

**APPENDIX DATED 15 APRIL 2019**

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

**This Appendix is issued by Aoxin Q & M Dental Group Limited (the “Company”, and together with its subsidiaries, the “Group”). If you are in any doubt about the contents of this Appendix or the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or any other professional adviser immediately.**

If you have sold or transferred all your ordinary shares in the capital of the Company (the “Shares”) held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Appendix to the purchaser or transferee as arrangements will be made by the CDP for a separate Appendix with the Notice of AGM (as defined herein) and the accompanying Proxy Form (as defined herein) to be sent to the purchaser or transferee. If you have sold or transferred all your Shares represented by physical share certificate(s) which are not deposited with the CDP, you should immediately forward this Appendix, together with the Annual Report (as defined herein), the Notice of AGM and the accompanying Proxy Form to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Capitalised terms appearing on the cover of this Appendix have the same meanings as defined herein.

This Appendix is circulated to the Shareholders together with the Company’s Annual Report. The purpose of this Appendix is to provide Shareholders with information relating to, and seek Shareholders’ approval for, the Proposed Renewal of the Share Purchase Mandate and the Proposed Change of Auditors at the 2019 AGM (as defined herein).

This Appendix has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, SAC Capital Private Limited (the “Sponsor”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The Sponsor has not independently verified the contents of this Appendix.

This Appendix has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made, or reports contained in this Appendix.

The contact person for the Sponsor is Mr. Foo Siang Sheng (Telephone: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.



**AOXIN Q & M DENTAL GROUP LIMITED**

(Company Registration No. 201110784M)  
(Incorporated in the Republic of Singapore)

**APPENDIX TO THE NOTICE OF AGM**

**IN RELATION TO**

- (1) THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE; AND**
- (2) THE PROPOSED CHANGE OF AUDITORS FROM MESSRS RSM CHIO LIM LLP TO MESSRS FOO KON TAN LLP**

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## DEFINITIONS

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In this Appendix, the following definitions apply throughout unless the context otherwise requires or otherwise stated:–

- “2019 AGM”** : The annual general meeting of the Company to be held on 30 April 2019 at 2.30 p.m. at 10 Anson Road #28-15 International Plaza, Singapore 079903, notice of which is set out in the Notice of AGM
- “9 January Mandate”** : Has the meaning ascribed to it in Section 2.1 of this Appendix
- “ACRA”** : The Accounting and Corporate Regulatory Authority of Singapore
- “Act” or “Companies Act”** : The Companies Act, (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
- “Annual Report”** : The annual report of the Company for FY2018
- “Appendix”** : This appendix to the the Notice of AGM dated 15 April 2019 in respect of the Proposed Renewal of the Share Purchase Mandate and the Proposed Change of Auditors
- “Approval Date”** : Has the meaning ascribed to it in Section 2.3.1 of this Appendix
- “Audit Committee”** : The audit committee of the Company as at the date of this Appendix comprising Mr. Chua Ser Miang, Professor Chew Chong Yin @ Chew Chong Lin and Mr. Lin Ming Khin
- “Auditors”** : The auditors of the Company for the time being
- “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 trustee 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% or more; and

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## DEFINITIONS

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		(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% or more,
		or such other definition as the Listing Manual may from time to time prescribe
<b>“Average Closing Price”</b>	:	Has the meaning given to it in Section 2.3.4 of this Appendix
<b>“Board”</b>	:	The board of Directors of the Company as at the Latest Practicable Date
<b>“Catalist”</b>	:	The Catalist Board of the SGX-ST
<b>“Catalist Rules”</b>	:	The SGX-ST Listing Manual Section B: Rules of Catalist, as amended, modified or supplemented from time to time
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Company”</b>	:	Aoxin Q & M Dental Group Limited
<b>“Constitution”</b>	:	The constitution of the Company, as amended, modified or supplemented from time to time
<b>“control”</b>	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
<b>“Controlling Shareholder”</b>	:	A person who:–  (a) holds directly or indirectly 15% or more of the nominal amount of all voting Shares (excluding treasury shares) in the Company, (notwithstanding, the SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder); or  (b) in fact exercises control over the Company,  or such other definition as the Listing Manual may from time to time prescribe
<b>“date of the making of the offer”</b>	:	Has the meaning ascribed to it in Section 2.3.4 of this Appendix

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## DEFINITIONS

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<b>“Directors”</b>	:	The directors of the Company from time to time
<b>“Dr. Shao”</b>	:	Dr. Shao Yongxin, who is the Executive Director and Group Chief Executive Officer
<b>“EPS”</b>	:	Earnings per Share
<b>“Foo Kon Tan”</b>	:	Messrs Foo Kon Tan LLP
<b>“FY”</b>	:	Financial year ended, or ending, as the case may be, on 31 December
<b>“Group”</b>	:	The Company and its subsidiaries, collectively
<b>“Health Field Concert Party Group”</b>	:	Has the meaning given to it in Section 2.9.4(a) of this Appendix
<b>“Immediate Family”</b>	:	A person’s spouse, child, adopted child, step-child, sibling and parent, or such other definition as the Listing Manual may from time to time prescribe
<b>“Latest Practicable Date”</b>	:	The latest practicable date prior to the printing of this Appendix, being 25 March 2019
<b>“Listing Manual”</b>	:	The listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading in securities
<b>“Market Purchases”</b>	:	Has the meaning given to it in Section 2.3.3(i) of this Appendix
<b>“Maximum Price”</b>	:	Has the meaning given to it in Section 2.3.4 of this Appendix
<b>“Notice of AGM”</b>	:	The notice of the 2019 AGM as set out on pages 96 to 100 of the Annual Report
<b>“NTA”</b>	:	Net tangible assets
<b>“Off-Market Purchases”</b>	:	Has the meaning given to it in Section 2.3.3(ii) of this Appendix
<b>“Ordinary Resolutions”</b>	:	The ordinary resolutions as set out in the Notice of AGM
<b>“Proposed Change of Auditors”</b>	:	The proposed change of auditors of the Company from RSM Chio Lim to Foo Kon Tan

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## DEFINITIONS

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<b>“Proposed Renewal of the Share Purchase Mandate”</b>	:	The proposed renewal of the Share Purchase Mandate at the 2019 AGM
<b>“Proxy Form”</b>	:	The proxy form in respect of the 2019 AGM as set out on the last 2 pages of the Annual Report
<b>“Q &amp; M Concert Party Group”</b>	:	Has the meaning given to it in Section 2.9.4(b) of this Appendix
<b>“Related Expenses”</b>	:	Has the meaning ascribed to that term in Section 2.3.4 of this Appendix
<b>“Relevant Period”</b>	:	The period commencing from the date on which the resolution relating to the Share Purchase Mandate is passed in a general meeting and expiring on the earliest of (a) the date the next annual general meeting is held or is required by law to be held, (b) the date on which the Share Purchases are carried out to the full extent mandated, or (c) the date the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting
<b>“RSM Chio Lim”</b>	:	Messrs RSM Chio Lim LLP
<b>“Securities Account”</b>	:	A securities account maintained by a Depositor with the CDP, but does not include a securities sub-account maintained with a Depository Agent
<b>“SFA”</b>	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Shareholders”</b>	:	Registered holders of Shares in the register of members of the Company, except that where the registered holder is the CDP, the term <b>“Shareholders”</b> shall, where the context admits, mean the persons named as Depositors in the Depository Register maintained by the CDP and into whose Securities Accounts those Shares are credited
<b>“Share Purchase”</b>	:	The purchase or acquisition by the Company of its own Shares pursuant to the terms of the Share Purchase Mandate

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## DEFINITIONS

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<b>“Share Purchase Mandate”</b>	:	The general mandate granted by the Shareholders to authorize the Directors to make purchase or acquire, on behalf of the Company, Shares of up to 10% of the issued Shares of the Company at the date of the 2019 AGM in accordance with the terms set out in this Appendix and subject to compliance with the Companies Act and Catalist Rules
<b>“Shares”</b>	:	Ordinary shares in the share capital of the Company
<b>“SIC”</b>	:	Securities Industry Council
<b>“Sponsor”</b>	:	SAC Capital Private Limited
<b>“Substantial Shareholder”</b>	:	A person who has an interest (directly or indirectly) of 5% or more of the total issued Shares (excluding treasury shares)
<b>“Take-over Code”</b>	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
<b>“treasury shares”</b>	:	Treasury shares shall have the meaning ascribed to it under Section 4 of the Companies Act

### Currencies, Units and Others

<b>“S\$” and “SG cents”</b>	:	Singapore dollars and cents, respectively
<b>“RMB”</b>	:	Renminbi
<b>“%” or “per cent.”</b>	:	Percentage or per centum

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

The term **“subsidiary”** shall have the meaning ascribed to it in Section 5 of the Companies Act. The term **“subsidiary holdings”** means shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act.

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 and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined in the Companies Act, SFA, the Catalist Rules, the Take-over Code or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act, SFA, the Catalist Rules, the Take-over Code or any statutory modification thereof (as the case may be) unless otherwise provided.

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## **DEFINITIONS**

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Any reference to a time of a day and date in this Appendix shall be a reference to Singapore time and date, respectively, unless otherwise stated.

The total of figures listed in certain tables included in this Appendix may not be the same as the arithmetic sum of the figures. Any such discrepancies are due to rounding.



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## LETTER TO SHAREHOLDERS

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### AOXIN Q & M DENTAL GROUP LIMITED

(Company Registration Number: 201110784M)  
(Incorporated in the Republic of Singapore)

**Directors:**

Mr. Chua Ser Miang  
*(Non-Executive Chairman and Independent Director)*  
Dr. Shao Yongxin  
*(Executive Director and Chief Executive Officer (“CEO”))*  
Mr. San Yi Leong @ Tan Yi Leong  
*(Executive Director and Deputy CEO)*  
Mr. Vitters Sim Yu Xiong  
*(Non-Executive Director)*  
Professor Chew Chong Yin @ Chew Chong Lin  
*(Independent Director)*  
Mr. Lin Ming Khin  
*(Independent Director)*

**Registered Office:**

80 Robinson Road  
#02-00  
Singapore 068898

15 April 2019

To: The Shareholders of **AOXIN Q & M DENTAL GROUP LIMITED**

Dear Sir/Madam,

#### 1. INTRODUCTION

The Directors are seeking Shareholders’ approval for the following proposals at the 2019 AGM:

- (i) the Proposed Renewal of the Share Purchase Mandate to allow the Company to purchase or otherwise acquire Shares; and
- (ii) the Proposed Change of Auditors from Messrs RSM Chio Lim LLP to Messrs Foo Kon Tan LLP.

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to explain the rationale for, the proposals above.

**Shareholders are advised that the SGX-ST and the Sponsor assume no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix.**

#### 2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

##### 2.1 Introduction

Any purchase or acquisition of Shares by the Company must be made in accordance with, and in the manner prescribed by, the Companies Act and the Catalist Rules and such other laws and regulations as may, for the time being, be applicable. During the validity period of the Share Purchase Mandate, the Directors of the Company will have the authority to exercise all powers of the Company in purchasing or acquiring Shares pursuant to the terms

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## LETTER TO SHAREHOLDERS

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of the Share Purchase Mandate. Regulation 6 of the Constitution expressly permits the Company to purchase or otherwise acquire its issued Shares on such terms and in such manner as the Company may from time to time think fit, subject to and in accordance with the Companies Act. The Company is also required to obtain approval of its Shareholders at a general meeting if it wishes to purchase or acquire its own Shares. In this regard, the Shareholders had approved the adoption of the Share Purchase Mandate at the extraordinary general meeting of the Company held on 9 January 2019 (the “**9 January Mandate**”). The 9 January Mandate will be expiring on 30 April 2019, being the date of the forthcoming 2019 AGM. Accordingly, approval is being sought from Shareholders at the 2019 AGM for the Proposed Renewal of the Share Purchase Mandate.

If approved by Shareholders at the 2019 AGM, the authority conferred by the Share Purchase Mandate will continue in force until the date on which the next annual general meeting of the Company is held, or is required by law to be held, whichever is the earlier (whereupon it will lapse, unless it is renewed at such meeting), or the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Company at a general meeting (if so varied or revoked prior to the next annual general meeting), or the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated (if so varied or revoked prior to the next annual general meeting), whichever is the earliest.

### 2.2 Rationale

The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

- 2.2.1 in managing the business of the Group, the Directors constantly seek to increase Shareholders’ value by improving, *inter alia*, the return on equity of the Group. In addition to growth and expansion of the business, Share Purchases at the appropriate price level may be considered as one of the ways through which the return on equity of the Group may be enhanced;
- 2.2.2 Share Purchases by the Company pursuant to the Share Purchase Mandate and held as treasury shares may, *inter alia*, to the extent permitted by applicable law, be transferred for the purposes of or pursuant to share incentive schemes implemented by the Company, to enable the Company to take advantage of tax deductions under the current taxation regime. The use of treasury shares in lieu of issuing new Shares would also mitigate the dilution impact on existing Shareholders;
- 2.2.3 the Proposed Renewal of the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds which are in excess of its financial needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner; and
- 2.2.4 the Proposed Renewal of the Share Purchase Mandate will provide the Company with the flexibility to undertake Share Purchases at any time, subject to market conditions, during the Relevant Period when the Share Purchase Mandate is in force.

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## LETTER TO SHAREHOLDERS

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While the Share Purchase Mandate would authorise a Share Purchase up to the 10% limit described in Section 2.3.1 below during the period referred to in Section 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised and made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best endeavours to ensure that after a purchase or acquisition of Shares pursuant to the Share Purchase Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

### 2.3 Authority and Limits of the Share Purchase Mandate

The authority and limits placed on purchases or acquisitions of Shares by the Company under the Share Purchase Mandate, if renewed at the 2019 AGM, are summarised below:

#### 2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares at the date of the 2019 AGM at which the Proposed Renewal of the Share Purchase Mandate is approved (the “**Approval Date**”), unless the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Companies Act, or the court has, at any time during the Relevant Period, made an order under Section 78I of the Companies Act confirming the reduction of share capital of the Company, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the special resolution of the Company or the order of the court, as the case may be. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for purposes of computing the 10% limit.

**Purely for illustrative purposes**, on the basis of 381,574,909 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued on or prior to the 2019 AGM, the purchase or acquisition by the Company of up to the maximum limit of 10% of its issued Shares pursuant to the Share Purchase Mandate will result in the purchase or acquisition of 38,157,490 Shares. There are no treasury shares or subsidiary holdings as at the Latest Practicable Date.

**However, as stated in Section 2.2 above and Section 2.8 below, purchases or acquisitions of Shares pursuant to the Share Purchase Mandate need not be carried out to the full extent mandated, and, in any case, would not be carried out to such an extent that affect the listing status of the Shares on the SGX-ST.**

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## LETTER TO SHAREHOLDERS

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### 2.3.2 Duration of Authority

Purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may be made, at any time and from time to time, by the Company on and from the Approval Date, up to the earliest of:

- (i) the date on which the next annual general meeting of the Company is held or required by law to be held (whereupon it will lapse, unless renewed at such meeting);
- (ii) the date on which the Share Purchases are carried out to the full extent mandated; or
- (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting (if so varied or revoked prior to the next annual general meeting).

The authority conferred on the Directors by the Share Purchase Mandate to purchase or acquire Shares may be renewed by the Shareholders in a general meeting of the Company, such as at the next annual general meeting or at an extraordinary general meeting to be convened immediately after the conclusion or adjournment of the next annual general meeting. When seeking the approval of the Shareholders for the renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to the Share Purchases made during the previous 12 months, including the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for such Share Purchases, where relevant, and the total consideration paid for such Share Purchases.

### 2.3.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

- (i) on-market purchases, transacted through the SGX-ST's trading system or on any other securities exchange on which the Shares may be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose of the Share Purchases ("**Market Purchases**"); and/or
- (ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with an "equal access scheme(s)" as defined in Section 76C of the Companies Act ("**Off-Market Purchases**").

In an Off-Market Purchase, the Directors may impose such terms and conditions which are consistent with the Share Purchase Mandate, the Catalist Rules, the Companies Act and the Constitution and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

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## LETTER TO SHAREHOLDERS

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Under the Companies Act, an Off-Market Purchase must satisfy all the following conditions:

- (a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (b) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made to them; and
- (c) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable: (i) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements; (ii) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid (if applicable); and (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it must issue an offer document to all Shareholders containing at least the following information:

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;
- (3) the reasons for the proposed purchase or acquisition of Shares;
- (4) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (5) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (6) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether by way of Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions of Shares; and
- (7) whether the Shares purchased or acquired by the Company would be cancelled or kept as treasury shares.

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## LETTER TO SHAREHOLDERS

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### 2.3.4 Maximum Purchase Price

The purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses (“**Related Expenses**”)) to be paid for a Share will be determined by the Directors. The purchase price to be paid for the Shares pursuant to the Share Purchase Mandate must not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, up to 120% of the Average Closing Price of the Shares,

(the “**Maximum Price**”) in either case, excluding Related Expenses.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares were recorded on the SGX-ST, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action which occurs after the relevant five (5) Market Days period; and

“**date of making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

## 2.4 **Status of the Purchased or Acquired Shares**

The Shares purchased or acquired by the Company may be cancelled or kept as treasury shares.

### 2.4.1 Cancellation of Shares

Any Share which is purchased or acquired by the Company shall, unless held as treasury shares to the extent permitted under the Companies Act (as set out below), be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share shall expire on such cancellation. All Shares purchased by the Company (other than treasury shares held by the Company to the extent permitted under the Companies Act) will be automatically delisted by the SGX-ST. Certificates in respect of purchased or acquired Shares that are to be cancelled by the Company will be cancelled as soon as reasonably practicable following settlement of any purchase or acquisition of such Shares. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company which are cancelled and not held as treasury shares.

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## LETTER TO SHAREHOLDERS

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At the time of each purchase or acquisition of Shares by the Company, the Directors will decide whether the Shares purchased or acquired will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company and as the Directors deem fit in the interests of the Company at that time.

### 2.4.2 Treasury shares held by the Company

Under the Companies Act, Shares which are purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(i) *Maximum holdings*

The aggregate number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares. Any Shares held as treasury shares in excess of this limit shall be disposed of or cancelled by the Company in accordance with Section 76K of the Companies Act within six (6) months from the date such limit is exceeded, or such further period as may be allowed by the ACRA.

(ii) *Disposal and cancellation*

Where Shares are held as treasury shares, the Company may at any time (but subject always to the Take-over Code):

- (a) sell the treasury shares (or any of them) for cash;
- (b) transfer the treasury shares (or any of them) for the purposes of or pursuant to any share scheme implemented by the Company;
- (c) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares (or any of them); or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister for Finance may by order prescribe.

Under Rule 704(31) of the the Catalist Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the “**usage**”). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the treasury shares comprised in the usage.



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## LETTER TO SHAREHOLDERS

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(iii) *Voting and other rights*

The Company cannot exercise any right in respect of the treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury shares is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

### 2.5 Source of Funds for the Share Purchase

The Companies Act provides that any purchase or acquisition of Shares by the Company may be made out of its capital or profits, so long as the Company is solvent. Under Section 76F(4) of the Companies Act, the Company is solvent:

- (i) If at the date of payment for the purchase or acquisition of its Shares, there is no ground on which the Company could be found to be unable to pay its debts;
- (ii) If –
  - (a) it is intended to commence winding up within the period of 12 months immediately after the date of payment, the Company will be able to pay its debts in full within such period; or
  - (b) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of payment; and
- (iii) If the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition of Shares become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance purchases or acquisitions of its Shares pursuant to the Share Purchase Mandate. In purchasing or acquiring Shares pursuant to the Share Purchase Mandate, the Directors will, firstly, consider the availability of internal resources. In addition, the Directors will also thereafter consider the availability of external financing.

The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Group would be materially adversely affected. The Share Purchases will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions.



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### 2.6 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the financial effects as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the Share Purchase is made out of capital and/or profits, the purchase price paid for such Shares, the amount (if any) borrowed by the Company to fund such Share Purchases and whether the Shares purchased or acquired are cancelled or held as treasury shares.

Under the Companies Act, Share Purchases by the Company may be made out of the Company's capital and/or profits so long as the Company is solvent. Where the consideration paid by the Company for the Share Purchase is made out of capital, such consideration (including expenses such as brokerage or commission incurred directly by the Company in its purchase or acquisition of Shares) will not affect the amount available for distribution in the form of dividends by the Company. Where the consideration paid by the Company for the Share Purchase is made out of profits, such consideration (including expenses such as brokerage or commission incurred directly by the Company in its purchase or acquisition of Shares) will correspondingly reduce the amount available for distribution in the form of dividends by the Company.

Where the Company chooses to cancel any of the Shares which it purchased or acquired (as opposed to being held as treasury shares to the extent permitted under the Companies Act), the Company shall:

- (a) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;
- (b) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or
- (c) reduce the amount of its share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price (including expenses such as brokerage or commission incurred directly by the Company in its purchase or acquisition of Shares) paid by the Company for the Shares cancelled.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group or on the financial position of the Company and the Group. The Share Purchase will only be effected after considering relevant factors such as the working capital requirements, the availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The Share Purchase Mandate will be exercised with a view to enhance the EPS and/or NTA per Share of the Group.

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**Purely for illustrative purposes only**, the financial effects of Share Purchases on the Company and the Group, based on the audited consolidated financial statements of the Company for FY2018 are based on the assumptions set out below:

- (A) based on 381,574,909 Shares in issue as at the Latest Practicable Date, and assuming no new Shares are issued on or prior to the 2019 AGM, the exercise in full of the Share Purchase Mandate, on the Latest Practicable Date, would result in the purchase or acquisition of 38,157,490 Shares, representing 10% of the issued Shares of the Company (excluding treasury shares); and
- (B) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires 38,157,490 Shares at the Maximum Price of RMB1.038 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 38,157,490 Shares would be approximately RMB39,607,475 (excluding Related Expenses).
- (C) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 38,157,490 Shares at the Maximum Price of RMB1.187 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 38,157,490 Shares would be approximately RMB45,292,941 (excluding Related Expenses).

**Purely for illustrative purposes only**, and based on the assumptions set out in sub-paragraphs (A), (B) and (C) above and assuming that (i) the purchase or acquisition of Shares was financed by internal sources of funds and external borrowings; and (ii) the Share Purchase Mandate had been effective on 1 January 2018, the financial effects of:

- (i) the purchase or acquisition of 38,157,490<sup>1</sup> Shares by the Group and the Company pursuant to the Share Purchase Mandate by way of Market Purchases and such Shares are cancelled;
- (ii) the purchase or acquisition of 38,157,490<sup>1</sup> Shares by the Group and the Company pursuant to the Share Purchase Mandate by way of Off-Market Purchases and such Shares are cancelled;
- (iii) the purchase or acquisition of 38,157,490<sup>2</sup> Shares by the Group and the Company pursuant to the Share Purchase Mandate by way of Market Purchases and such Shares are held as treasury shares; and
- (iv) the purchase or acquisition of 38,157,490<sup>2</sup> Shares by the Group and the Company pursuant to the Share Purchase Mandate by way of Off-Market Purchases and such Shares are held as treasury shares,

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1 Being the maximum number of Shares which the Company may purchase or acquire pursuant to the Share Purchase Mandate and such Shares are cancelled. This is based on the assumption that, between the Latest Practicable Date and the date of the 2019 AGM, there are no changes to the number of issued Shares and the number of treasury shares held by the Company.

2 Being the maximum number of Shares which the Company may purchase or acquire pursuant to the Share Purchase Mandate and hold such Shares as treasury shares in compliance with Section 76I of the Companies Act. This is based on the assumption that, between the Latest Practicable Date and the date of the 2019 AGM, there are no changes to the number of issued Shares and the number of treasury shares held by the Company.

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on the audited financial statements of the Company and the Group for FY2018 are set out below:

- (I) **Financial effects on the Group assuming that 38,157,490 Shares are purchased or acquired pursuant to the Share Purchase Mandate by way of Market Purchases and such Shares are cancelled immediately on purchase or acquisition**

As at 31 December 2018	Group		Company	
	Before Share Purchase RMB'000	After Share Purchase RMB'000	Before Share Purchase RMB'000	After Share Purchase RMB'000
Share Capital	295,356	255,749	295,356	255,749
Retained Earnings	10,764	10,764	(2,638)	(2,638)
Other Reserves	(60,103)	(60,103)	15,971	15,971
Treasury Shares	–	–	–	–
<b>Total Shareholders' Funds</b>	<b>246,017</b>	<b>206,410</b>	<b>308,689</b>	<b>269,082</b>
NTA	130,645	91,038	308,689	269,082
Current Assets	87,558	47,951	33,087	10,790
Current Liabilities	18,221	18,221	2,305	19,615
Total Borrowings	937	937	–	17,310 <sup>(5)</sup>
Cash and Cash Equivalents	50,318	10,711	22,297	–
Number of Shares ('000)	381,575	343,417	381,575	343,417
<b><u>Financial Ratios</u></b>				
NTA <sup>(1)</sup> per Share (RMB)	0.34	0.27	0.81	0.78
EPS <sup>(2)</sup> (RMB cents)	(0.12)	(0.13)	0.19	0.21
Gearing Ratio <sup>(3)</sup> (times)	0.004	0.005	–	0.064
Current Ratio <sup>(4)</sup> (times)	4.81	2.63	14.35	0.55

**Notes:**

- (1) NTA equals total shareholders' funds less intangible assets.
- (2) EPS is computed based on the loss after tax for FY2018 of RMB453,000 for the Group and profit after tax of RMB725,000 for the Company respectively divided by the number of Shares as stated above. For calculation of EPS after the Share Purchases, it was assumed that such Share Purchases was made on 1 January 2018.
- (3) Gearing equals total borrowings less cash and cash equivalents divided by shareholders' funds.
- (4) Current ratio equals current assets divided by current liabilities.
- (5) The purchase consideration short fall not met by cash and cash equivalents are assumed to be satisfied by external borrowings.

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- (II) Financial effects on the Group and the Company assuming that 38,157,490 Shares are purchased or acquired pursuant to the Share Purchase Mandate by way of Off-Market Purchases and such Shares are cancelled immediately on purchase or acquisition

As at 31 December 2018	Group		Company	
	Before Share Purchase RMB'000	After Share Purchase RMB'000	Before Share Purchase RMB'000	After Share Purchase RMB'000
Share Capital	295,356	250,063	295,356	250,063
Retained Earnings	10,764	10,764	(2,638)	(2,638)
Other Reserves	(60,103)	(60,103)	15,971	15,971
Treasury Shares	–	–	–	–
<b>Total Shareholders' Funds</b>	<b>246,017</b>	<b>200,724</b>	<b>308,689</b>	<b>263,396</b>
NTA	130,645	85,352	308,689	263,396
Current Assets	87,558	42,265	33,087	10,790
Current Liabilities	18,221	18,221	2,305	25,301
Total Borrowings	937	937	–	22,996 <sup>(5)</sup>
Cash and Cash Equivalents	50,318	5,025	22,297	–
Number of Shares ('000)	381,575	343,417	381,575	343,417
<b>Financial Ratios</b>				
NTA <sup>(1)</sup> per Share (RMB)	0.34	0.25	0.81	0.77
EPS <sup>(2)</sup> (RMB cents)	(0.12)	(0.13)	0.19	0.21
Gearing Ratio <sup>(3)</sup> (times)	0.004	0.005	–	0.087
Current Ratio <sup>(4)</sup> (times)	4.81	2.32	14.35	0.43

**Notes:**

- (1) NTA equals total shareholders' funds less intangible assets.
- (2) EPS is computed based on the loss after tax for FY2018 of RMB453,000 for the Group and profit after tax of RMB725,000 for the Company respectively divided by the number of Shares as stated above. For calculation of EPS after the Share Purchases, it was assumed that such Share Purchases was made on 1 January 2018.
- (3) Gearing equals total borrowings less cash and cash equivalents divided by shareholders' funds.
- (4) Current ratio equals current assets divided by current liabilities.
- (5) The purchase consideration short fall not met by cash and cash equivalents are assumed to be satisfied by external borrowings.

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**(III) Financial effects on the Group and the Company assuming that 38,157,490 Shares are purchased or acquired pursuant to the Share Purchase Mandate by way of Market Purchases and such Shares are held as treasury shares**

As at 31 December 2018	Group		Company	
	Before Share Purchase RMB'000	After Share Purchase RMB'000	Before Share Purchase RMB'000	After Share Purchase RMB'000
Share Capital	295,356	295,356	295,356	295,356
Retained Earnings	10,764	10,764	(2,638)	(2,638)
Other Reserves	(60,103)	(60,103)	15,971	15,971
Treasury Shares	–	(39,607)	–	(39,607)
<b>Total Shareholders' Funds</b>	246,017	206,410	308,689	269,082
NTA	130,645	91,038	308,689	269,082
Current Assets	87,558	47,951	33,087	10,790
Current Liabilities	18,221	18,221	2,305	19,615
Total Borrowings	937	937	–	17,310 <sup>(5)</sup>
Cash and Cash Equivalents	50,318	10,711	22,297	–
Number of Shares ('000)	381,575	343,417	381,575	343,417
<b>Financial Ratios</b>				
NTA <sup>(1)</sup> per Share (RMB)	0.34	0.27	0.81	0.78
EPS <sup>(2)</sup> (RMB cents)	(0.12)	(0.13)	0.19	0.21
Gearing Ratio <sup>(3)</sup> (times)	0.004	0.005	–	0.064
Current Ratio <sup>(4)</sup> (times)	4.81	2.63	14.35	0.55

**Notes:**

- (1) NTA equals total shareholders' funds less intangible assets.
- (2) EPS is computed based on the loss after tax for FY2018 of RMB453,000 for the Group and profit after tax of RMB725,000 for the Company respectively divided by the number of Shares as stated above. For calculation of EPS after the Share Purchases, it was assumed that such Share Purchases was made on 1 January 2018.
- (3) Gearing equals total borrowings less cash and cash equivalents divided by shareholders' funds.
- (4) Current ratio equals current assets divided by current liabilities.
- (5) The purchase consideration short fall not met by cash and cash equivalents are assumed to be satisfied by external borrowings.

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**(IV) Financial effects on the Group and Company assuming that 38,157,490 Shares are purchased or acquired pursuant to the Share Purchase Mandate by way of Off-Market Purchases and such Shares are held as treasury shares**

As at 31 December 2018	Group		Company	
	Before Share Purchase RMB'000	After Share Purchase RMB'000	Before Share Purchase RMB'000	After Share Purchase RMB'000
Share Capital	295,356	295,356	295,356	295,356
Retained Earnings	10,764	10,764	(2,638)	(2,638)
Other Reserves	(60,103)	(60,103)	15,971	15,971
Treasury Shares	–	(45,293)	–	(45,293)
<b>Total Shareholders' Funds</b>	246,017	200,724	308,689	263,396
NTA	130,645	85,352	308,689	263,396
Current Assets	87,558	42,265	33,087	10,790
Current Liabilities	18,221	18,221	2,305	25,301
Total Borrowings	937	937	–	22,996 <sup>(5)</sup>
Cash and Cash Equivalents	50,318	5,025	22,297	–
Number of Shares ('000)	381,575	343,417	381,575	343,417
<b>Financial Ratios</b>				
NTA <sup>(1)</sup> per Share (RMB)	0.34	0.25	0.81	0.77
EPS <sup>(2)</sup> (RMB cents)	(0.12)	(0.13)	0.19	0.21
Gearing Ratio <sup>(3)</sup> (times)	0.004	0.005	–	0.087
Current Ratio <sup>(4)</sup> (times)	4.81	2.32	14.35	0.43

**Notes:**

- (1) NTA equals total shareholders' funds less intangible assets.
- (2) EPS is computed based on the loss after tax for FY2018 of RMB453,000 for the Group and profit after tax of RMB725,000 for the Company respectively divided by the number of Shares as stated above. For calculation of EPS after the Share Purchases, it was assumed that such Share Purchases was made on 1 January 2018.
- (3) Gearing ratio equals total borrowings less cash and cash equivalents divided by shareholders' funds.
- (4) Current ratio equals current assets divided by current liabilities.
- (5) The purchase consideration short fall not met by cash and cash equivalents are assumed to be satisfied by external borrowings.

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Shareholders should note that the financial effects illustrated above are based on certain assumptions and purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited financial statements of the Company and Group for FY2018 and is not necessarily representative of the future financial performance of the Company or the Group.

The Company will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of the Share Purchase before execution. Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings), ascertained as at the date of the 2019 AGM, the Company may not necessarily purchase or be able to purchase the entire 10% of the total number of its issued Shares (excluding treasury shares and subsidiary holdings). In addition, the Company may cancel all or part of the Shares repurchased or may hold all or part of the Shares repurchased as treasury shares.

The Directors do not intend to exercise the Share Purchase Mandate up to the maximum limit if such exercise would materially and adversely affect the financial position of the Company or the Group.

### 2.7 Tax Implications

Shareholders who are in doubt as to their respective tax positions or any such tax implications arising from the Share Purchase Mandate, or who may be subject to tax in a jurisdiction outside Singapore should consult their own professional advisers.

### 2.8 Requirements under the Catalist Rules

While the Catalist Rules does not expressly prohibit the purchase or acquisition of shares by a listed company during any particular time or times, because a listed company would be considered to be an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate in the following circumstances:

- (a) at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of a decision of the Board until the price-sensitive information has been publicly announced; or
- (b) in the case of Market Purchases, during the period of one (1) month immediately preceding the announcement of the Company’s full-year results and the period of two (2) weeks immediately preceding the announcement of the Company’s quarterly results for each of the first three (3) quarters of its financial year, and ending on the date of announcement of the quarterly results.

The Company does not have any individual shareholding limit or foreign shareholding limit. The Catalist Rules requires a listed company to ensure that at least 10% of the total number of issued Shares (excluding treasury shares, subsidiary holdings, preference shares and convertible equity securities) in a class that is listed on the SGX-ST is held by the public. The term “public” is defined in the Catalist Rules as persons other than the Directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company and its subsidiary companies, and the Associates of such persons.

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As at the Latest Practicable Date, there were 107,082,362 Shares held by the public Shareholders, representing approximately 28.06% of the issued Shares of the Company excluding treasury shares. **For illustrative purposes only**, assuming the Company exercises the Share Purchase Mandate in full and purchases 10% of the issued ordinary share capital of the Company through Market Purchases from the public, the public float would be reduced to approximately 68,912,429 issued Shares, representing approximately 18.06% of the issued ordinary share capital of the Company (excluding treasury shares and subsidiary holdings).

In undertaking any Share Purchase, the Directors will use their best efforts to ensure that, notwithstanding such purchases or acquisitions of Shares, a sufficient float in the hands of the public will be maintained so that Share Purchases will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

### 2.9 Obligations under the Take-over Code

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

#### 2.9.1 Obligation to make a take-over offer

Under Rule 14 of the Take-over Code, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory takeover offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company's voting rights, increase their voting rights in the Company by more than 1% in any period of six months.

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition of Shares for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert obtains or consolidate effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

#### 2.9.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

- (i) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any



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person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;

- (ii) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (iii) a company with any of its pension funds and employee share schemes;
- (iv) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (vi) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a *bona fide* offer for their company may be imminent;
- (vii) partners; and
- (viii) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

### 2.9.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of

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the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of 6 months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such Shareholder need not abstain from voting in respect of the Ordinary Resolution authorising the Proposed Renewal of the Share Purchase Mandate.

### 2.9.4 Application of the Take-over Code

#### (a) Health Field Concert Party Group

As at the Latest Practicable Date, Health Field Enterprises Limited held 109,401,709 Shares, representing approximately 28.67% of the issued share capital of the Company. Dr. Shao, the Executive Director and Group Chief Executive Officer is deemed interested in the Shares held by Health Field Enterprises Limited by virtue of his 100% shareholding held through an investment holding company, Action Health Enterprises Limited. Consequently, Dr. Shao and Health Field Enterprises Limited and persons acting in concert with any of them (collectively, the "**Health Field Concert Party Group**") are presumed to be parties acting in concert in relation to the Shares under the Take-over Code.

Based on the above information, as at the Latest Practicable Date, if the Company purchases 38,157,490 Shares, being 10% of the total number of Shares of the Company and all the purchased Shares are cancelled and not held as treasury shares, pursuant to the Share Purchase Mandate, the combined shareholding interest of the Health Field Concert Party Group could potentially increase from its current shareholding of approximately 28.67% to approximately 31.86%. In such event, the Health Field Concert Party Group will, unless exempted, be obliged to make a mandatory offer for the Company under Rule 14 of the Take-over Code.

#### (b) Q & M Concert Party Group

As at the Latest Practicable Date, Q & M Dental Group (Singapore) Limited and Quan Min Holdings Pte. Ltd. held 162,354,038 and 2,562,800 Shares respectively, representing approximately 42.55% and 0.67% of the issued share capital of the Company. Quan Min Holdings Pte. Ltd. is deemed to be interested in Q & M Dental Group (Singapore) Limited's shares by virtue of its 52.17% shareholdings in Q & M Dental Group (Singapore) Limited.

Mr. Vitters Sim Yu Xiong, Mr. San Yi Leong @ Tan Yi Leong, Q & M Dental Group (Singapore) Limited and persons acting in concert with any of them (collectively, the "**Q & M Concert Party Group**") are acting in concert with each other in relation to the Shares for the purpose of the Take-over Code.

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Based on the above information, as at the Latest Practicable Date, if the Company purchases 38,157,490 Shares, being 10% of the total number of Shares of the Company and all the purchased Shares are cancelled and not held as treasury shares, pursuant to the Share Purchase Mandate, the combined shareholding interest of the Q & M Concert Party Group could potentially increase from its current shareholding of approximately 43.22% to approximately 48.02%. In such event, the Q & M Concert Party Group will, unless exempted, be obliged to make a mandatory offer for the Company under Rule 14 of the Take-over Code.

- (c) Other than as disclosed above, the Directors are not aware of any Shareholder or group of Shareholders acting in concert who may become obligated to make a mandatory offer in the event the Directors exercise the power to purchase or acquire Shares pursuant to the Share Purchase Mandate.
- (d) Exemption under Appendix 2 of the Take-over Code

Pursuant to Section 3(a) of Appendix 2 of the Take-over Code, the Health Field Concert Party Group and the Q & M Concert Party Group will be exempted from the requirement to make a general offer for the Company under Rule 14 of the Take-over Code, subject to the following conditions:–

- (i) the circular to Shareholders on the resolution to authorise the Proposed Renewal of the Share Purchase Mandate to contain advice to the effect that by voting for the Proposed Renewal of the Share Purchase Mandate, Shareholders are waiving their right to a general offer at the required price from the Health Field Concert Party Group (who, as a result of the Company buying back its shares, would increase their aggregate voting rights to 30% or more) or the Q & M Concert Party Group (who, as a result of the Company buying back its shares, would increase their aggregate voting rights by more than 1% in any period of 6 months) (as the case may be);
- (ii) the resolution to approve the Proposed Renewal of the Share Purchase Mandate to be approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the purchase or acquisition of Shares pursuant to the Share Purchase Mandate;
- (iii) the Health Field Concert Party Group and the Q & M Concert Party Group to abstain from voting for and/or recommending Shareholders to vote in favour of the Proposed Renewal of the Share Purchase Mandate;
- (iv) within 7 days after the passing of the resolution to approve the Proposed Renewal of the Share Purchase Mandate, each of the Directors to submit to the SIC a duly signed form as prescribed by the SIC;

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- (v) the Health Field Concert Party Group or the Q & M Concert Party Group (as the case may be) has not acquired and will not acquire any Shares between the date on which they know that the announcement of the Share Purchase Mandate is imminent and the earlier of:–
- (a) the date on which the authority of the Share Purchase Mandate expires; and
  - (b) the date on which the Company announces it has bought back such number of Shares as authorised by the Share Purchase Mandate or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the Share Purchase, would cause their aggregate voting rights to increase to 30% or more (in the case of the Health Field Concert Party Group) or by more than 1% in the preceding 6 months (in the case of the Q & M Concert Party Group).

It follows that where aggregate voting rights held by a director and persons acting in concert with him increase by more than 1% solely as a result of the Share Purchase and none of them has acquired any Shares during the Relevant Period, then such director and/or persons acting in concert with him would be eligible for the SIC's exemption from the requirement to make a general offer under Rule 14 of the Take-over Code, or where such exemption had been granted, would continue to enjoy the exemption.

**Shareholders should note that by voting in favour of the Proposed Renewal of the Share Purchase Mandate, they are waiving their rights to a take-over offer at the required price from the Health Field Concert Party Group or the Q & M Concert Party Group (as the case may be) and persons acting in concert with them in the circumstances set out above.**

None of the Directors nor, to the best of their knowledge having made all reasonable inquiries, any of their Associates currently intends to sell any Shares to the Company or its subsidiaries.

**Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate should consult the SIC and/or their professional advisers at the earliest opportunity.**

### 2.10 Shares purchased or acquired in the previous 12 months

The Company has not purchased any Shares in the last 12 months up to the Latest Practicable Date.

### 2.11 Reporting Requirements

Within thirty (30) days of the passing of the Shareholders' resolution to approve the Proposed Renewal of the Share Purchase Mandate, the Company shall lodge a copy of such resolution with ACRA.

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The Company shall notify ACRA within thirty (30) days of a Share Purchase on the SGX-ST or otherwise. Such notification, in the form as may be prescribed by ACRA, shall include, *inter alia*, details of the Share Purchase such as the date of the Share Purchase, the number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the Share Purchase, the amount of consideration paid by the Company for the Share Purchase and whether the Shares were purchased out of profits or capital of the Company.

Within thirty (30) days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Company shall lodge with ACRA, in the prescribed form, the notice of cancellation or disposal of treasury shares.

The Catalist Rules specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares not later than 9.00 a.m.:

- (i) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer for the Off-Market Purchase.

The notification of such purchases or acquisitions of shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide to the Company, in a timely fashion, the necessary information which will enable the Company to make the notifications to the SGX-ST.

The Company shall, in its annual report and accounts, make disclosure of details pertaining to purchases of Shares made during the year, including the total number of Shares purchased during the financial year under review, the purchase price per Share or the highest and lowest prices paid for the purchases, and where relevant, the total consideration paid.

### 2.12 Interested Persons

The Company is prohibited from knowingly buying Shares on the SGX-ST from an interested person, that is, a Director, the chief executive officer of the Company or controlling shareholder of the Company or any of their Associates, and an interested person is prohibited from knowingly selling his Shares to the Company.

## 3. THE PROPOSED CHANGE OF AUDITORS

### 3.1 Rationale for the Proposed Change of Auditors

The Company's existing Auditors, RSM Chio Lim, was re-appointed as Auditors at the last annual general meeting of the Company held on 26 April 2018, to hold office until the conclusion of the next annual general meeting of the Company. RSM Chio Lim has served as Auditors for eight (8) consecutive audits since the financial year ended 31 December 2011.

The Board is of the view that a change of Auditors is in the best interests of the Company and the Shareholders. As the Company's main operations are in China, the Directors are of the view that it would be timely to effect a change in the auditors of the Company, with similar reach and appreciation of cross-border businesses. The Proposed Change of Auditors is envisaged to enable the Company to benefit from the perspectives and views of

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## LETTER TO SHAREHOLDERS

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a regional audit firm and further enhance the value of the audit. Accordingly, the Board is of the view that it would be in the interests of the Company to effect a change of external auditors with effect from the current financial year ending 31 December 2019. The Directors wish to express their appreciation for the past services rendered by RSM Chio Lim.

Following a review and consideration of the factors listed in Section 3.3 below in consultation with the Audit Committee, the Board has determined that the proposal given by Foo Kon Tan is best suited to the existing needs and requirements of the Group. The engagement partner-in-charge from Foo Kon Tan will be Mr. Chang Fook Kay. The scope of audit services to be provided by Foo Kon Tan will be comparable to the services currently provided by RSM Chio Lim. As such, the Directors are proposing a change of Auditors to Foo Kon Tan in place of RSM Chio Lim.

On 3 April 2019, the Company received notice from RSM Chio Lim of their retirement as Auditors. Foo Kon Tan has given its consent to act as auditors of the Company by way of a letter dated 4 April 2019. The retirement of RSM Chio Lim and the appointment of Foo Kon Tan will be effective upon the approval of Shareholders being obtained at the 2019 AGM. Upon the appointment, Foo Kon Tan will hold office until the conclusion of the next annual general meeting of the Company. The Directors would like to highlight that the Proposed Change of Auditors is in no way the result of any disagreement.

### 3.2 Information on Messrs Foo Kon Tan LLP

Foo Kon Tan is registered with ACRA and is amongst the top seven (7) accountancy practices in Singapore. Established in 1968, Foo Kon Tan has advanced from a traditional public accounting firm to one delivering a full range of services tailored to the needs of privately held businesses and public interest entities. Its professionals have been dedicated to serving the needs of privately held businesses and public interest entities for more than 40 years. Foo Kon Tan is also a principal member of HLB International, a network of independent professional accounting firms and business advisers, with access to the extensive on-the-ground expertise of independent peer member firms in over 130 countries. Foo Kon Tan has 11 partners and directors, with about 250 staff who are professionals providing audit, tax and business advisory services.

For more information about Foo Kon Tan, please visit Foo Kon Tan's website at: <http://www.fookontan.com>.

The engagement partner-in-charge from Foo Kon Tan will be Mr. Chang Fook Kay. He is a partner at Foo Kon Tan. He has more than 20 years of assurance experience and is registered as a public accountant with ACRA. He is also a chartered accountant with the Institute of Singapore Chartered Accountants ("ISCA"), a member of the ISCA's Investigation and Disciplinary Panel and a fellow practising member of the Association of Chartered Certified Accountants, UK. He was a former committee member of the ISCA's Financial Statements Review Committee and was a former board member of the ISCA's Auditing and Assurance Standards Committee. His audit experience include businesses in the financial services sector such as banks, insurance companies, stock-broking firms and fund management companies, as well as several listed and unlisted companies.



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The Audit Committee has also enquired on whether Mr. Chang Fook Kay has been subject to the Practice Monitoring Programme review by ACRA. In this regard, the Audit Committee has noted that Mr. Chang Fook Kay passed the Practice Monitoring Programme review by ACRA in 2009 and 2015 and received no adverse feedback from those exercises. Additionally, the Audit Committee has also considered all of the Audit Quality Indicators listed in ACRA's Audit Quality Indicators Disclosure Framework in its selection of Foo Kon Tan as new auditors of the Company.

### 3.3 Compliance with Rules 712, 715 and 716 of the Catalist Rules

Foo Kon Tan is registered with ACRA. The Board, together with the concurrence of the Audit Committee, is satisfied that Foo Kon Tan will be able to meet the audit requirements of the Group after taking into account various factors, including the adequacy of the resources and experience of Foo Kon Tan, the audit engagement partner assigned to the audit, Foo Kon Tan's other audit engagements, the size and complexity of the Group, and the number and experience of supervisory and professional staff assigned to the audit.

In accordance with the requirements of Rules 712(3) and 715 of the Catalist Rules:

- (i) RSM Chio Lim has confirmed by way of a letter dated 3 April 2019 that it is not aware of any professional reasons why Foo Kon Tan should not accept appointment as Auditors;
- (ii) the Company confirms that there were no disagreements with RSM Chio Lim on accounting treatments within the last twelve (12) months from the date of this Appendix;
- (iii) the Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders which has not been disclosed in this Appendix;
- (iv) the Company confirms that the specific reasons for the Proposed Change of Auditors are disclosed in Section 3.1 above. The Proposed Change of Auditors is neither due to the dismissal of RSM Chio Lim nor RSM Chio Lim declining to stand for election; and
- (v) the Company confirms that it complies with Rules 712, 715 and 716 of the Catalist Rules in relation to the proposed appointment of Foo Kon Tan as its Auditors.

### 3.4 Requirements under Rules 715 and 716 of the Catalist Rules

Assuming that the Proposed Change of Auditors is approved by the Shareholders at the 2019 AGM, it is intended that (a) Foo Kon Tan shall be appointed to conduct an audit on the consolidated financial statements of the Group and the financial statements of the Company's Singapore-incorporated subsidiaries and significant associated companies; and (b) the Company's significant foreign-incorporated subsidiaries and significant associated companies shall be audited by HLB Liaoning Zhongheng CPAs Co., Ltd., a member of HLB International, a network of independent professional accounting firms and business advisers of which Foo Kon Tan is also a member.

The Board and Audit Committee are satisfied that such audit arrangements set out above will not compromise the standard and effectiveness of the audit of the Company.

## LETTER TO SHAREHOLDERS

### 4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and the Substantial Shareholders in the issued share capital of the Company as at the Latest Practicable Date are set out below:–

Name	Direct Interests		Deemed Interests		Total Interests	
	No of Shares	% <sup>(1)</sup>	No of Shares	% <sup>(1)</sup>	No of Shares	% <sup>(1)</sup>
<b>Directors</b>						
Mr. Chua Ser Miang	–	–	–	–	–	–
Dr. Shao Yongxin <sup>(2)</sup>	–	–	109,401,709	28.67	109,401,709	28.67
Mr. San Yi Leong @ Tan Yi Leong	–	–	–	–	–	–
Mr. Vitters Sim Yu Xiong	–	–	–	–	–	–
Professor Chew Chong Yin @ Chew Chong Lin	100,000	0.03	–	–	100,000	0.03
Mr. Lin Ming Khin	50,000	0.01	–	–	50,000	0.01
<b>Substantial Shareholders (other than Directors)</b>						
Q & M Dental Group (Singapore) Limited	162,354,038	42.55	–	–	162,354,038	42.55
Health Field Enterprises Limited	109,401,709	28.67	–	–	109,401,709	28.67
Quan Min Holdings Pte. Ltd. <sup>(4)</sup>	2,562,800	0.67	162,354,038	42.55	164,916,838	43.22
Dr. Ng Chin Siau <sup>(5)</sup>	10,000	0.003	164,926,838	43.22	164,936,838	43.23
Action Health Enterprises Limited <sup>(2)(3)</sup>	–	–	109,401,709	28.67	109,401,709	28.67

**Notes:–**

- (1) The percentage of shareholdings is computed based on the issued and paid-up share capital of the Company comprising 381,574,909 Shares (excluding treasury shares) as at the Latest Practicable Date.
- (2) Dr. Shao is deemed interested in Health Field Enterprises Limited's shares by virtue of his 100% indirect shareholding in Health Field Enterprises Limited.
- (3) Health Field Enterprises Limited is an investment holding company incorporated in the British Virgin Islands. Health Field Enterprises Limited is 100% held by Action Health Enterprises Limited, an investment holding company incorporated in the British Virgin Islands, which is in turn 100% held by Dr. Shao.
- (4) Quan Min Holdings Pte. Ltd. is deemed to be interested in Q & M Dental Group (Singapore) Limited's shares by virtue of its 52.17% shareholdings in Q & M Dental Group (Singapore) Limited.
- (5) Dr. Ng Chin Siau is deemed to have interest in the shares held by (i) Q & M Dental Group (Singapore) Limited's shares by virtue of his 43.91% shareholding in Quan Min Holdings Pte. Ltd.; and (ii) his spouse, Madam Foo Siew Juuan.

Save as disclosed in this Appendix, none of the Directors and Substantial Shareholders has any interest, direct or indirect, (other than through their respective shareholdings in the Company, if any) in the Proposed Renewal of the Share Purchase Mandate.



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## LETTER TO SHAREHOLDERS

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### 5. AUDIT COMMITTEE'S RECOMMENDATION

The Audit Committee has reviewed the Proposed Change of Auditors and recommended the appointment of Foo Kon Tan as Auditors of the Company in place of RSM Chio Lim, after taking into account the suitability and independence of Foo Kon Tan to meet the audit requirements of the Group, the various factors set out in Section 3.3 of this Appendix and compliance with the requirements of the Catalyst Rules.

### 6. DIRECTORS' RECOMMENDATIONS

#### 6.1 Proposed Renewal of the Share Purchase Mandate

The Directors (other than Dr. Shao, Mr. Vitters Sim Yu Xiong and Mr. San Yi Leong @ Tan Yi Leong who are deemed as concert parties) having considered the rationale for the Proposed Renewal of the Share Purchase Mandate, are of the view that the Proposed Renewal of the Share Purchase Mandate is in the best interests of the Company, and accordingly, recommend that Shareholders vote in favour of the Ordinary Resolution 7 in respect of the Proposed Renewal of the Share Purchase Mandate as set out in the Notice of AGM.

#### 6.2 Proposed Change of Auditors

The Directors having considered the rationale for the Proposed Change of Auditors, and the recommendations of the Audit Committee, are of the view that the Proposed Change of Auditors is in the best interests of the Company, and accordingly, recommend that Shareholders vote in favour of the Ordinary Resolution 5 in respect of the Proposed Change of Auditors, as set out in the Notice of AGM.

### 7. ACTION TO BE TAKEN BY SHAREHOLDERS

#### 7.1 **Appointment of prox(ies)**

Shareholders who are unable to attend and vote at the 2019 AGM and who wish to appoint a proxy or proxies to attend and vote at the 2019 AGM on their behalf, should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 80 Robinson Road #11-02 Singapore 068898, not less than 72 hours before the time fixed for holding the 2019 AGM.

The completion and lodgement of a proxy form by a Shareholder does not preclude him from attending and voting in person at the 2019 AGM in place of his proxy or proxies if he so wishes. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the 2019 AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the 2019 AGM.

A Depositor shall not be regarded as a member of the Company entitled to attend the 2019 AGM and to speak and vote thereat unless his name appears on the Depository Register as at 72 hours before the time appointed for holding the 2019 AGM, as certified by the CDP to the Company.

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## LETTER TO SHAREHOLDERS

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### 7.2 Abstention from voting

The Health Field Concert Party Group and the Q & M Concert Party Group will abstain from voting at the 2019 AGM in respect of the Ordinary Resolution 7 relating to the Proposed Renewal of the Share Purchase Mandate and should not accept nominations as proxies in respect of the aforesaid Ordinary Resolution, unless specific instructions have been given in the proxy instrument by the independent Shareholders appointing them on how they wish their votes are to be cast for the aforesaid Ordinary Resolution.

### 8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Proposed Renewal of the Share Purchase Mandate and the Proposed Change of Auditors, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

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

### 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 80 Robinson Road #02-00 Singapore 068898 during normal business hours from the date hereof up to and including the date of the 2019 AGM:—

- (a) the Constitution of the Company;
- (b) RSM Chio Lim's notice of retirement as Auditors dated 3 April 2019;
- (c) RSM Chio Lim's letter of professional clearance to Foo Kon Tan dated 3 April 2019;
- (d) Foo Kon Tan's letter to the Company in respect of their consent to act as Auditors of the Company dated 4 April 2019; and
- (e) the annual report of the Company for FY2018.

Yours faithfully

For and on behalf of the Board of Directors  
**Aoxin Q & M Dental Group Limited**

**Dr. Shao Yongxin**  
Executive Director and Chief Executive Officer

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