



Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration Number 200800507R)

(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF QINHUANGDAO AIDITE HIGH TECHNICAL CERAMIC CO., LTD

1. INTRODUCTION

The Board of Directors (the "**Board**") of Q & M Dental Group (Singapore) Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to its announcement made on 18 November 2013 (the "**18 November Announcement**") wherein it was stated that its wholly-owned subsidiary, Q & M Dental Holdings (China) Pte. Ltd. ("**Q&M China**"), had entered into a non-binding Memorandum of Understanding with Mr Li Hongwen and Mr Li Bin (the "**Sellers**") to acquire a 51% stake in the specialised dental materials manufacturer known as Qinhuangdao Aidite High Technical Ceramic Co., Ltd ("**Aidite**") from the Sellers.

Further to the 18 November Announcement, the Board wishes to announce that Q&M China and the Sellers have on 22 February 2014 executed a binding Master Agreement (the "**Master Agreement**") setting out the key terms and conditions for the Proposed Acquisition and the ancillary documents to be executed by all parties.

2. THE PROPOSED ACQUISITION

2.1 Purchase of the Shares in Aidite

Pursuant to the Master Agreement, Q&M China will now purchase 100% of the shares in Aidite (the "**Proposed Acquisition**") through a wholly-owned Singapore- incorporated company ("**SC**") at the following consideration:-

- (a) RMB38 million (approximately S\$7.9 million)¹ shall be paid in cash to the Sellers; and
- (b) RMB42 million (approximately S\$8.75 million) shall be injected as capital into Aidite for the expansion of Aidite,

((a) and (b) collectively, the "**Purchase Consideration**").

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 Aidite and the strategic merits of the acquisition of Aidite as set out in more detail in section 4 of this announcement.

¹ The exchange rate of S\$1.00 to RMB4.80 has been used in this announcement.

The Purchase Consideration will be paid to the Sellers within three (3) months from the date Aidite obtains new business licences reflecting SC as the sole shareholder of Aidite. The expected date of completion of the Proposed Acquisition is 1 April 2014.

2.3 Key Terms of the Proposed Acquisition

The Proposed Acquisition is subject to, *inter alia*, the following key terms:-

- (a) Q&M China being satisfied with the legal, finance and operational due diligence of Aidite;
- (b) if required, the Company shall obtain the approval of the shareholders of the Company and the Singapore Exchange Securities Trading Limited ("**SGX-ST**");
- (c) the Sellers shall ensure that Aidite shall be free of any liabilities, encumbrances, pledges, mortgages or any form of restrictions at the date of the transfer;
- (d) Aidite having a net tangible asset of RMB30 million (approximately S\$6.25 million);
- (e) the execution of definitive agreements in respect of the Proposed Acquisition;
- (f) Q&M China shall inject RMB42 million (approximately S\$8.75 million) into Aidite as working capital and for further expansion;
- (g) a profit guarantee from each of the Sellers that Q&M China will receive dividends of at least RMB159 million (approximately S\$33 million) over 12 years;
- (h) each of the Sellers shall execute a service agreement with a 12-year term (collectively, the "**Service Agreements**") with SC; and
- (i) the Service Agreements shall include options for the Sellers to purchase an aggregate of 49% of the shareholding of SC upon meeting the terms and conditions of the Service Agreements.

3. INFORMATION ON AIDITE

3.1 Background and Principal Activities of Aidite

Aidite currently operates a specialised dental ceramics manufacturing facility in Qinhuangdao, Hebei, the People's Republic of China ("**PRC**"). Aidite manufactures a product known as zirconium oxide blocks which is used in dental Computer-Aided Design/Computer-Aided Manufacturing ("**CAD/CAM**") machines in the fabrication of dental prosthesis. The CAD/CAM system uses computer-aided design and manufacturing technology, which can be used to fabricate porcelain and composite inlays, onlays, crowns and porcelain within a single visit.

More information relating to Aidite is available on its website at <http://www.zro2blocks.com>.

3.2 Net Tangible Assets of Aidite

Based on the management accounts provided by the Sellers in respect of Aidite's financial year ended 31 December 2012 (the "**Aidite 2012 Management Accounts**"), the net tangible assets of Aidite is RMB30 million (approximately S\$6.25 million) and the revenue of Aidite for the financial year ended 31 December 2012 is approximately RMB23.78 million

(approximately S\$4.95 million). The Company will carry out its due diligence prior to completion of the Proposed Acquisition.

3.3 Net Profits of Aidite

Based on the Aidite 2012 Management Accounts, the net profits of Aidite was approximately RMB8.05 million (approximately S\$1.68 million) based on a turnover of RMB23.78 million (approximately S\$4.95 million). The Company will carry out its due diligence prior to completion of the Proposed Acquisition.

4. RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITION AND THE INTENTIONS FOR AIDITE

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 two (2) countries, namely Malaysia and the PRC.

In relation to the PRC, to date, the Group has entered into joint ventures with three (3) dental groups located in Beijing, Nanjing and Shenyang and has also acquired two (2) dental clinics in Shanghai.

Zirconium oxide is now increasingly used in dentistry as an alternative material for non-metallic aesthetic products which are highly crack resistant. Aidite has obtained the ISO13485 quality system and the European Union CE certification - CE0029, American FDA certification that enables it to export its product to many countries globally.

The Proposed Acquisition will therefore crystallise the Group's plan to integrate and to provide synergy to the various components of its dental business, from supplies manufacturing to supply distribution and its dental clinics and centres.

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 ("**EPS**") of the Company set out below, are prepared purely for illustrative purposes only and do not reflect the actual financial effects or 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 audited consolidated financial statements of the Company for its financial year ended 31 December 2012 ("**FY2012**") (being the most recent announced consolidated full-year financial statements of the Company) and the Aidite 2012 Management Accounts.

5.3 NTA per share

Assuming that the Proposed Acquisition 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 Company are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Number of shares ⁽¹⁾	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

Note:

- (1) This is based on 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

Assuming that the Proposed Acquisition had been effected on 1 January 2012, the proforma financial effects on the consolidated earnings of the Company for FY2012 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Weighted average number of shares ⁽¹⁾	605,452,994	605,452,994
Profits attributable to shareholders (S\$'000) ⁽²⁾	5,320,000.00	6,460,000.00
EPS (cents)	0.88	1.07

Notes:

- (1) This is based on 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 of the SGX-ST ("**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, an International Finance Corporation loan facility granted on 27 April 2011 and/or issuance of new shares in the Company.

6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

Based on the unaudited financial statements of the Group for the nine (9)-month period ended 30 September 2013, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual in relation to the Proposed Acquisition are as follows:-

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets disposed of, compared with the Group's net asset value	N.A. ⁽¹⁾
(b)	Net profits ⁽²⁾⁽³⁾ attributable to the assets to be acquired compared with the Group's net profits ⁽²⁾⁽³⁾	35.78 ⁽⁴⁾
(c)	Purchase Consideration to be given compared with the Company's market capitalisation ⁽⁵⁾	6.71
(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. ⁽⁶⁾

Notes:

- (1) This is not applicable as the Proposed Acquisition is an acquisition of assets.
- (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.
- (3) Net profits refers to profits earned in the nine (9)-month period ended 30 September 2013.
- (4) This is based on the net profits attributable to the assets to be acquired being S\$1,381,000 and the Group's net profits being S\$3,860,000.
- (5) 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 21 February 2014 (being the last market day on which shares of the Company were traded on the SGX-ST preceding the date of the Master Agreement) by the weighted average price of such shares of S\$0.41 transacted on such date.
- (6) This is not applicable as no equity securities are issued by the Company as consideration in connection with the Proposed Acquisition.

As one of the relative figures set out above exceeds 20%, the Proposed Acquisition would constitute a major transaction under Rule 1014 of the Listing Manual. However, pursuant to Rule 1014(2) of the Listing Manual, as the Proposed Acquisition is an acquisition of a profitable asset and the only limit breached is Rule 1006(b) of the Listing Manual, shareholders' approval is not required for the Proposed Acquisition.

7. 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.

8. 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 date of this announcement, none of the Directors or controlling shareholders of the Company holds any shares in Aidite, directly or indirectly.

9. DOCUMENT FOR INSPECTION

A copy of the Master Agreement 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 (3) months from the date of this announcement.

10. 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.

Further announcements on the Proposed Acquisition will be made by the Company as and when necessary or appropriate.

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

Dr. Ng Chin Siau
Group Chief Executive Officer
24 February 2014

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 180 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

For more information please contact:

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