



Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration Number 200800507R)

(Incorporated in the Republic of Singapore)

MEMORANDUM OF UNDERSTANDING FOR THE ACQUISITION OF 51% STAKE IN RONGCHENG CITY SHIDAO MEICHEN HOSPITAL & RONGCHENG CITY MEICHEN STOMATOLOGY POLYCLINIC

1. INTRODUCTION

1 The Proposed Acquisition

The Board of Directors of Q & M Dental Group (Singapore) Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wish to announce that a wholly owned subsidiary, Q & M Dental Holdings (China) Pte. Ltd. (“**Q&M China**”) had, on 29 November 2013, entered into a non-binding Memorandum of Understanding (the “**MOU**”), to acquire fifty one per cent (51%) stake in the dental hospital known as Rongcheng City Shidao Meichen Hospital from Mr Liu Yuguang (“**Mr Liu**”) and also fifty one per cent (51%) stake in the dental polyclinic known as Rongcheng City Meichen Stomatology Polyclinic from Ms Wang Deping (“**Ms Wang**”), both located in the city of Weihai, Shandong Province, People’s Republic of China (“**PRC**”).

2. THE PROPOSED ACQUISITION

2.1 Purchase of the Sale Shares

Pursuant to the MOU, Q&M China will purchase 51% of the shares in a management company to be incorporated to acquire the dental hospital and the dental polyclinic from Mr Liu and Ms Wang (“**Sale Shares**”) for the consideration of RMB 17.85 million (approximately S\$3.57 million) (“**Purchase Consideration**”). The Purchase Consideration shall be paid in Company shares which have a sale moratorium of five (5) years.

Dr Shao Yongxin, current owner of the Aoxin Dental Group located in Shenyang, PRC, will purchase 9% of the shares in the management company for consideration of RMB 3.15 million (approximately \$603,000) from Mr Liu and Ms Wang. Dr Shao will pay in cash for the shares purchased by him.

2.2 Purchase Consideration for the Proposed Acquisition

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*, current market conditions, the prospects of dental hospital and dental polyclinic and the strategic merits of the acquisition as set out in more detail in section 4 of this Announcement.

The shares will be allotted by the Company to Mr Liu and Ms Wang, 21 days after the registration of the Sale Shares in the management company to the Q&M China and after necessary approvals by the relevant governmental authorities. Dr Shao will pay for the shares acquired by him in cash concurrently. The expected date of completion of the proposed acquisition is 1 May 2014.

2.3 Key Terms of MOU

The proposed acquisition is subject to the following key terms:-

- (a) Mr Liu and Ms Wang shall incorporate a management company and inject the assets and business of the following dental hospital and dental polyclinic into the management company:-
 - (i) Rongcheng City Shidao Meichen Hospital; and
 - (ii) Rongcheng City Meichen Stomatology Polyclinic.
- (b) Q&M China being satisfied with the legal, finance and operational due diligence of the dental hospital, polyclinic and the management company and subject to approval of the Company's Board Of Directors, shareholders of the Company and Singapore Stock Exchange (if required).
- (c) Mr Liu and Ms Wang shall transfer the dental hospital and dental polyclinic to the management company free of any liabilities, encumbrances, pledges, mortgages or any form of restrictions.
- (d) Both the dental hospital and dental polyclinic having a Net Tangible Asset of RMB 6.5 million (approximately S\$1.3 million).
- (e) Execution of definitive agreements in respect of the proposed acquisition by Q&M China , Mr Liu and Ms Wang.
- (f) Mr Liu and Ms Wang have agreed to provide a minimum profit guarantee annually starting from 2014 for a period of 12 years with for the total amount of RMB 36 million.
- (g) Mr Liu and Ms Wang have agreed to pledge their remaining 40% shares in the management company for the performance of the profit guarantee to the Company.
- (h) Mr Liu and Ms Wang have agreed to deposit one year of profit guarantee into an escrow amount as security for the performance of the profit guarantee.
- (i) Mr Liu shall execute a 12 year employment contract with the management company

3. INFORMATION ON THE DENTAL HOSPITAL AND DENTAL POLYCLINIC

3.1 Background and Principal Activities

The dental hospital and dental clinic is currently located in Rongcheng in Weihai City, Shandong Province, PRC. The dental hospital is located within a 5 storey medical hospital and has over 14 dental chairs. The dental hospital employs 15 dentists with equipment such as panoramic x-ray machines and also provides specialist dental services such as paediatric dentistry section. The dental polyclinic has 17 dental chairs with 13 dentists and occupies 2 floors and also has the latest x-ray machines.

3.2 Financial Information

The Net Tangible Asset of both the dental hospital and polyclinic as stated by Mr Liu and Ms Wang is RMB 6.5 million (approximately S\$1.3 million) and the same shall be transferred to the management company. The Company will carry out its due diligence prior to completion of the proposed acquisition.

4. RATIONALE AND BENEFITS

The Group has built a successful network of dental clinics in Singapore, providing both general practitioner and specialist services. The Group has embarked on expanding its dental business overseas and had ventured into 2 countries, namely Malaysia and People's Republic of China ("PRC").

The proposed acquisition will enhance the Group's plan to increase its presence in Northern China. The Group has executed two MOUs with 2 dental groups in Liaoning and a MOU with dental material supplier in Hebei in the last 6 months. The dental hospital and dental polyclinic will enhance the services that can be provided by the Group in North Eastern China.

Dr Shao Yongxin who is selling 60% of his stake in Aoxin Dental Group to the Company as announced on 13 November 2013, is a key partner for the Company's expansion plans and will provide dental training support to the new acquisitions. Dr Shao who is also a part time teaching professor at the dental faculty of Liaoning Medical University, is able to utilize his teaching network to train and recruit more dentists for the proposed acquisition.

5. FURTHER COMPLIANCE OBLIGATIONS

The Company anticipates that if the definitive agreements are executed, it may constitute a transaction under Chapter 10 of the Listing Manual of the SGX-ST. The Company will comply with the relevant requirements of Chapter 10 of the Listing Manual of the SGX-ST in a timely manner as the matter progresses. The Board will also update shareholders on any new and significant developments arising in respect of the Proposed Acquisition.

6. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition. As at the Announcement Date, none of the Directors or controlling shareholders of the Company holds any shares in the dental hospital or dental polyclinic, directly or indirectly.

8. DOCUMENTS FOR INSPECTION

A copy of the MOU is available for inspection by shareholders of the Company at the registered office of the Company at 67 Ayer Rajah Crescent #05-12/14 Singapore 139950 during normal business hours for a period of three months from the date of this Announcement.

By Order of the Board

Q & M Dental Group (Singapore) Limited

Dr. Ng Chin Siau

Group Chief Executive Officer

2 December 2013

About Q & M Dental Group (全民牙医集团 (新加坡) 有限公司)

Q & M Dental Group [QC7.SI] is a growing private dental healthcare group in Asia. The Group operates the largest network of dental outlets in Singapore and is building its presence in the People's Republic of China ("PRC") and Malaysia.

Founded in 1996, Q & M Dental Group has built an established brand through its reputation as a reliable provider of quality dental healthcare services. In Singapore, the Group has 52 dental clinics strategically located island-wide, four dental centres and one mobile dental clinic. It also owns two dental supplies and equipment distribution companies. The Group has a team of about 180 experienced dentists, supported by about 300 clinic support staff, to provide quality service to its patient pool of more than 450,000 island-wide.

Q & M Dental Group is presently executing plans to expand its presence in the overseas markets. To-date, the Group has invested in two dental healthcare groups in the PRC that operate a total of seven dental clinics, one dental centre and a mobile

dental clinic in Beijing and Nanjing cities. It operates two clinics in Shanghai. It also has operates 8 clinics in Malaysia and a dental equipment distribution company.

The Group was listed on the Main Board of the SGX-ST on 26 November 2009. For further information on Q & M Dental Group, please visit the Group's website at www.QandMDental.com.sg

For more information please contact:

General Counsel

V Subramaniam Tel: 6779 3432 Email: subra@qandm.com.sg

Chief Financial Officer

Vitters Sim Yu Xiong Tel: 6779 7371 Email: vitters@qandm.com.sg