Q & M Dental Group (Singapore) Limited
(Company Registration Number: 200800507R)

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF DENTAL IMPLANT SURGICAL CENTRE LIMITED ("DISC")

The Board of Directors ("**Board**") of Q & M Dental Group (Singapore) Limited (the "**Company**") wishes to announce that the Company has on 10 January 2010 entered into a conditional sale and purchase agreement (the "**S&P Agreement**") with Dr Chow Kwok Fai, Dr Hui Edward, Dr Lee Kin Man and Dr Li Kin Shing (collectively, the "**Vendors**") for the acquisition (the "**Proposed Acquisition**") of 100 ordinary shares (the "**Sale Shares**") in the capital of DISC, representing the entire issued and paid-up share capital of DISC, for a consideration of HK$53,328,000 (approximately S$9,591,366) (the "**Consideration**"), which will be satisfied by the payment of HK$30,000,000 in cash (approximately S$5,395,683) (the "**Cash Consideration**") and the balance sum of HK$23,328,000 (approximately S$4,195,683) by the allotment and issue of 8,068,622 new ordinary shares in the capital of the Company (the "**Consideration Shares**"). The Consideration shall be subject to adjustment as described in paragraph 2.1 below. Further details of each of the Vendors and the proportion of Consideration to be received by each of them upon completion of the Proposed Acquisition ("**Completion**") are set out in the Appendix.

1. INFORMATION ON DISC

DISC is a private limited company and was incorporated in Hong Kong on 19 June 2002 and has, at the date hereof, an issued and paid-up capital of HK$100.00.

DISC operates a dental implant clinic with a highly niche specialist practice in the area of the Oral & Maxillofacial Surgery ("**OMS**"). The clinic has seven (7) OMS surgeons, of whom four (4) are the Vendors and three (3) are associates. With seven (7) dental surgeons who are specialists in the discipline of OMS, DISC has the largest number of such surgeons in a single private practice in Hong Kong. In 2009, DISC's surgeons performed approximately 2,500 dental implant surgeries which account for approximately 60% of their work done. The Board believes the clinic has a market share of approximately 40% to 50% in Hong Kong in respect of the OMS discipline. The head of the clinic, Dr Chow Kwok Fai is a highly reputable clinician and a seasoned regional lecturer in the area of Implantology and Oral and Maxillofacial Surgery.

Based on the latest management accounts of DISC as at 30 November 2009, the net tangible asset ("**NTA**") of DISC is HK$22,099,000 (approximately S$3,975,000). Based on the unaudited financial statements for the period of 1 January 2008 to 31 December 2008, the profits before tax of DISC is approximately HK$5,833,000 (approximately S$1,049,000). The financial year end of DISC is 31 March.

2. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

2.1 Consideration for the Proposed Acquisition

Pursuant to the terms of the S&P Agreement, the Vendors will sell and the Company will purchase the Sale Shares, representing the entire issued and paid-up share capital of DISC. The Consideration of HK$53,328,000 will be satisfied by:

(a) the payment of HK$30,000,000 in cash; and

(b) the allotment and issue of 8,068,622 Consideration Shares, based on an issue price of S$0.52 per Consideration Share. The issue price of S$0.52 per Consideration Share represents a discount of approximately 10% to the weighted average price of the Company's shares transacted on 8 January 2010 (being the preceding market day prior to the signing of the S&P Agreement) of S$0.578.

Under the S&P Agreement, if DISC's audited profits before tax for the 12-month period ended 31 December 2009 (the "**Audited 2009 Profit**") exceeds DISC's audited profits before tax as shown in the 12-month period ended 31 December 2008 (the "**Audited 2008 Profit**"), the Consideration shall be adjusted upwards by the amount derived from multiplying the difference between the Audited 2009 Profit and the Audited 2008 Profit with a mulitple of 9.14 (the "**Additional Consideration**"). There is no adjustment to the Consideration if the Audited 2009 Profit is less than the the Audited 2008 Profit. As DISC's financial statements in respect of December 2009, the Audited 2008 Profit and the Audited 2009 Profit have not been finalised as at the time of the signing of the S&P Agreement, the Additional Consideration can only be determined at a later date. A subsequent announcement will be made by the Company once the quantum of the Additional Consideration is ascertained. The Additional Consideration shall be satisfied by the issuance of new Consideration Shares, based on an issue price of S$0.52 per Consideration Share.

The Consideration of HK$53,328,000 (approximately S$9,591,366) was arrived at on a willing buyer, willing seller basis. In arriving at the Consideration, the Board had taken into account, *inter alia*, the following factors:

(a) DISC's unaudited profits before tax of approximately HK$5,833,000 (approximately S$1,049,000) for the period of 1 January 2008 to 31 December 2008. The Consideration represents a price per earnings ratio of approximately nine (9) times of such profits. The Board is of the opinion that such price earnings ratio is fair given the unique value proposition that the Proposed Acquisition brings to the Company and its subsidiaries (the "**Group**") as further explained in paragraph 4 below on the rationale for the Proposed Acquisition.

(b) DISC's unaudited NTA of HK$22,099,000 (approximately S$3,975,000) as at 30 November 2009.

2.2 Conditions precedent to the Proposed Acquisition

The sale and purchase of the Sale Shares is conditional upon:

(a) the receipt by the Company of such waivers or consents as may be necessary to enable the Company and/or its nominee(s) to be registered as holder of any and all of the Sale Shares;

(b) all other consents and approvals required under any and all applicable laws for the sale of the Sale Shares and to give effect to the transactions contemplated under the S&P Agreement (including, without limitation, approvals from the Company's shareholders, if required);

(c) the Vendors' warranties in the S&P Agreement remaining true and not misleading in any respect at Completion, as if repeated at Completion and at all times between the date of the S&P Agreement and Completion;

(d) each Vendor having performed all of the covenants and agreements required to be performed or caused to be performed by it under the S&P Agreement on or before the date of Completion ("**Completion Date**");

(e) there being no default by DISC in any of its obligations by which DISC may become bound or liable to be called upon to repay prematurely any loan capital or borrowed moneys;

(f) neither DISC nor the Vendors having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the

S&P Agreement and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;

(g) there being no material adverse change in the business, operations, assets, financial condition or prospects of DISC since the date of signing of the S&P Agreement;

(h) there having been no change (or any development including a prospective change) in national or international monetary, financial, economic or political conditions or currency exchange rates or foreign exchange controls that would have a material adverse effect on the business, operations, assets, financial condition or prospects of DISC since the date of signing of the S&P Agreement;

(i) the Vendors and DISC giving full access to the Company and its advisers to inspect DISC's business, affairs, operations, assets, financial condition, prospects and records (subject to rules of professional conduct and ethics) and the results of such inspection being satisfactory to the Company in its sole and absolute discretion;

(j) the Vendors executing, in such form as the Company may require, documents in relation to the Profit Guarantees (as defined below) and their personal convenants as set out in paragraphs 2.3 and 2.4; and

(k) the issue of the audited accounts of DISC for the financial year ended 31 March 2009 as prepared by DISC's auditors.

Pursuant to the S&P Agreement, the Vendors undertake to procure the fulfilment of the conditions set out above (other than the condition specified in (a), and to the extent that the same is to be obtained by the Company, the conditions specified in (b)) by six (6) months from the date of the S&P Agreement. Unless specifically waived by the Company, if any of the conditions stated above shall not be fulfilled on or before six (6) months from the date of the S&P Agreement or such other date as the Parties shall mutually agree in writing, the S&P Agreement shall lapse.

2.3 Contracts of Service

The Vendors shall enter into contracts of service with DISC and/or the Company in terms satisfactory to the Company, for a period of eight (8) years from the Completion Date, upon terms similar to the Company's Principal Shareholders (as defined in the Company's prospectus dated 17 November 2009).

2.4 Moratorium on Shares

The Vendors have covenanted under the S&P Agreement that they shall not sell, encumber or otherwise deal with any of the Consideration Shares allotted and/or issued to them as part of the Consideration for a period of 10 years from the Completion Date.

2.5 Profit Guarantee

Under the S&P Agreement, the Vendors have provided a guarantee that the profits before tax of DISC shall not be less than HK$5,832,000 for the 12 calendar months ending 31 December 2010, and for each of the subsequent seven (7) years (the "**Profit Guarantee**").

The quantum of the Profit Guarantee per year is the unaudited profits before tax for the 12 calendar months ending 31 December 2008. This figure is based on historical data of income and expenses and is consistent with the unaudited profits before tax for both the preceding and succeeding financial periods. In particular, the management accounts for the 11 calendar months ending 30 November 2009 are consistent with the Profit Guarantee.

The principal assumptions including commercial bases and assumptions on which the quantum of the Profit Guarantee is based upon are as follows:

(a) although the profits are guaranteed by all four (4) Vendors, the revenue of DISC is dependent on all the fee earners of the clinic. Accordingly, the assumption for the Profit Guarantee is that all fee earners remain in DISC and will continue to generate the same or higher level of income. To this end, as stated in paragraph 2.3, the S&P Agreement has provided for the Vendors to enter into contracts of service of the same duration as the Profit Guarantee; and

(b) operating expenses will either remain constant or that there will be a corresponding increase in income when the operating expenses increase.

If the Profit Guarantee is not met, the Company is entitled to claim for damages for breach of contract from the Vendors.

Based on the above, the Board is of the view that the Profit Guarantee will sufficiently address the commercial risks arising from the Proposed Acquisition.

3. FUNDING FOR THE PROPOSED ACQUISITION

The Cash Consideration will be satisfied from the balance gross proceeds of S$14,400,000 received from the placement of the Company's shares which took place in November 2009 ("**Placement**"). The balance of the Consideration and the Additional Consideration, if any, will be satisfied by the allotment and issue of the Consideration Shares.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Board is of the view that DISC has a well-established and profitable clinic which is equipped with state of the art technology (such as two (2) Cone Beam 3D radiography machines, three (3) operating suites, seven (7) consultation rooms, one (1) cosmetic treatment room and one (1) auditorium room) and has the largest number of OMS surgeons in a single private practice in Hong Kong. In addition, DISC regularly conducts courses through its Institute of Dental Education in Asia (IDE@sia Hong Kong) to their referring doctors and other general practitioners in Hong Kong and China to increase DISC's profile and to promote more referral cases to the clinic.

There will be synergistic advantages as the Board believes that the niche practice of DISC in the area of OMS will enhance the Company's core competency in dental healthcare. The Proposed Acquisition will provide the Company with a steady income stream, and will aid in strengthening the Company's position in the overseas market. The Proposed Acquisition represents a strategic stepping stone to future expansion in Hong Kong and China as DISC is a well established clinic in Hong Kong.

The Proposed Acquisition will provide an opportunity for the Company to leverage on the experience of DISC's seven (7) specialist dental surgeons (of whom two (2) are MBBS qualified medical doctors, and four (4) are Honorary Associate Professors teaching part-time in the Faculty of Dentistry, Hong Kong University). These seven (7) dental specialist dentists have displayed commitment to ensuring the continued advancement of sound dental practice in OMS by agreeing to be bound by the Company's service agreements for eight (8) years, and a 10-year moratorium on disposal of the Consideration Shares.

5. RELATIVE FIGURES AS SET OUT IN RULE 1006 OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST")

The relative figures as computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST, based on the latest announced unaudited consolidated accounts of the Group for the half-year financial period ended 30 June 2009:

(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable to acquisitions.
(b)	Net profits before tax attributable to the assets[(1)] disposed of, compared with the Group's net profit before tax[(2)]	10.98%[(3)]
(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation[(4)]	6.05%
(d)	Number of equity shares issued by the Company as consideration for acquisition, compared with the number of equity securities previously in issue [(5)]	2.94%

Notes:

(1) The net profit before tax attributable to the Sale Shares is HK$1,301,584.50 (approximately S$234,000) based on DISC's unaudited accounts for the 6-month period ended 30 June 2009.

(2) The net profits before tax of the Group is S$2,132,000 based on the latest announced unaudited consolidated accounts of the Group for the half-year financial period ended 30 June 2009.

(3) The net profits before tax of the Group is S$4,138,000, based on the audited financial statements of the Group for the financial year ended 31 December 2008 and the net profit before tax attributable to the Sale Shares is approximately HK$5,833,000 (approximately S$1,049,000), based on the unaudited financial statements of DISC for the 12-month period ended 31 December 2008. As such, the relative figure calculated on this basis for the net profits test is approximately 25.35%. As this is more than 20%, the Proposed Acquisition would be classified as a "major transaction" under Rule 1014 of the Listing Manual on this basis. However, under Practice Note 10.1 of the Listing Manual, the profit test does not apply to an acquisition of profitable assets as shareholders are not expected in normal circumstances to be concerned if the assets to be acquired are profit contributors. The Company is currently in consultation with the SGX-ST in this respect

(4) The Company's market capitalisation is approximately S$158,415,350 as at 8 January 2010 (being the preceding market day prior to the signing of the S&P Agreement).

(5) The Company has 274,075,000 issued and paid-up shares as at the date of this Announcement.

As the relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST exceeds 5% but is not more than 20%, the Proposed Acquisition is a "Discloseable Transaction" under Rule 1010 of the Listing Manual of the SGX-ST.

6. PROFORMA FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION [1]

[1] As DISC's financial statements in respect of December 2009, the Audited 2008 Profit and the Audited 2009 Profit have not been finalised as at the time of the signing of the S&P Agreement, the Additional Consideration can only be determined at a later date. Therefore the financial effects which take into account the Additional Consideration cannot be determined as at the date of this Announcement. A subsequent announcement will be

6.1 Proforma financial effects

The financial effects of the Proposed Acquisition on the Group are for illustrative purposes only. The proforma financial effects in this section are based on the audited financial statements of the Group for the financial year ended 31 December 2008. The financial effects of the Proposed Acquisition have been prepared based on the following assumptions:

(a) For the purposes of computing the financial effects of the Proposed Acquisition on the NTA of the Group, the Proposed Acquisition is assumed to have been completed on 31 December 2008; and

(b) For the purposes of computing the financial effects of the Proposed Acquisition on the earnings of the Group, the Proposed Acquisition is assumed to have been completed on 1 January 2008.

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made by the Company containing such financial effects once the quantum of the Additional Consideration is ascertained.

6.2 NTA

For illustrative purposes only, based on the audited consolidated balance sheet of the Group as at 31 December 2008 and assuming that the Proposed Acquisition was completed on 31 December 2008, the financial effects of the Proposed Acquisition on the NTA of the Group as at 31 December 2008 are set out below.

(a) Scenario 1: Based on the Company's pre-Placement share capital of 200,000,000 shares:

(S$'000)	Before the Proposed Acquisition	After the Proposed Acquisition
NTA of the Group (S$'000)	4,677	8,441
Number of issued shares of the Company ('000)	200,000	208,069
NTA per share (cents)	**2.34**	**4.06**

(b) Scenario 2: Based on the Company's post-Placement share capital of 274,075,000 shares:

(S$'000)	Before the Proposed Acquisition	After the Proposed Acquisition
NTA of the Group (S$'000)	23,226	26,990
Number of issued shares of the Company ('000)	274,075	282,144
NTA per share (cents)	**8.47**	**9.57**

6.3 Earnings

For illustrative purposes only, based on the audited consolidated income statement of the Group for the year ended 31 December 2008 and assuming that the Proposed Acquisition was completed on 1 January 2008, the financial effects of the Proposed Acquisition on the earnings of the Group for the year ended 31 December 2008 are set out below.

(a) Scenario 1: Based on the Company's pre-Placement share capital of 200,000,000 shares:

(S$'000)	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to equity holder of the Company (S$'000)	4,138	5,187
Number of issued shares of the Company ('000)	200,000	208,069
Earnings per share (cents):	**2.07**	**2.49**

(b) Scenario 2: Based on the Company's post-Placement share capital of 274,075,000 shares:

(S$'000)	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to equity holder of the Company (S$'000)	4,138	5,187
Number of issued shares of the Company ('000)	274,075	282,144
Earnings per share (cents):	**1.51**	**1.84**

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors (other than in his capacity as a Director or a shareholder) or controlling Shareholders of the Company (other than in its capacity as a shareholder) has any interest, direct or indirect, in the Proposed Acquisition.

8. DOCUMENTS FOR INSPECTION

A copy of the S&P Agreement is available for inspection at the registered office of the Company during business hours for a period of three (3) months commencing from the date of this announcement.

On Behalf of the Board

Dr Ng Chin Siau
Executive Director
12 January 2010

The initial public offering of the Company's shares was sponsored by Collins Stewart Pte. Limited.

An exchange rate of S$1.00 = HK$5.56 was used in this Announcement.

Appendix

No.	Name	Sale Shares (%)	Cash Consideration (HK$)	Share Consideration (Number of Consideration Shares)
1.	Dr Chow Kwok Fai	30 (30%)	9,000,000	2,420,587
2.	Dr Hui Edward	30 (30%)	9,000,000	2,420,587
3.	Dr Lee Kin Man	20 (20%)	6,000,000	1,613,724
4.	Dr Li Kin Shing	20 (20%)	6,000,000	1,613,724
	Total	**100 (100%)**	**30,000,000**	**8,068,622**