



Q & M DENTAL GROUP (SINGAPORE) LIMITED
(Company Registration Number 200800507R)
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF TP DENTAL SURGEONS PTE LTD

1. INTRODUCTION

The Board of Directors (the "**Board**") of Q & M Dental Group (Singapore) Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company has entered into 5 separate binding points of agreement dated 27 April 2015 (the "**POAs**") with Dr Hwang Yee Cheau ("**Dr. Hwang**"), Dr. Phua Tin Cock, Dr. Tng Thiam Huat, Dr. Ngan Kee Leong and Dr. Chin Yee Fatt (collectively the "**TP Shareholders**") to acquire (the "**Proposed Acquisition**") 100% of the shareholding in TP Dental Surgeons Pte Ltd (formerly known as Drs. Tay & Partners) ("**TP Dental**").

2. INFORMATION ON TP DENTAL

2.1 Background and Principal Activities of TP Dental

(a) TP Dental is a company incorporated in Singapore and has at the date of this announcement an issued and paid-up share capital of S\$10,000 comprising of 10,000 ordinary shares (the "**Sale Shares**").

(b) As at the date of this announcement, the shareholding structure of TP Dental is as follows:

<u>Sl. No</u>	<u>Name</u>	<u>Number of Sale Shares</u>	<u>Percentage</u>
1.	Tng Thiam Huat	1,509	15.09%
2.	Phua Tin Cock	1,692	16.92%
3.	Ngan Kee Leong	1,499	14.99%
4.	Hwang Yee Cheau	5,100	51%
5.	Chin Yee Fatt	200	2%
	Total	10,000	100%

(c) Founded in 1973, TP Dental is one of Singapore's largest and most established dental surgeries and is located at 391B Orchard Road, #26-01, Ngee Ann City Tower B, Singapore 238874. It is able to offer a complete range of dental services and has dentists on call outside of normal office hours. TP Dental also has its own in-house laboratory and the practice is Medisave, CHAS & PG accredited with the Ministry of Health.

2.2 Net Tangible Assets of TP Dental

Based on the audited financial statements of TP Dental for its financial year ended 31 December 2013 provided by the TP Shareholders ("**TP FY2013 Accounts**"), the net tangible assets of TP Dental was

S\$1.90 million and the revenue of TP Dental for the financial year ended 31 December 2013 was approximately S\$12.40 million.

2.3 Net Profits of TP Dental

Based on the TP FY2013 Accounts, the net profits after tax of TP Dental was approximately S\$1.90 million based on a turnover of approximately S\$12.40 million.

3. THE PROPOSED ACQUISITION

The salient terms of the Proposed Acquisition under the POAs are set out below:

3.1 Purchase of the Sale Shares

The Company will acquire 100% of the shareholding in TP Dental from the TP Shareholders for a total consideration of S\$28.60 million (the "**Purchase Consideration**") to be paid in the following manner:

- (a) S\$18 million in cash to the TP Shareholders in the following proportion:

<u>Sl. No.</u>	<u>Name</u>	<u>Cash consideration</u>
1.	Tng Thiam Huat	S\$2,206,842.20
2.	Phua Tin Cock	S\$2,474,471.17
3.	Ngan Kee Leong	S\$2,192,217.66
4.	Hwang Yee Cheau	S\$10,833,978.27
5.	Chin Yee Fatt	S\$292,490.70
	Total	S\$18,000,000.00

- (b) S\$10.60 million worth of the Company's shares at an issue price of S\$0.70668 (being 90% of the weighted average price for trades done on the shares of the Company on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 24 April 2015, being the preceding full market day on which shares of the Company were traded on the SGX-ST before the trading halt) (the "**Consideration Shares**"). The Consideration Shares will be issued solely to Dr. Hwang.

3.2 Purchase Consideration

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*, the current market conditions, the history, track record and future prospects of TP Dental, the TP Shareholder's expertise and the strategic merits of the Proposed Acquisition.

3.3 Terms and Conditions

Conditions Precedent

Completion of the Proposed Acquisition is subject to, *inter alia*, the following:

- (a) the results of a due diligence exercise by the Company over the business, affairs, operations, assets, financial condition, prospects and records of TP Dental being satisfactory to the Company in its sole and absolute discretion;
- (b) all approvals, waivers or consents as may be required for the sale of the Sale Shares, to enable the Company and/or its nominee(s) to be registered as holder(s) of all of the Sale Shares, and to

give effect to the transactions contemplated under the POAs being obtained and where any waiver, consent or approval is subject to conditions, such conditions being satisfactory to the Company in its sole and absolute discretion and if required to be fulfilled by a particular date, being so fulfilled, and such approvals, waivers or consents remaining valid and in full force and effect;

- (c) the Company obtaining such approval(s) in connection with the POAs from the Board and/or shareholders of the Company in a general meeting, as may be necessary for the transactions contemplated herein, and such approval not having been withdrawn or revoked;
- (d) approval in-principle being obtained from the SGX-ST for the admission to, listing, dealing and quotation of the Consideration Shares on the Official List of the Main Board of the SGX-ST;
- (e) the allotment, issue and subscription of the Consideration Shares not being prohibited by any statute, order, rule, regulation, directive or request promulgated or issued by any legislative, executive or regulatory body or authority of Singapore or elsewhere, which is applicable to TP Dental and/or the Company;
- (f) the Company or TP Dental not having received notice of any claim, action, injunction, order, directive or notice restraining or prohibiting the entering into or the consummation of the transactions contemplated by the POAs or seeking damages or other recourse in respect thereof, or notice that any of the foregoing is pending or threatened; and
- (g) there being no event having occurred which has or could reasonably be expected to have a material adverse effect on the business, operations, assets, financial condition or prospects of TP Dental.

Moratorium

Save as provided in the POAs, the Consideration Shares shall be subject to a 5 year moratorium period whereby Dr. Hwang will not be allowed to sell, transfer, mortgage, charge, pledge, grant an option over, or otherwise dispose of or create any encumbrances over any of the Consideration Shares.

Service Agreement

Dr. Hwang has agreed to sign a 10 year full time service agreement whilst the other TP Shareholders each have agreed to sign a 5 year full time service agreement with the Company.

Profit Target

The POAs further provide that Dr. Hwang has agreed to provide a profit target of S\$4 million every 2 years (the “**Profit Target Term**”) for a total of 8 years starting from the completion of the Proposed Acquisition (the “**Profit Target**”). In the event that the Profit Target is not met for any Profit Target Term, Dr. Hwang shall sign a 1 year extension to her service agreement.

Long Stop Date

If the completion of the Proposed Acquisition does not take place within 12 months from the date of the POAs, the POAs shall ipso facto cease and terminate.

Definitive Agreement

Parties will, in due course, enter into definitive agreements in respect of the Proposed Acquisition and such definitive agreements shall contain such customary terms generally found in similar transactions including without limitation, representations and warranties by the TP Shareholders on the ownership of the Sale Shares, the business of TP Dental, employment and tax related matter as well as the corresponding indemnities.

4. THE BOARD'S VIEW ON THE PROFIT TARGET

- (a) The views of the board of directors of the issuer in accepting the profit target and the factors taken into consideration and basis for such a view;

The Board is of the view that the Profit Target from Dr Hwang would be beneficial to the Company and in accepting the Profit Target took into consideration the following factors:

- (i) Founded in 1973, TP Dental is a multidisciplinary centre offering a complete range of dental services and has a long and established history of operating in the premium dental market;
- (ii) TP Dental is located in a prime location (Ngee Ann City along Orchard Road); and
- (iii) Dr. Hwang is one of Singapore's leading Orthodontist with a wealth of experience not only in Singapore but also in the United Kingdom and has received numerous accolades. Under her leadership, TP Dental has delivered consistently excellent results and with the 10 year service agreement, she will be able to work with the Group to achieve further growth.

- (b) The principal assumptions including commercial bases and assumptions upon which the quantum of the profit target is based

The quantum of the Profit Target was derived from the Company's estimation after reviewing the track record of TP Dental and the TP FY2013 Accounts.

- (c) The manner and amount of compensation to be paid by the vendor in the event that the profit target is not met and the conditions precedent, if any, and the detailed basis for such a compensation

In the event that the Profit Target is not met for any Profit Target Term, Dr. Hwang shall sign a 1 year extension to her service agreement.

- (d) The safeguards put in place (such as the use of a banker's guarantee) to ensure the issuer's right of recourse in the event that the profit forecast is not met, if any

The Profit Target is only meant as an anticipation of the profits attainable based on the track record of TP Dental and as such, the Board is of the view that there is no need to place measures to ensure the Company's right to recourse if the Profit Target is not met save as provided for in paragraph 4(c) above.

5. FINANCIAL EFFECTS AND FUNDING

5.1 Assumptions

The *pro forma* 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.

5.2 Financial Statements

The *pro forma* financial effects in sections 5.3 and 5.4 of this announcement have been prepared based on the audited consolidated financial statements of the Company for its financial year ended 31 December 2014 ("**FY2014**") (being the most recent announced consolidated full-year financial statements of the Company).

5.3 NTA per share

Assuming that the Proposed Acquisition had been completed on 31 December 2014, the *pro forma* financial effects on the consolidated NTA per share of the Company would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Number of shares	778,623,495	793,623,495
NTA attributable to shareholders (S\$'000)	41,383	51,983
NTA per share (cents)	5.31	6.55

5.4 EPS

Assuming that the Proposed Acquisition had been effected on 1 January 2014, the *pro forma* financial effects on the EPS of the Company would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Number of shares	778,623,495	793,623,495
Profits attributable to shareholders (S\$'000)	11,784	13,995
EPS (cents)	1.51	1.76

6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

6.1 Based on the audited consolidated financial statements of the Group for FY2014 and TP FY2013 Accounts, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST (the "Listing Manual") in relation to the Proposed Acquisition are as follows:

Rule 1006	Bases	Asset	Group	%
(a)	The net asset value ("NAV") of the asset to be disposed of, compared with the Group's NAV	N.A.	N.A.	N.A.
(b)	The net profits attributable to the asset to be acquired, compared with the Group's net profits	2,211,000	11,784,000	18.76
(c)	The Consideration to be given, compared with the Company's market capitalisation as at 24 April 2015	28,600,000	611,375,000	4.68
(d)	The number of equity securities issued by the Company as consideration for an	15,000,000	778,623,495	1.93

	acquisition, compared with the number of equity securities previously in issue			
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Note

The Company understand that TP Dental is in the process of finalising its management accounts for the financial year ended 31 December 2014 (the “**2014 Management Account**”) and such accounts will be made available to the Company within a period of 2 weeks from the date of this announcement. In the event that the relative figures computed on the basis 2014 Management Account is materially different from what is disclosed in this paragraph 6.1 (although the Company does not anticipate that it will be the case), the Company will make necessary announcements to apprise the Shareholder of such change.

6.2 As the computed figures in sections 6.1 (b), (c) and (d) in the table above **does not exceed 20%**, the Proposed Acquisition **does not constitute** a “major transaction” as defined in Chapter 10 of the Listing Manual. Accordingly, shareholders' approval is not required for the Proposed Acquisition pursuant to Chapter 10 of the Listing Manual.

7. RATIONALE FOR THE PROPOSED ACQUISITION

The Directors are of the view that the Proposed Acquisition is in the best interests of the Company and its shareholders as:

- (i) Founded in 1973, TP Dental is a multidisciplinary centre offering a complete range of dental services and has a long and established history of operating in the premium dental market;
- (ii) TP Dental is located in a prime location (Ngee Ann City along Orchard Road); and
- (iii) Dr. Hwang is one of Singapore’s leading Orthodontist with a wealth of experience not only in Singapore but also in the United Kingdom and has received numerous accolades. Under her leadership, TP Dental has delivered consistently excellent results and with the 10 year service agreement, she will be able to work with the Group to achieve further growth.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and substantial shareholders have any interests, direct or indirect, in the Proposed Acquisition, other than through each of their respective shareholding interests, direct and/or indirect (if any), in the Company.

9. DOCUMENT FOR INSPECTION

Copies of the POAs are 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

Vitters Sim
 Chief Financial Officer
 28 April 2015

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