



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

**MEMORANDUM OF UNDERSTANDINGS FOR
PANJIN CITY DENTAL CLINICS AND
GAIZHOU CITY DENTAL CLINIC
LOCATED IN LIAONING PROVINCE, CHINA**

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 Shenyang Xin'ao Hospital Management Co., Ltd ("**Xin'ao MC**"), a subsidiary operating the Shenyang Aoxin Q & M Group of stomatology hospitals and clinics in Shenyang, had on 28 May 2015 entered into 2 separate non-binding memorandum of understanding (the "**MOUs**") to:

- (a) acquire a 60% stake in 2 dental clinics located in Panjin City, Liaoning Province, China ("**Panjin City Dental Clinics**") from Mdm Ren Hong ("**Dr. Ren**"); and
- (b) acquire a 60% stake in a dental clinic located in Gaizhou City, Liaoning Province, China ("**Gaizhou City Dental Clinic**") from Mdm Li Zhuo ("**Dr. Li**").

(Panjin City Dental Clinics and Gaizhou City Dental Clinic shall collectively be known as the "**Liaoning Dental Clinics**").

2. INFORMATION ON THE LIAONING DENTAL CLINICS

2.1 Background and Principal Activities of the Liaoning Dental Clinics

- (a) Panjin City Dental Clinics currently owns and operates 2 dental clinics in Panjin City, the Panjin City Jingcheng dental clinic and the Panjin City Jingyi dental clinic; and
- (b) Gaizhou City Dental Clinic currently owns and operates a dental clinic in Gaizhou City, the Gaizhou City Zhuoyue dental clinic.

2.2 Revenue of the Liaoning Dental Clinics

Based on the unaudited internal accounts for 2014 as provided by the Dr. Ren and Dr. Li, the revenue for the Panjin City Dental Clinics and Gaizhou City Dental Clinic was approximately RMB 4 million and RMB 835,000 respectively.

3. THE PROPOSED ACQUISITION

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

3.1 Purchase of the Sale Shares

Xin'ao MC will acquire 60% of the shareholding in the management companies to be incorporated by Dr. Ren and Dr. Li for the following consideration:

- (a) RMB 10.14 million in cash for the Panjin City Dental Clinics, out of which RMB 4.68 million is paid via a capital injection into the management company to be incorporated by Dr. Ren; and
- (b) RMB 2.016 million in cash for the Gaizhou City Dental Clinic, out of which half is paid via a capital injection into the management company to be incorporated by Dr. Li.

(Collectively known as the “Purchase Consideration”).

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, Xin'ao MC has taken into account, *inter alia*, the current market conditions, the history, track record and future prospects of the Liaoning Dental Clinics, Dr. Ren and Dr. Li'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 Liaoning Dental Clinics being satisfactory to the Company in its sole and absolute discretion;
- (b) Xin'ao and/or the Company obtaining such approval(s) in connection with the MOUs 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; and
- (c) execution of definitive agreements on terms acceptable to Xin'ao MC and the Company in respect of the Proposed Acquisition.

Service Agreement

Dr. Ren and Dr. Li have each agreed to sign a 12-year full time service agreement with Xin'ao MC and the Company.

Profit Guarantee

The MOUs further provide that:

- (a) Dr. Ren guarantee that the profit of the Panjin City Dental Clinics shall not be less than RMB 20.33 million and that Xin'ao MC will receive dividends of not less than RMB 12.20 million over a 12-year period commencing from the date of completion; and
- (b) Dr. Li guarantee that the profit of the Gaizhou City Dental Clinic shall not be less than RMB 4.35 million and that Xin'ao MC will receive dividends of not less than RMB 2.61 million over a 12-year period commencing from the date of completion.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Company's plan to continue the expansion of its dental business in China and allows the Xin'ao MC to add 3 fully operational clinics in the same region.

5. 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.

6. DISCLOSURE OBLIGATIONS

Copies of the MOUs 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
3 June 2015

For more information please contact:

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