

CIRCULAR DATED 10 APRIL 2015

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by Q & M Dental Group (Singapore) Limited (the “Company”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Circular and the Proxy Form to the Notice of Annual General Meeting (as defined herein) in the Annual Report (as defined below) to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the “SGX-ST”) assumes no responsibility for the accuracy of any of the statements made, opinions expressed or reports contained in this Circular.



Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration No. 200800507R)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

**THE PROPOSED SALE OF THE PROPERTY KNOWN AS BLOCK 130 JURONG GATEWAY ROAD,
#01-213, #01-215 AND #01-217, SINGAPORE 600130**

This Circular is issued to you together with the Group’s (as defined herein) Annual Report for the financial year ended 31 December 2014 (the “Annual Report”). The resolution proposed to be passed in relation to the above matter is set out in the Notice of Annual General Meeting attached to the Annual Report.

Important Dates and Times:

Last date and time for lodgement of Proxy Form : 26 April 2015 at 2:00 p.m.
Date and time of Annual General Meeting : 28 April 2015 at 2:00 p.m.
Place of Annual General Meeting : Parkroyal on Kitchener Road
181 Kitchener Road
Singapore 208533
Emerald Ballroom 2

CONTENTS

	PAGE NO.
DEFINITIONS.....	3
LETTER TO SHAREHOLDERS.....	7
1. INTRODUCTION.....	7
2. BACKGROUND INFORMATION	7
3. PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSED SALE	9
4. RATIONALE FOR THE PROPOSED SALE.....	12
5. USE OF PROCEEDS.....	12
6. MAJOR TRANSACTION.....	13
7. FINANCIAL EFFECTS	13
8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS	14
9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS.....	14
10. RECOMMENDATION OF DIRECTORS	15
11. DIRECTORS' RESPONSIBILITY STATEMENT	15
12. CONSENT	15
13. DOCUMENTS AVAILABLE FOR INSPECTION	15

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

“Act”	:	The Companies Act, Chapter 50, of Singapore
“AGM”	:	The annual general meeting of the Company to be held on 28 April 2015 at 2:00 p.m. at Parkroyal on Kitchener Road, 181 Kitchener Road, Singapore 208533, Emerald Ballroom 2 (or any adjournment thereof)
“Announcement”	:	The announcement of the Company dated 21 January 2015 relating to the Proposed Sale
“Associates”	:	(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means (i) his immediate family, (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and (iii) any company in which he and his immediately family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“Board”	:	The board of Directors of the Company as at the Latest Practicable Date
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular dated 10 April 2015 in respect of the Proposed Sale
“Company”	:	Q & M Dental Group (Singapore) Limited
“Completion”	:	The completion of the Proposed Sale of the Property under the terms of the Option
“Completion Date”	:	Date of the Completion, being three (3) months from the Exercise Date or two (2) weeks from the date of the Purchaser’s receipt of the HDB Confirmation, whichever is later
“Controlling Shareholder”	:	A person who (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company, unless determined by SGX-ST that such person is not a controlling shareholder; or (b) in fact exercises control over the Company
“Deposit”	:	S\$45,000, to be paid by Q & M Dental Surgery to the Purchaser on the terms and subject to the conditions of the Tenancy Agreement
“Directors”	:	The directors of the Company as at the Latest Practicable Date

DEFINITIONS

“EPS”	:	Earnings per Share
“Exercise Date”	:	The date the Purchaser exercised the Option, being 20 January 2015
“Exercise Fee”	:	The sum of S\$592,000 (equal to 4% of the Sale Consideration) which was paid by the Purchaser to the Stakeholder upon exercise of the Option, to be held by the Stakeholder on behalf of QMDC until the Completion Date
“Existing Licence”	:	The licence existing as at the date hereof which QMDC has entered into with a third party for the licence of a part of the Property, and the “Existing Licensee” shall mean the third party granted the Existing Licence
“Existing Tenancy”	:	The tenancy existing as at the date hereof which QMDC has entered into with a third party for the tenancy of a part of the Property, and the “Existing Tenant” shall mean the third party granted the Existing Tenancy
“FY”	:	Financial year ended or ending 31 December, as the case may be
“Group”	:	The Company and its subsidiaries
“GST”	:	Goods and Services Tax
“HDB”	:	Housing Development Board
“HDB Approval”	:	The written unconditional approval from HDB for QMDC to sell and the Purchaser to purchase the Property and with such administrative variation(s) acceptable to QMDC and the Purchaser
“HDB Confirmation”	:	The written confirmation from HDB that HDB has no objections to the execution of the transfer instrument pursuant to which QMDC will transfer its interest in the Property to the Purchaser, or such other confirmation of similar nature
“Latest Practicable Date”	:	27 March 2015, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as amended from time to time
“Notice of Annual General Meeting” or “Notice of AGM”	:	The notice of AGM dated 10 April 2015 attached to the Annual Report
“NTA”	:	Net tangible assets
“Option”	:	The conditional option granted by QMDC to the Purchaser relating to the sale and leaseback of the Property dated 7 January 2015

DEFINITIONS

“Option Fee”	:	The option fee of S\$148,000 (equal to 1% of the Sale Consideration) that was paid by the Purchaser to QMDC upon grant of the Option
“Option to Renew”	:	The option to renew the Tenancy upon expiry of the Term granted to the Purchaser and Q & M Dental Surgery in the Tenancy Agreement
“Parties”	:	QMDC and the Purchaser and “Party” shall refer to any one of them
“Property”	:	Block 130 Jurong Gateway Road, #01-213, #01-215 and #01-217, Singapore 600130
“Proposed Sale”	:	The sale by QMDC of the Property to the Purchaser for the Sale Consideration, on the terms and subject to the conditions of the Option
“Purchase Consideration”	:	S\$12,150,000, being the amount paid by QMDC for the purchase of the Property from United Overseas Bank Limited on 13 June 2014
“Purchaser”	:	Allplus Holdings Pte Ltd and/or its nominee
“Q & M Dental Surgery”	:	Q & M Dental Surgery (Jurong East Central) Pte Ltd, a wholly-owned subsidiary of the Company
“QMDC”	:	Q & M Dental Centre Pte Ltd, a wholly-owned subsidiary of the Company and nominated by the Company to own the Property
“Relevant Authorities”	:	Includes the HDB and/or the Town Council having management rights and obligations in relation to the Property under the provisions of the Town Councils Act, Chapter 329A, of Singapore
“Rent”	:	The monthly rent of S\$15,000 to be paid under the Tenancy Agreement for the Term
“Rental Premises”	:	The total floor area of approximately 2,450 square feet of the Property to be subject to the Tenancy under the Tenancy Agreement
“Sale Consideration”	:	The consideration of S\$14,800,000 to be paid by the Purchaser for the purchase of the Property from QMDC on the terms and subject to the conditions of the Option
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the persons whose direct securities accounts maintained with CDP are credited with the Shares
“Shares”	:	Ordinary shares in the capital of the Company

DEFINITIONS

“Stakeholder”	:	Straits Law Practice LLC, the legal counsel representing QMDC in relation to the Proposed Sale
“Substantial Shareholder”	:	Shareholders who are beneficial holders of 5% or more of the Shares
“S\$”	:	Singapore dollars, the legal currency of the Republic of Singapore
“Tenancy”	:	The tenancy to be granted by the Purchaser to Q & M Dental Surgery on the terms and subject to the conditions of the Tenancy Agreement
“Tenancy Agreement”	:	The agreed form of the lease agreement to be entered into between the Purchaser (as landlord) and Q & M Dental Surgery (as tenant) on the Completion Date
“Term”	:	The period of three (3) years from the Completion Date during which the Rental Premises will be subject to the Tenancy
“Total Area”	:	The total floor area of the Property of approximately 4,292 square feet
“Valuation Report”	:	The valuation report dated 10 March 2015 issued by the Valuer
“Valuer”	:	Bernard Valuers & Real Estate Consultants Pte. Ltd., the independent valuer commissioned by the Company to conduct valuation on the Property
“%”	:	Per centum

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them in Section 130A of the Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Listing Manual or any modification thereof and used in this Circular shall have the meaning assigned to it under the Act, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless stated otherwise.

LETTER TO SHAREHOLDERS

Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration No. 200800507R)
(Incorporated in the Republic of Singapore)

Directors:

Mr Narayanan Sreenivasan (*Non-Executive and Independent Chairman*)
Dr Ng Chin Siau (*Group Chief Executive Officer*)
Dr Ng Jet Wei (*Deputy Chief Executive Officer*)
Dr Ang Ee Peng Raymond (*Chief Operating Officer*)
Mr Ng Weng Sui Harry (*Non-Executive and Independent Director*)
Professor Toh Chooi Gait (*Non-Executive and Independent Director*)

Registered Office:

81 Science Park Drive #02-04
The Chadwick
Singapore Science Park I
Singapore 118257

10 April 2015

To: The Shareholders of Q & M Dental Group (Singapore) Limited

Dear Sir / Madam,

THE PROPOSED SALE OF THE PROPERTY KNOWN AS BLOCK 130 JURONG GATEWAY ROAD, #01-213, #01-215 AND #01-217, SINGAPORE 600130

1. INTRODUCTION

1.1 AGM

The Directors wish to refer to (i) the Notice of AGM dated 10 April 2015, accompanying the Company's Annual Report to convene the AGM; and (ii) Resolution 9 being the ordinary resolution for the Proposed Sale of the Property.

1.2 Purpose of this Circular

The Proposed Sale constitutes a "Major Transaction" as defined under Chapter 10 of the Listing Manual and is subject to, *inter alia*, the approval of Shareholders pursuant to Rule 1014 of the Listing Manual.

The purpose of this Circular is to provide Shareholders with the relevant information pertaining to the Proposed Sale and to seek Shareholders' approval for the Proposed Sale at the AGM.

2. BACKGROUND INFORMATION

2.1 The Proposed Sale

On 21 January 2015, the Board announced that QMDC had granted the Option to the Purchaser to purchase the Property for the Sale Consideration of S\$14,800,000 and that the Option had been exercised by the Purchaser on the Exercise Date. A copy of the Announcement is available on the SGX-ST's website at www.sgx.com.

The principal terms and conditions of and the rationale for the Proposed Sale are set out in section 3 and section 4 of this Circular respectively.

2.2 Information on the Purchaser

Allplus Holdings Pte Ltd is an unrelated company that approached the Company's real estate agent with an interest to purchase the Property. The Purchaser and its Associates are in no way related or associated with the Company, the Directors, the Controlling Shareholders and/or their respective Associates.

LETTER TO SHAREHOLDERS

2.3 Information on the Property

On 13 June 2014, QMDC completed its acquisition of the Property from United Overseas Bank Limited for the Purchase Consideration of S\$12,150,000. The Purchase Consideration was satisfied in cash and funded in the following proportions: 4.0% from QMDC's internal funds and 96.0% from bank borrowings.

The Property consists of three (3) adjoining HDB shop units, Strata Lot (All of Mukim 5) U43054P, U43055T and U43056A, and has a Total Area of approximately 4,292 square feet. The Property is split into Level 1 and Level 2, which have the total gross floor area of 2,237 square feet and 2,055 square feet respectively. A total of 142 square feet (approximately 3.3%) of the Total Area is currently licensed out by QMDC to the Existing Licensee as an ATM Autolobby space and a total of 1,700 square feet (approximately 39.6%) of the Total Area is currently leased out to the Existing Tenant as a banking branch office. The remaining 2,450 square feet (approximately 57.1%) of the Total Area is either unoccupied or used by QMDC as a temporary in-house dental laboratory.

The particulars of the areas of the Property occupied and unoccupied as at the Latest Practicable Date are set out below:

	Area (sq ft)		Tenure	Rental (excluding GST) (S\$)	Percent of Total Area ⁽¹⁾ (%)
	Level 1	Level 2			
QMDC	395	995	-	-	32.4
Existing Licensee	142	-	Approximately two (2) years and two (2) months remaining, expiring on 13 June 2017	4,500	3.3
Existing Tenant	1,700	-	Approximately two (2) years and five (5) months remaining, expiring on 2 September 2017, with an option to renew for a further term of three (3) years	34,500	39.6
Unoccupied	-	1,060	-	-	24.7
Total:	2,237	2,055			100.0

Notes:

(1) The percentages are computed based on the Total Area of the Property being 4,292 square feet.

The Proposed Sale will not affect the current and future use of the Property by the Group as Q & M Dental Surgery will be leasing back part of the Property immediately upon Completion under the terms and conditions of the Tenancy Agreement.

LETTER TO SHAREHOLDERS

The particulars of the areas of the Property to be tenanted or licensed out after the Proposed Sale and the execution of the Tenancy Agreement are set out below:

	Area (sq ft)		Tenure	Rental (excluding GST) (\$\$)	Percent of Total Area ⁽¹⁾ (%)
	Level 1	Level 2			
Q & M Dental Surgery	395	2,055	Three (3) years commencing on the Completion Date, with the Option to Renew for a further term of three (3) years	15,000	57.1
Existing Licensee	142	-	Approximately two (2) years and one (1) months remaining, expiring on 13 June 2017	4,500	3.3
Existing Tenant	1,700	-	Approximately two (2) years and four (4) months remaining, expiring on 2 September 2017, with an option to renew for a further term of three (3) years	34,500	39.6
Total:	2,237	2,055			100.0

Notes:

(1) The percentages are computed based on the Total Area of the Property being 4,292 square feet.

The principal terms and conditions of the Tenancy Agreement may be found in section 3.4 of this Circular.

3. PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSED SALE

The Proposed Sale contemplates the sale by QMDC of the Property for the Sale Consideration of S\$14,800,000. Under the terms of the Proposed Sale, QMDC shall sell the Property free from all encumbrances as at Completion and the Purchaser shall purchase the Property upon the terms and subject to the conditions of the Option.

3.1 Conditions Precedent

The Proposed Sale is subject to, *inter alia*, the following:

- (a) the Company obtaining the Shareholders' approval for the Proposed Sale;
- (b) QMDC and the Purchaser obtaining the HDB Approval; and
- (c) QMDC and the Purchaser obtaining the HDB Confirmation.

Notwithstanding the above, if the HDB Confirmation is not obtained by the expiry of three (3) months from the Exercise Date (or such other date as may be mutually agreed by the Parties) due to reasons entirely beyond the control of the Parties, the Option will be rescinded at either Party's option and become null and void and be of no further effect whatsoever.

In the event that the Option is rescinded, QMDC shall refund to the Purchaser all monies paid by the Purchaser under the Option, without any interest, compensation or deduction whatsoever, each Party shall bear their own costs in the matter and neither of the Parties shall have any claim or demand against the other Party for damages, costs or otherwise whatsoever in the matter.

LETTER TO SHAREHOLDERS

3.2 Sale Consideration

The Sale Consideration for the Property is the sum of S\$14,800,000, which has been paid or is payable by the Purchaser as set out below:

- (a) the Option Fee of S\$148,000 has been paid to QMDC;
- (b) the Exercise Fee of S\$592,000 has been paid to the Stakeholder; and
- (c) the balance of the Sale Consideration being the sum of S\$14,060,000 (equal to 95% of the Sale Consideration) shall be paid to QMDC on Completion.

The Sale Consideration was agreed upon between the Company, QMDC and the Purchaser at arm's length and on a "willing-buyer, willing-seller" basis and the Board took into consideration the following:

- (a) the gain on disposal of approximately S\$1,572,000 (after deducting incidental costs and related expenses from the Proposed Sale) over the net book value of the Property, being S\$12,605,000 as at 31 December 2014;
- (b) the general downward trend in the property market of Singapore; and
- (c) the fact that the Rental Premises to be leased back to Q & M Dental Surgery under the terms and conditions of the Tenancy Agreement will enable the Group to continue to utilise the Property for its current and future purposes.

In addition, according to the Valuation Report, the market value of the Property was S\$14,800,000 as at 28 January 2015. In formulating its opinion on the market value of the Property, the Valuer adopted the direct comparison method. In adopting this approach, the Valuer took into account recent sales of comparable properties in the vicinity and/or comparable localities. Adjustments were made for differences in location, tenure, age, size, condition, traffic flow and catchment, standard of finishes, date of sale, amongst other factors, before arriving at the value of the Property.

3.3 Terms and Conditions of the Proposed Sale

The following are some of the key terms and conditions of the Proposed Sale:

- (a) **The Singapore Law Society's Conditions of Sale 2012.** The Proposed Sale shall be subject to "The Singapore Law Society's Conditions of Sale 2012", insofar as the same are applicable and are not varied or inconsistent with the terms and conditions of the Option.
- (b) **Completion of the Proposed Sale.** The Proposed Sale shall be completed and the outstanding Sale Consideration shall be paid by the Purchaser three (3) months from the Exercise Date or two (2) weeks from the date of the Purchaser's receipt of the HDB Confirmation, whichever is later. Upon payment of the outstanding Sale Consideration, QMDC shall execute and deliver to the Purchaser (i) a proper and registrable assurance of the Property, such assurance to be prepared by and at the expense of the Purchaser, and (ii) the signed Tenancy Agreement. The stamp fees for the Tenancy Agreement will be payable by QMDC.
- (c) **Title of the Property.** Title to the Property shall be properly deduced and free from encumbrances on Completion, subject to all restrictive or other covenants and conditions affecting the Property. The Purchaser shall not require the production or delivery of any deeds or documents not in QMDC's possession.
- (d) **State and Condition of the Property.** The Purchaser is deemed to have inspected the Property on or before the date of the Option and the Purchaser shall buy with full notice in all respect of the actual state and condition of the Property as regards access, repair, light, air, drainage and in all other respects and shall take the Property as it is and shall not be

LETTER TO SHAREHOLDERS

entitled to make or raise any enquiry, requisition or objection whatsoever in respect thereof, provided that the Purchaser shall have the right to inspect the Property time at a reasonable time before the Completion Date.

- (e) **Existing Licence and Existing Tenancy.** The Property is sold subject to the Existing Licence and Existing Tenancy. For further information on the Existing Licence and Existing Tenancy, please refer to section 2.2 of this Circular.
- (f) **Lease to Q & M Dental Surgery.** The Purchaser shall, commencing on the Completion Date, lease part of the Property to Q & M Dental Surgery for the Term of three (3) years, subject to and on the terms and conditions of the Tenancy Agreement.
- (g) **Legal requisitions.** The Proposed Sale shall be subject to the Purchaser receiving satisfactory replies to the legal requisitions and applications for interpretation plans to the various government departments, including but not limited to the Land Transport Authority and the Building and Construction Authority, sent by the Purchaser's solicitors in so far as such legal requisitions and applications relate to the Property. If any of the aforesaid replies are unsatisfactory then the Proposed Sale shall be rescinded at the Purchaser's option by written notice to QMDC's solicitors within 14 days of the receipt of such unsatisfactory reply, and in this respect time shall be of the essence, and upon rescission the Option shall become null and void and of no further effect and in such event QMDC shall forthwith refund to the Purchaser all monies paid by the Purchaser under the Option without any interest, compensation or deductions whatsoever and thereupon neither Party shall have any claim or demand against the other for costs, damages, compensation or otherwise.
- (h) **Taxation.** Without prejudice to the foregoing, in the event that any GST whatsoever now or hereafter chargeable by law on any payment under or relating to the Proposed Sale, save for the administrative fees and GST payable by QMDC to HDB in connection with or arising from the application for the HDB Approval, the same shall be borne by the Purchaser in addition to all other sums payable by the Purchaser under or in relation to the Option, and the Purchaser shall indemnify QMDC against such payment if QMDC is required by law to collect and make payment in respect of such GST.

3.4 Principal Terms and Conditions of the Tenancy Agreement

The following are some of the key terms and conditions of the Tenancy Agreement:

- (a) **Tenure.** The Tenancy will be for the Term of three (3) years, with an option given to Q & M Dental Surgery to renew the Tenancy for a further term of three (3) years immediately following the expiration of the Term, by making a written request not less than three (3) months but not more than five (5) months before the expiration of the Term and the Tenancy shall be renewed at the prevailing market rate and not exceeding 10% of the Rent. Should the Purchaser wish to renew the Tenancy, the Purchaser shall issue a written notice to Q & M Dental Surgery not less than five (5) months before the expiry on the Term and the Tenancy shall be renewed on the same terms and conditions. For the avoidance of doubt, any renewed Tenancy under the Tenancy Agreement will not be subject to the Option to Renew.
- (b) **Rent.** Q & M Dental Surgery is required to pay the Purchaser the Rent of S\$15,000 on a monthly basis.
- (c) **Deposit.** Q & M Dental Surgery will provide the Deposit of S\$45,000 to the Purchaser for the due observance and performance by Q & M Dental Surgery of all the covenants, conditions, stipulations and agreements on its part contained in the Tenancy Agreement.

LETTER TO SHAREHOLDERS

- (d) **Permitted Use.** Q & M Dental Surgery is not to use or permit to be used the Rental Premises or any part thereof otherwise than as a dental or medical clinic and/or dental laboratory or such other purposes as the Purchaser and the Relevant Authorities may approve from time to time, and all licenses consent approvals in connection with the said use shall be obtained by and at the expense of Q & M Dental Surgery.
- (e) **Insurance.** Q & M Dental Surgery must, at its cost and expense, take out and maintain insurance against all risk and damage to the furniture, plate and tempered glass, fixture and fittings of the Rental Premises and a comprehensive public liability insurance policy, relating to claims for personal injury, death or property damages arising out of the operations of Q & M Dental Surgery in the Rental Premises of an amount not less than S\$1,000,000.
- (f) **Sale of the Property.** The Tenancy Agreement shall be deemed to be assigned and the Deposit deemed to be transferred to any subsequent purchasers of the Property from the Purchaser, and the Purchaser shall be released from all obligations under the Tenancy Agreement, including the refund of the Deposit.

4. RATIONALE FOR THE PROPOSED SALE

The Group purchased the Property on 13 June 2014 with the original intention to set up a medical joint venture with a medical specialist doctor in the Jurong East Central area. However, after the Property was purchased, due to unexpected circumstances, the project fell through as the Group was unable to agree on the terms of the proposed joint venture and the remuneration package for the medical specialist doctor. The medical specialist doctor was a key figure for the proposed project, as he was supposed to be in charge of the proposed medical specialist clinic. With the pull out of the medical specialist doctor, the Group then needed to re-consider its continued ownership of the Property, bearing in mind that it already owns and operates another dental clinic nearby at Block 131, Jurong East Street 31, #01-251, Singapore 600131 to accommodate demand for its services in the region.

Whilst reviewing its future needs, the Group received an unsolicited offer from the Purchaser for the Proposed Sale. The Sale Consideration offered by the Purchaser was significantly higher than the Purchase Consideration of S\$12,150,000 that QMDC paid for the Property on 13 June 2014. In view of the weakening market sentiment, the Group is of the view that the Sale Consideration is exceptional and that the value appears to have attained its maximum potential in the foreseeable future. In addition, the Purchaser is prepared to lease back part of the Property to Q & M Dental Surgery. The Group may set up a dental clinic in the Property in the near future or lease it out entirely. As such, the Proposed Sale will enable the Group to continue to use the Property as part of its dental healthcare services business with the option to set up a dental/medical clinic and yet achieve cash flow advantage. The ability to lease back part of the Property will not compromise the Group's intention to use the Property for its other requirements other than as a medical specialist clinic. The Board of Directors is of the view that the Proposed Sale will not affect the scale of size of the Company's operations in any way.

5. USE OF PROCEEDS

As at the Latest Practicable Date, QMDC has received the Option Fee of S\$148,000 and the Stakeholder has received the Exercise Fee of S\$592,000. QMDC will receive the outstanding Sale Consideration of S\$14,060,000 from the Purchaser, along with the Exercise Fee from the Stakeholder, on the Completion Date.

The aggregate proceeds of S\$14,800,000 in cash from the Proposed Sale, after deducting related costs and expenses and loan repayments of approximately S\$13,130,000, will amount to approximately S\$1,670,000. The Company intends to use the net proceeds of S\$1,670,000 for general corporate activities.

LETTER TO SHAREHOLDERS

6. MAJOR TRANSACTION

The relative figures in respect of the Proposed Sale, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

Bases in Rule 1006	S\$
(a) Net asset value of the Property to be disposed	S\$12,649,000
Net asset value of the Group	S\$57,747,000
Size of relative figure	21.9%
(b) Net profits ⁽¹⁾ attributable to the Property	S\$5,774
Net profits of the Group ⁽²⁾	S\$6,632,000
Size of relative figure	0.09%
(c) Value of the Sale Consideration	S\$14,800,000
Company's market capitalisation ⁽³⁾	S\$367,510,290
Size of relative figure	4.03%
(d) Number of Shares to be issued as consideration	Not applicable
Number of Shares of the Company in issue	Not applicable
Size of relative figure	Not applicable

Notes:

- (1) "Net profit" means profit before income tax, minority interests and extraordinary items.
- (2) Based on the unaudited consolidated financial statements of the Group for the nine (9) months period ended 30 September 2014.
- (3) "Market capitalisation" is determined by multiplying the number of Shares of the Company in issue by the volume weighted average price of S\$0.472 of such Shares transacted on 6 January 2015 (being the market day preceding the date of the Option).

As the relative figures as computed on the above bases exceed 20%, the Proposed Sale constitutes a "Major Transaction" within the meaning of Chapter 10 of the Listing. Accordingly, the Proposed Sale is subject to Shareholders' approval.

7. FINANCIAL EFFECTS

The *pro forma* financial effects of the Proposed Sale and the Tenancy, based on the audited consolidated financial statements of the Group for FY2014, are set out below. The *pro forma* financial effects are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company or the Group after the Completion.

7.1 EPS

Assuming that the Proposed Sale and the Tenancy had been effected on 1 January 2014, the effect on the EPS of the Company will be as follows:

	Before the Proposed Sale	After the Proposed Sale
Consolidated profit before taxation and minority interest (S\$)	11,784,000	13,051,534
Number of Shares	778,623,495	778,623,495
EPS (cents)	1.51	1.68

LETTER TO SHAREHOLDERS

7.2 NTA

Assuming that the Proposed Sale and the Tenancy had been completed on 31 December 2014, the effect on the NTA per Share of the Company will be as follows:

	Before the Proposed Sale	After the Proposed Sale
NTA (S\$)	41,383,000	42,955,000
Number of Shares	778,623,495	778,623,495
NTA per Share (cents)	5.31	5.52

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Other than through their respective shareholdings in the Company, none of the Directors, the Controlling Shareholders and/or the Associates of the Directors and the Controlling Shareholders have any interest, directly or indirectly, in the Proposed Sale.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of Directors and Substantial Shareholders in the Shares, as recorded in the Company's register of Directors' Shareholdings and register of Substantial Shareholders' shareholdings respectively, are set out below:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors						
Narayanan Sreenivasan	240,000	0.03	-	-	240,000	0.03
Dr Ng Chin Siau ⁽²⁾	10,080,110	1.29	406,385,529	52.19	416,465,639	53.49
Dr Ng Jet Wei	-	-	-	-	-	-
Dr Ang Ee Peng Raymond	-	-	-	-	-	-
Professor Toh Chooi Gait	-	-	-	-	-	-
Ng Weng Sui Harry	240,000	0.03	-	-	240,000	0.03
Substantial Shareholders (who are not Directors)						
Quan Min Holdings Pte. Ltd. ⁽³⁾	406,385,529	52.19	-	-	406,385,529	52.19
Heritas Helios Investments Pte. Ltd.	72,659,060	9.33	-	-	72,659,060	9.33
Heritas Capital Management Pte. Ltd. ⁽⁴⁾	-	-	72,659,060	9.33	72,659,060	9.33
IMC Heritas Investments Ltd. ⁽⁵⁾	-	-	72,659,060	9.33	72,659,060	9.33
IMC Pan Asia Alliance Corporation ⁽⁶⁾	-	-	72,659,060	9.33	72,659,060	9.33
Koh Shunjie, Kelvin	40,152,000	4.30	-	-	33,460,000	4.30

Notes:

- (1) The percentage shareholding interest is computed based on 778,623,495 Shares.
- (2) Dr Ng Chin Siau is deemed to have an interest in the Shares held by Quan Min Holdings Pte. Ltd. by virtue of his 43.94% direct shareholding in Quan Min Holdings Pte. Ltd.
- (3) Quan Min Holdings Pte. Ltd. is an investment holding company incorporated in Singapore and is the Company's ultimate parent company.
- (4) Heritas Capital Management Pte. Ltd. is deemed to have an interest in the Shares held by Heritas Helios Investments Pte. Ltd. as it is the investment manager of Heritas Helios Investments Pte. Ltd.

LETTER TO SHAREHOLDERS

- (5) IMC Heritas Investments Ltd. is deemed to have an interest in the Shares held by Heritas Helios Investments Pte. Ltd. as it is the owner of the entire share capital of Heritas Helios Investments Pte. Ltd.
- (6) IMC Pan Asia Alliance Corporation is deemed to have an interest in the Shares held by Heritas Helios Investments Pte. Ltd. as it is the owner of the entire share capital of IMC Heritas Investments Ltd., which is in turn the owner of the entire share capital of Heritas Helios Investments Pte. Ltd.

10. RECOMMENDATION OF DIRECTORS

Having reviewed, *inter alia*, the terms, rationale and financial effects of the Proposed Sale, the Directors are unanimously of the view that the Proposed Sale is in the interest of the Company, and accordingly, the Directors recommend that the Shareholders vote in favour of the Proposed Sale at the AGM.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Sale, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular 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 Circular in its proper form and context.

12. CONSENT

The Valuer has given and not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the statement made on the Valuation Report in section 3.2 of this Circular, and all references to its name in the form and context in which it appears in this Circular.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 81 Science Park Drive, #02-04, The Chadwick, Singapore Science Park I, Singapore 118257, during normal business hours, from the date of this Circular up to the date of the AGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Annual Report of the Company for FY2014;
- (c) the Option;
- (d) the Valuation Report; and
- (e) the letter of consent from the Valuer.

Yours faithfully,

For and on behalf of the Board of Directors of
Q & M Dental Group (Singapore) Limited

Dr Ng Chin Siau
Group Chief Executive Officer

