



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 NANJING SUCORONAL DENTISTRY TECHNIQUE CENTER OWNED BY ZHANG HAIQUAN

1. INTRODUCTION

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 9 March 2014 entered into a non-binding Memorandum of Understanding (the “**MOU**”) with Mr Zhang Haiquan (“**the Seller**”) to acquire sixty per cent (60%) stake in Nanjing Sucoronal Dentistry Technique Center owned by the Seller and located in Nanjing, People’s Republic of China (“**Nanjing Sucoronal**”).

2. THE PROPOSED ACQUISITION

2.1 **Purchase of the Sale Shares**

Pursuant to the MOU, Q&M China will purchase 60% of the shares (“**Sale Shares**”) from the Seller for a total consideration of RMB 21 million (approximately S\$4.375 million) (“**Consideration**”). The Consideration shall be paid either in cash or the Company shares or partly in both. RMB 11 million of the Consideration will be paid to the Seller while the remaining RMB 10 million will be injected into Nanjing Sucoronal as new equity.

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 Nanjing Sucoronal and the strategic merits of the acquisition as set out in more detail in section 4 of this Announcement.

The Purchase Consideration will be paid to the Sellers, within 21 days after the completion of registration of the Sale Shares in Nanjing Sucoronal to Q&M China and/or its nominees and after necessary approvals by the relevant governmental authorities. The estimated date of completion of the Proposed Acquisition is 1 June 2014.

2.3 **Key Terms of MOU**

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 Nanjing Sucoronal and subject to approval of the Company’s Board Of Directors, shareholders of the Company and Singapore Stock Exchange (if required);
- (b) The Seller shall convert Nanjing Sucoronal into a private limited company before Q&M China acquires 60% of its shareholding;
- (c) The Seller shall ensure that Nanjing Sucoronal shall be free of any liabilities, encumbrances, pledges, mortgages or any form of restrictions at the date of the transfer;
- (d) Nanjing Sucoronal having a Net Tangible Asset of RMB 5 million (approximately S\$1.04 million);

- (e) Execution of definitive agreements in respect of the proposed acquisition by Q&M China and the Seller;
- (f) RMB 10 million of the Consideration shall be injected into Nanjing Sucoronal as new equity;
- (g) The Seller 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 (approximately S\$625,000) for 2014 and RMB 3.5 million (approximately S\$729,000) for 2015 with compounded annual growth of nine per cent (9%) from 2016 for 10 years until 2025. Q&M China will be entitled to receive 60% of the said profit as a profit guarantee annually. The total amount of profit guarantee which Q&M China is entitled to over 12 years is RMB 38.67 million (approximately S\$8.06 million);
- (h) Security pledged by the Seller of his remaining 40% shares in Nanjing Sucoronal for the performance of the profit guarantee;
- (i) The Seller will deposit monies equivalent to six months of the profit guarantee every 6 months into an account nominated by QDHC;
- (j) Mr Zhang Haiquan will execute a 12 year service agreement with Q&M China.

3. INFORMATION ON NANJING SUCORONAL

Background and Principal Activities of Nanjing Sucoronal

Nanjing Sucoronal currently operates 8 dental clinics as well a dental laboratory in Nanjing, PRC. It employs more than 20 dentists and more than 50 dental laboratory technicians.

4. RATIONALE AND BENEFITS

The Group has built a successful network of dental clinics in Singapore, providing both general practitioner and specialist dental 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 three (3) dental groups located in Beijing, Nanjing and Shenyang and had also acquired two (2) dental clinics in Shanghai.

The Proposed Acquisition is in line with the Group's expansion plans into PRC. The Group intends to achieve a bigger market share of the dental business in PRC through joint ventures with suitable partners.

5. FURTHER COMPLIANCE OBLIGATIONS

The Company anticipates that if the definitive agreements are executed, it will constitute a non-discloseable transaction under Chapter 10 of the Listing Manual. The Board will update shareholders on any new and significant developments arising in respect of the Proposed Acquisition.

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

Dr. Ng Chin Siau
Group Chief Executive Officer
10 March 2014

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 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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