q & M Dental Group (Singapore) Limited ("**Q & M**" or the "**Company**", and together with its subsidiaries, the "**Group**") on 23 April 2019, the board of directors (the "**Board**" or "**Directors**") of the Company wishes to announce that its subsidiary, Q & M Aidite International Pte. Ltd. ("**QMAI**") has, on 10 October 2019, entered into a share transfer agreement (the "**STA**") with, *inter alia*, Li Hong Wen, Li Bo Yuan, Suzhou Junlian Xinkang Venture Capital Partnership (Limited Partnership) (苏州君联欣康创业投资合伙企业 (有限合伙)) ("**Suzhou JX**"), Health Advance Limited ("**HAL**"), Schroder Adveq Asia Hong Kong I Limited ("**Adveq**") and ASP Hero SPV Limited ("**ASP**"), pursuant to which QMAI has agreed to sell, and, Suzhou JX, HAL, Adveq and ASP (collectively, the "**Buyers**") have agreed to purchase in aggregate 17,885,845 ordinary shares (the "**Sale Shares**", and each a "**Sale Share**") in the capital of Aidite (Qinhuangdao) Technology Co., Ltd. (爱迪特(秦皇岛)科技股份有限公司) ("**Aidite Qinhuangdao**"), comprising 36.000% of the registered capital of Aidite Qinhuangdao, on the terms and subject to the conditions set out in the STA (the "**Proposed Disposal**").
- 1.2. Upon completion of the Proposed Disposal (the "**Completion**"), QMAI will continue to hold 6,084,155 ordinary shares in Aidite Qinhuangdao, representing 12.246% of the registered capital of Aidite Qinhuangdao. Accordingly, Aidite Qinhuangdao will cease to be an equity-accounted associate of the Company.
- 1.3. The Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and is subject to the approval of the shareholders of the Company (the "**Shareholders**") being obtained at an extraordinary general meeting ("**EGM**") to be convened. For further details on the relative figures in respect of the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual, please refer to Section 7 of this announcement.

2. INFORMATION ON AIDITE QINHUANGDAO AND QMAI

2.1. Information on Aidite Qinhuangdao

Aidite Qinhuangdao is a company incorporated in the People's Republic of China ("**PRC**"). Aidite Qinhuangdao is mainly engaged 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. The CAD/CAM system uses computer-aided design and manufacturing technology to fabricate ceramic and resin restorations such as inlays, onlays, crowns and bridges.

The Company acquired Aidite Qinhuangdao in February 2014. On 26 August 2016, the Shareholders approved, amongst others, the spin-off of and quotation of Aidite Qinhuangdao on the National Equities Exchange and Quotations of the PRC (the "**New Third Board**"). Please refer to the Company's circular to Shareholders dated 11 August 2016 ("**Spin-Off Circular**") for further information on quotation of Aidite Qinhuangdao on the New Third Board. A copy of the Spin-Off Circular is available on the SGX-ST's website at www.sgx.com.

On 17 September 2018, the Company announced the intention of Aidite Qinhuangdao to delist from the New Third Board and Aidite Qinhuangdao was eventually delisted from the New Third Board from 2 November 2018. Please refer to the Company's announcements dated 17 September 2019, 25 September 2018, 09 October 2018 and 14 November 2018 for further information in this regard. Copies of the said announcements are available on the SGX-ST's website at www.sgx.com.

As at the date of this announcement, Aidite Qinhuangdao's registered capital is RMB 49,682,900 and its total share capital comprises 49,682,900 ordinary shares. The shareholding details of Aidite Qinhuangdao as at the date of this announcement is set out below:

Shareholder	Number of shares	Amount of registered capital (RMB)	Shareholding percentage (%)
QMAI	23,970,000	23,970,000	48.246
Qinhuangdao Yuan Yi Management and Consultancy Centre (Limited Partnership) 秦皇岛源一企业管理咨询中心 (有限合伙)	13,630,000	13,630,000	27.434
Qinhuangdao Jie Ying Enterprises Management and Consultancy Centre (Limited Partnership) 秦皇岛戒盈企业管理咨询中心 (有限合伙)	2,682,900	2,682,900	5.400
Qinhuangdao Wen Di Management and Consultancy Centre (Limited Partnership) 秦皇岛文迪经济贸易咨询中心	9,400,000	9,400,000	18.920

(有限合伙)			
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2.2. QMAI

QMAI was incorporated on 12 March 2014 for the sole purpose of holding shares in the capital of Aidite Qinhuangdao. As at the date of this announcement, QMAI has an issued and paid-up share capital of S\$18,260,536.78 comprising 1 ordinary share and 23,970,000 preference shares. The Company owns 100% of the ordinary shares and 75.02% of the preference shares in QMAI. Q & M Professionals Holding Pte. Ltd. ("**Prof Holdco**") owns 20.00% of the preference shares of QMAI and the remaining 4.98% is owned by Cheah Kim Fee, Initial Capital Investment Pte. Ltd., All Win Investment Holdings Pte. Ltd. and Full Win Investment Holdings Pte. Ltd.

As disclosed in the Spin-Off Circular, Prof Holdco became a shareholder of QMAI pursuant to a subscription agreement entered into between Prof Holdco and QMAI for a subscription consideration of S\$5.26 million, as part of the restructuring exercise for the quotation of Aidite Qinhuangdao on the New Third Board ("**Prof Holdco Subscription**"). The Prof Holdco Subscription was approved by independent Shareholders as an interested person transaction pursuant to the Spin-Off Circular. Dr. Ng Chin Siau, Executive Director and the Group Chief Executive Officer ("**NCS**"), owns 52.57% shareholding in Prof Holdco. Dr. Ang Ee Peng Raymond, Executive Director and Chief Operating Officer of the Company, and the Company's independent directors Mr. Narayanan Sreenivasan and Mr. Ng Weng Sui Harry own 4.54%, 0.55% and 0.55% shareholding respectively in Prof Holdco. Please refer to the Spin-off Circular for further information on, *inter alia*, QMAI (including its shareholding structure) and the Prof Holdco Subscription.

3. INFORMATION ON THE BUYERS

Suzhou JX

Suzhou JX is a limited partnership that is established under the laws of the PRC and is principally engaged in the business of investment holding. It is a RMB equity fund managed by Legend Capital Management Co., Limited ("**Legend Capital**"). Legend Capital is a leading growth equity investor and is headquartered in Beijing with offices in Shanghai and Shenzhen.

At present, Legend Capital's assets under management ("**AUM**") exceeds RMB45 billion, with an investment focus on innovation and growth opportunities in the PRC. As of 2019, Legend Capital has invested in more than 400 enterprises, of which nearly 70 companies have successfully listed in the PRC or overseas, and nearly 50 companies have been the targets of successful mergers and acquisitions. With the vision of being the most valuable, respected and internationally influential investment company, Legend Capital promotes corporate innovation and growth through capital injections and management oversight, and plays an active role in promoting industrial progress and social development with like-minded partners to achieve success.

HAL

HAL is a company that is established under the laws of Hong Kong. It is principally engaged in the business of investment holding. HAL is a USD equity fund managed by Legend Capital.

Adveq

Adveq is a company that is established under the laws of Hong Kong. It is principally engaged in the business of investment holding.

Adveq is managed by Schroder Adveq Management AG ("**Schroder Adveq**"), a leading asset manager investing in private equity around the globe. Schroder Adveq offers specialised investment solutions, which allows its clients to access private equity investments globally through primary, secondary and co-investments. Schroder Adveq has investment programs focused on the US since 1997, Europe since 1998 and Asia since 2006.

As of 30 September 2019, Schroder Adveq had US\$ 10 billion of private equity AUM. Its client base comprises of institutional investors such as pension funds, insurance companies, endowments, family officers and other financial institutions located in North American, Europe, Middle-East and the Asia-Pacific region.

ASP

ASP is a company that is established under the laws of Hong Kong. It is principally engaged in the business of investment holding.

ASP is owned by eight limited partnerships each of whose direct or indirect general partner is Adams Street Partners, LLC ("**Adams Street**"). Established in 1972, Adams Street focuses on global private markets investment management. Adams Street has offices in ten locations worldwide, with investments across more than 30 countries. It has US\$38 billion in AUM across five strategies, namely primary and secondary fund investments, co-investments, private credit investments, and direct growth equity investments.

None of the Buyers, their respective directors or shareholders are related (including any business relationship) to the Group, the Directors, the Company's substantial shareholders and/or their respective associates.

4. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

4.1. Proposed Disposal of the Sale Shares

Pursuant to the STA, the parties agree that QMAI shall transfer, and the Buyers shall purchase, the Sale Shares free from all encumbrances and with the benefit of all rights, benefits and entitlements attaching thereto as at Completion of the Proposed Disposal.

4.2. **Consideration and valuation**

The aggregate consideration for the sale of the Sale Shares to the Buyers is RMB 360 million (the "**Consideration**"). The Consideration and Sale Shares shall be apportioned among the Buyers in the following manner:

- (a) Suzhou JX will pay RMB80 million to QMAI as consideration for 3,974,632 Sale Shares, comprising 8.000% of the share capital of Aidite Qinhuangdao;
- (b) Adveq will pay RMB100 million to QMAI as consideration for 4,968,290 Sale Shares, comprising 10.000% of the share capital of Aidite Qinhuangdao;
- (c) ASP will pay RMB65 million to QMAI as consideration for 3,229,389 Sale Shares, comprising 6.500% of the share capital of Aidite Qinhuangdao; and
- (d) HAL will pay RMB115 million to QMAI as consideration for 5,713,534 Sale Shares, comprising 11.500% of the share capital of Aidite Qinhuangdao.

The Consideration was arrived at after arm's length negotiations between QMAI and the Buyers and on a willing-buyer and willing-seller basis, based on an agreed valuation of Aidite Qinhuangdao of RMB1 billion.

The net asset value and the net tangible asset value of the Sale Shares as recorded in the unaudited consolidated financial statements of the Company for the financial period ended 30 June 2019 ("**HY2019**") were S\$36 million and S\$15 million respectively.

4.3. **Conditions precedent**

Completion of the Proposed Disposal is conditional upon certain conditions (the "**Conditions Precedent**") being satisfied or waived in writing by each Buyer, including but not limited to the following:

- (a) there is no PRC law, judgment, ruling or injunction by a court, arbitral institution or relevant government authority that restricts, prohibits or terminates the transfer of the Sale Shares. There is also no unresolved or potential litigation, arbitration, judgment, ruling or injunction which has or will have a material adverse effect on the transfer of the Sale Shares;
- (b) Aidite Qinhuangdao and its subsidiaries having obtained valid licenses, approvals, permits, waivers, consents, authorisations, registrations and/or filings for their respective business operations (including but not limited to the Medical Device Registration Certificate and Medical Device Production Licence);
- (c) the key employees of Aidite Qinhuangdao (including founding shareholders, senior management and core technical personnel) having entered into employment contracts, confidentiality agreements and agreements relating to intellectual property rights to the Buyers' satisfaction;

- (d) Aidite Qinhuangdao and QMAI each having obtained the approval of their respective board of directors and shareholders for the entry into the transaction documents and the transfer of the Sale Shares, and all shareholders of Aidite Qinhuangdao having waived any and all rights of pre-emption over the Sale Shares;
- (e) all approvals, confirmations, authorisations, registrations, licences, waivers and/or consents which are necessary to be obtained in respect of or in connection with the transfer of the Sale Shares being granted or obtained, including but not limited to approval of the Shareholders at a general meeting of the Company and approval of the SGX-ST;
- (f) the satisfactory completion of financial, business and legal due diligence by the Buyers in respect of Aidite Qinhuangdao;
- (g) no event having occurred after the date of the STA which has or is likely to result in a material adverse change in the business, operations, assets, position (financial, trading or otherwise), profits or prospects of Aidite Qinhuangdao; and
- (h) each of the existing shareholders of Aidite Qinhuangdao and Aidite Qinhuangdao guaranteeing that their obligations under the STA are true, complete and accurate, and having provided written confirmation in respect of the same.

The STA further provides that if approval of the Shareholders in respect of the Proposed Disposal is not obtained at a general meeting of the Company by 30 November 2019 (unless extended by the approval of all parties), the STA will terminate and cease to be valid.

4.4. **Payment terms**

Within twenty (20) business days of the date that the Conditions Precedent are satisfied or waived in writing (as the case may be):

- (a) Suzhou JX shall pay QMAI by telegraphic transfer its portion of the Consideration net of such amount of taxes payable to the relevant PRC tax authority in respect of the transfer of the relevant portion of Sale Shares. Suzhou JX shall arrange for such taxes to be paid to the PRC tax authority; and
- (b) each of HAL, Adveq and ASP shall pay QMAI by telegraphic transfer eighty-five percent (85%) of their respective portions of the Consideration.

Within twenty (20) business days of the date of receipt of the amounts set out in paragraph (b) above, QMAI shall arrange for such taxes payable in respect of the transfer of the relevant portion of Sale Shares to be paid to the relevant PRC tax authority and provide the certificate of payment to each of HAL, Adveq and ASP. Within five (5) business days of receipt of such certificate of payment, each of HAL, Adveq and ASP shall pay QMAI by telegraphic transfer the balance fifteen percent (15%) of their respective portions of the Consideration.

4.5. **Liability for breach of the STA**

Liability of QMAI

Pursuant to the STA, QMAI will be required to pay to the Buyers a compensation sum equal to ten percent (10%) of the Consideration for any loss directly or indirectly related to the following matters:

- (a) where QMAI violates any representations, warranties, undertakings, agreements or obligations made under the STA; or
- (b) where QMAI fails to perform or improperly performs any of its obligations under the STA or fails to comply with any other provisions under the STA.

If the above compensation sum is insufficient to compensate the Buyers for all losses suffered, QMAI will be required to make up the shortfall accordingly.

Liability of the Buyers

Each Buyer agrees that if it fails to pay to QMAI in full the sums payable by the Buyers under the STA and fails to remedy such breach within ten (10) days after being notified by QMAI of such breach, the relevant Buyer shall pay to QMAI a penalty sum equal to twenty percent (20%) of its relevant portion of the Consideration.

If the above compensation sum is insufficient to compensate QMAI for all losses suffered, the relevant Buyer will be required to make up the shortfall accordingly.

4.6. **Governing law and jurisdiction**

The STA is governed by and construed in accordance with the laws of the PRC. However, if the laws of the PRC do not govern specific matters relating to the STA, the STA will be governed by general international business practices as permitted under the laws of the PRC.

All disputes arising out of or in connection with the execution of the STA shall be settled through friendly negotiation. If any dispute cannot be settled through negotiation within fifteen (15) days after the dispute occurs, any party has the right to submit the dispute to the China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules in force at that time.

4.7. **Joint venture agreement**

QMAI will on the date of Completion enter into a joint venture agreement ("**JVA**") with the other shareholders of Aidite Qinhuangdao, including the Buyers, to regulate their relationship in relation to Aidite Qinhuangdao following the completion of the Proposed Disposal.

4.8. **Undertaking by Dr. Ng Chin Siau and QMAI**

In connection with the Proposed Disposal, NCS, has, upon the request of the Buyers, provided an irrevocable undertaking to the Buyers pursuant to which he has agreed, subject to regulatory approval, *inter alia*, to procure the voting of his direct and deemed interest of 56.04% in the capital of the Company in favour of each resolution to be tabled at the EGM for and in connection with the Proposed Disposal.

In addition, QMAI has undertaken, *inter alia*, to vote in favour of the Proposed Disposal during meeting of the board of directors and shareholders meeting of Aidite Qinhuangdao.

The undertaking further provides that NCS and QMAI shall become jointly liable to pay a compensation sum equal to five percent (5%) of the Consideration to the Buyers in the event that either NCS or QMAI fails to fulfil their obligations under the undertaking.

5. GAIN ON DISPOSAL AND USE OF PROCEEDS FROM THE PROPOSED DISPOSAL

- 5.1. The Company has, through its 75.02% preference shareholding in QMAI, an economic interest of 75.02% in the sale proceeds of the Proposed Disposal, which is approximately RMB270 million (being 75.02% of the Consideration of RMB360 million). Accordingly, only 75.02% of the gain will be attributable to the Company. The amount of gain by the Company from the Proposed Disposal is estimated to be S\$19 million after taking into account the associated costs of the Proposed Disposal.
- 5.2. It is estimated that the Company will receive net proceeds of approximately S\$49 million from the Proposed Disposal, taking into account tax expenses, legal fees and the other transaction costs in connection with the Proposed Disposal (the "**Net Proceeds**").

The Company intends to use the Net Proceeds for the following purposes:

- (a) general working capital requirements of the Group including repayment of existing loans;
- (b) funding future business expansion, investments and acquisitions when suitable opportunities arise; and
- (c) declare a special dividend of such amount as may be determined by the Board to the Shareholders (subject to regulatory requirements and prevailing market conditions).

Pending the deployment for the uses identified above, the Net Proceeds may be deposited with banks and/or financial institutions, or used for any other purpose on a short-term basis, as the Directors may in their absolute discretion deem fit.

6. RATIONALE FOR THE DISPOSAL

The Company proposes to dispose of the Sale Shares as such disposal would further strengthen the Group's balance sheet and would have a material positive impact on the financial position of the Group in the current year.

The Board believes that the Proposed Disposal is in the best interests of the Company and its Shareholders as it will enable the Group to realise and unlock the value of its interest in Aidite Qinhuangdao at an attractive premium over the net asset value of Aidite Qinhuangdao. As noted in Section 5 of this announcement, it is expected that the Group will realise a significant net gain from the Proposed Disposal.

The Board is also of the view that it is essential that the Group undertakes such disposal as it will lower the Group's gearing and provide further resources for the future expansion of the Group.

The Company will continue to retain approximately 12.246% of the registered capital of Aidite Qinhuangdao upon completion of the Proposed Disposal as the Board believes that the retention of such interests in Aidite Qinhuangdao will allow the Company to participate in its future growth.

7. CHAPTER 10 OF THE LISTING MANUAL

Based on the consolidated financial results of the Group for HY2019, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Disposal are set out below.

Listing Rule	Relative Figures
Rule 1006(a): The net asset value of the assets to be disposed of, compared with the Group's net asset value.	32% ⁽¹⁾
Rule 1006(b): The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	33% ⁽²⁾
Rule 1006(c): The aggregate value of the Consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	13.58% ⁽³⁾
Rule 1006(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 as this is not an acquisition.
Rule 1006(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.	Not applicable as the Company is not a mineral, oil and gas company.

Notes:

- (1) The unaudited net asset value of the Sale Shares of RMB184 million (equivalent to approximately S\$36 million converted at an exchange rate of S\$1: RMB5.071293 as at 30 June 2019) as at 30 June 2019 is compared against the unaudited net asset value of the Group of S\$115 million as at 30 June 2019.
- (2) The unaudited net profits of the Sale Shares of RMB14.5 million (equivalent to approximately S\$2.9 million converted at an exchange rate of S\$1: RMB5.071293 as at 30 June 2019) for HY2019 is compared against the unaudited net profits of the Group of S\$8.6 million for HY2019.
- (3) RMB270 million (equivalent to approximately S\$53.24 million converted at an exchange rate of S\$1: RMB 5.071293 as at 30 June 2019), being 75.02% of the Consideration of RMB360 million (equivalent to approximately S\$70.99 million converted at an exchange rate of S\$1: RMB5.071293 as at 30 June 2019), is compared to the Company's market capitalisation of approximately S\$392 million, which is computed based on 785,621,921 shares in the capital of the Company ("**Shares**") in issue and the closing price of S\$0.50 per share transacted on 9 October 2019, being the last market day preceding the date of the STA.

As the relative figures computed on the basis set out in Rule 1006(a) and Rule 1006(b) of the Listing Manual exceed 20%, the Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Listing Manual and is conditional upon the approval of Shareholders at a general meeting to be convened. A circular will be dispatched to Shareholders in due course.

8. FINANCIAL INFORMATION AND FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro forma financial effects of the Proposed Disposal on the Group set out below are strictly for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company and the Group after the Completion of the Proposed Disposal. These illustrative financial effects have been prepared based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2018 ("**FY2018**") and the audited financial statements of Aidite Qinhuangdao for FY2018, based on the following bases and assumptions:

- (a) that the Proposed Disposal had been completed on 1 January 2018 for the purposes of illustrating the financial effects on earnings;
- (b) that the Proposed Disposal had been completed on 31 December 2018 for the purposes of illustrating the financial effects on net tangible assets ("**NTA**"); and
- (c) the computations are based on Net Proceeds.

8.2. NTA

	Before the Proposed Disposal	After the Proposed Disposal
NTA attributable to the owners of the Company (SGD '000)	57,322	76,488

Number of issued Shares (excluding treasury shares) ('000)	785,622	785,622
NTA per Share (Singapore cents)	7.30	9.74

8.3. Earnings per Share ("EPS")

	Before the Proposed Disposal	After the Proposed Disposal
Net earnings attributable to the owners of the Company (SGD '000)	14,845	29,565
Number of issued Shares (excluding treasury shares) ('000)	785,622	785,622
EPS (Singapore cents)	1.89	3.76

9. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this announcement, none of the directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal, other than through their respective directorships and shareholdings in the Company, if any.

10. SERVICE CONTRACT

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal and no service contract is proposed to be entered into by the Company and any such person in connection with the Proposed Disposal.

11. EGM AND CIRCULAR

Completion of the Proposed Disposal will be conditional upon, *inter alia*, approval of the Shareholders having been obtained for the Proposed Disposal.

A circular to the Shareholders containing further details on the Proposed Disposal and enclosing a notice of EGM in connection therewith will be dispatched to the Shareholders in due course.

12. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the STA and the JVA is available for inspection by Shareholders at the registered office of the Company at 81 Science Park Drive #02-04, The Chadwick, Singapore 118257 during normal office hours from the date hereof up to and including the date of the EGM.

13. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will proceed to completion, as the completion is subject to, *inter alia*, fulfillment of all the conditions precedent in the STA. Shareholders are advised to read this announcement, any further announcements and the Circular by the Company carefully. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the action they should take.

By Order of the Board
Q & M Dental Group (Singapore) Limited

Vitters Sim
Chief Financial Officer
10 October 2019

For more information, please contact:

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