



Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 200800507R)

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 140,481,405 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT AN ISSUE PRICE OF S\$0.10 FOR EACH RIGHTS SHARE (AS DEFINED BELOW), ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FIVE (5) EXISTING SHARES IN THE CAPITAL OF THE COMPANY HELD BY SHAREHOLDERS OF THE COMPANY AS AT THE BOOKS CLOSURE DATE (AS DEFINED BELOW), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED

1. INTRODUCTION

1.1 The Board of Directors ("**Board**") of Q & M Dental Group (Singapore) Limited (the "**Company**") and together with its subsidiaries, the "**Group**"), wishes to announce that the Company is proposing to undertake a renounceable non-underwritten rights issue (the "**Rights Issue**") of up to 140,481,405 new ordinary shares in the capital of the Company (the "**Rights Shares**") at an issue price of S\$0.10 (the "**Issue Price**") for each Rights Share, on the basis of one (1) Rights Share for every five (5) existing ordinary shares in the capital of the Company ("**Shares**") held by the shareholders of the Company (the "**Shareholders**") as at a time and date to be determined by the directors of the Company (the "**Directors**") for the purpose of determining the Shareholders' entitlements under the Rights Issue (the "**Books Closure Date**"), fractional entitlements to be disregarded.

1.2 It is intended that the Rights Shares will be issued pursuant to the existing share issue mandate approved by Shareholders at the annual general meeting of the Company held on 28 April 2014 (the "**Share Issue Mandate**").

Pursuant to the Share Issue Mandate, the Directors are authorised to, *inter alia*, issue and allot Shares in the Company by way of a rights issue on a *pro-rata* basis to Shareholders at any time and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of Shares in the Company to be issued pursuant to such authority shall not exceed 50% of the issued share capital of the Company (excluding treasury shares) at the date of approval of the Share Issue Mandate.

Accordingly, the Company will not be seeking specific approval from the Shareholders for the Rights Issue, as the issuance of the Rights Shares pursuant to the Rights Issue would fall within the ambit of the Share Issue Mandate.

1.3 The Company has appointed Religare Capital Markets Corporate Finance Pte. Limited (the "**FA**") as the financial adviser for the Rights Issue.

2. PRINCIPAL TERMS OF THE RIGHTS ISSUE

2.1 Basis of Entitlements

The Company is proposing to undertake the Rights Issue, at the Issue Price for each Rights Share on a renounceable basis to the Shareholders whose registered addresses with the Company or The Central Depository (Pte) Limited (the “CDP”), as the case may be, are in Singapore as at the Books Closure Date, or who have, at least three (3) Market Days¹ prior to the Books Closure Date, provided to the Company or the CDP, as the case may be, addresses in Singapore for the service of notices and documents (the “Entitled Shareholders”).

The Rights Shares are offered on the basis of one (1) Rights Share for every five (5) existing Shares held as at the Books Closure Date.

Fractional entitlements to the Rights Shares will be disregarded in arriving at the Entitled Shareholder’s provisional allotments of Rights Shares and will, together with the provisional allotment of Rights Shares which are not taken up or allotted for any reason, be aggregated and allotted to satisfy excess applications for Rights Shares (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interest of the Company.

The Entitled Shareholders will be at liberty to accept (in full or in part), decline, or otherwise renounce or trade (during the provisional allotment trading period prescribed by the Singapore Exchange Securities Trading Limited (“SGX-ST”)) their provisional allotment of Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue (“Excess Rights Shares”).

In the allotment of Excess Rights Shares, preference will be given to Entitled Shareholders in satisfaction of their application for Excess Rights Shares, if any, provided that where there are insufficient Excess Rights Shares to allot to each application, the Company shall allot the Excess Rights Shares to Entitled Shareholders such that preference will be given to the rounding of odd lots, and the Directors and substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board, will rank last in priority. The Company will also not make any allotment and issue of any Excess Rights Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

The Rights Shares are payable in full upon acceptance and application by Entitled Shareholders. The Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares. For this purpose, a “record date” means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which the Shareholders must be registered with the Company or CDP, as the case may be, in order to participate in such dividends, rights, allotments or other distributions.

The Rights Issue is renounceable and Entitled Shareholders who do not wish to subscribe for the Rights Shares may sell their provisional entitlements (the “Rights”) during the “nil-paid” Rights trading period.

¹ “Market Day” means a day on which SGX-ST is open for trading in securities.

2.2 Number of Rights Shares

As at the date of this Announcement, the issued share capital of the Company (excluding treasury shares) comprises 605,452,994 Shares (the “**Existing Share Capital**”). In addition:

- (a) pursuant to the Q & M Employee Share Option Scheme which was approved by the Shareholders on 26 April 2011, there are 604,000 outstanding options, all of which may be exercised on or prior to the Books Closure Date (“**ESOS Options**”) and as at the date of this Announcement, each carrying the right to subscribe for one (1) new Share in the capital of the Company;
- (b) as previously announced on 27 April 2011, pursuant to the US\$5 million convertible loan facility obtained by the Company from the International Finance Corporation (“**IFC**”), IFC has the right to convert the US\$5 million outstanding amount of the convertible loan (equivalent to S\$6,300,000 based on the agreed exchange rate of US\$1.00 to S\$1.26) into new Shares (the “**Loan Conversion Shares**”) at a conversion price of S\$0.345 per Loan Conversion Share on or prior to the Books Closure Date;
- (c) as previously announced on 26 May 2014, pursuant to a call option agreement dated 24 May 2014 entered into by the Company with Heritas Helios Investments Pte. Ltd., the Company agreed to grant to Heritas Helios Investments Pte. Ltd. a call option to subscribe for up to 63,000,000 new Shares (the “**Call Option Shares**”). The issuance of the Call Option Shares is subject to the approval of the Shareholders. As at the date of this Announcement, Shareholders’ approval for the allotment and issuance of the Call Option Shares has not yet been obtained; and
- (d) as previously announced on 18 March 2014, 7 April 2014 and 8 April 2014, pursuant to a sale and purchase agreement dated 17 March 2014 entered into by the Company with Dr. Foo Mooh Thong, the Company agreed to acquire 100% of the shareholding in Foo & Associates Pte. Ltd. for a total consideration of S\$5.5 million (the “**Purchase Consideration**”). The Purchase Consideration is payable by the allotment of 15,089,163 new Shares (the “**Consideration Shares**”). The Company announced on 19 June 2014 that it had obtained the approval in-principle from the SGX-ST for the listing and quotation of the Consideration Shares. The Consideration Shares have not yet been issued.

In the event all the ESOS Options and all the Call Options are exercised, and the Loan Conversion Shares and the Consideration Shares are issued, the issued share capital of the Company (excluding treasury shares) will increase to 702,407,027 Shares.

Based on the Existing Share Capital and assuming that:

- (i) on or prior to the Book Closure Date:
 - (A) all the ESOS Options are converted into new Shares;
 - (B) IFC exercises its right of conversion as stated under Paragraph 2.2(b) of this Announcement and all the Loan Conversion Shares are issued;
 - (C) Shareholders’ approval for the issuance of the Call Option Shares is obtained and all the Call Option Shares are issued; and
 - (D) all the Consideration Shares are issued; and

(ii) all the Entitled Shareholders subscribe in full for their *pro-rata* Rights Shares,

(collectively referred to as the “**Maximum Subscription Scenario**”), the Company will issue 140,481,405 Rights Shares under the Rights Issue.

Based on the Existing Share Capital and assuming that (1) no new Shares are issued pursuant to Paragraphs 2.2(a), (b), (c) and (d) above on or prior to the Books Closure Date; and (2) only the Undertaking Shareholders (as defined below) subscribe for the Rights Shares and the Excess Rights Shares pursuant to the Irrevocable Undertakings (as defined below) (the “**Minimum Subscription Scenario**”), the Company will issue 121,090,599 Rights Shares under the Rights Issue.

2.3 Issue Price

The Issue Price of S\$0.10 per Rights Share represents a discount of approximately 78% to the last traded price of S\$0.4550 for Shares traded on the SGX-ST on 30 June 2014, being the Market Day immediately preceding this Announcement on which Shares were traded on the SGX-ST.

2.4 Option to Scale Down

Depending on the level of subscription for the Rights Shares, the Company will, if necessary, and upon the approval of the SGX-ST, scale down the subscription and/or excess applications for the Rights Shares by any of the substantial Shareholders (if such substantial Shareholder chooses to subscribe for its *pro rata* Rights Shares entitlement and/or apply for Excess Rights Shares) to avoid placing the relevant substantial Shareholder and parties acting in concert with it (as defined in the Singapore Code on Take-overs and Mergers (the “**Code**”)) in the position of incurring a mandatory general offer obligation under the Code as a result of other Shareholders not taking up their Rights Shares entitlements fully.

2.5 Further Information

The terms and conditions of the Rights Issue are subject to such changes as the Directors may in their absolute discretion deem fit. The final terms and conditions of the Rights Issue will be contained in the offer information statement (the “**Offer Information Statement**”) to be despatched by the Company to Entitled Shareholders in due course.

3. **UNDERTAKINGS**

3.1 To demonstrate their support for the Rights Issue, Quan Min Holdings Pte. Ltd., Dr. Koh Shunjie, Kelvin, Dr. Koh Shuhui, Felicia and Dr. Ng Chin Siau (the “**Undertaking Shareholders**”) have provided irrevocable undertakings dated 30 June 2014 (“**Irrevocable Undertakings**”) that they will subscribe and pay for, and procure the subscription and payment for, certain Rights Shares.

3.2 The details of the Irrevocable Undertakings are set out below:

(a) Quan Min Holdings Pte. Ltd., who has a direct and/or deemed interest in 338,654,608 Shares, representing approximately 55.93% of the Existing Share Capital as at the date of this Announcement, has given an irrevocable undertaking in favour of the Company that it will subscribe and pay for, and/or procure the subscription and payment for, its *pro rata* entitlement of 67,730,922 Rights Shares under the Rights Issue;

(b) Dr. Koh Shunjie, Kelvin, who has a direct and/or deemed interest in 33,460,000 Shares, representing approximately 5.53% of the Existing Share Capital, has given an irrevocable

undertaking in favour of the Company that he will subscribe and pay for, and/or procure the subscription and payment for, his *pro rata* entitlement of 6,692,000 Rights Shares under the Rights Issue;

- (c) Dr. Koh Shuhui, Felicia, who has a direct and/or deemed interest in 14,340,000 Shares, representing approximately 2.37% of the Existing Share Capital, has given an irrevocable undertaking in favour of the Company that she will subscribe and pay for, and/or procure the subscription and payment for, her *pro rata* entitlement of 2,868,000 Rights Shares under the Rights Issue; and
- (d) Dr. Ng Chin Siau, who has a direct interest in 8,000,092 Shares, representing approximately 1.32% of the Existing Share Capital, has given an irrevocable undertaking in favour of the Company that he will subscribe and pay for, and/or procure the subscription and payment for, his *pro rata* entitlement of 1,600,018 Rights Shares and up to 61,510,465 Excess Rights Shares (subject to availability) under the Rights Issue² (being the number of Rights Shares which could be issued if all the events in Paragraph 2.2(i) occurs less the number of Rights Shares which are currently the subject of the Irrevocable Undertakings in Paragraphs 3.2(a) to (c) above), provided that in the event that the Company receives, on or before submission of its additional listing application for the listing and quotation of the Rights Shares to the SGX-ST any further undertaking from any other Shareholders to accept their *pro rata* entitlement of Rights Shares (“**Undertaking Rights Shares**”) under the Rights Issue, the number of Excess Rights Shares will be reduced by the number of Undertaking Rights Shares. As Dr. Ng Chin Siau also has 400,000 outstanding ESOS Options exercisable on or prior to the Books Closure Date, in the event he exercises any of the ESOS Options available to him on or prior to the Books Closure Date, the new Shares arising out of his said ESOS Options amounting to up to 80,000 Rights Shares shall form part of his undertaking. In such an event, Dr. Ng Chin Siau’s *pro rata* entitlement will be increased to 1,680,018 Rights Shares.

3.3 In addition to the above, each of the Undertaking Shareholders has also undertaken, *inter alia*, to ensure that none of the Shares in which each of them currently has an interest (directly or indirectly), are sold, transferred or otherwise disposed of during the period commencing from the date of the Irrevocable Undertaking until the issue and listing on the SGX-ST of the Rights Shares. Dr. Koh Shunjie, Kelvin and Dr. Koh Shuhui, Felicia have further undertaken that they will not, and will procure that the registered owner of all Rights Shares held on their behalf will not, during the period commencing from the issuance of the Rights Shares and up to 15 January 2021 sell, grant options over, transfer, charge, pledge or dispose of or enter into any agreement to dispose of any of the Rights Shares held by them, or held on their behalf.

3.4 The Irrevocable Undertakings are subject and conditional upon:

- (a) the approval in-principle granted by the SGX-ST for the dealing, listing and quotation, of the Rights Shares on the Main Board of the SGX-ST having been obtained (and such approval not having been withdrawn or revoked on or prior to the closing date of the offer of the Rights Shares under the Rights Issue), and if such approval is granted subject to conditions, such conditions being acceptable to and fulfilled by the Company; and
- (b) the lodgement of the Offer Information Statement, together with all other necessary accompanying documents, in connection with the Rights Issue with the Monetary Authority of Singapore (“**MAS**”).

3.5 In view of the Irrevocable Undertakings the Rights Issue will be on a non-underwritten basis.

² This assumes that Dr. Ng Chin Siau does not exercise any of the ESOS Options.

- 3.6 A person who is not party to the Irrevocable Undertakings has no right under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any term of the Irrevocable Undertakings.

4. RATIONALE FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

- 4.1 The Company is undertaking the Rights Issue to strengthen the financial position and capital base of the Group. The Rights Issue will also provide the Shareholders with an opportunity to further participate in the equity of the Company, and will allow the Group to be less reliant on external sources of funding, thereby potentially incurring fewer expenses related to external funding, for future expansion both in and outside Singapore.
- 4.2 In the event of the Maximum Subscription Scenario, the Rights Issue will raise approximately S\$14.05 million and the net proceeds of the Rights Issue, after deducting estimated expenses of approximately S\$0.25 million, will amount to approximately S\$13.8 million. In the event of the Minimum Subscription Scenario, the Rights Issue will raise approximately S\$12.11 million and the net proceeds of the Rights Issue, after deducting estimated expenses of approximately S\$0.25 million, will amount to approximately S\$11.86 million.
- 4.3 The Company believes that the Issue Price of S\$0.10 for each Rights Share is attractive, and in the reasonable opinion of the Directors, there is no minimum amount that needs to be raised from the Rights Issue taking into consideration the intended use of proceeds.
- 4.4 The Company intends to use the net proceeds of the Rights Issue for general working capital purposes, to fund general corporate activities including but not limited to acquisitions, joint ventures and/or for strategic alliances and expansion of dental, medical, distribution and manufacturing businesses of the Company and its subsidiaries, and refinancing of borrowings and capital expenditure.
- 4.5 Pending deployment, the net proceeds from the Rights Issue may be deposited with banks and/or financial institutions, or used for any other purpose on a short-term basis as the Directors may, in their absolute discretion, deem fit.
- 4.6 The Company will make periodic announcements on the use of proceeds from the Rights Issue as and when the funds are materially disbursed, as well as provide status reports on the use of proceeds from the Rights Issue in the Company's annual reports until such time the proceeds have been fully utilised.

5. ELIGIBILITY TO PARTICIPATE IN RIGHTS ISSUE

5.1 Entitled Depositors

Shareholders whose securities accounts with CDP are credited with Shares as at 5.00 p.m. (Singapore time) on the Books Closure Date (the "**Depositors**") will be provisionally allotted Rights Shares on the basis of the number of Shares standing to the credit of their securities accounts with CDP as at 5.00 p.m. (Singapore time) on the Books Closure Date.

To be "**Entitled Depositors**", Depositors must have registered addresses in Singapore with CDP as at the Books Closure Date or if they have registered addresses outside Singapore, they must provide CDP, at 9 North Buona Vista Drive, #1-19/20 The Metropolis, Singapore 138588, with addresses in Singapore no later than 5.00 p.m. (Singapore time) on the date being three (3)

Market Days prior to the Books Closure Date, in order to receive their provisional allotments of Rights Shares.

5.2 Entitled Scripholders

Shareholders whose Shares are not registered in the name of CDP but whose names appear in the Register of Members of the Company with registered addresses in Singapore as at 5.00 p.m. (Singapore time) on the Books Closure Date (the "**Scripholders**") will be provisionally allotted Rights Shares on the basis of the number of Shares held by them as stated in the Register of Members of the Company as at 5.00 p.m. (Singapore time) on the Books Closure Date.

To be "**Entitled Scripholders**", Scripholders must have registered addresses in Singapore with the Company as at the Books Closure Date or if they have registered addresses outside Singapore must provide the share registrar, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte Ltd), 80 Robinson Road, #02-00, Singapore 068898 (the "**Share Registrar**") with addresses in Singapore no later than 5.00 p.m. (Singapore time) on the date being three (3) Market Days prior to the Books Closure Date, in order to receive their provisional allotments of Rights Shares.

Duly completed and stamped transfers (in respect of Shares not registered in the name of CDP), together with all relevant documents of title, so as to be received up to 5.00 p.m. on the Books Closure Date by the Share Registrar, will be registered to determine the transferee's provisional allotments of Rights Shares entitlements.

5.3 Central Provident Fund Investment Scheme

Persons who bought their Shares previously using their Central Provident Fund account savings ("**CPF Funds**") may use the same for the payment of the Issue Price to accept their provisional allotments of Rights Shares and (if applicable) apply for excess Rights Shares, subject to the applicable rules and regulations of the Central Provident Fund. Such persons who wish to accept their provisional allotments of Rights Shares will need to instruct their respective approved banks where they hold their CPF Investment Accounts, to accept their provisional allotment of Rights Shares and (if applicable) apply for the excess Rights Shares on their behalf in accordance with the Offer Information Statement. CPF Funds may not, however, be used for the purchase of the provisional allotments of the Rights Shares directly from the market.

5.4 Foreign Shareholders

For practical reasons and in order to avoid any violation of the relevant legislation applicable in countries other than Singapore, the Rights Shares will not be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, by 5.00 p.m. (Singapore Time) on the date being three (3) Market Days prior to the Books Closure Date, provided to the Share Registrar or the CDP, as the case may be, addresses in Singapore for the service of notices and documents (the "**Foreign Shareholders**") and the Offer Information Statement and its accompanying documents will not be despatched to the Foreign Shareholders. Accordingly, no provisional allotments of the Rights Shares will be made to the Foreign Shareholders and no purported acceptance thereof or application will be valid.

If it is practicable to do so, the Company may, at its absolute discretion, arrange for the provisional allotments of Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders, to be sold "nil-paid" on the SGX-ST as soon as practicable after dealings in the provisional allotment of Rights Shares commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained

from such sales, after taking into account the relevant expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares standing to the credit of their respective Securities Accounts as at the Books Closure Date and sent to them at their own risk by ordinary post. If the amount of net proceeds distributable to any single Foreign Shareholder is less than \$10.00, such net proceeds will be retained for the sole benefit of the Company or dealt with as the Directors may, in their absolute discretion, deem fit in the interest of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the FA, the Share Registrar or CDP in connection therewith.

Where such provisional allotments of Rights Shares are sold “nil-paid” on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the FA, the Share Registrar or CDP in respect of such sales or proceeds thereof, of such provisional allotments of Rights Shares or the Rights Shares represented by such provisional allotments.

If such provisional allotments of Rights Shares cannot be sold or are not sold on the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares, the Rights Shares represented by such provisional allotments will be allotted and issued to satisfy excess applications or disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the FA, the Share Registrar or CDP in connection therewith.

6. CONDITIONS TO THE RIGHTS ISSUE

6.1 The Rights Issue is subject to, *inter alia*, the following:

- (a) the approval-in-principle of the SGX-ST for the dealing, listing and quotation of the Rights Shares on the Main Board of the SGX-ST having been obtained (and such approval not having been withdrawn or revoked on or prior to the closing date of the offer of the Rights Shares under the Rights Issue), and if such approval is granted subject to conditions, such conditions being acceptable to and fulfilled by the Company; and
- (b) the lodgement of the Offer Information Statement together with all necessary accompanying documents, in connection with the Rights Issue with the MAS.

6.2 An application will be made to the SGX-ST for the listing of and quotation for the Rights Shares on the SGX-ST. Appropriate announcements will be made upon receipt of approval-in-principle from the SGX-ST as well as the lodgement of the Offer Information Statement.

7. ADJUSTMENTS TO SHARE OPTIONS AND OTHER CONVERTIBLES

As a result of the Rights Issue, adjustments may be made to the number and/or exercise price of the outstanding share options and other convertibles of the Company. The Company will in due course make the relevant announcements and notify holders of the share options and other convertibles of such adjustments.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this Announcement, none of the Directors and substantial Shareholders has any interests, direct or indirect, in the Rights Issue, other than through each of their respective shareholding interests, direct and/or indirect, in the Company.

9. RESPONSIBILITY STATEMENT

The Directors 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 Rights Issue, 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 the 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.

**BY ORDER OF THE BOARD
Q & M DENTAL GROUP (SINGAPORE) LIMITED**

Dr. Ng Chin Siau
Group Chief Executive Officer
30 June 2014