



Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration Number 200800507R)

(Incorporated in the Republic of Singapore)

RESPONSES TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON THE COMPANY'S ANNOUNCEMENT ON THE PROPOSED ACQUISITION OF QINHUANGDAO AIDITE HIGH TECHNICAL CERAMIC CO., LTD ON 24 FEBRUARY 2014 ("24 FEBRUARY ANNOUNCEMENT")

The Board of Directors (the "**Board**") of Q & M Dental Group (Singapore) Limited (the "**Company**") wishes to provide the following information in response to SGX-ST's queries on 25 February 2014 in connection with the 24 February Announcement.

SGX-ST's Query 1

Provide the key terms of the profits 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 including and not limited to whether there is any specific amounts to be paid as dividends for each financial period during the 12-year period.

Company's Response

The Sellers guarantee that for the period commencing 1 January and ending on 31 December of each year (each a "**profit guarantee year**") within a 12-year period beginning 2014 (the "**12-Year Period**")¹, the profit guaranteed from Aidite to SC in the relevant profit guarantee year shall be no less than the amount set out for each year in the table as follows:

Year	Guaranteed Amount (RMB'000'000)
2014	15
2015	17.25
2016	19.84
2017	22.81
2018	26.24
2019	30.17
2020	30.17
2021	30.17
2022	30.17
2023	30.17
2024	30.17
2025	30.17

¹ Should the Proposed Acquisition be completed (subject to the key terms of the Proposed Acquisition mentioned in the 24 February Announcement), the 12-Year Period will be adjusted to reflect the change in the date of the profit guarantee year.

The Sellers also guarantee that the sum of Net Distributable Profit After Tax payable to Q&M China from the SC in the relevant profit guarantee year shall be no less than the amount set out for each year in the table as follows:

Year	Guaranteed Amount (RMB'000'000)
2014	7.65
2015	8.80
2016	10.12
2017	11.63
2018	13.38
2019	15.39
2020	15.39
2021	15.39
2022	15.39
2023	15.39
2024	15.39
2025	15.39

(such amounts collectively, the "**Guaranteed Amounts**" and each a "**Guaranteed Amount**").

In each financial year, the Sellers shall twice a year deposit an amount equivalent to the Guaranteed Amount for that relevant year into a bank account nominated by Q&M China by 30 June and 31 December respectively of that year.

The satisfaction of the payment of the Guaranteed Amounts shall be determined by Q&M China at the end of each financial year.

SGX-ST's Query 2

- 1. Information required under Listing Rule 1013(1) relating to the Company entering into a discloseable transaction and acceptance of a profit guarantee from the Sellers:**
 - (a) The views of the board of directors of the Company in accepting the profit guarantee and the factors taken into consideration and basis for such a view;**
 - (b) The principal assumptions including commercial bases and assumptions upon which the quantum of the profit guarantee is based;**
 - (c) The manner and amount of compensation to be paid by the Sellers in the event that the profit guarantee is not met and the conditions precedent, if any, and the detailed basis for such a compensation; and**
 - (d) The safeguards put in place (such as the use of a banker's guarantee) to ensure the Company's right of recourse in the event that the profit guarantee is not met, if any.**

Company's Response

- 2. Information Required under Rule 1013(1) of the Listing Manual**
 - (a) Views of the Board**

The Board is of the view that the Guaranteed Amounts from the Sellers would be beneficial to the Company and in accepting the Guaranteed Amounts took into consideration the following factors:

- (i) the track records and management records of Aidite provided by the Sellers;
- (ii) the certainty of profits spanning the duration of the 12-Year Period;
- (iii) Aidite is currently one of the leading supplier of specialised dental materials in the PRC; and
- (iv) the potential growth prospect of this market in the near future.

(b) Commercial Bases and Principal Assumptions upon which the Quantum of the Guaranteed Amounts is Based

The quantum of the Guaranteed Amounts was derived from the Group's estimation of a compounded growth of Aidite at the rate of 15% per annum. Such estimation was arrived at after reviewing the track record of the management and financial accounts of Aidite, which indicate that such estimation is a conservative estimate.

(c) Manner and Amount of Compensation to be Paid by the Sellers

In the event that any Guaranteed Amount is not met, Q&M China has the right to terminate the Master Agreement and require the Sellers to pay to Q&M China (i) liquidated damages equivalent to the sum of RMB80 million (approximately S\$16,666,667) and an annual interest at the rate of 10% per annum compounded on the said amount calculated from the date of the Master Agreement to the date of payment and (ii) any outstanding loans and dividends accrued from the SC to Q&M China.

If Q&M China decides not to terminate the Master Agreement, the Sellers shall within 30 days of demand pay to Q&M China the shortfall in the Guaranteed Amount for the relevant year using the dividends payable to them from the SC (if any). In the event that such dividends are insufficient, the Sellers shall use their personal funds and/or assets to make up such shortfall so as to ensure that Q&M China shall receive the Guaranteed Amount in each year of the 12-Year Period.

(d) Safeguards Put in Place to Ensure the Company's Right of Recourse

As mentioned, the Sellers are required to deposit the Guaranteed Amount into a bank account nominated, managed and controlled by Q&M China every six (6) months in the relevant financial year. In addition, the Sellers are each required to enter into both offshore and onshore personal undertakings to Q&M China. The Sellers will also have to sign a Share Charge Agreement and a blank share transfer form as escrow to Q&M China for their 49% shares in SC should they exercise their Option.

The Sellers will also forgo their share of profit in the form of dividends from SC (if any) and let Q&M China have the first right to this dividend to fulfill the profit guarantee amount.

The Board is of the view that these safeguards will ensure that the Sellers strive to meet the Guaranteed Amounts.

SGX-ST's Query 3 and 4

- 3. Salient terms of the Service Agreements; and**
- 4. Terms and conditions of the options for the Sellers to purchase an aggregate of 49% of the shareholding of SC (defined as the Company's wholly-owned Singapore-incorporated company).**

Company's Response

Further announcements on the Proposed Acquisition (including the terms and conditions of the Service Agreements and the Option therein for the Sellers to purchase 49% of the shareholding of SC (as referred to in sections 2.3(h) and (i) of the 24 February Announcement) 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
28 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 51 dental clinics strategically located island-wide, 5 dental centres and 1 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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