



Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 200800507R)

-
- **GRANT OF CALL OPTION TO HERITAS HELIOS INVESTMENTS PTE. LTD.**
 - **PARTIAL LIFTING OF MORATORIUM IN RESPECT OF DR. KOH SHUNJIE, KELVIN AND DR. KOH SHUHUI, FELICIA**
-

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 call option agreement dated 24 May 2014 (the “**Call Option Agreement**”) with Heritas Helios Investments Pte. Ltd. (“**HHI**”, and together with the Company, the “**Parties**”). Pursuant to the terms of the Call Option Agreement, the Company will grant to HHI a call option to subscribe for up to 63,000,000 new ordinary shares in the capital of the Company (the “**Call Option Shares**”) at the Issue Price (as defined below) for each Call Option Share (the “**Call Option**”).

2. CALL OPTION SUBJECT TO SHAREHOLDERS’ APPROVAL

Quan Min Holdings Pte. Ltd. (“**QMH**”), Dr. Koh Shunjie, Kelvin (“**KSK**”) and Dr. Koh Shuhui, Felicia (“**KSF**”), shareholders of the Company (QMH and KSK are substantial shareholders of the Company), have notified the Company that they have entered into a sale and purchase agreement with HHI to collectively sell 60,545,300 shares in the capital of the Company (the “**Shares**”), representing approximately 10.00% of the issued and paid-up share capital of the Company as at the date of this Announcement (the “**Proposed Sale**”). Shareholders of the Company (the “**Shareholders**”) should note that Dr. Ng Chin Siau, Dr. Ng Jet Wei, and Dr. Ang Ee Peng Raymond, directors of the Company, are shareholders of QMH.

Upon completion of the Proposed Sale, HHI will be a substantial shareholder of the Company. As such, the issuance of the Call Option Shares are subject to, amongst others, the approval of the Shareholders in an extraordinary general meeting to be convened (“**EGM**”) pursuant to Rule 812 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

3. INFORMATION ON HHI AND RATIONALE FOR THE GRANT OF CALL OPTION

HHI is a private equity fund based in Singapore which is managed by Heritas Capital Management Pte. Ltd. (“**HC MPL**”). HC MPL is a fund manager based in Singapore and manages investments in various asset classes including public securities and private equity across global markets. HHI focuses on investments in the Asian healthcare sector. Under the management of HC MPL, HHI adopts a long-term approach focused on growth and

sustainability and seeks to create value through active strategic and financial partnerships with portfolio companies. HCMPL complements its investment expertise by leveraging the extensive business reach of its key sponsor, the IMC Group, to create synergies for its portfolio companies. The call option enables HHI to continue its financial investment and strategic partnership interests with the Company.

4. SALIENT TERMS OF THE CALL OPTION AGREEMENT

4.1 Call Option

Under the terms of the Call Option Agreement, HHI has the right to exercise the Call Option at any time during the period commencing from the date that the conditions in paragraphs 4.3(i) and (ii) of this announcement are fulfilled to the date falling two (2) years from the date of execution of the Call Option Agreement, or any other period as may be mutually agreed between the Parties (the “**Option Period**”).

The Call Option may be exercised by HHI in respect of all or part of the Call Option Shares, by serving on the Company notice(s) (the “**Notice**”) at any time during the Option Period. For the avoidance of doubt, the Call Option may be exercised any number of times by HHI, subject to each such exercise being in respect of at least 20,000,000 Shares.

The Call Option Shares, when issued, shall be free from all claims, charges, liens, equities and other encumbrances whatsoever and with all rights attaching thereto on the date of completion of the issuance of the Call Option Shares (the “**Completion Date**”).

The Call Option Shares will be issued by way of private placement in accordance with Section 272B of the Securities and Futures Act, Chapter 289 of Singapore. As such, no prospectus or offer information statement will be issued by the Company in connection therewith.

4.2 Issue Price

The issue price for the Call Option Shares shall be calculated at a 10% discount to the relevant weighted average price of the Shares for trades done on the SGX-ST for the thirty-day period prior to the date of Notice (the “**Notice Date**”), but shall not be priced at lower than the minimum price of S\$0.48 per Call Option Share (the “**Issue Price**”).

For the avoidance of doubt, the Issue Price shall be adjusted proportionately in the event that the Company undertakes a stock split, reverse stock split, capitalisation issue, rights issue, capital reduction or distribution, such adjustment to be certified by auditors of the Company for the time being, acting as an independent expert.

The Issue Price was determined through negotiations between the Company and HHI on a commercial and willing buyer and willing seller basis.

The weighted average price of the Shares for trades done on the SGX-ST for the full market day on 21 May 2014 up to the time of the Company’s trading halt on 22 May 2014 was S\$0.470 (the “**Benchmark Price**”). As such, the minimum Issue Price of S\$0.48 represents a premium of 2.13% to the Benchmark Price.

4.3 Conditions Precedent

Completion of the issuance of the Call Option Shares is conditional upon, *inter alia*, the following:

- (i) the approval in-principle for the listing and quotation of the Call Option Shares on the main board of the SGX-ST being obtained from the SGX-ST and not having been revoked or amended and, where such approval is subject to conditions (only such conditions which are not normally imposed by the SGX-ST for a transaction of a similar nature), such conditions being reasonably acceptable to the Company and HHI and, to the extent that any conditions for the listing and quotation of the Call Option Shares on the main board of the SGX-ST are required to be fulfilled on or before Completion Date, they being so fulfilled;
- (ii) the Company obtaining approval from its shareholders at the EGM for the allotment and issuance of the Call Option Shares;
- (iii) the allotment, issuance and subscription of the Call Option Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Call Option Agreement by any legislative, executive or regulatory body or authority of Singapore or elsewhere, which is applicable to the Company and/or HHI;
- (iv) the approval of the board of directors of the Company being obtained for the issuance of the Call Option Shares and all transactions contemplated under the Call Option Agreement;
- (v) there being no circumstance or event occurring that may have a material adverse effect on the businesses, operations, prospects or condition (financial or otherwise) of the Company; and
- (vi) as at the Completion Date, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any respect any of the representations and warranties of the Company as if they were repeated on and as of the Completion Date.

If any of the conditions precedent set forth above is not satisfied on or before seven (7) days from the Notice Date (or such later date as the Parties hereto may agree in writing), the Call Option Agreement shall *ipso facto* cease and determine thereafter and none of the Parties shall have any claim against the other for damages, losses, compensation or otherwise save for any antecedent claims which may have accrued hereunder prior.

4.4 General

The Company will be making an application to the SGX-ST for the listing and quotation of the Call Option Shares on the SGX-ST and will make the necessary announcements once the approval in-principle for the listing and quotation of the Call Option Shares has been obtained from the SGX-ST.

Further, a circular to Shareholders containing, *inter alia*, the notice of the EGM in relation to the Call Option Shares will be despatched to Shareholders in due course.

5. USE OF PROCEEDS

Assuming that the Call Option is exercised by HHI in respect of all of the Call Option Shares, based on the minimum Issue Price of S\$0.48, the Company will raise gross proceeds of at least S\$30,240,000 from this exercise. The net proceeds (after deducting expenses relating to the Call Option) of approximately S\$30,000,000 will be used by the Company in the following estimated proportions:

Use of Proceeds	Percentage Allocation (%)
Working capital, general corporate activities including acquisitions, joint ventures and/or for strategic alliances and expansion of dental, medical, distribution and manufacturing businesses of the Company and its subsidiaries (the “Group”), and refinancing of borrowings and capital expenditure.	100%

The Company will make an announcement on the use of the net proceeds as and when such proceeds are materially disbursed, including whether the use is in accordance with the intended use as announced. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

Pending the deployment of the net proceeds, such proceeds may be deposited with banks or financial institutions, invested in short-term money market instruments or marketable securities, and/or used for any other purpose on a short-term basis, as the directors of the Company may, in their absolute discretion, deem fit from time to time.

6. FINANCIAL EFFECTS OF THE ISSUANCE OF THE CALL OPTION SHARES

The *pro forma* financial effects of the issuance of all the Call Option Shares (excluding transaction costs), based on the audited accounts of the Group for the financial year ended 31 December 2013 (“FY2013”), are set out below. The *pro forma* financial effects are presented for illustration purposes only, and are not intended to reflect the actual future financial situation of the Company or the Group.

6.1 Share Capital

Assuming that the Call Option is exercised in respect of all the Call Option Shares at the minimum Issue Price of S\$0.48, the Company’s issued and paid-up share capital (excluding treasury shares) as at the date of this Announcement (the “Existing Share Capital”) will increase from S\$40,543,457.32 comprising 605,452,994 Shares to S\$70,783,457.32 comprising 668,452,994 Shares. The Call Option Shares represent approximately 10.41% of the Existing Share Capital and approximately 9.42% of the enlarged issued and paid-up share capital (excluding treasury shares) of the Company after the issuance of all the Call Option Shares;

In this Announcement, any *pro forma* effect of the issuance of the Call Option Shares on the Existing Share Capital is presented on the assumption that none of the other convertible securities of the Company are converted into Shares. As at the date of this Announcement,

the Company has US\$5,000,000 in principal amount of convertible loans outstanding, which can be converted into 18,260,870 Shares.

6.2 Net Tangible Assets per Share

For illustration purposes only, the effect of the issuance of the Call Option Shares on the Company's net tangible assets ("**NTA**") per Share as at 31 December 2013 will be as follows:

	As at 31 December 2013	After the Issue of the Call Option Shares¹
Consolidated NTA attributable to the shareholders of the Company (S\$'000)	40,638	70,878
Number of Shares (excluding treasury shares)	605,452,994	668,452,994
Consolidated NTA per Share attributable to the shareholders of the Company (Singapore cents)	6.7	10.6

Notes:

1. Assuming that all 63,000,000 Call Option Shares are issued at the minimum price of S\$0.48 per Call Option Share as at 31 December 2013.

6.3 Earnings per Share

For illustration purposes only, the effect of the issuance of the Call Option Shares on the earnings per Share ("**EPS**") of the Company for FY2013 will be as follows:

	FY2013	After the Issue of the Call Option Shares¹
Consolidated profit after taxation and minority interests (S\$'000)	6,461	8,861
Weighted average number of Shares (excluding treasury shares)	603,042	666,042
Consolidated EPS (Singapore cents)	1.07	1.33

Notes:

1. Assuming that (i) all 63,000,000 Call Option Shares are issued at the minimum price of S\$0.48 per Call Option Share as at 1 January 2013, being the beginning of FY2013 and (ii) the net funds of S\$30,000,000 received from the issuance of the Call Option Shares has an 8% annual return from investment.

7. ABSTENTION FROM VOTING

HHI has undertaken to abstain and ensure that its associates will abstain, from voting in respect of the issuance of the Call Option Shares at the EGM.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, none of the directors or substantial shareholders of the Company has any interest, direct or indirect, in the Call Option and the Proposed Sale.

9. PARTIAL LIFTING OF MORATORIUM

As stated in paragraph 2 of this Announcement, pursuant to the Proposed Sale, KSK and KSF will be selling certain portion of their Shares in the Company to HHI. These Shares were issued to KSK and KSF under the placement agreement dated 27 December 2012 (the "**Placement Agreement**") pursuant to which KSK and KSF together subscribed for 55,000,000 new Shares (the "**Placement Shares**") on 17 January 2013 (the "**Placement**").

Under the Placement Agreement, each of KSK and KSF had undertaken not to sell, grant options over, transfer, charge, pledge or dispose of or enter into any agreement to dispose of any of the Placement Shares until after 31 December 2017.

With effect from 26 May 2014, the Company has agreed to lift such moratorium in respect of (i) 5,040,000 Placement Shares held by KSK and (ii) 2,160,000 Placement Shares held by KSF, so that they can transfer those Placement Shares to HHI pursuant to the Proposed Sale. The moratorium shall continue to apply to the remaining Placement Shares held by KSK and KSF. The Company also understands that, pursuant to the terms of the Proposed Sale, the shareholders of QMH have agreed to extend their shareholders' agreement by three (3) years to 15 January 2021 (subject to certain exceptions).

Please refer to the Company's announcements dated 27 December 2012, 14 January 2013 and 17 January 2013 for more information on the Placement.

10. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Call Option Agreement is available for inspection by Shareholders 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

Dr. Ng Chin Siau

Group Chief Executive Officer

26 May 2014