



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

PROPOSED INVESTMENT BY EM2AI PROFESSIONALS HOLDCO PTE. LTD. INTO EM2AI PTE. LTD. AS AN INTERESTED PERSON TRANSACTION

1 INTRODUCTION

- 1.1 The Board of Directors (the "**Board**") of Q & M Dental Group (Singapore) Limited (the "**Company**", and collectively with its subsidiaries, the "**Group**") wishes to inform the shareholders of the Company ("**Shareholders**") that the Company has, on 25 January 2024, entered into a joint venture agreement ("**JV Agreement**") with EM2AI Professional HoldCo Pte. Ltd. (the "**Investor**") and its wholly owned subsidiary, EM2AI Pte. Ltd. ("**EM2AI**"), pursuant to which the Investor has agreed to invest an aggregate of S\$1,606,500 fresh funds into EM2AI ("**Investment Price**") for an effective shareholding interest of 51% in EM2AI ("**Proposed Investment**"). In addition, the Investor has also agreed to provide an interest free loan of S\$3,701,663 to EM2AI.
- 1.2 As at the date of this announcement, the Company had invested S\$100,000 as capital into EM2AI and the Group had provided various loans to EM2AI aggregating S\$5,000,000 ("**Loan**") since 2019, for its working capital requirements. Pursuant to the JV Agreement, the Company has agreed to convert S\$1,443,500 of the Loan into ordinary shares in EM2AI ("**EM Shares**") for an effective shareholding interest of 49% in EM2AI ("**Partial Loan Conversion**"). The Partial Loan Conversion and the Proposed Investment is expected to close simultaneously.
- 1.3 As the Investor is controlled by the Group's Executive Director and Chief Executive Officer, Dr. Ng Chin Siau ("**Dr. Ng**"), the Proposed Investment constitutes an interested person transaction under Chapter 9 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). For the avoidance of doubt, as the Group's Executive Director and Chief Operating Officer, Dr. Ang Ee Peng Raymond ("**Dr. Raymond**") will hold an interest of less than 30% in the Investor, the Investor is not an associate (as defined in the Listing Manual) of Dr. Raymond and the Proposed Investment will not constitute an interested person transaction in respect of Dr. Raymond. Please refer to paragraph 3 of this announcement for further details on the Investor and paragraph 6 of this announcement for further details on the Proposed Investment as an interested person transaction.

2 INFORMATION ON EM2AI

- 2.1 EM2AI is a private company incorporated in Singapore on 12 November 2018. It is principally engaged in developing artificial intelligence ("**AI**") for dental pathology detection ("**AI Detection**"), dental treatment planning through clinical dental support system and clinic management system through integrated dental management system ("**IDMS**"). It has successfully rolled out IDMS and AI Detection to the Group's clinics in Singapore and IDMS to the Group's clinics in Malaysia. EM2AI has a wholly owned subsidiary, EM2AI Sdn. Bhd. (collectively with EM2AI, the "**EM2AI Group**").

- 2.2 As at the date of this announcement, EM2AI has an issued and paid-up share capital of S\$100,000 comprising of 100,000 EM Shares, which are owned by the Company. As at the date of this announcement, the directors of EM2AI are San Yi Leong @ Tan Yi Leong ("**Ryan San**"), Dr. Ng and the Group's Chief Financial Officer, Ng Sook Hwa.
- 2.3 EM2AI is a loss-making entity and has incurred S\$3,498,000 of losses since its incorporation and up to 30 June 2023 on a consolidated basis. As at the date of this announcement, its sole customer is the Group.

3 INFORMATION ON THE INVESTOR

- 3.1 The Investor is a private company incorporated in Singapore on 28 June 2023 with an issued and paid-up share capital of S\$100 comprising 100 shares. It is an investment holding company and as at the date of this announcement, its shareholding structure is as follows:

<u>Name of Shareholder</u>	<u>Shareholding Percentage</u>	<u>Relationship with the Group</u>
Dr. Ng	77%	Executive Director and Group Chief Executive Officer
Dr. Raymond	12%	Executive Director and Group Chief Operating Officer
Ryan San	6%	Chief Executive Officer of EM2AI and husband of Ng Sook Hwa
Other Shareholders	5%	Other employees of the Group
Total	100%	

- 3.2 As at the date of this announcement, the directors of the Investor are Dr. Ng, Dr. Raymond and Ryan San.
- 3.3 The Company understands that upon completion of the Proposed Investment, the Investor will source further funding to continue supporting EM2AI with its future funding requirements. Such funding into the Investor is likely to take place by way of equity financing and the existing shareholders of the Investor will dilute proportionately if such further funding materialises. It is the intention of Dr. Ng to maintain a 51% shareholding in the Investor following completion of any such future funding into the Investor.

4 PRINCIPAL TERMS OF THE JV AGREEMENT

4.1 Proposed Price and Valuation

As stated above, under the JV Agreement, the Investor and the Company will subscribe for new EM Shares in the following manner:

<u>Name</u>	<u>Number of new EM Shares</u>	<u>Consideration Payable</u>	<u>Resultant % in EM2AI</u>
Investor	1,606,500	S\$1,606,500	51%

Company	1,443,500	S\$1,443,500 ¹	49% ²
---------	-----------	---------------------------	------------------

Note:

1. Payable through the Partial Loan Conversion.
2. Includes the initial 100,000 EM Shares held by the Company.

The Investment Price was arrived at following arm's length negotiations between EM2AI, the Company and the Investor on a willing-buyer and willing-seller basis, taking into consideration the value of EM2AI's registered capital, the financial position, the future business prospects of EM2AI and independent valuation conducted on EM2AI.

In connection with the Proposed Investment, the Company had appointed Navi Corporate Advisory Pte Ltd (the "**Valuer**") to conduct an independent valuation on the EM2AI Group. Based on the valuation report dated 29 December 2023 issued by the Valuer (the "**Valuation Report**"), the market value of 100% of the EM2AI Group (after capitalising the related party payable of S\$1,443,500) ranges from S\$700,000 to S\$900,000 (rounded) as at 30 November 2023. The valuation is performed based on a cost approach with reference to the market approach.

4.2 **Interest Free Loan**

Upon the Partial Loan Conversion, EM2AI will owe the Company an amount of S\$3,556,500 of the Loan. As upon completion of the Proposed Investment, the Investor will become a 51% shareholder of EM2AI, the Investor has agreed to provide an interest free loan of S\$3,701,663 to EM2AI within one (1) year from completion of the Proposed Investment ("**Investor Loan**"). The terms of the Investor Loan will be the same as the terms of the Loan. The Investor Loan will ensure that EM2AI has sufficient working capital going forward and will also make the risks and rewards of the joint venture under the JV Agreement proportionate to the equity of each of the Investor and the Company.

4.3 **Conditions Precedent**

The Proposed Investment and Partial Loan Conversion is conditional upon, *inter alia*, the following:

- (a) if required, approval of the Shareholders having been obtained for the Proposed Investment at an extraordinary general meeting;
- (b) all approvals, confirmations, authorisations, registrations, licences, waivers and/or consents (whether governmental, corporate or otherwise or from financial institutions or any third parties) which are necessary to be obtained in respect of or in connection with the transactions contemplated by the JV Agreement being granted or obtained, and the same remaining in full force and effect and not being withdrawn or amended on or before completion, and to the extent that such approvals, confirmations, authorisations, registrations, licences, waivers and/or consents are subject to any conditions required to be fulfilled before completion, all such conditions having been duly so fulfilled;
- (c) the allotment and issuance of the new EM Shares to the Investor under the Proposed Investment and to the Company under the Partial Loan Conversion not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the JV Agreement by any legislative, executive or regulatory body or authority of Singapore or any other applicable jurisdiction; and

- (d) the warranties in the JV Agreement remaining true and correct in all material respects as at the date of completion of the Proposed Investment and EM2AI having performed all its obligations to be performed on or before the date of completion of the Proposed Investment.

If any conditions precedent under the JV Agreement is not satisfied on or before the cut-off date, being the date falling four (4) weeks from the date of the JV Agreement, or such other date as may be agreed between the parties in writing, the JV Agreement shall terminate and no party shall have any claim against the other party in respect of the JV Agreement save for any antecedent breach thereof.

4.4 **Completion**

Completion of the Proposed Investment and the Partial Loan Conversion will take place on the date falling three (3) business days after the last of the conditions precedent in the JV Agreement is satisfied, or such other date as may be agreed between the parties in writing.

The entity is consolidated because although the Group does not own, directly or indirectly through subsidiaries, more than half of the voting power of the entity, it is able to govern the financial and operating policies of the entity.

4.5 **Further Fund Raising**

The JV Agreement provides that the parties will use their best endeavours to procure that all future funding requirements of EM2AI are met by external funding (including external borrowing and/or third-party funding through the issuance of securities of EM2AI).

In the event that EM2AI is unable to procure such external funding and the Investor agrees to fund EM2AI through subscription of new EM Shares or other securities of the Company, whether through fresh funds or capitalisation of the Investor Loan ("**Further Investor Funding**"), the Company will have the right but not the obligation, to participate in such Further Investor Funding to maintain its 49% shareholding in EM2AI by providing a written notice to EM2AI. The consideration due from the Company in respect of the Further Investor Funding will be satisfied by setting-off such amount against the remainder of the Loan (to the extent possible), or if the Loan is fully exhausted, then by cash. EM2AI will appoint an independent valuer to determine its value for such Further Investor Funding.

For the avoidance of doubt, in the event that a third-party investor provides equity funding to EM2AI, both the Investor and the Company's shareholdings in EM2AI will be diluted proportionately.

4.6 **Board of Directors**

The Investor will have the right to appoint two (2) directors to the board of directors of EM2AI and the Company will have the right to appoint one (1) director to the board of directors of EM2AI. While all decisions of the board of EM2AI will be taken by simple majority, certain decisions (e.g., changes to the constitution of EM2AI, selling of assets or taking of loans beyond a specified amount etc.) will require the unanimous approval of both the Investor and the Company.

4.7 Risks and Reward

It is expressly stipulated in the JV Agreement that parties will at all times, ensure that risks and rewards of each of the Company and the Investor in respect of EM2AI are proportionate to the respective equity interest of each of the Company and the Investor in EM2AI.

4.8 Transfers of Shares

The JV Agreement contains a right of first refusal whereby if any party desires to transfer all or some of its shares in EM2AI, the transferring party must first offer those shares to the other party on the same terms. Further, the JV Agreement also contains a tag-along right, which stipulates that if any party, after first having complied with the provisions of the right of first refusal, intends to sell its shares to a third-party, the other party has the option to "tag along" in the sale on the same terms and conditions as offered to the selling shareholder. In compliance with the Listing Manual, if required, shareholders' approval will be sought before the Company exercises its tag-along right.

5 RATIONALE FOR THE PROPOSED INVESTMENT

The Directors are of the opinion that the Proposed Investment is beneficial for the Group as this will strengthen the Group's financial position and improve its cash flow for the following reasons:

- (a) as stated above, EM2AI is a loss-making company and its activities require significant capital investment, specifically in the research and development (R&D) department. The Company has already provided the Loan to EM2AI. With the Proposed Investment, the primary responsibility for providing cash flow to EM2AI will be shifted to the Investor. So long as the Loan is outstanding, the Company can maintain its 49% stake in EM2AI without investing any further funds. Funds saved by the Company in respect of further funding requirements of EM2AI can be deployed by the Group to its core activities;
- (b) by divesting majority control of EM2AI, the Group will effectively minimise its capital investment in EM2AI during its growth stage. The Investor will contribute majority of the investment required for EM2AI to be a revenue generating entity. The Group, with its minority stake, will benefit from the growth of EM2AI without having to invest substantially into EM2AI;
- (c) AI-empowered solutions is a new venture in the dental industry and the level of acceptance is uncertain. There is uncertainty and risks associated with such businesses. While the working capital requirement is high, it is difficult to estimate when the business will become profitable. The Proposed Investment will allow the Group to mitigate such risks and at the same time continue to participate in the growth of EM2AI;
- (d) the Investor is controlled by Dr. Ng, who is the Chief Executive Officer of the Group. The Proposed Investment demonstrates the confidence of the Group's management in the business of EM2AI as well as their commitment to deliver value to Shareholders by undertaking to invest majority of the working capital requirements of EM2AI at its growth stage; and
- (e) by agreeing to invest S\$1,606,500 for 51% of EM2AI, the Investor has effectively valued EM2AI at S\$3,150,000. This valuation is significantly higher than the value attributed to EM2AI in the Valuation Report.

6 INTERESTED PERSON TRANSACTION

6.1 Proposed Investment as an Interested Person Transaction

Chapter 9 of the Listing Manual governs transactions a listed company or any of its subsidiaries or associated companies enters into or proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with it that may adversely affect the interests of the listed company or its shareholders.

For the purposes of Chapter 9 of the Listing Manual:

- (a) an "entity at risk" means a listed company, a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange or an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company;
- (b) an "interested person" means a director, chief executive officer or controlling shareholder of a listed company, or an Associate (as defined in the Listing Manual) of such director, chief executive officer or controlling shareholder; and
- (c) an "interested person transaction" means a transaction between an entity at risk and an interested person and includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

As at the date of this announcement, EM2AI, being a wholly owned subsidiary of the Company that is not listed on the SGX-ST or an approved exchange, is an entity at risk as defined under Chapter 9 of the Listing Manual. Further, the Investor is considered an "interested person" as defined in Rule 904(4) of the Listing Manual and the Proposed Investment thus constitutes an interested person transaction under Chapter 9 of the Listing Rules.

6.2 Exception to the Requirement for Shareholders' Approval and Statement of the Audit Committee

Rule 916(2) of the Listing Manual provides that investment in a joint venture between an issuer and an interested person is not required to comply with the requirement to obtain shareholders' approval under Rule 906 of the Listing Manual if:

- (a) the risks and rewards are in proportion to the equity of each joint venture partner;
- (b) the issuer confirms by an announcement that its audit committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders; and
- (c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.

The audit committee of the Company comprises Ng Weng Sui Harry, Narayanan Sreenivasan, Toh Chooi Gait (the "**Audit Committee**"). In compliance with Rule 916(2)(b) of the Listing Manual, the Audit Committee, having considered the terms and conditions of the Proposed Investment under the JV Agreement, is of the view that the risks and rewards of the Proposed Investment are in proportion to the equity of each joint venture partner and the terms of the Proposed Investment are not prejudicial to the interests of the Company and its minority shareholders.

The Company also confirms that the Investor has no existing shareholding in EM2AI.

As the Proposed Investment meets the requirements of Rule 916(2) of the Listing Manual, approval by the Shareholders is not required for the Proposed Investment and the entry by the Company into the JV Agreement.

Save as disclosed above, there are no other disclosable interested person transactions entered into by the Company.

6.3 **Post-completion**

Upon completion of the Proposed Investment and Partial Loan Conversion, all transactions between the Company and EM2AI will be considered interested person transactions for the purposes of Chapter 9 of the Listing Manual. Depending on the quantum of such transactions between the Company and EM2AI, the Company will assess and consider if it is appropriate to seek a general mandate from its Shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day transactions, which are considered to be interested person transactions for the purposes of Chapter 9 of the Listing Manual ("**IPT Mandate**").

7 **FINANCIAL EFFECTS OF THE PROPOSED INVESTMENT**

7.1.1 **Bases and Assumptions**

For illustrative purposes only, the pro forma financial effects of the Proposed Investment set out below were prepared based on the Group's latest audited financial statements for FY2022 and subject to, *inter alia*, the following assumptions:

- (a) the pro forma financial effects of the Proposed Investment on the share capital, NTA per share of the Group ("**Shares**"), earnings/loss per Share and net gearing of the Group are set out below and are prepared purely for illustration only and do not reflect the actual future financial situation of the Company or the Group after the completion of the Proposed Investment;
- (b) for purposes of computing the effect of the NTA value attributable per Share and net gearing of the Group, it is assumed that the Proposed Investment had been completed on 31 December 2022;
- (c) for purposes of computing the effect of the Proposed Investment on the earnings/loss per Share, it is assumed that the Proposed Investment was completed on 1 January 2022; and
- (d) the expenses incurred in connection with the Proposed Investment amount to approximately S\$55,000.

7.1.2 NTA per Share

	Before the Proposed Investment	After the Proposed Investment
NTA ⁽¹⁾ (S\$)	35,304,000	35,568,000
Total Number of Shares	946,442,940	946,442,940
NTA per Share (cents)	3.73	3.76

Note:

(1) NTA means total assets less the sum of total liabilities, goodwill and intangible assets.

7.1.3 Earnings/Loss per Share

	Before the Proposed Investment	After the Proposed Investment
Earnings/Loss attributable to the owners of the Company (S\$)	11,309,000	11,817,000
Weighted average number of issued shares	940,842,940	940,842,940
Earnings/Loss per Share - Basic (cents)	1.20	1.26

7.1.4 Net Gearing

	Before the Proposed Investment	After the Proposed Investment
Net debt (S\$)	45,352,000	43,800,000
Total equity (S\$)	102,248,000	103,800,000
Net gearing ratio ⁽¹⁾ (times)	0.44	0.42

Note:

(1) Net gearing ratio is defined as net debt divided by total equity. The Group includes interest bearing bank loans less cash and bank balances.

7.1.5 Share Capital

	Before the Proposed Investment	After the Proposed Investment
Issued share capital (S\$)	75,223,000	75,223,000
Number of Shares	946,442,940	946,442,940

8 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors or substantial Shareholders has any interest, direct or indirect, in the Proposed Investment (other than their direct or indirect shareholdings in the Company).

For the avoidance of doubt, Dr. Ng and Dr. Raymond, being interested in the Proposed Investment and Partial Loan Conversion, has refrained from participating in the Board's deliberation in respect of these transactions and have abstained from voting on all resolutions of the Board in respect of the Proposed Investment and Partial Loan Conversion.

9 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Investment, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

10 DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the JV Agreement and the Valuation Report are available for inspection by the Shareholders at the registered office of the Company at 2 Clementi Loop, #04-01, Logis Hub @ Clementi, Singapore 129809 during normal office hours for three (3) months from the date of this announcement.

11 CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading in the shares of the Company as there is no certainty or assurance as at the date of this announcement that the Proposed Investment will proceed to completion. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the action they should take. The Company will make further announcements if and when there are any material developments regarding the transactions contemplated herein as and when appropriate.

By Order of the Board

Ng Sook Hwa
Chief Financial Officer
25 January 2024