



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

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**PROPOSED ACQUISITION OF  
SHENZHEN NEW PERFECT DENTAL RESEARCH CO., LTD.**

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**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 memorandum of understanding dated 6 June 2016 (the "**MOU**") with Mr. Peng Hui Chang ("**PHC**"), Mr. Peng Jian Chang ("**PJC**"), Mr. Guo Yu Chun ("**GYC**") and Shenzhen New Perfect Industry Co., Ltd. (collectively the "**Vendors**") to acquire (the "**Proposed Acquisition**") an equity interest of 47.14% in Shenzhen New Perfect Dental Research Co., Ltd. ("**SZNP**"), representing an effective interest of 33% in the dental laboratory businesses that are carried out by 15 subsidiaries of SZNP. Details of SZNP and the Proposed Acquisition are set out in paragraph 2 and 3 of this Announcement respectively.

**2. INFORMATION ON SZNP**

**Background and Principal Activities of SZNP**

- (a) SZNP is a company incorporated in China and is a dental prosthetic device provider with a focus on providing custom-made prostheses to dental patients. It currently operates 16 dental laboratories in 15 cities (including Shenzhen, Guangzhou, Dongguan, Wenzhou, Hangzhou and Ningbo) across China and has approximately 650 dental laboratory technicians. SZNP's products are certified by the Food and Drug Administration of the United States of America, CE marking in Europe as well as ISO 13485.
- (b) As at the date of this announcement, the shareholding structure of SZNP is as follows:

<u>No.</u>	<u>Name of Shareholder</u>	<u>Percentage of Interest in SZNP</u>
1.	Shenzhen New Perfect Industry Co., Ltd. (" <b>NPI</b> ")	71%
2.	Chang Xin Industry (Hong Kong) Co., Ltd. (" <b>HKCX</b> ")	29%
	<b>Total</b>	<b>100%</b>

- (c) NPI is owned by PHC, PJC and GYC ("**NPI Shareholders**") while HKCX is owned by the spouses of the NPI Shareholders ("**HKCX Shareholders**").

### 3. THE PROPOSED ACQUISITION

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

#### 3.1 Restructuring Exercise

The Vendors shall carry out the following restructuring steps:

- (a) The Vendors shall procure that SZNP will hold 70% of the shareholdings in 15 of its subsidiaries that contain all of its dental laboratories businesses across China. The remaining 30% will be held by the local management of the various dental laboratories.
- (b) The Vendors shall procure that the NPI Shareholders transfer its shareholding in SZNP to HKCX such that HKCX will own 50% of SZNP and thereafter the Vendors shall procure that the HKCX Shareholders transfer 94.286% of its shareholding in HKCX to the Company (the “**Sale Shares**”).

#### 3.2 Purchase of the Sale Shares

The Company will acquire 94.286% of the shareholding in HKCX from the HKCX Shareholders for a total consideration of RMB 66 million (approximately S\$13.75 million<sup>1</sup>) (the “**Purchase Consideration**”) to be paid in cash.

The Vendors shall procure that Initial Capital Investment Pte. Ltd. (“**Initial Capital**”) acquire the remaining 5.714% of HKCX. Initial Capital is a company incorporated in Singapore and is in the business of equity investments.

Initial Capital is a third party unrelated to the Company and will be a passive financial investor in HKCX.

#### 3.3 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 SZNP, the expertise of the founding shareholders, PHC, PJC and GYC, and the strategic merits of the Proposed Acquisition.

#### 3.4 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 SZNP 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 MOU being obtained and where any waiver, consent or approval is subject to conditions, such conditions being satisfactory to the

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<sup>1</sup> The exchange rate of S\$1 to RMB 4.80 is used in this announcement.

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; and

- (c) the Company obtaining such approval(s) in connection with the MOU 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.

#### Service Agreement

Each of the NPI Shareholders, being PHC, PJC and GYC has agreed to sign a 12-year service agreement with SZNP and the Company.

#### Profit Guarantee

The MOU further provides that the Vendors guarantee that the net profit after tax of SZNP over a period of 12 years shall be no less than the amount set out for each year (“**Profit Guarantee**”) as follows:

- (a) 1 January 2017 – 31 December 2017: RMB 15 million (approximately S\$3.13 million);
- (b) 1 January 2018 – 31 December 2018: RMB 16.50 million (approximately S\$3.44 million);
- (c) 1 January 2019 – 31 December 2019: RMB 18.15 million (approximately S\$3.78 million);
- (d) 1 January 2020 – 31 December 2020: RMB 19.97 million (approximately S\$4.16 million);
- (e) 1 January 2021 – 31 December 2021: RMB 21.96 million (approximately S\$4.58 million);
- (f) 1 January 2022 – 31 December 2022: RMB 24.16 million (approximately S\$5.03 million);
- (g) 1 January 2023 – 31 December 2023: RMB 26.57 million (approximately S\$5.54 million);
- (h) 1 January 2024 – 31 December 2024: RMB 29.23 million (approximately S\$6.09 million);
- (i) 1 January 2025 – 31 December 2025: RMB 29.23 million (approximately S\$6.09 million);
- (j) 1 January 2026 – 31 December 2026: RMB 29.23 million (approximately S\$6.09 million);
- (k) 1 January 2027 – 31 December 2027: RMB 29.23 million (approximately S\$6.09 million); and
- (l) 1 January 2028 – 31 December 2028: RMB 29.23 million (approximately S\$6.09 million),

Subject to cash flow requirements of SZNP, HKCX shall be entitled to not less than 35% of the Profit Guarantee for every corresponding profit guarantee year.

#### Definitive Agreement

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

#### **4. 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:

- (a) SZNP being one of the larger dental laboratories group in China and the potential in this industry for growth; and

- (b) the Proposed Acquisition is in line with the Company's expansion into dental related industries in China and the synergy achieved between the Company's main dental services business and the Proposed Acquisition of SZNP to provide dental laboratory services.

## 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. DOCUMENT FOR INSPECTION

A copy of the MOU 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.

## 7. TRADING CAUTION

**Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the definitive agreements will be entered into, or that the Proposed Acquisition will be completed. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take**

## 8. FURTHER ANNOUNCEMENT

The Company will make the relevant update announcements in compliance with the Listing Manual of the Singapore Exchange Securities Trading Limited on the Proposed Acquisition upon entry into the definitive agreements in relation to the Proposed Acquisition.

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

Vitters Sim  
Chief Financial Officer  
7 June 2016

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