



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

**PROPOSED DISPOSAL OF 12.246% OF THE REGISTERED CAPITAL OF AIDITE
(QINHUANGDAO) TECHNOLOGY CO., LTD.**

1. INTRODUCTION

- 1.1. The board of directors (the "**Board**" or "**Directors**") of Q & M Dental Group (Singapore) Limited ("**Q & M**" or the "**Company**", and together with its subsidiaries, the "**Group**") refers to the holding announcement dated 12 November 2020 relating to a potential disposal of the Group's remaining stake in Aidite (Qinhuangdao) Technology Co., Ltd. (爱迪特(秦皇岛)科技股份有限公司) ("**Aidite Qinhuangdao**").
- 1.2. The Board wishes to announce that its subsidiary, Q & M Aidite International Pte. Ltd. ("**QMAI**") has, on 15 January 2021, entered into a share purchase agreement (the "**SPA**") with the following parties:
- (a) Aidite Qinhuangdao;
 - (b) Tianjin Yuan Yi Enterprise Management and Consulting Center (Limited Partnership) (天津源一企业管理咨询中心(有限合伙)) ("**Tianjin Yuan Yi**";
 - (c) Tianjin Wen Di Enterprise Management and Consulting Center (Limited Partnership) (天津文迪企业管理咨询中心(有限合伙)) ("**Tianjin Wen Di**";
 - (d) Tianjin Jie Ying Management and Consulting Center (Limited Partnership) (天津戒盈企业管理咨询中心(有限合伙)) ("**Tianjin Jie Ying**";
 - (e) 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**")
 - (f) Health Advance Limited ("**HAL**");
 - (g) Schroder Adveq Asia Hong Kong I Limited ("**Adveq**"); and
 - (h) ASP Hero SPV Limited ("**ASP**"),
- pursuant to which QMAI has agreed to sell, and, Aidite Qinhuangdao has agreed to repurchase, in aggregate 6,084,155 ordinary shares (the "**Sale Shares**" and each a "**Sale Share**") in the capital of Aidite Qinhuangdao comprising 12.246% of the registered capital of Aidite Qinhuangdao, on the terms and subject to the conditions set out in the SPA ("**Proposed Disposal**").

- 1.3. Upon completion of the Proposed Disposal (the "**Completion**"), the Sale Shares shall be cancelled and the registered capital of the Aidite Qinhuangdao shall be reduced accordingly. QMAI shall cease to hold shares in Aidite Qinhuangdao following Completion.
- 1.4. The Proposed Disposal constitutes a "discloseable transaction" under Chapter 10 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). 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 6 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.

On 10 October 2019, the Company announced the proposed disposal of 36.000% of the registered capital of Aidite Qinhuangdao to Suzhou JX, HAL, Adveq and ASP. The disposal of QMAI's 36.000% shareholding in Aidite Qinhuangdao was completed on 9 April 2020. Please refer to the Company's announcements dated 10 October 2019, 15 January 2020 and 9 April 2020, as well as the Company's circular to shareholders dated 14 November 2019 ("**Disposal Circular**") for further information in this regard. Copies of the said announcements and the Disposal Circular 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, held by the following shareholders:

Shareholder	Number of shares	Amount of registered capital (RMB)	Shareholding percentage (%)
QMAI	6,084,155	6,084,155	12.246
Tianjin Yuan Yi Management and Consultancy Centre (Limited Partnership) 天津源一企业管理咨询中心 (有限合伙)	13,630,000	13,630,000	27.434
Tianjin Jie Ying Management and Consultancy Centre (Limited Partnership) (天津戒盈企业管理咨询中心 (有限合伙)	2,682,900	2,682,900	5.400
Tianjin Wen Di Management and Consultancy Centre (Limited Partnership) (天津文迪企业管理咨询中心 (有限合伙)	9,400,000	9,400,000	18.920
Schroder Adveq Asia Hong Kong I Limited	4,968,290	4,968,290	10.000
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))	3,974,632	3,974,632	8.000
ASP Hero SPV Limited	3,229,389	3,229,389	6.500
Health Advance Limited	5,713,534	5,713,534	11.500
TOTAL	49,682,900	49,682,900	100

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\$4,635,019.99 comprising 1

ordinary share and 6,084,168 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. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

3.1. Proposed Disposal of the Sale Shares

The Proposed Disposal shall be carried out by Aidite Qinhuangdao repurchasing from QMAI all of the Sale Shares, upon which the Sale Shares shall be cancelled and the registered capital of Aidite Qinhuangdao shall be reduced accordingly (the "**Share Repurchase**"). QMAI shall no longer have any shareholding in Aidite Qinhuangdao upon completion of the Proposed Disposal.

3.2. Consideration and valuation

The aggregate consideration for the sale of the Sale Shares to the Buyers is RMB122,460,000 (the "**Consideration**").

The Consideration was arrived at after arm's length negotiations between QMAI and Aidite Qinhuangdao and on a willing-buyer and willing-seller basis, based on an agreed valuation of Aidite Qinhuangdao of RMB1 billion. No independent valuation was conducted in connection with the Proposed Disposal.

The net asset value and the net tangible asset value of the Sale Shares as recorded in the unaudited consolidated financial statements of the Group for the financial period ended 30 June 2020 ("**HY2020**") were S\$11.5 million and S\$11.5 million respectively.

3.3. Effective Date

The effective date of the SPA shall be the date upon which, *inter alia*, the following conditions have been met ("**Effective Date**"):

- (a) all parties to the SPA having signed and executed the SPA; and
- (b) Aidite Qinhuangdao having obtained the approval of its board of directors and shareholders in general meeting for the Share Repurchase.

From the Effective Date up to Completion, QMAI shall waive the exercise of all shareholders' rights (save for its voting rights to vote in favour of the Share Repurchase and all rights relating to dividend entitlements) relating to the Share Repurchase, including but not limited to, participation and voting rights in the general meeting of shareholders of Aidite Qinhuangdao, as well as rights of participation in the day-to-day operations of the Aidite Qinhuangdao. Further, each of the parties undertake not to engage in any activities that would result in a dilution of QMAI's shareholding from the Effective Date up to Completion, and Aidite Qinhuangdao shall not pay any dividends or engage in any acts that may harm the rights and interests of QMAI from the Effective Date up to Completion.

3.4. **Payment terms**

Within seven (7) business days of the Effective Date, Aidite Qinhuangdao shall open a tripartite supervisory bank account with a PRC bank as designated by QMAI (hereinafter referred to as the "**Escrow Account**"), and transfer RMB36,738,000 (equivalent to approximately S\$7.2 million converted at an exchange rate of S\$1: RMB5.067337 as at 30 June 2020), being 30% of the Consideration, to the Escrow Account.

Within fifty (50) business days of the Effective Date, Aidite Qinhuangdao shall transfer RMB61,230,000 (equivalent to approximately S\$12.1 million converted at an exchange rate of S\$1: RMB5.067337 as at 30 June 2020) being 50% of the Consideration, to the Escrow Account.

Within three (3) business days of the date of completion of the Share Repurchase, Aidite shall transfer to the Escrow Account the remaining 20% of the Consideration, being RMB24,492,000 (equivalent to approximately S\$4.8 million converted at an exchange rate of S\$1: RMB5.067337 as at 30 June 2020).

Within ten (10) business days after the completion of the Share Repurchase, Aidite Qinhuangdao shall be responsible for completing any tax withholding filings and reporting of withholding income tax of QMAI to the relevant PRC tax authority in respect of the transfer of the Sale Shares, and within three (3) business days of obtaining the payment notice from the relevant PRC tax authority, QMAI and Aidite Qinhuangdao shall take all necessary steps and arrangements to withdraw such funds from the Escrow Account to make payment of taxes payable on the transfer of the Sale Shares to the relevant PRC tax authority.

Within three (3) business days after obtaining the certificate of payment from the relevant PRC tax authority, Aidite Qinhuangdao shall, in consultation with QMAI, arrange for the balance funds in the Escrow Account to be paid to QMAI

in such manner and in such number of payment tranches as may be determined by QMAI.

All interest accruing on the funds within the Escrow Account shall belong to QMAI.

3.5. **Completion**

The parties agree that the Proposed Disposal shall be completed no later than 100 days from the date QMAI executes all documents necessary for the Share Repurchase ("**Long-stop Date**"). If, due to exceptional reasons outside of the parties' control, the Proposed Disposal is not completed by the Long-stop Date, the parties shall negotiate and sign a supplementary agreement for the completion of the Proposed Disposal.

The Proposed Disposal shall be deemed completed on the date on which QMAI receives the full amount of the Consideration net of any taxes payable to the relevant PRC tax authority ("**Completion Date**"). From the Completion Date, QMAI shall cease to be a shareholder of Aidite Qinhuangdao, and Dr Ng Chin Siau, the Non-Independent Executive Director and Chief Executive Officer of the Group, who was appointed by QMAI to the board of Aidite Qinhuangdao, will resign as director from the board of Aidite Qinhuangdao.

3.6. **Liability for breach of the SPA**

Liability of QMAI

Pursuant to the SPA, QMAI shall be required to pay to Aidite Qinhuangdao a compensation sum equal to thirty per cent. (30%) of the Consideration if QMAI fails to cooperate with Aidite Qinhuangdao to perform or complete any procedure or relevant documentation under the SPA.

Liability of Aidite Qinhuangdao

Aidite Qinhuangdao agrees that if, for reasons within its own control, it fails to pay to QMAI in full the sums payable by Aidite Qinhuangdao within the stipulated time periods under the SPA, Aidite Qinhuangdao shall pay to QMAI a late default payment equal to 0.05% of the outstanding amount per day of default.

If Aidite Qinhuangdao, for reasons within its own control, fails to pay to QMAI's overseas bank account the Consideration (net of all taxes payable) within the stipulated time periods under the SPA, and such delay exceeds thirty (30) business days, QMAI may terminate the SPA and request that Aidite Qinhuangdao within seven (7) business days ("**Reinstatement Period**") take all further steps and arrangements to reinstate QMAI to its original position as shareholder of Aidite Qinhuangdao, including but not limited to reinstating the business registration status of QMAI as shareholder of Aidite Qinhuangdao. For each day of delay following the expiry of the Reinstatement Period, Aidite Qinhuangdao shall pay to QMAI default payment of RMB500,000, and all prior agreements entered into between the parties in relation to Aidite Qinhuangdao shall remain in force.

If Aidite Qinhuangdao, for reasons within its own control, fails to complete the Share Repurchase, Aidite Qinhuangdao shall pay to QMAI a default payment equivalent to thirty per cent. (30%) of the Consideration.

The parties have agreed that in view of the ongoing COVID-19 pandemic, if due to any administrative orders or epidemic prevention and control restrictions implemented by the PRC government, the timelines for the Share Repurchase and payment of the Consideration (net of all taxes payable) have not been met and such delays in the timeline are outside the control of either party, neither party bears any responsibility for such technical breach of the SPA, and the timelines for such Share Repurchase procedures or bank transfers for the payment of the Consideration (as applicable) shall be extended accordingly.

3.7. **Governing law**

The SPA is governed by the laws of the PRC.

4. **GAIN ON DISPOSAL AND USE OF PROCEEDS FROM THE PROPOSED DISPOSAL**

- 4.1. 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 RMB92 million (being 75.02% of the Consideration of RMB122 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\$5 million after taking into account the associated costs of the Proposed Disposal.
- 4.2. As announced by the Company on 10 October 2019, 15 January 2020 and 9 April 2020 and disclosed in the Disposal Circular, the Company recorded an estimated gain of S\$19 million from QMAI's disposal of its 36.000% shareholding last year. The total amount of gain from the disposals of QMAI's entire shareholding in Aidite Qinhuangdao is estimated to be S\$24 million after taking into account the associated costs relating to the disposals.
- 4.3. It is estimated that the Company will receive net proceeds of approximately S\$17 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.

5. 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 remaining 12.246% interest in Aidite Qinhuangdao at an attractive premium over the net asset value of Aidite Qinhuangdao. As noted in Section 4 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 strengthen the Group's balance sheet and provide further resources for the future expansion of the Group.

The Proposed Disposal will also allow the Group to rationalise and refocus its income streams on its core business and other high performing and high growth business opportunities that may present from time to time. The Proposed Disposal will provide the Group with the necessary financial resources to do so.

Taking in all of the above considerations in totality, the Board is of the view that the Proposed Disposal is in the best interests of the Shareholders.

6. CHAPTER 10 OF THE LISTING MANUAL

Based on the consolidated financial results of the Group for HY2020, 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.	10% ⁽¹⁾
Rule 1006(b): The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	4% ⁽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.	5% ⁽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 RMB58 million (equivalent to approximately S\$11.5 million converted at an exchange rate of S\$1: RMB5.067337 as at 30 June 2020) as at 30 June 2020 is compared against the unaudited net asset value of the Group of S\$112 million as at 30 June 2020.
- (2) The unaudited net profits of the Sale Shares of RMB1.9 million (equivalent to approximately S\$0.4 million converted at an exchange rate of S\$1: RMB5.079564 as at 30 June 2020) for HY2020 is compared against the unaudited net profits of the Group of S\$9 million for HY2020.
- (3) RMB92 million (equivalent to approximately S\$18.1 million converted at an exchange rate of S\$1: RMB5.067337 as at 30 June 2020), being 75.02% of the Consideration of RMB122 million (equivalent to approximately S\$24.1 million converted at an exchange rate of S\$1: RMB5.067337 as at 30 June 2020), is compared to the Company's market capitalisation of approximately S\$374 million, which is computed based on 787,308,627 shares in the capital of the Company ("**Shares**") in issue and the closing price of S\$0.475 per share transacted on 14 January 2021, being the last market day preceding the date of the SPA.

As the relative figures computed on the basis set out in Rule 1006(a) of the Listing Manual exceeds 5% but does not exceed 20%, the Proposed Disposal constitutes a "discloseable transaction" under Chapter 10 of the Listing Manual.

7. 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 2019 ("**FY2019**") and the audited financial statements of Aidite Qinhuangdao for FY2019, based on the following bases and assumptions:

- (a) that the Proposed Disposal had been completed on 1 January 2019 for the purposes of illustrating the financial effects on earnings;
- (b) that the Proposed Disposal had been completed on 31 December 2019 for the purposes of illustrating the financial effects on net tangible assets ("**NTA**"); and
- (c) the computations are based on Net Proceeds.

7.2. **NTA**

The illustrative financial effects of the Proposed Disposal on the NTA per Share of the Group as at 31 December 2019 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA attributable to the owners of the Company (SGD '000)	68,476	73,487
Number of issued Shares (excluding treasury shares) ('000)	787,309	787,309
NTA per Share (Singapore cents)	8.70	9.33

7.3. **Earnings per Share ("EPS")**

The illustrative financial effects of the Proposed Disposal on the earnings per Share of the Group as at 1 January 2019 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net earnings attributable to the owners of the Company (SGD '000)	20,122	20,016
Number of issued Shares (excluding treasury shares) ('000)	787,309	787,309
EPS (Singapore cents)	2.56	2.54

7.4. **Net Gearing**

The illustrative financial effects of the Proposed Disposal on the gearing ratio of the Group as at 31 December 2019 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Total borrowings (SGD '000)	102,415	102,415
Shareholders' funds ('000)	121,973	126,984
Net gearing ratio (times)	0.84	0.81

8. 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.

9. 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA is available for inspection by Shareholders at the registered office of the Company at 2 Clementi Loop, #04-01 Logis Hub @ Clementi, Singapore 129809 during normal office hours from the date of this announcement.

11. 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. Shareholders are advised to read this announcement and any further announcements 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
 15 January 2021

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