全 民 Q&M

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

JOINT VENTURE RELATING TO YI WU HE CHENG DENTAL EQUIPMENT CO., LTD. (义乌和成牙科器材有限公司)

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1. THE PROPOSED 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 announcements made today titled (a) "Joint Venture Relating to Dan De (丹德) Dental Clinics in Nanjing" in relation to the joint venture by Q & M Dental Group (China) Pte. Ltd. ("**QDGC**") in respect of the Dan De (丹德) dental clinics in Nanjing (the "**Dan De Joint Venture**") and (b) "Joint Venture Relating to Aiyashi (爱雅仕) Dental Clinics in Beijing" in relation to the joint venture by QDGC in respect of the Aiyashi (爱雅仕) dental clinics in Beijing (the "**Aiyashi Joint Venture**"). As at the date hereof, QDGC is a 99% subsidiary of the Company.

1.2 Further to the above announcements, the Board is pleased to announce that to complement the Group's expansion plans of its dental healthcare business into the People's Republic of China (the "**PRC**"), QDGC has on 30 July 2010, in addition to the Dan De Joint Venture and the Aiyashi Joint Venture, entered into a binding master agreement (the "**Master Agreement**") with Mr. Liu Gui Cheng ("**LGC**") and Yi Wu He Cheng Dental Equipment Co., Ltd., ("**He Cheng**") relating to a proposed joint venture in respect of He Cheng (the "**Proposed Joint Venture**").

He Cheng is a limited liability company established in accordance to the PRC laws, which is primarily engaged in the manufacture and research & development of dental-related products, as well as provision of technical services and support, with operations in Zhejiang province. He Cheng specialises in the fabrication of a wide variety of crowns, bridges and orthodontics products. LGC is at the date hereof a controlling shareholder of He Cheng and owns 60% of the shares in the capital of He Cheng.

1.3 The Master Agreement sets out in broad terms the principal terms and conditions under which the parties shall cooperate towards implementing the Proposed Joint Venture. Upon signing of the Master Agreement and before the execution of the Definitive Agreements (as defined in paragraph 1.6), the Proposed Joint Venture shall be evaluated further by QDGC and the existing shareholders of He Cheng and shall also be subject to satisfactory due diligence investigations on He Cheng.

1.4 Under the terms of the Master Agreement, it is proposed that QDGC (or its nominee) shall either subscribe for new shares in the capital of He Cheng (the "**Shares**") or purchase Shares from some of He Cheng's existing shareholders at the Total Investment Amount (as defined in paragraph 1.5), whereupon He Cheng shall be converted into a Sino-Foreign Equity Joint Venture (the "**EJV**") (the "**Conversion Incorporation**"). It is envisaged that upon the completion of the foregoing, QDGC (or its nominee) shall hold 49% of the Shares while LGC shall hold the remaining 51%.

1.5 It is proposed that QDGC shall, subject to the valuation results of the Proposed Joint Venture, invest a total amount of RMB26,400,000 (the "**Total Investment Amount**") in respect of the Proposed Joint Venture. The Total Investment Amount shall be used for the purposes of, *inter alia*, the development and further investment of the EJV (including purchase of land, construction and development of plants and expansion of operations) in the province of Zhejiang, Jiangsu and Shanghai.

The Total Investment Amount 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 EJV; and

(b) the proposed internal estimate by the parties of the amount of funds to be earmarked for the development and further investment of the EJV (including purchase of land, construction and development of plants and expansion of operations) in the province of Zhejiang, Jiangsu and Shanghai.

1.6 The Proposed Joint Venture is further subject to the negotiations and entry of definitive agreements including, without limitation, an agreement in respect of the subscription or purchase of Shares by QDGC (or its nominee), an equity joint venture contract in respect of the EJV to be approved by the relevant governmental authorities and the articles of association of the EJV (collectively, the "**Definitive Agreements**")

1.7 The other key terms of the Proposed Joint Venture as set out in the Master Agreement are as follows:

(a) QDGC's responsibilities in respect of the EJV include, *inter alia*, the following:

(i) improving the financial management rules and systems of the EJV and to supervise financial matters so as to ensure that the Total Investment Amount is used for the purpose as agreed by the parties to the Master Agreement; and

(ii) to provide strategy advice and suggestion, so as to enhance the standard of services, products, techniques, equipments, and after-sale services of the EJV;

(b) LGC shall undertake to QDGC that the distributable profits after tax of the EJV shall be no less than (i) RMB5,000,000 for the first year after the Conversion Incorporation and (ii) RMB6,000,000 from the second year to the tenth year after the Conversion Incorporation;

(c) in consideration for LGC's undertaking as described in paragraph 1.7(b) above, QDGC shall procure the Company to transfer 1% of its shares in the capital of QDGC to LGC for S$200,000; and

(d) QDGC shall appoint the chairman of the board of directors and the chief financial officer of the EJV, and the legal representative and cashier of the EJV shall be appointed by LGC.

1.8 Under the Master Agreement, neither LGC nor He Cheng (or any of its appointed party) shall for a period of 12 months from the execution of the Master Agreement, without the prior consent from QDGC, take any action to negotiate, arrange or execute agreements with any third party in relation to the disposal of economic profits, rights of management, controlling rights or equity investment in He Cheng or other arrangement with respect to He Cheng's business.

2. RATIONALE FOR THE PROPOSED JOINT VENTURE

The business of He Cheng is complementary to QDGC's expansion plans into the PRC as it is intended for He Cheng to provide a wide variety of dental products, like crowns, bridges and orthodontics products, to the Group's clinics 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 Proposed Joint Venture will enable the Group to tap into the prospects of the dental laboratory business which is expected to be driven by such growing demand for dental healthcare services and which will also support the Group's growth plans.

The Proposed 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 expansion of the Group's existing business, QDGC shall leverage the Group's expertise to improve He Cheng's management and operational standards, and enhance the quality of its products, services and techniques whilst the Group shall also benefit from the local knowledge and extensive experience of He Cheng and LGC who are experienced in the industry of manufacturing and producing a wide variety of dental products, like crowns, bridges and orthodontics products.

3. FINANCIAL INFORMATION

Based on the latest management accounts of He Cheng as at 31 December 2009, the net tangible assets of He Cheng are RMB500,000.

4. FURTHER ANNOUNCEMENTS

The Company shall make further announcements on the details of the Proposed Joint Venture, such as the terms of the Definitive Agreements that are proposed to be executed by the parties in due course. The Board will also update shareholders on any new and significant developments arising in respect of the Proposed Joint Venture.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest in the Proposed 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.