



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

**PROPOSED ACQUISITION OF ORCHARD SCOTTS DENTAL CLINIC
AND
DE PACIFIC DENTAL GROUP**

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 a binding points of agreement dated 11 May 2015 (the "**POA**") with Dr. Yap Yi Roon ("**Dr. Yap**"), Ms Lam Lay See Amanda, Dr. Lim Eng Yong ("**Dr. Lim**") and Dr. Lim Lilie (collectively the "**Vendor Shareholders**") to acquire (the "**Proposed Acquisition**") 100% of the shareholding ("**Sale Shares**") in the following companies:

- (a) Orchard Scotts Dental Pte Ltd (Company registration number: 200615120Z) a company incorporated in Singapore and having its registered office at 721 Ang Mo Kio Avenue 8, #01-2809, Singapore 560721 ("**Orchard Scotts Dental Clinic**") and having an issued and paid-up share capital of S\$250,000 comprising of 250,000 ordinary shares;
- (b) De Pacific Dental Management Services Pte Ltd (Company registration number: 200719337G) a company incorporated in Singapore and having its registered office at 721 Ang Mo Kio Avenue 8, #01-2809, Singapore 560721 ("**De Pacific Dental Management**") and having an issued and paid-up share capital of S\$1,000 comprising of 1,000 ordinary shares;
- (c) De Pacific Dental Group (AMK) Pte Ltd (Company registration number: 200201918M) a company incorporated in Singapore and having its registered office at 721 Ang Mo Kio Avenue 8, #01-2809, Singapore 560721 ("**De Pacific Dental (AMK)**") and having an issued and paid-up share capital of S\$50,000 comprising of 50,000 ordinary shares;
- (d) De Pacific Dental Group (Balestier) Pte Ltd (Company registration number: 201425047D) a company incorporated in Singapore and having its registered office at 721 Ang Mo Kio Avenue 8, #01-2809, Singapore 560721 ("**De Pacific Dental (Balestier)**") and having an issued and paid-up share capital of S\$100,000 comprising of 100,000 ordinary shares;
- (e) De Pacific Dental Group (Jurong West) Pte Ltd (Company registration number: 200203239Z) a company incorporated in Singapore and having its registered office at 721 Ang Mo Kio Avenue 8, #01-2809, Singapore 560721 ("**De Pacific Dental (Jurong West)**") and having an issued and paid-up share capital of S\$50,000 comprising of 50,000 ordinary shares; and
- (f) De Pacific Dental Group (Pasir Ris) Pte Ltd (Company registration number: 200201883M) a company incorporated in Singapore and having its registered office at 721 Ang Mo Kio Avenue 8, #01-2809, Singapore 560721 ("**De Pacific Dental (Pasir Ris)**") and having an issued and paid-up share capital of S\$52,000 comprising of 52,000 ordinary shares.

(collectively known as the "**Orchard Scotts and De Pacific Dental Group**").

2. INFORMATION ON THE ORCHARD SCOTTS AND DE PACIFIC DENTAL GROUP

2.1 Background and Principal Activities of the Orchard Scotts and De Pacific Dental Group

- (a) As at the date of this announcement, the shareholding structure of the Orchard Scotts and De Pacific Dental Group is as follows:

Orchard Scotts Dental Pte Ltd

Sl. No	Name	Number of shares	Percentage
1.	Yap Yi Roon	100,000	40%
2.	Lam Lay See Amanda	25,000	10%
3.	Lim Eng Yong	100,000	40%
4.	Lim Lillie	25,000	10%
	Total	250,000	100%

De Pacific Dental Management Services Pte Ltd

Sl. No	Name	Number of shares	Percentage
1.	Yap Yi Roon	500	50%
2.	Lim Eng Yong	500	50%
	Total	1,000	100%

De Pacific Dental Group (AMK) Pte Ltd

Sl. No	Name	Number of shares	Percentage
1.	Yap Yi Roon	25,000	50%
2.	Lim Eng Yong	25,000	50%
	Total	50,000	100%

De Pacific Dental Group (Balestier) Pte Ltd

Sl. No	Name	Number of shares	Percentage
1.	Yap Yi Roon	50,000	50%
2.	Lim Eng Yong	50,000	50%
	Total	100,000	100%

De Pacific Dental Group (Jurong West) Pte Ltd

Sl. No	Name	Number of shares	Percentage
1.	Yap Yi Roon	25,000	50%
2.	Lim Eng Yong	25,000	50%
	Total	50,000	100%

De Pacific Dental Group (Pasir Ris) Pte Ltd

Sl. No	Name	Number of shares	Percentage
1.	Yap Yi Roon	25,000	48.08%
2.	Lam Lay See Amanda	1,000	1.92%
3.	Lim Eng Yong	26,000	50%
	Total	52,000	100%

- (b) Founded in 2007, Orchard Scotts Dental Clinic is a practice leader in the dental aesthetics industry that provides total solutions on digital smile designs, smiles makeovers, gummy smiles

and teeth whitening and is located in a prime location (Wheelock Place along Orchard Road). They were appointed an Invisalign Dedicated clinic in 2014 by Align Technology as a leader in teeth straightening using invisible braces technology. In addition, they are currently in the process of building a Dental Digital Academy which will harness the benefits of digital dentistry to provide a total seamless solution for their patients.

- (c) The De Pacific Dental Group of clinics was first established in the year 2000 and are currently located at Ang Mo Kio, Balestier, Jurong West and Pasir Ris. The dental clinics use a comprehensive range of modern dental art technology to provide a full range of affordable dental services without any compromise on the quality. It has built up a reputation for providing reliable, caring and gentle dentistry.

2.2 Net Tangible Assets of the Orchard Scotts and De Pacific Dental Group

Based on the unaudited compilation accounts (“OSDP Compilation Accounts”) provided by the Vendor Shareholders of:

- (a) Orchard Scotts Dental Clinic for the financial year ended 30 September 2013;
- (b) De Pacific Dental Management for the financial year ended 30 September 2013;
- (c) De Pacific Dental (AMK) for the financial year ended 31 March 2014;
- (d) De Pacific Dental (Balestier) for the period commencing September 2014 to 31 December 2014;
- (e) De Pacific Dental (Jurong West) for the financial year ended 31 March 2014; and
- (f) De Pacific Dental (Pasir Ris) for the financial year ended 31 March 2014,

the net tangible assets of the Orchard Scotts and De Pacific Dental Group was approximately S\$449,000 and the revenue was approximately S\$7.62 million.

2.3 Net Profits of the Orchard Scotts and De Pacific Dental Group

Based on the OSDP Compilation Accounts, the net profits after tax was approximately S\$685,000 based on a turnover of approximately S\$7.62 million.

3. THE PROPOSED ACQUISITION

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

3.1 Purchase of the Sale Shares

The Company will acquire 100% of the shareholding in the Orchard Scotts and De Pacific Dental Group from the Vendor Shareholders for a total consideration of S\$12.50 million (the “Purchase Consideration”) to be paid in the following manner:

- (a) S\$6.25 million in cash to the Vendor Shareholders in the following manner:

<u>Sl. No.</u>	<u>Name</u>	<u>Cash consideration</u>
1.	Yap Yi Roon	S\$3,125,000
2.	Lim Eng Yong	S\$3,125,000
	Total	S\$6,250,000

- (b) S\$6.25 million worth of the Company’s shares at an issue price of S\$0.711 (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 8 May 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 in the following manner:

<u>Sl. No.</u>	<u>Name</u>	<u>Worth of Consideration Shares</u>
1.	Yap Yi Roon	S\$3,125,000
2.	Lim Eng Yong	S\$3,125,000
	Total	S\$6,250,000

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 the Orchard Scotts and De Pacific Dental Group, Dr. Yap and Dr. Lim'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 the Orchard Scotts and De Pacific Dental Group 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 POA 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 POA 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 the Orchard Scotts and De Pacific Dental Group and/or the Company;
- (f) the Company or the Orchard Scotts and De Pacific Dental Group 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 POA 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 the Orchard Scotts and De Pacific Dental Group.

Moratorium

The Consideration Shares shall be subject to a 5-year moratorium period whereby Dr. Yap and Dr. Lim 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. Yap and Dr. Lim have agreed to each sign a 10-year full time service agreement with the Company.

Profit Target

The POA further provide that Dr. Yap and Dr. Lim have agreed to provide a total profit target of S\$9,910,355 for a total of 10 years

- (a) 1 January 2015 – 31 December 2015: S\$700,000
- (b) 1 January 2016 – 31 December 2016: S\$770,000
- (c) 1 January 2017 – 31 December 2017: S\$847,000
- (d) 1 January 2018 – 31 December 2018: S\$931,700
- (e) 1 January 2019 – 31 December 2019: S\$1,024,870
- (f) 1 January 2020 – 31 December 2020: S\$1,127,357
- (g) 1 January 2021 – 31 December 2021: S\$1,127,357
- (h) 1 January 2022 – 31 December 2022: S\$1,127,357
- (i) 1 January 2023 – 31 December 2023: S\$1,127,357
- (j) 1 January 2024 – 31 December 2024: S\$1,127,357

((a) and (b) shall together constitute a “**2-year Profit Target Term**”), whilst (c) to (j) shall each individually constitute a “**1-year Profit Target Term**”)

The 2-year Profit Target Term and/or 1-year Profit Target Term may be adjusted or extended according to actual completion date.

In the event that the profit forecast amount for a 2-year Profit Target Term or any 1-year Profit Target Term is not met, Dr. Yap and Dr. Lim shall each sign a 1-year or a 6-months extension respectively to the Service Agreement.

Long Stop Date

If the completion of the Proposed Acquisition does not take place within 12 months from the date of the POA, the POA 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 Vendor Shareholders on the ownership of the Sale Shares, the business of the Orchard Scotts and De Pacific Dental Group, 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. Yap and Dr. Lim would be beneficial to the Company and in accepting the Profit Target took into consideration the following factors:

- (i) Founded in the years 2007 and 2000 respectively, Orchard Scotts Dental Clinic is a practice leader in the dental aesthetics industry that provides total solutions on smiles makeovers, gummy smiles and teeth whitening and has also been the official dentist for Miss Universe Singapore since 2009 whilst the De Pacific Dental Group of clinics uses a comprehensive range of modern dental art technology in the dental clinics to provide a full range of affordable outpatient dental services without any compromise on quality;

- (ii) Orchard Scotts Dental Clinic is located in a prime location (Wheelock Place along Orchard Road) and the De Pacific Dental Group of clinics are located at convenient and easily accessible locations to ensure that affordable and quality dental outpatient services are brought to the heartlands;
- (iii) Dr. Yap is extensively trained and skilled in restorative, cosmetic and neuromuscular dentistry. He is also currently an adjunct Senior Lecturer at the National University of Singapore and was past President of the Aesthetic Dentistry Society of Singapore and current Vice-President of the Asian Academy of Aesthetic Dentistry;
- (iv) Dr. Lim is recognised as a leading aesthetic dental practitioner in Singapore and is regularly invited to share his expertise with the dental community in Singapore and overseas. He is currently an adjunct lecturer at the National University of Singapore and is also the President of the College of General Dental Practitioners Singapore for his second term running; and
- (v) Under Dr. Yap and Dr. Lim's leadership, the Orchard Scotts and De Pacific Dental Group has delivered consistently excellent results and with the 10 year service agreement, they 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 the Orchard Scotts and De Pacific Dental Group and the OSDP Compilation 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 forecast amount for a 2-year Profit Target Term or any 1-year Profit Target Term is not met, Dr. Yap and Dr. Lim shall each sign a 1-year or a 6-months extension respectively to the 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 the Orchard Scotts and De Pacific Dental Group 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	787,413,931
NTA attributable to shareholders (S\$'000)	41,383	47,633
NTA per share (cents)	5.31	6.05

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	787,413,931
Profits attributable to shareholders (S\$'000)	11,784	12,478
EPS (cents)	1.51	1.58

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 OSDP Compilation 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	694,382	11,784,000	5.89%
(c)	The Consideration to be given, compared with the Company's market capitalisation as at 24 April 2015	12,500,000	615,112,561	2.03%
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	8,790,436	778,623,495	1.13%

- 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 constitutes a “discloseable 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 after taking into consideration the following factors:

- (i) Orchard Scotts Dental Clinic is a practice leader in the dental aesthetics industry that provides total solutions on smiles makeovers, gummy smiles and teeth whitening and has also been the official dentist for Miss Universe Singapore since 2009 whilst the De Pacific Dental Group of clinics uses a comprehensive range of modern dental art technology in the dental clinics to provide a full range of affordable outpatient dental services without any compromise on quality;
- (ii) Orchard Scotts Dental Clinic was appointed as an Invisalign Dedicated clinic in 2014 and is 1 of only 3 such clinics in Asia. Invisalign is a clear aligner treatment that straightens teeth without the use of brackets and wires like in braces. Orchard Scotts Dental is recognised as one of the leading centre when it comes to Invisalign Clear Aligner therapy;
- (iii) Orchard Scotts Denal Clinic is currently building its Dental Digital Academy which will harness the benefits of digital dentistry to provide a total seamless solution for their patients. Digital Smile Designs allows patients to have a prototype smile for the patient to see the approximate end point of their smile makeover. With digital dentistry, patients are also able to get their crowns done within a day;
- (iv) Dr. Yap is extensively trained and skilled in restorative, cosmetic and neuromuscular dentistry. He is also currently an adjunct Senior Lecturer at the National University of Singapore and was past President of the Aesthetic Dentistry Society of Singapore and current Vice-President of the Asian Academy of Aesthetic Dentistry;
- (v) Dr. Lim is recognised as a leading aesthetic dental practitioner in Singapore and is regularly invited to share his expertise with the dental community in Singapore and overseas. He is currently an adjunct lecturer at the National University of Singapore and is also the President of the College of General Dental Practitioners Singapore for his second term running;
- (vi) Both Dr. Yap and Dr. Lim are recognised as opinion leaders for several dental products in Singapore and as the point of reference for supplies, they help to disseminate information and provide training to dentists on the proper use of the materials in Singapore and the region; and
- (vii) Under Dr. Yap and Dr. Lim's leadership, the Orchard Scotts and De Pacific Dental Group has delivered consistently excellent results and with the 10 year service agreement, they 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

A copy of the POA 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

Vitters Sim
Chief Financial Officer
12 May 2015

For more information please contact:

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Chief Financial Officer

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