



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 DENTAL HOSPITALS OWNED BY DR SUN ZHIZONG

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 28 August 2013 entered into a non-binding Memorandum of Understanding (the “**MOU**”) with Dr. Sun Zhizong (“**Dr Sun**”) to acquire sixty per cent (60%) stake in the dental hospitals owned by Dr Sun located in Donggang and Dandong cities in Liaoning Province, People’s Republic of China (“**Sun’s Hospitals**”).

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 Sun for the consideration of RMB 30 million (approximately S\$6 million) (“**Purchase Consideration**”). The Purchase Consideration shall be paid either in cash or the Company shares or partly in both.

2.2 Purchase 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 Sun’s Hospitals and the strategic merits of the acquisition of Sun’s Hospitals as set out in more detail in section 4 of this Announcement. The Purchase Consideration will be paid to Dr Sun, 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 the Proposed Acquisition is 1 February 2014.

2.3 Key Terms of MOU

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

- (a) Dr Sun shall incorporate a management company and inject the assets and business of the following dental hospitals into the management company:-
 - (i) Liaoning Donggang City Stomatology Hospital; and
 - (ii) upcoming Dandong New Zone Stomatology Hospital.
- (b) Q&M China being satisfied with the legal, finance and operational due diligence of the Sun’s Hospitals and subject to approval of the Company’s Board Of Directors, shareholders of the Company and Singapore Stock Exchange (if required).

- (c) Dr Sun shall transfer Sun's Hospitals to the management company free of any liabilities, encumbrances, pledges, mortgages or any form of restrictions.
- (d) Sun's Hospitals having a Net Tangible Asset of RMB 7 million (approximately S\$1.4 million).
- (e) Execution of definitive agreements in respect of the proposed acquisition by Q&M China and Dr Sun.
- (f) Dr Sun has agreed to provide a minimum profit guarantee annually starting from 2014 for a period of 12 years with a starting amount of RMB 3 million with compounded annual growth of nine (9) per cent .
- (g) Security pledged by Dr Sun of his remaining 40% shares in the management company for the performance of the profit guarantee.
- (h) Dr Sun to execute a 12 year employment contract with the management company

3. INFORMATION ON SUN'S HOSPITALS

3.1 Background and Principal Activities of Sun's Hospitals

Dr Sun currently operates 1 dental hospital in Donggang, Liaoning, PRC known as Liaoning Donggang City Stomatology Hospital. This is a 3 storey dental hospital which employs over 40 dentists and 60 nurses and staff. The Hospital has over 50 dental chairs and is the premier dental hospital in Donggang.

Dr Sun is opening a new hospital in Dandong, Liaoning, PRC known as Dandong New Zone Stomatology Hospital. He has obtained the hospital license from authorities and has now commenced work on the new hospital. Dr Sun will be investing approximately RMB 3 million (approximately S\$600,000) in the new hospital which is expected to be ready for operations by February 2014.

More information relating to Sun's Hospitals are available in their website at <http://www.dgkqyy.com>.

3.2 Financial Information

The Net Tangible Asset of Liaoning Donggang City Stomatology Hospital as stated by Dr Sun is RMB 4 million (approximately S\$800,000) and the same shall be transferred to the management company. The revenue of the Sun's Hospital for year ending 31 December 2012 as stated by Dr Sun is approximately RMB 6 million (approximately S\$1.2 million). The Company will carry out its due diligence prior to completion of the Proposed Acquisition.

4. RATIONALE AND BENEFITS

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 enhance the Group's plan to increase its presence in North Eastern China. The Group will tap on the synergies in the specialist dental expertise of Dr Sun to enhance the services that can be provided by the Group in North Eastern China.

5. FURTHER COMPLIANCE OBLIGATIONS

The Company anticipates that if the definitive agreements are executed, it may constitute a transaction under Chapter 10 of the Listing Manual of the SGX-ST. The Company will comply with the relevant requirements of Chapter 10 of the Listing Manual of the SGX-ST in a timely

manner as the matter progresses. The Board will also update shareholders on any new and significant developments arising in respect of the Proposed Acquisition.

6. 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.

7. 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 Sun's Hospitals, directly or indirectly.

8. 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.

By Order of the Board

Q & M Dental Group (Singapore) Limited

Dr. Ng Chin Siau
Group Chief Executive Officer
28 August 2013

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 8 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

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