



Q & M Dental Group (Singapore) Limited
(Company Registration Number: 200800507R)

JOINT VENTURE RELATING TO DAN DE (丹德) DENTAL CLINICS IN NANJING

1. THE JOINT VENTURE

1.1 The Board of Directors (the "**Board**") of Q & M Dental Group (Singapore) Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the announcement made on 19 May 2010 titled "Incorporation of Subsidiaries" in relation to the setting up of Q & M Dental (Shanghai) Pte. Ltd. ("**QMDS**"), a wholly-owned subsidiary of Q & M Dental Group (China) Pte. Ltd. ("**QDGC**"). As at the date hereof, QDGC, a 99% subsidiary of the Company, currently holds two (2) ordinary shares in QMDS (the "**QMDS Shares**"). The Board also refers to the announcements made today titled (a) "Joint Venture Relating to Aiyashi (爱雅仕) Dental Clinics in Beijing" (the "**Aiyashi Announcement**") in relation to the joint venture by QDGC in respect of the Aiyashi (爱雅仕) dental clinics in Beijing (the "**Aiyashi Joint Venture**") and (b) "Joint Venture Relating to Yi Wu He Cheng Dental Equipment Co., Ltd. (义乌和成牙科器材有限公司)" in relation to a proposed joint venture by QDGC in respect of Yi Wu He Cheng Dental Equipment Co., Ltd. (the "**He Cheng Proposed Joint Venture**").

1.2 Further to the above announcements, the Board is pleased to announce that in line with the Company's intention to expand its dental healthcare business in the People's Republic of China (the "**PRC**"), QDGC has on 30 July 2010, in addition to the Aiyashi Joint Venture and the He Cheng Proposed Joint Venture, entered into a joint venture (the "**Joint Venture**") with Dr. Lou Tie Ying ("**Dr Lou**") pursuant to which QMDS shall acquire the economic benefits of the Dan De (丹德) dental clinics in Nanjing, namely, (a) Nanjing Dan De Dental Management & Consulting Co., Ltd., Dental Clinic (南京丹德齿科医疗管理咨询有限公司齿科诊所) ("**NDMC Clinic**"), (b) Nanjing Dan De Dental Management & Consulting Co., Ltd., Jiangpu Dental Clinic (南京丹德齿科医疗管理咨询有限公司江浦口腔诊所) ("**NDMC Jiangpu Clinic**") and (c) Global Doctor Clinic (stomatological department) (环球医生诊所(口腔科)) (collectively, the "**Clinics**") (details of which are set out in paragraph 1.5). In connection with the Joint Venture, QMDS shall incorporate a wholly foreign-owned enterprise ("**WFOE**") in the PRC.

The Clinics are currently operated by Nanjing Dan De Dental Management and Consulting Co., Ltd. (南京丹德齿科医疗管理咨询有限公司) ("**NDMC**"), a company established in the PRC. Dr Lou, a licensed dentist in China, currently owns 72% shareholding of NDMC and is a founder of the Clinics. The other shareholders of NDMC are Lv Jing Li, Lou Yun, Wang Ting Jin and Zhang Yi Min who have a 5%, 9%, 9% and 5% shareholding, respectively, in NDMC.

1.3 In connection with the Joint Venture, QDGC has entered into a Subscription and Shareholders Agreement dated 30 July 2010 (the "**SSA**") with Dr Lou. Pursuant to the terms of the SSA:

(a) QMDS shall allot and issue to Dr Lou five (5) QMDS Shares at a consideration of S\$5.00;

- (b) QMDS shall allot and issue to QDGC three (3) QMDS Shares at a consideration of S\$1,515,150 (equivalent to RMB7,500,000 at an agreed exchange rate of S\$1.00 = RMB4.95) payable in cash (the "**Cash Consideration**"), such amount is to be used to fund the opening of new clinics, the purchase of new advanced equipment and for the other working capital needs of the Clinics; and
- (c) subject to the approval of the Singapore Exchange Securities Trading Limited, the Company shall allot and issue to Dr Lou 432,900 new ordinary shares in the capital of the Company (the "**Consideration Shares**") at an issue price of S\$0.56 per Consideration Share (collectively, the Cash Consideration together with the Consideration Shares, the "**Consideration**"). The Consideration Shares shall be held in escrow by QDGC on such terms and conditions to be mutually agreed by Dr Lou and QDGC in writing.
- 1.4 Upon the completion of the above subscription, QDGC and Dr Lou shall each hold 50% of the issued and paid-up share capital of QMDS. QMDS shall be an associated company of the Company.
- 1.5 The economic benefits of the Clinics will be passed to QMDS via a service agreement dated 30 July 2010 (the "**Service Agreement**") entered into between QMDS and each of NDMC, NDMC Clinic and NDMC Jiangpu Clinic, pursuant to which QMDS shall provide, *inter alia*, strategy consulting services in improving the market competitiveness of NDMC Clinic and NDMC Jiangpu Clinic so as to attract middle-level and high-level clientele, training services in respect of the employees of NDMC Clinic and NDMC Jiangpu Clinic and annual assessment services in respect of the operations and planning of NDMC Clinic and NDMC Jiangpu Clinic and in return, QMDS shall be paid service fees in accordance with the terms of the Service Agreement.
- The validity period of the Service Agreement is for 30 years commencing from the date of the Service Agreement.
- 1.6 Dr Lou has in connection with the Joint Venture provided an undertaking that, in respect of each of QMDS's financial years from the second to the eleventh anniversary of the Service Agreement, the total net income generated by the Clinics via the service fees to QMDS shall not be less than RMB1,600,000 per year.
- 1.7 In connection with the Joint Venture, the Company and Dr Lou have entered into, *inter alia*, a sale and purchase agreement dated 30 July 2010 pursuant to which the Company agreed to sell 12,500 ordinary shares in the capital of QDGC (the "**QDGC Sale Shares**"), representing 1% of the current share capital of QDGC, to Dr Lou (the "**QDGC Share Sale**") for S\$200,000 (the "**QDGC Share Sale Consideration**").
- The QDGC Share Sale Consideration was arrived at on a willing buyer and willing seller basis taking into account, *inter alia*, the future business prospects of QDGC. Based on the latest available audited financial statements of QDGC for the financial year ended 31 December 2009, the net tangible asset value of the QDGC Sale Shares is approximately negative \$99.34. Upon completion of the QDGC Share Sale and the sale of 1% of the issued shares in QDGC in connection with the Aiyashi Joint Venture to the joint venture partners therein (details of which are set out in the Aiyashi Announcement), the Company's shareholding interest in QDGC shall decrease from 99% to 97%.
- 1.8 The Joint Venture does not constitute a transaction under Chapter 10 of the listing manual of the Singapore Exchange Securities Trading Limited as it is entered into in the ordinary course of the Company's business.

2. RATIONALE FOR THE JOINT VENTURE

The Joint Venture, along with the Aiyashi Joint Venture and the He Cheng Proposed Joint Venture, marks the Group's first steps of its expansion roadmap into the PRC as the Group intends to invest in suitable acquisitions and partnerships with other dental healthcare businesses in the PRC. The Group believes that as the rising affluence in the PRC is driving the demand for better quality dental healthcare standards and services, the Group should capitalise on the immense potential of the PRC's fast growing market for dental healthcare services.

The Joint Venture is also in line with the Group's long term goal to improve accessibility to quality dental healthcare services and play a part in the advancement of the PRC's dental healthcare standards. As it makes further inroads into the PRC, the Group expects its PRC business to add geographical diversity to its existing business and become an important growth contributor that strengthens the Group's earning base.

As part of the provision of strategy consulting services to the Clinics, QDGC will facilitate the transfer of advanced medical knowledge and skills to the dentists and staff in the PRC through training programmes whilst the Group will benefit from the local knowledge and extensive experience of Dr Lou who is a reputable practitioner in the dental healthcare industry.

3. CONSIDERATION FOR THE ACQUISITION OF THE ECONOMIC BENEFITS

The Consideration was arrived at on a willing buyer and willing seller basis taking into account, *inter alia*, the following factors:

- (a) the future business prospects of the Clinics;
- (b) the strong strategic fit between (i) the advanced technical knowledge and skills of the Group and (ii) the local knowledge and extensive experience of Dr Lou; and
- (c) the proposed internal estimate by the parties of the amount of funds to be earmarked for the opening of new clinics, the purchase of new advanced equipment and for other working capital needs of the Clinics.

4. FINANCIAL INFORMATION

Based on the latest management accounts of NDMC and the Clinics as at 31 December 2009, the net tangible assets of the Clinics are RMB1,000,000

5. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or controlling shareholders of the Company has any interest in the Joint Venture save for their interests arising by way of their shareholdings and/or directorships, as the case may be, in the Company.

On Behalf of the Board

Dr Ng Chin Siau
Executive Director
2 August 2010

The initial public offering of the Company's shares was sponsored by Collins Stewart Pte. Limited.