



Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration Number 200800507R)

(Incorporated in the Republic of Singapore)

ANNOUNCEMENT PURSUANT TO CONDITIONS IN APPROVAL-IN-PRINCIPLE RECEIVED FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON 3 NOVEMBER 2014 FOR THE ADMISSION OF 8,615,847 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY TO BE ISSUED IN CONNECTION WITH THE ACQUISITION OF THE AOXIN STOMATOLOGY GROUP

1. Introduction

- 1.1 The Board of Directors (the "**Board**") of Q & M Dental Group (Singapore) Limited (the "**Company**") refers to its announcements made on 30 July 2013, 13 November 2013, 3 December 2013, 12 February 2014, 7 July 2014 and 3 November 2014 ("**Previous Announcements**") in respect of the acquisition of 60% stake in Aoxin Stomatology Group in Shenyang, China.

Unless otherwise defined herein, capitalised terms in this Announcement shall have the same meaning given to them in the Previous Announcements.

- 1.2 The Company had announced on 3 November 2014 that it has received AIP from the SGX-ST for the dealing in, listing of and quotation for 8,615,847 Consideration Shares to be issued in connection with the acquisition of the Aoxin Stomatology Group ("**Aoxin**").

The AIP granted by the SGX-ST is not to be taken as an indication of the merits of the Acquisition, the Consideration Shares, the Company and/or its subsidiaries.

- 1.3 One of the conditions of the AIP was that the Company make an announcement regarding the following:
- (a) information on the profit guarantee by Dr Shao as required under Listing Rule 1013(1); and
 - (b) the average volume weighted price of the Company's shares that was used by the Company to determine the number of Consideration Shares to be issued and the resultant number of Consideration Shares.

The Board wishes to provide the required information to the Shareholders.

2. Profit Guarantee

- 2.1 Rule 1013(1) of the Listing Manual requires the Company to disclose the following information in respect of a profit guarantee:
- (a) the views of Board 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.

Views of the Board

- 2.2 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 Aoxin provided by the Sellers;
 - (ii) the certainty of profits spanning the duration of the 12-Year Period;
 - (iii) Aoxin currently operates 3 dental hospitals and 3 dental clinics in Shenyang, China and this acquisition will provide the Company with a ready-made platform and presence in North-Eastern China for its expansion plans in China; and
 - (iv) the potential growth prospect of this market in the near future.

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

- 2.3 The quantum of the Guaranteed Amounts was derived from the Group's estimation of a compounded growth of Aoxin at the rate of 9% per annum. Such estimation was arrived at after reviewing the track record of the management and financial accounts of Aoxin.

Manner and Amount of Compensation to be Paid by the Sellers

- 2.4 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 RMB108 million 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 Q&M Shenyang to Q&M China.

If Q&M China decides not to terminate the Master Agreement, the Sellers shall pay to Q&M China the shortfall in the Guaranteed Amount for the relevant year using the dividends payable to them from Q&M Shenyang (if any). In the event that such dividends are insufficient, the Sellers shall within thirty (30) days of demand 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.

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

- 2.5 The Sellers are required to deposit the Guaranteed Amount into a bank account nominated, managed and controlled by Q&M China every month in the relevant financial year. In addition, the Sellers are required to and have entered into both offshore and onshore personal undertakings to Q&M China. The Sellers have signed a Share Charge Agreement and a blank share transfer form as escrow to Q&M China for their 40% shares in Q&M Shenyang.

The Sellers have also signed an onshore Share Pledge Agreement, pledging their 40% shareholding in the Shenyang Xin'ao Hospital Management Company Ltd.

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

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

3. Average volume weighted price

Pursuant to the Sale and Purchase Agreement, the Company shall allot RMB 20 million worth of the Company's shares as part of the Purchase Consideration payable. The number of shares to be issued shall be determined based on the average weighted price of the Company's shares of the preceding one month before the date of completion. The currency conversion rate shall be based on the OCBC Bank forex rate as at the date of completion (S\$1 to RMB 4.976).

The average volume weighted price is 0.4665 per Consideration Share resulting in the issuance of 8,615,847 Consideration Shares.

4. General

The Company will make a further announcement when the Consideration Shares are issued.

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

Dr. Ng Chin Siau
Group Chief Executive Officer
6 November 2014