



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

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**THE PROPOSED MODIFICATIONS TO THE NON-COMPETE UNDERTAKINGS OF Q & M DENTAL GROUP (SINGAPORE) AND AOXIN Q & M DENTAL GROUP LIMITED**

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**1. INTRODUCTION**

1.1 The Board of Directors (the "**Board**" or the "**Directors**") of Q & M Dental Group (Singapore) Limited (the "**Company**" or "**Q & M Singapore**", and together with its subsidiaries and associated companies, the "**Group**", and a "**Q & M Singapore Group Company**" shall be construed accordingly) refers to the following:

1.1.1 the offer document dated 18 April 2017 (the "**Offer Document**") which was issued in connection with the spin-off and the listing and quotation of Aoxin Q & M Dental Group Limited ("**Aoxin Q & M**", and together with its subsidiaries, the "**Aoxin Q & M Group**", and an "**Aoxin Q & M Group Company**" shall be construed accordingly) on the Catalist Board (the "**Catalist**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and

1.1.2 the announcement made by Aoxin Q & M on the SGXNET dated 10 June 2019 (the "**Aoxin Announcement**").

A copy of the Offer Document and the Aoxin Announcement is available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

1.2 As set out on pages 222 to 226 (section entitled "*Potential Conflicts of Interest with Q & M Singapore*") of the Offer Document and in the Aoxin Announcement, in order to address any potential conflicts of interest that may arise between Aoxin Q & M and the Company resulting from the spin-off of Aoxin Q & M, Aoxin Q & M and the Company provided certain non-compete undertakings to each other.

1.3 The Group undertook, amongst other things, not to, engage in, carry on or otherwise be interested in businesses engaged in the provision of dental services or the provision, distribution or sale of dental equipment and supplies (the "**Relevant Business**") in the Northern PRC Region (as defined herein) (the "**QM Non-Compete**") save for certain exempted transactions. The Northern PRC Region refers to the provinces of Beijing, Gansu, Hebei, Heilongjiang, Inner Mongolia, Jilin, Liaoning, Ningxia, Qinghai, Shaanxi, Shandong, Shanxi, Tianjin and Xinjiang, within the People's Republic of China (the "**PRC**").

1.4 Similarly, the Aoxin Q & M Group undertook, amongst other things, not to engage in, carry on or otherwise be interested in any Relevant Business outside of the Northern PRC Region. (the "**AQMD Non-Compete**" and together with the QM Non-Compete, the "**Existing Non-Competes**"). This essentially excludes the Aoxin Q & M Group from operating any Relevant Business in the Southern PRC Region (as defined herein). The Southern PRC Region refers to the provinces of Anhui, Chongqing, Fujian, Guangdong, Guangxi, Guizhou, Hainan, Henan, Hong Kong, Hubei, Hunan, Jiangsu, Jiangxi, Macau, Shanghai, Sichuan, Tibet, Yunnan and Zhejiang, within the PRC.

- 1.5 Pursuant to discussions between the Company and Aoxin Q & M, both parties are now desirous of amending the Existing Non-Competes (the "**Proposed Modifications**").

## **2. PROPOSED MODIFICATIONS TO THE NON-COMPETE UNDERTAKINGS**

- 2.1 The terms of the Proposed Modifications are aimed at allowing Q & M Singapore Group to participate in projects in the Northern PRC Region and Aoxin Q & M to participate in projects in the Southern PRC Region in the following manner:

2.1.1 whenever an Aoxin Q & M Group Company intends to incorporate or acquire any interest (whether by purchase or otherwise and whether alone or through a joint venture) in an entity which carries on or engages in the Relevant Business in the Northern PRC Region, Aoxin Q & M may, in its sole discretion, extend an invitation to the Group to participate as a joint venture partner in such Relevant Business; and

2.1.2 whenever a Q & M Singapore Group Company intends to incorporate or acquire any interest (whether by purchase or otherwise and whether alone or through a joint venture) in an entity which carries on or engages in the Relevant Business in the Southern PRC Region, Q & M Singapore may, in its sole discretion, extend an invitation to the Aoxin Q & M Group to participate as a joint venture partner in such Relevant Business.

- 2.2 Any joint venture ("**JV**") entered into between the Group and the Aoxin Q & M Group pursuant to such invitations will be subject to, *inter alia*, the following terms:

2.2.1 prior to extending any invitation, the audit committee ("**AC**") of the company extending the invitation will determine whether the project is suitable for the purpose of the JV. The respective ACs of the Company and Aoxin Q & M will also ensure that that terms of the JV are on normal commercial terms and not prejudicial to the interests of the Company, Aoxin Q & M and/or their minority shareholders;

2.2.2 the risk and rewards of a JV will be in proportion to the respective equity holdings of each joint venture partner in the JV; and

2.2.3 the equity interest of Q & M Singapore in a JV for a project in the Northern PRC Region will not exceed that of Aoxin Q & M and similarly, the equity interest of Aoxin Q & M in a JV for a project in the Southern PRC Region will not exceed that of Q & M Singapore.

- 2.3 The Company intends to enter into revised non-compete agreements with Aoxin Q & M in order to give effect to the Proposed Modifications.

- 2.4 The Board understands from the Aoxin Announcement that Aoxin Q & M, through a letter dated 25 February 2019, consulted the SGX-ST on the Proposed Modifications. On 7 June 2019, SGX-ST confirmed to Aoxin Q & M that it has no further comments on the Proposed Modifications, subject to the following:

2.4.1 Aoxin Q & M seeking the approval of its shareholders for the Proposed Modifications (with Q & M Singapore and its associates abstaining from voting);

2.4.2 Aoxin Q & M making an immediate announcement on the details (including rationale) of the Proposed Modifications to the AQMD Non-Compete including Aoxin Q & M's AC views that the same are beneficial to the Group; and

2.4.3 the terms of reference of the AC to be revised to take into consideration the Proposed Modifications to the AQMD Non-Compete.

- 2.5 The Board proposes to make the Proposed Modifications to the QM Non-Compete subject to the same conditions as stipulated by the SGX-ST for the Proposed Modifications to AQMD Non-Compete.

### **3. RATIONALE FOR THE PROPOSED MODIFICATIONS**

- 3.1 The AC of the Company is of the view that the Proposed Modifications to the QM Non-Compete are beneficial to the Group for the following key reasons:

- 3.1.1 The Group is looking to expand its operations and believes that the PRC presents a number of potential business opportunities. Thus far, the Group has been growing its presence in the PRC via acquisitions. However, the PRC dental market has regulatory complexities that require an experienced and knowledgeable partner to navigate.

In order to maximise its organic growth in the PRC dental market in its projects in the Southern PRC Region, it is commercially beneficial for the Group to enter into joint ventures with the Aoxin Q & M Group as the Aoxin Q & M Group has the necessary jurisdictional and regulatory expertise, including resources and market know-how specific to the PRC to facilitate Q & M Singapore Group's growth strategy.

- 3.1.2 The Group has been instrumental in the Aoxin Q & M Group's growth since it acquired a stake in Aoxin Q & M in 2014 and following the spin-off and listing of Aoxin Q & M on the Catalist, the Group has been a controlling shareholder of the Aoxin Q & M Group. Over the years, the Group has built a strong relationship with the Aoxin Q & M Group.

As the Group has had a long association with the Aoxin Q & M Group and is familiar with its management and operations, the Group is of the view that entering into joint ventures with a trusted partner will ensure a smooth running of these potential joint venture businesses to be acquired, thus delivering increased value to shareholders. Furthermore, as the Aoxin Q & M Group is one of the leading providers of dental services and dental equipment and supplies in the Northern PRC Region, partnering with the Aoxin Q & M Group will give the Group an added advantage as this will allow it to leverage on the Aoxin Q & M Group's reputation in the PRC.

- 3.1.3 Although the Aoxin Q & M Group presently operates in the Northern PRC Region, it has knowledge of business opportunities in both the Northern PRC Region and the Southern PRC Region. Given its reputation as a market leader, the Aoxin Q & M Group has access to a network of potential business partners to pursue opportunities in the Southern PRC Region. However, it has been unable to capitalise on these opportunities in the Southern PRC Region due to the AQMD Non-Compete.

The Proposed Modifications to the AQMD Non-Compete will enable the Aoxin Q & M Group to take advantage of potential business opportunities in the Southern PRC Region presented to the Aoxin Q & M Group as the Aoxin Q & M Group will be able to participate in these joint venture opportunities in conjunction with the Group. By leveraging on the Aoxin Q & M Group's business network in the Southern PRC Region, the Group will be able to increase its presence in the Southern PRC Region, thus giving it a competitive advantage over other players in the PRC dental market.

- 3.1.4 Since May 2015, the Aoxin Q & M Group has collaborated with the Jinzhou Medical University, a well-known and established institution in the PRC, to provide, amongst others, instruction, training and internship opportunities to students and dental professionals. Pursuant to such collaboration, certain dental clinics and centres of the Aoxin Q & M Group are designated training centres. The Jinzhou Medical University serves as a platform for the Aoxin Q & M Group to recruit from a ready pool of talent.

In addition to providing the Group with the necessary jurisdictional and regulatory expertise for its joint ventures in the Southern PRC Region, the Group will also benefit from the collaboration by having ready access to a pool of highly qualified and trained dentists.

- 3.2 The terms of reference of the AC of the Company will also be revised to take into consideration the Proposed Modifications to the QM Non-Compete, and will be disclosed in the Circular (as defined herein) accordingly.

#### **4. EXTRAORDINARY GENERAL MEETING**

- 4.1 The Company will be convening an extraordinary general meeting ("**EGM**") to seek the approval of its shareholders (the "**Shareholders**") for the Proposed Modifications to the QM Non-Compete.

- 4.2 A circular (the "**Circular**") containing, *inter alia*, the following further information relating to the Proposed Modifications as well as the Notice of EGM will be despatched to the Shareholders in due course:

4.2.1 detailed terms and exact wordings of the Proposed Modifications to the QM Non-Compete;

4.2.2 clause-by-clause rationale for each of the modifications proposed in respect of the QM Non-Compete; and

4.2.3 such other information the Board deems necessary for consideration by the Shareholders in respect of the Proposed Modifications.

- 4.3 The Company understands that Aoxin Q & M will also be convening an EGM to seek the approval of its shareholders for the Proposed Modifications to the AQMD Non-Compete. The Company and its associates shall abstain from the voting in respect of the resolution pertaining to the Proposed Modifications to the AQMD Non-Compete.

#### **5. TRADING CAUTION**

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. When in doubt, Shareholders and potential investors are advised to seek independent advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers.**

#### **By Order of the Board**

Q & M Dental Group (Singapore) Limited

Vitters Sim  
Chief Financial Officer  
10 June 2019

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For more information, please contact:

#### **Chief Financial Officer**

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