



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

**PROPOSED ACQUISITION OF SMILEBAY DENTAL CLINICS
LOCATED IN PENANG, MALAYSIA**

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 points of agreement dated 22 June 2015 (the "**POA**") with Dr. Yong Peng San ("**Dr. Yong**"), Tong Hiew Yu, Dr. Tan Pui Ling ("**Dr. Tan**"), Dr. Lim Sze Ming ("**Dr. Lim**") (collectively the "**Vendor Shareholders**") to acquire (the "**Proposed Acquisition**") 60% of the shareholding ("**Sale Shares**") in the following companies:

- (a) Yong Dental Sdn Bhd (Company registration number: 602054-A) a company incorporated in Malaysia and having its registered office at 1B (2nd Floor), Room B, Jalan Todak 5, Pusat Bandar Seberang Jaya, 13700 Prai, Penang, Malaysia ("**Yong Dental**") and having an issued and paid-up share capital of RM 100,000 comprising of 100,000 ordinary shares;
- (b) Smilebay Dental Sdn Bhd (Company registration number: 1067229-K) a company incorporated in Malaysia and having its registered office at 1B (2nd Floor), Room B, Jalan Todak 5, Pusat Bandar Seberang Jaya, 13700 Prai, Penang, Malaysia ("**Smilebay Dental**") and having an issued and paid-up share capital of RM 50,000 comprising of 50,000 ordinary shares; and
- (c) Smilebay (BW) Sdn Bhd (Company registration number: 1145151-X) a company incorporated in Malaysia and having its registered office at 1B (2nd Floor), Room B, Jalan Todak 5, Pusat Bandar Seberang Jaya, 13700 Prai, Penang, Malaysia ("**Smilebay (BW)**") and having an issued and paid-up share capital of RM 100,000 comprising of 100,000 ordinary shares.

(Collectively known as the "**Smilebay Dental Clinics**").

2. INFORMATION ON THE SMILEBAY DENTAL CLINICS

2.1 Background and Principal Activities of the Smilebay Dental Clinics

- (a) As at the date of this announcement, the shareholding structures of the Smilebay Dental Clinics are as follows:

Yong Dental Sdn Bhd

Sl. No	Name	Number of shares	Percentage
1.	Yong Peng San	49,999	49.999%
2.	Tong Hiew Yu	25,001	25.001%
3.	Tan Pui Ling	25,000	25
	Total	100,000	100%

Smilebay Dental Sdn Bhd

Sl. No	Name	Number of shares	Percentage
1.	Yong Peng San	30,000	60%
2.	Tong Hiew Yu	20,000	40%
	Total	50,000	100%

Smilebay (BW) Sdn Bhd

Sl. No	Name	Number of shares	Percentage
1.	Yong Peng San	55,000	55%
2.	Tong Hiew Yu	5,000	5%
3.	Lim Sze Ming	40,000	40%
	Total	100,000	100%

(b) Founded in 1999, the Smilebay Dental Clinics operates 6 dental clinics in Penang, Malaysia.

2.2 Net Tangible Assets of the Smilebay Dental Clinics

Based on the audited accounts of Yong Dental Sdn Bhd for the financial year ended 31 December 2013 (“**Yong Dental FY13 Accounts**”), the net tangible assets of Yong Dental Sdn Bhd was approximately RM 1.42 million.

The Company understands that Yong Dental Sdn Bhd and Smilebay Dental Sdn Bhd are in the process of finalising its management accounts for the financial year ended 31 December 2014 (“**2014 Management Account**”) and will make the necessary announcements upon receiving the 2014 Management Account. Smilebay (BW) Sdn Bhd was incorporated in 2015 and does not have any accounts as at the date of this Announcement. .

2.3 Net Profits of the Smilebay Dental Clinics

Based on the Yong Dental FY13 Accounts, the net profits after tax of Yong Dental Sdn Bhd was approximately RM 237,000 based on a turnover of approximately RM 5.1 million.

3. THE PROPOSED ACQUISITION

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

3.1 Purchase of the Sale Shares

The Company will acquire 60% of the shareholding in the Smilebay Dental Clinics from the Vendor Shareholders for a total consideration of RM 12.29 million (the “**Purchase Consideration**”) to be paid in the following manner:

- (a) RM 6.774 million in cash to the Vendor Shareholders;
- (b) RM 4.516 million worth of the Company’s shares at an issue price of 90% of the weighted average price for trades done on the shares of the Company on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 19 June 2015, being the preceding full market day on which shares of the Company were traded on the SGX-ST prior to the signing of the POA) or S\$0.72 per share, whichever is higher (the “**Consideration Shares**”). The Consideration Shares will be issued to Dr. Yong; and
- (c) The Company shall increase the issued capital of the Smilebay Dental Clinics by RM 1 million in whatever proportion deemed necessary by the Company within 1 month of completion.

The foreign currency exchange rate applicable to the Purchase Consideration shall be based on the foreign currency exchange rate of RM 2.79 to S\$1.

3.2 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 the Smilebay Dental Clinics, Dr. Yong, Dr. Tan and Dr. Lim's expertise and the strategic merits of the Proposed Acquisition.

3.3 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 the Smilebay Dental Clinics 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 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;
- (c) the Company obtaining such approval(s) in connection with the POA 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;
- (d) approval in-principle being obtained from the SGX-ST for the admission to, listing, dealing and quotation of the Consideration Shares on the Official List of the Main Board of the SGX-ST;
- (e) the allotment, issue and subscription of the Consideration Shares not being prohibited by any statute, order, rule, regulation, directive or request promulgated or issued by any legislative, executive or regulatory body or authority of Singapore or elsewhere, which is applicable to the Smilebay Dental Clinics and/or the Company;
- (f) the Company or the Smilebay Dental Clinics not having received notice of any claim, action, injunction, order, directive or notice restraining or prohibiting the entering into or the consummation of the transactions contemplated by the POA or seeking damages or other recourse in respect thereof, or notice that any of the foregoing is pending or threatened;
- (g) there being no event having occurred which has or could reasonably be expected to have a material adverse effect on the business, operations, assets, financial condition or prospects of the Smilebay Dental Clinics; and
- (h) the Vendor Shareholders supplying, or procuring the Smilebay Dental Clinics or its respective representatives to supply to the Company, evidence satisfactory to the Company, that the Smilebay Dental Clinics are free of any debt or liability of any nature whatsoever (whether actual, contingent or otherwise) as at the completion date. In the event that there is any debt or liability remaining as at the completion date, the Company shall be entitled to, at its sole discretion, give its written approval to allow the Vendor Shareholders to discharge said debt or liability within 1 month from completion date. Any liability due to the Vendor Shareholders from the Smilebay Dental Clinics for any reason whatsoever shall be unconditionally waived by the Vendors or capitalised into the Smilebay Dental Clinics at the Company's sole discretion.

Moratorium

The Consideration Shares shall be subject to a 5-year moratorium period whereby Dr. Yong will not be allowed to sell, transfer, mortgage, charge, pledge, grant an option over, or otherwise dispose of or create any encumbrances over any of the Consideration Shares.

During the moratorium, Dr. Yong shall only be allowed to sell the Consideration Shares in conjunction with any vendor sale shares by Quan Min Holdings Pte. Ltd. in a proportionate manner.

Service Agreement

Dr. Yong, Dr. Tan and Dr. Lim have each agreed to sign a 12-year full time service agreement with the Company. Dr. Yong undertakes to procure all 5 existing dentists (excluding Dr. Yong, Dr. Tan and Dr. Lim) to each sign a 6-year full time service agreement with the Company.

Profit Guarantee

The POA further provide that Dr. Yong guarantees (the “**Profit Guarantee**”) that the audited net profits after taxation of the Smilebay Dental Clinics for every two year period (“**Profit Guarantee Period**”) for a total of twelve years shall not be less than the following amounts (“**Profit Guarantee Amount**”):

- (a) 1 July 2015 – 30 June 2016: RM 1,500,000;
- (b) 1 July 2016 – 30 June 2017: RM 1,575,000;
- (c) 1 July 2017 – 30 June 2018: RM 1,653,750;
- (d) 1 July 2018 – 30 June 2019: RM 1,736,437.50;
- (e) 1 July 2019 – 30 June 2020: RM 1,823,259.38;
- (f) 1 July 2020 – 30 June 2021: RM 1,914,422.34;
- (g) 1 July 2021 – 30 June 2022: RM 2,010,143.46;
- (h) 1 July 2022 – 30 June 2023: RM 2,110,650.63;
- (i) 1 July 2023 – 30 June 2024: RM 2,216,183.17;
- (j) 1 July 2024 – 30 June 2025: RM 2,326,992.32;
- (k) 1 July 2025 – 30 June 2026: RM 2,443,341.94;
- (l) 1 July 2026 – 30 June 2027: RM 2,565,509.04,

For the avoidance of doubt, the Profit Guarantee Period and Profit Guarantee Amount is to be adjusted or prorated (as the case may be) according to actual completion date.

Dr. Yong further guarantees that the Company shall receive 60% of the Profit Guarantee Amount for every Profit Guarantee Period as set out below:

- (a) 1 July 2015 – 30 June 2016: RM 900,000;
- (b) 1 July 2016 – 30 June 2017: RM 945,000;
- (c) 1 July 2017 – 30 June 2018: RM 992,250;
- (d) 1 July 2018 – 30 June 2019: RM 1,041,862.50;
- (e) 1 July 2019 – 30 June 2020: RM 1,093,955.63;
- (f) 1 July 2020 – 30 June 2021: RM 1,148,653.41;
- (g) 1 July 2021 – 30 June 2022: RM 1,206,086.08;
- (h) 1 July 2022 – 30 June 2023: RM 1,266,390.38;
- (i) 1 July 2023 – 30 June 2024: RM 1,329,709.90;
- (j) 1 July 2024 – 30 June 2025: RM 1,396,195.39;
- (k) 1 July 2025 – 30 June 2026: RM 1,466,005.16;
- (l) 1 July 2026 – 30 June 2027: RM 1,539,305.42,

On completion day, Dr. Yong shall pay to the Company the sum of RM 900,000 as a security of his obligations under the Profit Guarantee. In the event that the Profit Guarantee is not met for any Profit Guarantee Period or the Smilebay Dental Clinics suffer a loss, Dr. Yong shall have to make good the shortfall in Profit Guarantee and/or make good the losses suffered by the Smilebay Dental Clinics up until the Profit Guarantee Amount.

Long Stop Date

If the completion of the Proposed Acquisition does not take place within 12 months from the date of the POA, the POA shall ipso facto cease and terminate.

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 Vendor Shareholders on the ownership of the Sale Shares, the business of the Smilebay Dental Clinics, employment and tax related matter as well as the corresponding indemnities.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Company's plan to continue the expansion of its main dental business in Malaysia and allows the Company to add 6 fully operational clinic in Penang, Malaysia.

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. DISCLOSURE OBLIGATIONS

The Proposed Acquisition constitutes a "non-discloseable" transaction under Chapter 10 of the Listing Manual and 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.

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

Vitters Sim
Chief Financial Officer
22 June 2015

For more information please contact:

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