



Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration Number 200800507R)

(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF FOO & ASSOCIATES PTE LTD OWNED BY DR FOO MOOH THONG

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Q & M Dental Group (Singapore) Limited (the “**Company**”) wishes to refer to its announcement on 18 March 2014 whereby it was announced that the Company had entered into a Share Purchase Agreement (the “**Agreement**”) with Dr Foo Mooh Thong (the “**Vendor**”) to acquire 100% of the shareholding in Foo & Associates Pte Ltd owned by the Vendor and located at 290 Orchard Road, #09-03, Singapore 238859 (“**F&A**”).

The Company has received an update in the financial figures provided by F&A and the Proposed Acquisition will now constitute a discloseable transaction under Chapter 10 of the Listing Manual. As such, the Board wishes to make this announcement with the updated information in compliance with the requirements under the Listing Manual.

2 INFORMATION ON F&A

2.1 Background and Principal Activities of F&A

F&A is a dental clinic operating in Paragon, Orchard Road. The primary dentist is Dr Foo Mooh Thong, a well-known specialist in the prosthodontic field of dentistry.

2.2 Net Tangible Assets of F&A

Based on the management accounts provided by the Vendor in respect of F&A’s financial year ended 31 December 2013 (the “**F&A 2013 Management Accounts**”), the net tangible assets of F&A is S\$2.96 million and the revenue of F&A for the financial year ended 31 December 2013 is approximately S\$1.9 million. The NTA to be acquired from F&A will be \$20,000. The Company will carry out its due diligence prior to completion of the Proposed Acquisition.

2.3 Net Profits of F&A

Based on the F&A 2013 Management Accounts, the net profits of F&A was approximately S\$788,000 based on a turnover of approximately S\$1.9 million. The Company will carry out its due diligence prior to completion of the Proposed Acquisition.

3. THE PROPOSED ACQUISITION

3.1 Purchase of the Sale Shares

Pursuant to the Agreement, the Company will purchase 100% of the issued and paid-up share capital of F&A (“**Sale Shares**”) from the Vendor for a total consideration of S\$5.5 million

("Purchase Consideration"). The Purchase Consideration shall be paid by the allotment of the Company's shares ("Consideration Shares") to the Vendor.

The Consideration Shares is fixed at \$0.3645 which is based on 90% of the weighted average price of the Company's shares traded on SGX for the full market day on the date on which the Agreement is signed, i.e. on Monday, 17 March 2014.

3.2 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 F&A and the strategic merits of the acquisition.

3.3 Key Terms

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

- (a) The Company being satisfied with the legal, finance and operational due diligence of F&A and subject to approval of the Company's Board Of Directors, shareholders of the Company and Singapore Exchange Securities Trading Limited ("SGX") (if required);
- (b) All approvals, waivers or consents as may be required for the sale of the Sale Shares;
- (c) Approval in-principle being obtained from SGX for the admission to, listing, dealing and quotation of the Consideration Shares on the Official List of the SGX Main Board;
- (d) The Consideration Shares shall be subject to a 5 year moratorium period whereby the Vendor agrees and undertakes not to sell, transfer, mortgage, charge, pledge, grant an option over, or otherwise dispose of or create any encumbrances over any of the Consideration Shares except with the consent of the Company;
- (e) The Vendor shall ensure that F&A is free of any liabilities, encumbrances, pledges, mortgages or any form of restrictions at the date of the transfer;
- (f) The Vendor has agreed to provide a Profit Guarantee (as defined below). The total amount of profit which the Company is entitled to over the 10 year period is S\$5.25 million; and
- (g) Dr Foo Mooh Thong will execute a 10 year service agreement with the Company.

3.4 Profit Guarantee

The Vendor guarantees that for the 10 year period commencing on 1 January 2014¹:-

- (a) The annual profit guarantee shall not be less than S\$525,000; or
- (b) The aggregate accumulated profit for all the profit guarantee years within the 10 year period shall be equivalent to the sum of S\$5.25 million.

The Profit Guarantee shall be satisfied by either (a) or (b), whichever is the earlier.

3.5 Views of the Board

The Board is of the view that the Profit Guarantee from the Vendor would be beneficial to the Company and in accepting the Profit Guarantee took into consideration the following factors:-

- (i) The prime location in which F&A is located in;
- (ii) The expertise of Dr Foo Mooh Thong, a well-known and well-respected specialist in the prosthodontic field of dentistry; and
- (iii) The large and established patient base accumulated over the past 14 years of operation, including a significant amount of foreign patients from the dental tourism pool in Singapore.

¹ The Profit Guarantee for year 2014 or the accumulated profit (as the case may be) shall be prorated to reflect that the Profit Guarantee shall commence only on the completion date.

3.6 Commercial Bases and Principal Assumptions upon which the Quantum of the Profit Guarantee is Based

The quantum of the Profit Guarantee was derived from the Company's estimation after reviewing the track record of the management and financial accounts of F&A.

3.7 Manner and Amount of Compensation to be Paid by the Vendor

In the event that any Profit Guarantee amount is not met for the relevant financial year, the Company has the right to terminate the Agreement and require the Vendor to pay to the Company (i) liquidated damages equivalent to the sum of S\$5.5 million and an annual interest of 10% per annum calculated from the date of the Agreement to the date of payment and (ii) any outstanding Profit Guarantee accrued.

If the Company decides not to terminate the Agreement, the Vendor shall within 14 days of demand pay to the Company the shortfall in the Profit Guarantee for the relevant year by way of deduction from the professional fees payable to Dr Foo Mooh Thong and/or Dr Foo Mooh Thong shall use his personal cash and/or assets (if accepted by the Company) to make up the shortfall in the Profit Guarantee amount.

3.8 Safeguards Put in Place to Ensure the Company's Right of Recourse

The Vendor is required to deposit the sum of S\$525,000 into a bank account nominated, managed and controlled by the Company before completion of the Proposed Acquisition.

Should there be any shortfall in the Profit Guarantee amount in the relevant financial year, the shortfall shall be deducted from Dr Foo Mooh Thong's professional fees and/or Dr Foo Mooh Thong shall use his personal funds and/or assets (if accepted by the Company) to make up such shortfall.

In the event that the Vendor is unable to make good the shortfall in the manner set out above, the Company shall be entitled to and shall deduct from the deposited sum such amount as may be required to make good the shortfall in whole.

4. FINANCIAL EFFECTS AND FUNDING

4.1 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.

4.2 Financial Statements

The proforma financial effects in sections 3.3 and 3.4 of this announcement have been prepared based on the audited consolidated financial statements of the Company for its financial year ended 31 December 2013 ("**FY2013**") (being the most recent announced consolidated full-year financial statements of the Company) and the F&A 2013 Management Accounts.

4.3 NTA per share

Assuming that the Proposed Acquisition had been completed on 31 December 2013, 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	605,452,994	620,542,157
NTA attributable to shareholders (S\$'000)	40,646	46,146
NTA per share (cents)	6.71	7.44

4.4 EPS

Assuming that the Proposed Acquisition had been effected on 1 January 2013, the proforma financial effects on the consolidated earnings of the Company for FY2013 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Number of shares	605,452,994	620,542,157
Profits attributable to shareholders (S\$'000) ⁽¹⁾	6,989	7,852
EPS (cents)	1.15	1.27

Notes:

(1) 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.

4.5 Funding

The Purchase Consideration shall be paid by the allotment of the Company's shares ("**Consideration Shares**") to the Vendor.

5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

Based on the audited financial statements of the Group for the twelve (12)-month period ended 31 December 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⁾	12.35 ⁽⁴⁾
(c)	Purchase Consideration to be given compared with the Company's market capitalisation ⁽⁵⁾	2.19
(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 ⁽⁶⁾	2.49

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 twelve (12)-month period ended 31 December 2013.
- (4) This is based on the net profits attributable to the assets to be acquired being S\$863,000 and the Group's net profits being S\$6,989,000.
- (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 14 March 2014 (being the last market day on which shares of the Company were traded on the SGX-ST preceding the date of the Agreement) by the weighted average price of such shares of S\$0.4150 transacted on such date.
- (6) Number of equity securities issued by the Company as consideration is 15,089,163.

As one of the relative figures set out above exceeds 5%, the Proposed Acquisition would constitute a discloseable transaction under Rule 1014 of the Listing Manual.

6. RATIONALE AND BENEFITS

The Proposed Acquisition is in line with the Company's plans to continue the expansion of its main dental business in Singapore. This Proposed Acquisition will allow the Company to add a fully operational clinic located in a prime location in Singapore.

The Company intends to work with Dr Foo Mooh Thong, an expert in the Computer Aided Design / Computer Aided Milling technology and intends to have Dr Foo Mooh Thong spearhead the Company's expansion into this field.

The Company will also obtain the business goodwill of F&A which has been operating for more than 14 years together with the personal goodwill of Dr Foo Mooh Thong.

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 for the appointment of a director 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 F&A, directly or indirectly.

9. DOCUMENT FOR INSPECTION

A copy of the Agreement is available for inspection by shareholders of the Company at the registered office of the Company at 81 Science Park Drive, #02-04, The Chadwick, Singapore Science Park 1, Singapore 118257 during normal business hours for a period of three (3) 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
8 April 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.

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