



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

PROPOSED ACQUISITION OF CJ GROUP (HOLDING) LIMITED

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 points of agreement dated 29 September 2017 (the "**POA**") with Chiu Hon Ching ("**Dr. Chiu**"), X-Tron International Holding Limited (wholly owned by Chan Lif Sing ("**Mr. Chan**")), One Hong Kong Dental Limited (wholly owned by Law Hong Yu Anthony ("**Dr. Law**")), Ji Chao ("**Dr. Ji**") and Chiu Wai Sing (collectively, the "**Vendors**") to acquire 60% of the shareholdings (the "**Sale Share**") of CJ Group (Holding) Limited ("**CJ Holding**") (the "**Proposed Acquisition**").

2. INFORMATION ON CJ HOLDING

CJ Holding is a company incorporated in Hong Kong and is in the business of providing general and specialist dentistry services in Hong Kong. CJ Holding currently operates 6 dental clinics in Hong Kong and 1 dental clinic in Shenzhen, China.

3. THE PROPOSED ACQUISITION

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

3.1 Purchase Consideration

The purchase consideration for the Proposed Acquisition is HKD 4 million payable in cash to the Vendors.

3.2 Terms and Conditions

Conditions Precedent

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

- (a) the completion of the Restructuring (as defined below);
- (b) the results of a due diligence exercise by the Company over the business, affairs, operations, assets, financial condition, prospects and records of CJ Holding being satisfactory to the Company in its sole and absolute discretion; and

- (c) 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.

Restructuring Exercise

The Vendors shall undertake an internal restructuring whereby they shall incorporate a new holding company (the “**New Holdco**”) that will hold their remaining 40% shareholding interest in CJ Holding before completion of the Proposed Acquisition (the “**Restructuring**”).

The Vendors further undertake to ensure that each of the companies operating the 7 dental clinics in Hong Kong and Shenzhen will be wholly owned subsidiaries of CJ Holding.

Service Agreement

Dr. Chiu, Mr. Chan, Dr. Law and Dr. Ji have each agreed to enter into a 15 years’ service agreement with the Company.

Subscription of shares in CJ Holding

Upon completion of the Proposed Acquisition, CJ Holding shall issue and allot, and each of the Company and the New Holdco shall subscribe for additional shares in the share capital of CJ Holding in such proportion so as to maintain the shareholding proportion where the Company shall hold 60% and the New Holdco shall hold 40% of the share capital of CJ Holding (the “**Subscription Shares**”) for a consideration of HKD 20 million (the “**Subscription Consideration**”) (the “**Subscription**”). The Subscription Consideration shall be fully paid by the Company.

Further subscription of shares in CJ Holding

In the event that CJ Holding:

- (a) achieves a net profit after tax (“**NPAT**”) of HKD 5 million for financial year 2018, each of the Company and the New Holdco shall subscribe for additional shares in CJ Holding in such proportion so as to maintain the shareholding proportion for a consideration of HKD 10 million (the “**Additional Subscription 1**”). The consideration shall be fully paid by the Company.

The Company shall pay a further sum of HKD 2 million in cash to the New Holdco in consideration for the New Holdco’s undertaking to procure that CJ Holding fulfils its obligations pursuant to Additional Subscription 1;

- (b) achieves a NPAT of HKD 7 million for financial year 2019, each of the Company and the New Holdco shall subscribe for additional shares in CJ Holding in such proportion so as to maintain the shareholding proportion for a consideration of HKD 10 million (the “**Additional Subscription 2**”). The consideration shall be fully paid by the Company.

The Company shall pay a further sum of HKD 2 million in cash to the New Holdco in consideration for the New Holdco's undertaking to procure that CJ Holding fulfils its obligations pursuant to Additional Subscription 2.

Upon the completion of Additional Subscription 1 and Additional Subscription 2, the Vendors shall ensure that there is a 10% compounded growth in the NPAT of CJ Holding for each subsequent financial year.

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 Vendors on the ownership of the Sale Shares, covenants and undertakings relating to the finances of CJ Holding, representations and warranties by the Vendors on the ownership of the Sale Shares, the business of CJ Holding, 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) the Proposed Acquisition is in line with the Company's plan to continue the expansion of its main dental business in the region and allows the Company to add 7 fully operational clinics in Hong Kong and Shenzhen, China;
- (b) the founders of CJ Holding have committed to a 15 years' service agreement.

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 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.

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
30 September 2017

For more information, please contact:

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