



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

**PROPOSED ACQUISITION OF
SHENZHEN SUPERLINE TECHNOLOGY CO., LTD.**

1. INTRODUCTION

The Board of Directors (the "**Board**") of Q & M Dental Group (Singapore) Limited (the "**Company**") wishes to announce that the Company has entered into a binding memorandum of understanding dated 29 June 2017 (the "**MOU**") with Mr. Li Zhimin ("**LZM**"), Mrs. Fan Ling ("**FL**"), Mr. Zhou Jinsong ("**ZJS**"), Mr. Wang Zhong ("**WZ**") and Mr. Yao Zheng ("**YZ**" and collectively with LZM, FL, ZJS and WZ, the "**Vendors**") to acquire (the "**Proposed Acquisition**"), through the Company's wholly owned subsidiary, Q & M Dental Holdings (Shenzhen) Pte. Ltd., an equity interest of 20% in Shenzhen Superline Technology Co., Ltd ("**Superline**"). Details of Superline and the Proposed Acquisition are set out in paragraphs 2 and 3 of this Announcement respectively.

2. INFORMATION ON SUPERLINE

Background and Principal Activities of Superline

Superline is a company incorporated in China and is in the business of manufacturing Nickel-Titanium ("**NITI**") endodontic root canal files and orthodontic arch wires. Superline was founded by three PhD scientists in the materials science and technology field.

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 incorporate a new holding company ("**New Holdco**") to hold the shares of Superline. The Company shall acquire 20% of the shareholding of Superline from the New Holdco (the "**Sale Shares**").

3.2 Purchase of the Sale Shares

The Company will acquire 20% of the shareholding in Superline from the Vendors for a total consideration of RMB 62 million (approximately S\$12.65 million¹) (the "**Purchase Consideration**") to be paid in the following manner:

¹ The exchange rate of S\$1 to RMB 4.9 is used in this announcement.

- (a) payment of RMB 43.4 million (approximately S\$8.86 million) in cash to the Vendors; and
- (b) injection of RMB 18.6 million (approximately S\$3.80 million) into Superline as capital.

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 Superline, the expertise of the Vendors, 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 Superline 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 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 Vendors shall sign a 12-year service agreement with Superline and the Company.

Profit Guarantee

The MOU further provides that the Vendors guarantee that the net profit after tax of Superline over a period of 12 years (the “**Profit Guarantee Term**”) shall be not less than the amount set out for each year (“**Profit Guarantee**”) as follows:

- (a) financial year ending 31 December 2018: RMB 17.83 million (approximately S\$3.64 million);
- (b) financial year ending 31 December 2019: RMB 17.83 million (approximately S\$3.64 million);
- (c) financial year ending 31 December 2020: RMB 23.25 million (approximately S\$4.74 million);
- (d) financial year ending 31 December 2021: RMB 26.74 million (approximately S\$5.46 million);
- (e) financial year ending 31 December 2022: RMB 26.74 million (approximately S\$5.46 million);
- (f) financial year ending 31 December 2023: RMB 34.88 million (approximately S\$7.12 million);
- (g) financial year ending 31 December 2024: RMB 40.10 million (approximately S\$8.18 million);
- (h) financial year ending 31 December 2025: RMB 40.10 million (approximately S\$8.18 million);
- (i) financial year ending 31 December 2026: RMB 52.32 million (approximately S\$10.68 million);

- (j) financial year ending 31 December 2027: RMB 60.14 million (approximately S\$12.27 million);
- (k) financial year ending 31 December 2028: RMB 60.14 million (approximately S\$12.27 million);
and
- (l) financial year ending 31 December 2029: RMB 78.48 million (approximately S\$16.02 million).

The Vendors further guarantees that the distributable net profits of Superline received by the Company for each 3 years period of the Profit Guarantee Term shall not be less than the following:

- (a) 2018 – 2020: RMB 11.78 million (approximately S\$2.40 million);
- (b) 2021 – 2023: RMB 17.67 million (approximately S\$3.61 million);
- (c) 2024 – 2026: RMB 26.50 million (approximately S\$5.41 million); and
- (d) 2027 – 2029: RMB 39.75 million (approximately S\$8.05 million).

Subject to the cash flow requirements and business plans of Superline, the Company shall be entitled to dividends amounting to not less than 20% 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 Superline, the business of Superline, 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) Superline being one of more established manufactures of NITI endodontic root canal files and orthodontic arch wires and the potential in this industry for growth globally; 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 Superline to manufacture dental related supplies.

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 and potential investors 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
2 July 2017

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