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

JOINT VENTURE RELATING TO
SHENZHEN NEW PERFECT EXACT DENTAL RESEARCH CO., LTD.

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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**") 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**"), Q & M Dental Group (China) Pte. Ltd. ("**QDGC**"), a 99% subsidiary of the Company, has on 15 October 2010 entered into a binding memorandum of understanding (the "**MOU**") with Mr. Peng Hui Chang, Mr. Peng Jian Chang and Mr. Guo Yu Chun (collectively, the "**Shareholders**") relating to a proposed joint venture (the "**Proposed Joint Venture**") in respect of Shenzhen New Perfect Exact Dental Research Co., Ltd. ("**SZNP**").

1.2 SZNP is a limited liability company (equity joint venture incorporated with investment from Taiwan, Hong Kong and Macau), established and existing under the PRC laws, which focuses on the technology development, dental device materials research and the processing and manufacture of dental devices. As at the date hereof, the registered capital of SZNP is HKD30 million and the Shareholders have an indirect interest in the capital of SZNP through Shenzhen New Perfect Industry Co., Ltd. ("**NPI**") and Chang Xin Industry (Hong Kong) Co., Ltd. ("**HKCX**"), each of which have an equity proportion of 71% and 29% respectively in SZNP. NPI, a limited liability company established in Shenzhen, and HKCX, a limited liability company established in accordance to the laws of Hong Kong, are wholly-owned by the Shareholders.

1.3 The MOU 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 MOU, QDGC shall conduct due diligence investigations, audit and a valuation on HKCX, SZNP and its subsidiaries.

1.4 Under the terms of the MOU, it is proposed that (a) the Shareholders will first procure NPI to transfer all of its 71% equity interest in the capital of SZNP to HKCX, after which HKCX will be the sole shareholder of SZNP, and (b) thereafter the Shareholders shall transfer 49% of their shares in the capital of HKCX to QDGC (the "**HKCX Share Transfer**"), whereupon QDGC shall, through its shareholding in HKCX, have a 49% interest in SZNP and its subsidiaries.

1.5 Under the terms of the MOU, subject to the valuation results of HKCX, SZNP and its subsidiaries, the consideration payable by QDGC in respect of the HKCX Share Transfer shall be RMB98 million (approximately S$19.21 million) (the "**Consideration**"), of which RMB60 million (or its equivalent) (approximately S$11.76 million) of the Consideration shall be payable in cash and, subject to the approval of the Singapore Exchange Securities

Trading Limited (the "**SGX-ST**"), the remaining RMB38 million (or its equivalent) (approximately S$7.45 million) shall be payable in the form of new ordinary shares in the capital of the Company (the "**Consideration Shares**") which shall be subject to a lock-up period of five (5) years. The number of Consideration Shares shall be determined based on the market price of such shares at the time when the Definitive Agreements (as defined in paragraph 1.7) are signed.

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

(a) the preliminary valuation of SZNP and its subsidiaries;

(b) the future business prospects of the Proposed Joint Venture;

(c) current operational scale and production capacity of the business of SZNP and its subsidiaries; and

(d) profit undertakings provided by the Shareholders.

1.7 Subject to the results of the due diligence investigations referred to in paragraph 1.3 being satisfactory to QDGC, the parties shall arrange for the execution of the definitive agreements relating to the Proposed Joint Venture (the "**Definitive Agreements**") in a timely manner, which shall be conditional upon, *inter alia*, the approval of the Company's shareholders for the Proposed Joint Venture in an extraordinary general meeting and the approval of the SGX-ST for the issue of the Consideration Shares.

1.8 The other key terms of the Proposed Joint Venture as set out in the MOU are as follows:

(a) QDGC's responsibilities in respect of SZNP and its subsidiaries include, *inter alia*, the following:

(i) to assist in improving the financial management rules and systems of SZNP and its subsidiaries and to supervise the financial matters; and

(ii) to provide strategy advice and suggestion in relation to market orientation, so as to enhance the standard of products, techniques, equipments, and after-sale services of the SZNP and its subsidiaries;

(b) the Shareholders shall undertake to QDGC that the dividends, service fee and/or transaction profit (after deduction of all taxes and fees within the PRC) to be received by HKCX from SZNP and its subsidiaries for a period of ten (10) years from the date of completion of the HKCX Share Transfer ("**Completion**") shall be no less than (i) RMB16 million (approximately S$3.14 million) for the first year from Completion, (ii) RMB18 million (approximately S$3.53 million) for the second year from Completion, and (iii) RMB20 million (approximately S$3.92 million) from the third year to tenth year from Completion per year; and

(c) the Shareholders have agreed that subject to necessary governmental approvals, QDGC shall have the priority right to dividends of at least RMB9.8 million (approximately S$1.92 million) per year from HKCX for a period of ten (10) years commencing from the first year of Proposed Joint Venture, failing which the Shareholders shall be responsible for any shortfall.

1.9 Under the MOU, neither the Shareholders nor SZNP (including any of its appointed party) shall for a period of nine (9) months from the execution of the MOU, 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 shares in SZNP and its subsidiaries or other arrangement with respect to the business of SZNP and its subsidiaries.

2. RATIONALE FOR THE PROPOSED JOINT VENTURE

The business of SZNP and its subsidiaries is in line with QDGC's expansion plans into the PRC as it is intended for SZNP and its subsidiaries 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 will also be a source of steady income stream to the Group.

QDGC shall leverage on the Group's expertise to improve the management and operational standards of SZNP and its subsidiaries, and enhance the quality of its products, services and techniques whilst the Group shall also benefit from the local knowledge and extensive experience of SZNP, its subsidiaries and the Shareholders who are experienced in the industry of manufacturing and producing a wide variety of dental products, like crowns, bridges and orthodontics products.

As it makes further inroads into the PRC, the Group expects its PRC business to add greater geographical diversity to its existing business and become an important growth contributor that strengthens the Group's earning base.

3. FINANCIAL INFORMATION

Based on the latest management accounts of SZNP and its subsidiaries as at 31 December 2009, the net asset value of SZNP and its subsidiaries is RMB70 million (approximately S$13.73 million).

4. FURTHER COMPLIANCE OBLIGATIONS

The Company anticipates that if the Proposed Joint Venture proceeds, it would constitute a transaction under Chapter 10 of the Listing Manual of the SGX-ST. The Company will comply with the relevant requirements of Chapter 10 of the Listing Manual of the SGX-ST in a timely manner as the matter progresses. 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
18 October 2010

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