

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



MODERN DENTAL GROUP LIMITED

現代牙科集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3600)

MAJOR TRANSACTION — ACQUISITION OF THE ENTIRE OUTSTANDING SHARES OF RTFP DENTAL INC.

THE STOCK PURCHASE AGREEMENT

The Board is pleased to announce that on June 6, 2016 (after trading hours), the Purchaser and America Holding BVI (solely with respect to the Guarantee Provision) entered into the Stock Purchase Agreement with the Vendor (an Independent Third Party) pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 100% of the outstanding shares of the Target Company.

As one or more of the applicable percentage ratios in respect of the Acquisition as calculated under Rule 14.07 of the Listing Rules is greater than 25% and all the applicable percentage ratios are less than 100%, the entering into of the Stock Purchase Agreement and the transactions contemplated thereunder constitute a major transaction for the Company under the Listing Rules and is subject to the announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among others, (i) further details of the Acquisition, the Stock Purchase Agreement and the transactions contemplated thereunder; (ii) further information of the Target Group; and (iii) the notice of the EGM, will be despatched to the Shareholders. In order to allow sufficient time for preparing the circular, in particular, preparing the financial information of the Target Group, the circular is expected to be despatched to the Shareholders on or before June 30, 2016.

AS THE CLOSING IS SUBJECT TO THE FULFILMENT (OR IF APPLICABLE, WAIVER) OF THE CONDITIONS, THE ACQUISITION MAY OR MAY NOT PROCEED. THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE STOCK PURCHASE AGREEMENT WILL BE IMPLEMENTED OR COMPLETED. SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD EXERCISE CAUTION WHEN DEALING IN THE SHARES.

Reference is made to the announcement published by the Company dated March 31, 2016 in respect of the Letter of Intent.

The Board is pleased to announce that on June 6, 2016 (after trading hours), the Purchaser and America Holding BVI (solely with respect to the Guarantee Provision) entered into the Stock Purchase Agreement with the Vendor in respect of the Acquisition.

THE STOCK PURCHASE AGREEMENT

The major terms of the Stock Purchase Agreement are as follows:

Date

June 6, 2016 (after trading hours)

Parties

- (i) RTFP Dental Holdings Inc. (as the Vendor)
- (ii) MDI Acquisitions Inc. (as the Purchaser)
- (iii) America Holding BVI (solely with respect to the Guarantee Provision)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The Vendor shall sell and the Purchaser shall acquire 100% of the outstanding shares of the Target Company, which is a wholly-owned subsidiary of the Vendor. As a result, the Purchaser will directly or indirectly own 100% of the outstanding shares (or equity interests) of the companies of the Target Group, which excludes the Excluded Co., the Excluded Assets and the Excluded Liabilities.

Consideration

The Base Consideration is US\$65,000,000 (equivalent to approximately HK\$507,000,000) as may be adjusted pursuant to the Stock Purchase Agreement. Subject to the Consideration Terms and Conditions, the Base Consideration has been and shall be remitted as follows:

- (i) the Deposit in the amount of US\$3,500,000 (equivalent to approximately HK\$27,300,000) paid in cash by the Purchaser to the Vendor upon signing of the Letter of Intent;
- (ii) the First Milestone Payment in the amount of US\$48,750,000 (equivalent to approximately HK\$380,250,000), which shall be paid to the Vendor on the signing date of the Stock Purchase Agreement;

- (iii) the Second Milestone Payment in the amount of US\$6,500,000 (equivalent to approximately HK\$50,700,000), which shall be paid on the earliest date (but not later than the Termination Date) on which the Company is permitted under the Listing Rules to despatch a circular relating to the Acquisition to the Shareholders;
- (iv) (a) US\$900,000 (equivalent to approximately HK\$7,020,000), which shall be deposited into an escrow account to be used for the purposes described in the Stock Purchase Agreement, and to be released pursuant to the terms of the Stock Purchase Agreement and an escrow agreement, at the Closing; and (b) the balance of the Base Consideration, as adjusted (upward or downward) pursuant to the terms of the Stock Purchase Agreement, less certain of Vendor's expenses being paid with the Base Consideration, which shall be paid to the Vendor at the Closing; and
- (v) the Base Consideration may be further adjusted upward or downward after the Closing pursuant to the terms of the Stock Purchase Agreement.

Consideration Terms and Conditions

If the Closing does not occur on or before the Termination Date, so long as the Vendor has not breached any of its representations and warranties in the Stock Purchase Agreement, that individually or in the aggregate, constitute a material adverse consequence, or covenants contained in the Stock Purchase Agreement in any material respect, the Deposit and a portion of the First Milestone Payment in the amount of US\$16,250,000 (equivalent to approximately HK\$126,750,000) will be non-refundable and remain with the Vendor.

If the Closing Date does not occur on or before the Termination Date, or the Stock Purchase Agreement is terminated due to a breach of any of the Vendor's representations and warranties in the Stock Purchase Agreement, that individually or in the aggregate, constitute a material adverse consequence, or covenants contained in the Stock Purchase Agreement in any material respect, by the Vendor, a portion of First Milestone Payment in the amount of US\$32,500,000 (equivalent to approximately HK\$253,500,000) and the Second Milestone Payment will be refunded to the Purchaser.

For the avoidance of doubt, (i) all money paid or to be paid by the Purchaser to the Vendor (including the Deposit, the First Milestone Payment and the Second Milestone Payment), if not applied to reduce the Base Consideration, shall be refundable to the Purchaser, at the Purchaser's option, if the Vendor breaches any of its representations and warranties that individually or in the aggregate, constitute a material adverse consequence, or covenants contained in the Stock Purchase Agreement in any material respect and (ii) for the purpose of the Consideration Terms and Conditions, subject to Purchaser's obligation to reimburse certain expenses, the Vendor's failure to reasonably cooperate with and assist the Purchaser in the preparation and delivery of the Vendor's and the Target Company's interim financials shall constitute a material breach of the covenants contained in the Stock Purchase Agreement.

The Deposit was paid with the net proceeds from the Listing. The balance of the Base Consideration will be funded partly by the net proceeds from the Listing and partly by the internal resources of the Group. The Base Consideration provisions and payment provisions were arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms principally with reference to the prospects of the Target Group's businesses and the potential synergies between the business of the Group and that of the Target Group.

Conditions precedent

Conditions to each party's obligation

The respective obligations of the parties to effect the Acquisition are subject to the satisfaction, at or prior to the Closing, of the following conditions, unless waived, in whole or in part, by the Purchaser and the Vendor:

- (i) no order of any court or governmental authority or other law preventing the consummation of the Acquisition will be in effect;
- (ii) a representation and warranty insurance policy shall have been issued to the Purchaser and shall be in full force and effect; and
- (iii) the Excluded Asset Transfer shall have been consummated.

Conditions to the Purchaser's obligation

The obligation of the Purchaser to effect the Acquisition is subject to the satisfaction, at or prior to the Closing, of the following conditions, unless waived, in whole or in part, by the Purchaser:

- (i) the representations and warranties of the Vendor contained in the Stock Purchase Agreement will be true and correct on the Closing Date as though made on the Closing Date (without regard to any materiality or material adverse effect qualifiers) except to the extent that such representations and warranties, by their terms, speak as of an earlier date (without regard to any materiality or material adverse effect qualifiers), except, other than in the case certain identified fundamental representations (which shall be true and correct in all respects), to the extent that the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, constitute a material adverse effect;
- (ii) the Vendor will have performed or complied in all material respects with the obligations and covenants required to have been performed or complied with by it under the Stock Purchase Agreement at or prior to the Closing;
- (iii) since the date of the Stock Purchase Agreement, there will have been no change or event affecting the Vendor that constitutes a material adverse effect;
- (iv) the Vendor shall have confirmed that certain letter agreement entered into by a company of the Target Group will remain in place after the Closing; and
- (v) the inter-company indebtedness between any one or more companies of the Target Group or between the Vendor (or the Vendor's majority stockholder and its affiliate investment funds) and any of the companies of the Target Group shall be eliminated.

Conditions to the Vendor's obligation

The obligation of the Vendor to effect the Acquisition is subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived, in whole or in part, by the Vendor:

- (i) the representations and warranties of the Purchaser contained in the Stock Purchase Agreement (a) that are not qualified by materiality or material adverse effect will be true and correct in all material respects on the Closing Date as though made on the Closing Date and (b) that are qualified by materiality or material adverse effect will be true and correct in all respects on the Closing Date as though made on the Closing Date, in each case, except to the extent that such representations and warranties will be true and correct as of the earlier date; and
- (ii) the Purchaser will have performed or complied in all material respects with the obligations and covenants required to have been performed or complied by it under the Stock and Purchase Agreement at or prior to the Closing.

Guarantee Provision

Pursuant to the Stock Purchase Agreement, America Holding BVI guarantees the punctual payment when due to the Vendor of all amounts due and payable by the Purchaser pursuant to the terms of the Stock Purchase Agreement.

Closing

The Closing shall take place at 11:59 p.m., New York, New York, United States time, on the Closing Date.

INFORMATION OF THE COMPANY

The Company is a company incorporated in the Cayman Islands and is an investment holding company. The Group is a leading global dental prosthetic device provider with a focus on providing custom-made prostheses to customers in the growing prosthetics industry. The Group is principally engaged in providing dental prosthetic devices, including fixed prosthetic devices, such as crowns and bridges, removable prosthetic devices, such as removable dentures, and other devices, such as orthodontic devices, sports guards and anti-snoring devices.

INFORMATION OF THE TARGET GROUP

The Target Company is a corporation incorporated in the United States and is wholly owned by the Vendor. The Target Group is principally engaged in dental laboratory services which provides customized dental prosthetic restorations in North America. It provides dental prosthetic restorations of a wide range of product types and materials.

Set out below is the consolidated financial information of the Target Company for the financial years ended December 31, 2014 and 2015, according to the unaudited management accounts of the Target Company prepared in accordance with US GAAP, respectively:

	For the year ended December 31, 2014 (US\$)	For the year ended December 31, 2015 (US\$)
Turnover	64,003,940	67,415,777
Net loss (before taxation)	11,156,243	9,244,129
Net loss (after taxation)	10,271,756	9,333,908
Net asset value	75,834,676	63,776,325

The above financial information of the Target Company was made with the inclusion of the Excluded Assets and the Excluded Liabilities. Pursuant to the Stock Purchase Agreement, the Vendor undertakes that, immediate prior to the Closing Date, the Excluded Assets and the Excluded Liabilities will be transferred to the Excluded Co. from the Target Group. The Company values the Target Group based on the laboratory operating income of the Target Group, which excludes the expense of the Target Group's corporate headquarters (which generally overlaps with that of the Group's existing operations), interest expense (which will be sharply reduced following the Closing) and one-time Acquisition-related professional fees. Pursuant to the unaudited management accounts of the Target Company, the laboratory operating income of the Target Group for the years ended December 31, 2014 and December 31, 2015, was US\$5,591,000 (equivalent to approximately HK\$43,609,800) and US\$5,884,000 (equivalent to approximately HK\$45,895,200), respectively. The Company also considers the opportunities to improve the operating results of the Target Group through its global resources and experienced management team and expects to realize significant post-Closing synergies. The financial information of the Target Company based on IFRS will be included in the circular in relation to the Acquisition to be despatched to the Shareholders in accordance with the Listing Rules.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the United States and, through its subsidiaries, is principally engaged in dental laboratory services which provides customized dental prosthetic restorations in North America.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is an Independent Third Party.

REASONS FOR AND BENEFITS OF ENTERING INTO THE STOCK PURCHASE AGREEMENT

As set out in the prospectus of the Company dated December 3, 2015, one of the Group's business strategies is to further penetrate into the Group's existing geographic markets. The Board is of

the view that the Acquisition is able to accelerate the Group's revenue and profit growth in North America and provide a strategic platform for the Group to further build on its established brand, its existing nationwide sales and distribution network throughout North America. Furthermore, the Board is of view that the Group has a proven track record in identifying rewarding market opportunities and successfully managing and integrating acquisition targets by streamlining their management, finance and operations functions with the Group's experienced and seasoned management team, existing business model, marketing strategies and other synergies.

The Board recognizes the strengths and value of the Target Group, which, following the Closing, is expected to be integrated into the Group's existing business to further improve the performance of the Group. Upon the Closing, the Group is expected to establish itself as one of the leading dental prosthetic device providers in North America and further underlines and consolidates its status as a leading global dental prosthetic device provider.

The production facilities of the Target Group, once integrated with those of the Group, are expected to equip the Group with the advantages of greater economies of scale, faster turnaround time and superior proximity to customers to provide better post-sale services. As such, such factors are expected to allow the Group to outpace its competitors in the fast-growing but fragmented dental prosthetics market.

The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition as calculated under Rule 14.07 of the Listing Rules is greater than 25% and all the applicable percentage ratios are less than 100%, the entering into of the Stock Purchase Agreement and the transactions contemplated thereunder constitute a major transaction for the Company under the Listing Rules and is subject to the announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, among others, (i) details of the Acquisition, the Stock Purchase Agreement and the transactions contemplated thereunder; (ii) further information of the Target Group; and (iii) the notice of the EGM, will be despatched to the Shareholders. In order to allow sufficient time for preparing the circular, in particular, preparing the consolidated financial information of the Target Company, the circular is expected to be despatched to the Shareholders on or before June 30, 2016.

WARNING

AS THE CLOSING IS SUBJECT TO THE FULFILMENT (OR IF APPLICABLE, WAIVER) OF THE CONDITIONS, THE ACQUISITION MAY OR MAY NOT PROCEED. THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE STOCK PURCHASE AGREEMENT WILL BE IMPLEMENTED OR COMPLETED. SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD EXERCISE CAUTION WHEN DEALING IN THE SHARES.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the 100% of the outstanding shares of the Target Company by the Purchaser from the Vendor as contemplated in the Stock Purchase Agreement;
“America Holding BVI”	Modern Dental America Holding Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by the Company;
“associates”	has the meaning ascribed to it in the Listing Rules;
“Base Consideration”	US\$65,000,000 (equivalent to approximately HK\$507,000,000), including the Deposit, the First Milestone Payment and the Second Milestone Payment paid to the Vendor on or prior to the Closing Date applied to reduce the Base Consideration, as may be adjusted pursuant to the Stock Purchase Agreement;
“Board”	the board of Directors;
“Business Day”	any day other than a Saturday, a Sunday or a federal holiday, or a day on which commercial banks in New York are authorized or required to be closed;
“Closing”	the closing of the Acquisition;
“Closing Date”	the date that is the second Business Day after the satisfaction or waiver (subject to applicable law) of the last to be satisfied or waived of the conditions set forth in the Stock Purchase Agreement (excluding conditions that, by their terms, are to be satisfied at the Closing), unless another time or date is agreed to in writing by the parties;

“Company”	Modern Dental Group Limited (stock code: 3600), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;
“Consideration Terms and Conditions”	the terms and conditions in respect of the Base Consideration set out under the section headed “Consideration Terms and Conditions” in this announcement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Deposit”	US\$3,500,000 (equivalent to approximately HK\$27,300,000);
“Director(s)”	director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened and held to approve the Acquisition;
“Excluded Asset Transfer”	a series of transactions which shall take place prior to the Closing Date, pursuant to which, (i) a company of the Target Group will contribute the Excluded Assets to the Excluded Co., (ii) Excluded Co. will assume the Excluded Liabilities; and (iii) the Vendor will acquire all of the outstanding capital stock of Excluded Co.;
“Excluded Assets”	all of the assets, properties (including but not limited to intellectual property and trade secrets) comprising the Excluded Business;
“Excluded Business”	certain business of one of the subsidiaries of the Target Company;
“Excluded Co.”	a corporation incorporated in the United States, for the purpose of the Excluded Asset Transfer, which is not and will not be acquired in the Acquisition;
“Excluded Liabilities”	all indebtedness and liabilities related to the Excluded Assets and the Excluded Business;
“First Milestone Payment”	US\$48,750,000 (equivalent to approximately HK\$380,250,000);
“Group”	the Company and its subsidiaries;
“Guarantee Provision”	the provision set out under the section headed “Guarantee Provision” in this announcement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“IFRS”	International Financial Reporting Standards;

“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons or their respective associates;
“Letter of Intent”	the letter of intent entered into between the Vendor and the Company in relation to the Acquisition on March 31, 2016;
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Purchaser”	MDI Acquisitions Inc., a corporation incorporated under the laws of the State of Delaware, in the United States, which is wholly-owned by America Holding BVI;
“PRC”	The People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Share(s)”	ordinary share(s) in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Second Milestone Payment”	US\$6,500,000 (equivalent to approximately HK\$50,700,000);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Stock Purchase Agreement”	the stock purchase agreement entered into by and among the Vendor, the Purchaser and America Holding BVI (solely with respect to the Guarantee Provision) in relation to the Acquisition on June 6, 2016;
“Target Company”	RTFP Dental Inc., a corporation incorporated in the United States, which is wholly-owned by the Vendor;
“Target Group”	the Target Company and its subsidiaries;
“Termination Date”	October 31, 2016;
“United States”	the United States of America;
“US\$”	the United States dollars, the lawful currency of the United States;
“US GAAP”	United States Generally Accepted Accounting Principles;

“Vendor” RTFP Dental Holdings Inc., a corporation incorporated in the United States, an Independent Third Party, being the vendor of the 100% of the outstanding shares of the Target Company; and

“%” per cent.

By order of the Board
Modern Dental Group Limited
Chan Kwun Fung
Chairman and Executive Director

Hong Kong, June 7, 2016

This announcement contains conversion between US\$ and HK\$ at HK\$7.80 to US\$1.00. The conversion shall not be taken as a representation that US\$ could actually be converted into HK\$ at that rate, or at all.

As at the date of this announcement, the board of directors of the Company comprises Chan Kwun Fung, Chan Kwun Pan, Ngai Shing Kin, Ngai Chi Ho Alwin, Cheung Ting Pong, Chan Chi Yuen, Chan Ronald Yik Long and Chan Yik Yu as executive Directors, and Cheung Wai Bun Charles J.P., Chan Yue Kwong Michael, Wong Ho Ching and Cheung Wai Man William as independent non-executive Directors.