



## Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration Number 200800507R)

(Incorporated in the Republic of Singapore)

---

### MEMORANDUM OF UNDERSTANDING FOR THE ACQUISITION OF 60% STAKE IN THE DENTAL GROUP KNOWN AS AOXIN STOMATOLOGY GROUP

---

#### 1. INTRODUCTION

##### 1 The Proposed Acquisition

The Board of Directors of Q & M Dental Group (Singapore) Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly owned subsidiary, Q & M Dental Holdings (China) Pte. Ltd. (“**Q&M China**”) had on 30 July 2013 entered into a non-binding Memorandum of Understanding (the “**MOU**”) with Dr. Yongxin Shao (“**Dr Shao**”) to acquire sixty per cent (60%) stake in the dental businesses owned by Dr Shao located in Shenyang, People’s Republic of China known as **Aoxin Stomatology Group** (“**Aoxin**”).

#### 2. THE PROPOSED ACQUISITION

##### 2.1 Purchase of the Sale Shares

Pursuant to the MOU, Q&M China will purchase 60% of the shares in a management company (“**Sale Shares**”) to be incorporated by Dr Shao for the consideration of RMB 108 million (approximately S\$21.6 million) (“**Purchase Consideration**”). The Purchase Consideration shall be paid either in cash or the Company shares or partly in both.

##### 2.2 Purchaser Consideration for the Proposed Acquisition

The Purchase Consideration was arrived at after negotiations on a willing-buyer, willing-seller basis. In arriving at the Purchase Consideration, the Company has taken into account, *inter alia*, current market conditions, the prospects of Aoxin and the strategic merits of the acquisition of Aoxin as set out in more detail in section 4.1 of this Announcement.

The Purchase Consideration will be paid to Dr Shao, 21 days after the registration of the Sale Shares in the management company to the Q&M China and after necessary approvals by the relevant governmental authorities. The expected date of completion of Proposed Acquisition is 1 February 2014.

##### 2.3 Key Terms of MOU

The Proposed Acquisition is subject to the following key terms:-

- (a) Dr Shao shall incorporate a management company and inject the following dental clinics dental hospitals, dental laboratory and training centre into the management company:-
- (i) Shenyang Action Stomatological Hospital
  - (ii) Shenyang Action Stomatological Hospital Branch
  - (iii) Shenyang Action Stomatological Hospital Heping Clinic
  - (iv) Shenyang Action Stomatological Hospital Huanggu Clinic
  - (v) Action-Huludao Stomatological Hospital
  - (vi) Action-Huludao Stomatological Hospital Clinic
  - (vii) Shenyang Wulihe Training Center
  - (viii) And other dental polyclinics / hospitals / laboratory / training centre that owned by Dr. Shao (if any)  
(collectively known as the "Business")
- (b) Q&M China being satisfied with the legal, finance and operational due diligence of the Aoxin and subject to approval of the Company's Board Of Directors, shareholders of the Company and Singapore Stock Exchange (if required).
- (c) Shao shall transfer the Business to the management company free of any liabilities, encumbrances, pledges, mortgages or any form of restrictions.
- (d) The Business having a Net Tangible Asset of RMB 23 million (approximately S\$4.6 million).
- (e) Execution of definitive agreements in respect of the proposed acquisition by Q&M China and Dr Shao.
- (f) Profit guarantee from Dr Shao that Q&M China will receive dividends of at least RMB 133 million (approximately S\$26.6 million) over 12 years.
- (g) Security pledged by Dr Shao of his remaining 40% shares in the management company for the performance of the profit guarantee.
- (h) Dr Shao to execute a 12 year employment contract with the management company

### **3. INFORMATION ON THE AOXIN DENTAL GROUP**

#### **3.1 Background and Principal Activities of Aoxin Stomatology Group**

Aoxin Stomatology Group currently owns 3 dental hospitals and 3 dental clinics in Shenyang. Its first hospital was set up 20 years ago in 1993. It employs over 100 dentists and more than 100 nurses. Over the last 3 years, Aoxin Stomatology Group has invested almost RMB 14 million (approximately S\$2.8 million) in new dental equipment.

It will be opening a new hospital in Hu Lu Dao occupying an area of 1,600 square metres with 30 dental chairs. It will also be opening a new dental training institute which has an area of 1,000 square metres with 30 dental chairs. Both projects are expected to commence operation in September 2013. Its investment in both projects amounted to RMB 7 million (approximately S\$1.4 million).

More information relating to the Aoxin Stomatology Group is available at their website at <http://www.action-sy.cn>.

### **3.2 Net Tangible Asset of the Business of Aoxin**

As at 31 December 2012, the Net Tangible Asset of the Business as stated by Dr Shao is RMB 19.5 million (approximately S\$3.9 million) and the same shall be transferred to the management company. The Company will carry out its due diligence prior to completion of the Proposed Acquisition.

### **3.3 Net Profits of Aoxin**

The net profits from the management accounts provided by Dr Shao for its financial year ended 31 December 2012 was approximately RMB 11.8 million (approximately S\$2.36 million) based on a turnover of RMB 42 million (approximately S\$ 8.4 million). The Company will carry out its due diligence prior to completion of the Proposed Acquisition.

## **4. RATIONALE AND BENEFITS AND THE INTENTIONS FOR AOXIN STOMATOLOGY GROUP**

The Group has built a successful network of dental clinics in Singapore, providing both general practitioner and specialist services. The Group has embarked on expanding its dental business overseas and had ventured into 2 countries, namely Malaysia and People's Republic of China ("**PRC**").

In PRC to-date, the Group had entered into joint ventures with two dental groups located in Beijing and Nanjing and had also acquired 2 dental clinics in Shanghai.

The Proposed Acquisition will provide the Group with a ready-made platform and presence in North-Eastern China for its PRC expansion plans. Further the development of the training institute will provide training and access to new dental technology to the Group's PRC partners and dentists. The Group will tap on the synergies in the management skills of Aoxin for their expansion plans in PRC.

## **5. FINANCIAL EFFECTS AND FUNDING**

### **5.1 Assumptions**

The proforma financial effects of the Proposed Acquisition on (i) the consolidated net tangible assets ("**NTA**") per share of the Company and (ii) the consolidated earnings per share of the Company ("**EPS**") set out below, are prepared purely for illustration only and do not reflect the future financial performance and condition of the Company and/or the Group after the Proposed Acquisition.

### **5.2 Financial Statements**

The proforma financial effects in sections 5.3 and 5.4 of this Announcement have been prepared based on the latest audited consolidated financial statements of the Company for its financial year ended 31 December 2012 ("**FY2012**") and the management accounts of the Aoxin Dental Group for its financial year ended 31 December 2012.

### 5.3 NTA per share

For illustrative purposes only and assuming that the Proposed Acquisition (in cash only) had been completed on 31 December 2012, being the most recently completed financial year, the proforma financial effects on the consolidated NTA per share of the Group are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Number of shares <sup>(1)</sup>	605,452,994	605,452,99
NTA attributable to shareholders (S\$'000)	44,492,000	44,492,000
NTA per share (cents)	7.35	7.35

Notes:

- (1) Being the number of issued shares of the Company after adjusting for (i) the subdivision of each share into two (2) shares, approved by shareholders of the Company at the extraordinary general meeting of the Company held on 26 April 2012 and (ii) the completion of the private placement of 55 million ordinary shares of the Company on 17 January 2013.

### 5.4 EPS

For illustrative purposes only and assuming that the Proposed Acquisition (in cash only) had been effected on 1 January 2012, the proforma financial effects on the consolidated earnings of the Group for FY2012 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Weighted average number of shares <sup>(1)</sup>	605,452,994	605,452,994
Profits attributable to shareholders (S\$'000) <sup>(2)</sup>	5,320,000.00	6,787,240.00
EPS (cents)	0.88	1.12

Notes:

- (1) Being the number of issued shares of the Company after adjusting for (i) the subdivision of each share into two (2) shares, approved by shareholders of the Company at the extraordinary general meeting of the Company held on 26 April 2012 and (ii) the completion of the private placement of 55 million ordinary shares of the Company on 17 January 2013.
- (2) Pursuant to Rule 1002(3)(b) of the Listing Manual, the term "net profits" means profit or loss before income tax, minority interests and extraordinary items.

### 5.5 Funding

The Purchase Consideration is currently intended to be funded by internal resources of the Company, IFC loan facility granted on April 2011 and/or issuance of new Q & M shares.

## 6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

Under Rule 1013 of the Listing Manual, it is provided that where any of relative figures computed on the bases set out in Rule 1006 of the Listing manual exceeds twenty (20) percent, the transaction is classified as a major transaction. Rule 1014 of the Listing Manual further states that a major transaction must be made conditional upon the approval of the shareholders in a general meeting.

Based on the unaudited financial statement of the Group for the three (3) month period ended 31 March 2013 as announced on 9 May 2013, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual") in relation to the Sale are as follows:-

Rule 1006	Bases	The Proposed Acquisition (in cash only) (S\$)	Group (S\$)	Relative Figures (%)
(a)	Net asset value of the assets disposed of, compared with the Group's net asset value	N.A.	N.A.	N.A.
(b)	Net profits <sup>(1)(2)</sup> attributable to the Sale Shares compared with the Group's net profits <sup>(1)(2)</sup>	421,560	1,258,000	33.51
(c)	Purchase Consideration to be given compared with the Company's market capitalisation	21,600,000	184,663,163	11.7
(d)	Number of equity securities issued by the Company as consideration for the Proposed Acquisition compared with the number of equity securities previously in issue	N.A.	N.A.	N.A.

Notes:

- (1) Pursuant to Rule 1002(3)(b) of the Listing Manual, the term "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Net profits refer to profits earned in the three (3) month ended 31 March 2013.
- (3) Pursuant to Rule 1002(5) of the Listing Manual, the market capitalisation of the Company is determined by multiplying 605,452,994 shares of the Company in issue as at 29 July 2013 (being the last market day on which shares of the Company were traded on the SGX-ST preceding the date of the MOU) by the weighted average price of such shares of S\$0.305 transacted on such date.

As the computed figures under Rule 1006 in the above table are above twenty (20) percent, the Proposed Acquisition is a major transaction for the purposes of Chapter 10 of the Listing Manual. Shareholders' approval is required for the Proposed Acquisition pursuant to Chapter 10 of the Listing Manual. The Company intends to seek waiver from SGX in respect of the shareholder's approval. If the Company does not obtain a waiver from SGX, then the Company will be seeking the approval of its shareholders for the Proposed Acquisition

## **7. CIRCULARS**

A circular setting out further information and details of the Proposed Acquisition, together with a notice of the extraordinary general meeting to be convened (if no waiver is granted by SGX), will be despatched by the Company to its shareholders in due course, if the Company and Dr Shao execute the definitive agreements.

## **8. SERVICE CONTRACTS**

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

## **9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

As at the Announcement Date, none of the Directors or controlling shareholders of the Company holds any shares in the Business or Aoxin Dental Group, directly or indirectly.

## **10. DOCUMENTS FOR INSPECTION**

A copy of the MOU is available for inspection by shareholders of the Company at the registered office of the Company at 67 Ayer Rajah Crescent #05-12/14 Singapore 139950 during normal business hours for a period of three months from the date of this Announcement.

## **11. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement 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 Announcement in its proper form and context.

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

Dr. Ng Chin Siau  
Group Chief Executive Officer  
30 July 2013

---

#### Forward-Looking Statements

*All statements other than statements of historical facts included in this Announcement are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information.*

*Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors of the Company should not place undue reliance on such forward-looking statements, and the Company does not undertake any obligation to update publicly or revise any forward-looking statements.*

---

#### About Q & M Dental Group (全民牙医集团 (新加坡) 有限公司)

Q & M Dental Group [QC7.SI] is a growing private dental healthcare group in Asia. The Group operates the largest network of dental outlets in Singapore and is building its presence in the People’s Republic of China (“PRC”) and Malaysia.

Founded in 1996, Q & M Dental Group has built an established brand through its reputation as a reliable provider of quality dental healthcare services. In Singapore, the Group has 52 dental clinics strategically located island-wide, four dental centres and one mobile dental clinic. It also owns two dental supplies and equipment distribution companies. The Group has a team of about 170 experienced dentists, supported by about 300 clinic support staff, to provide quality service to its patient pool of more than 450,000 island-wide.

Q & M Dental Group is presently executing plans to expand its presence in the overseas markets. To-date, the Group has invested in two dental healthcare groups in the PRC that operate a total of seven dental clinics, one dental centre and a mobile dental clinic in Beijing and Nanjing cities. It operates two clinics in Shanghai. It also has operates 7 clinics in Malaysia and a dental equipment distribution company.

The Group was listed on the Main Board of the SGX-ST on 26 November 2009. For further information on Q & M Dental Group, please visit the Group’s website at [www.QandMDental.com.sg](http://www.QandMDental.com.sg)

---

For more information please contact:

**General Counsel**

V Subramaniam Tel: 6779 3432 Email: [subra@qandm.com.sg](mailto:subra@qandm.com.sg)

**Chief Financial Officer**

Vitters Sim Yu Xiong Tel: 6779 7371 Email: [vitters@qandm.com.sg](mailto:vitters@qandm.com.sg)