全民 Q&M

Q & M DENTAL GROUP (SINGAPORE) LIMITED
(Registration No. 200800507R)

FINANCING FROM INTERNATIONAL FINANCE CORPORATION

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1. INTRODUCTION

The Board of Directors ("**Board**") of Q & M Dental Group (Singapore) Limited (the "**Company**") wishes to announce that the Company has on 27 April 2011 entered into a loan agreement (the "**Loan Agreement**") with International Finance Corporation ("**IFC**"), pursuant to which IFC shall make available to the Company a US$15 million loan ("**Loan**"), which consists of (a) a US$10 million term loan ("**Term Loan**"); and (b) a US$5 million convertible loan ("**Convertible Loan**") which may be converted by IFC into new ordinary fully-paid shares of the Company ("**Shares**") in accordance with the terms and conditions of the Loan Agreement.

2. INFORMATION ON IFC

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in developing countries. IFC creates opportunity for people to escape poverty and improve their lives. It does so by providing financing to help businesses employ more people and supply essential services, by mobilizing capital from others, and by delivering advisory services to ensure sustainable development. In a time of global economic uncertainty, IFC's new investments climbed to a record $18 billion in fiscal 2010. For more information, visit www.ifc.org.

3. PRINCIPAL TERMS OF THE LOAN

(a) Use of Proceeds

The proceeds from the Loan will contribute towards the estimated RMB180 million required to fund the Company's expansion plans in the People's Republic of China ("**PRC**"). The Company intends to continue building its dental business in the PRC by the acquisition, establishment, expansion, operation and management of dental laboratories and clinics as well as through organic growth ("**Dental Projects**") and the Company intends to use all the proceeds from the Loan for the foregoing purposes.

(b) Interest

The interest for the Loan is the aggregate of 2.8% per annum and the LIBOR rate for United States Dollar deposits.

(c) Repayment

The Company will repay the outstanding amount of the Convertible Loan in two equal installments on 15 January 2016 and 15 July 2016. The outstanding amount of the Term Loan will be repaid by the Company in eleven approximately equal installments payable every six (6) months beginning 15 July 2014.

(d) Prepayment

The Company may prepay the Term Loan in amounts not less than US$1 million, and where (i) the prepayment takes place within five (5) years of the date of the Loan Agreement, the Company will pay a prepayment premium of 2% of the prepaid amount; or (ii) the prepayment takes place after five (5) years of the date of the Loan Agreement, the Company will pay a prepayment premium of 1% of the prepaid amount.

(e) Conversion Price

Pursuant to the terms and conditions of the Loan Agreement, the conversion price for the Convertible Loan is, unless otherwise adjusted in accordance with the terms of the Loan Agreement, the lower of (i) S$0.69; and (ii) the closing price of the Shares on the SGX-ST on 26 April 2011 (being the market day immediately preceding the date of the Loan Agreement) ("**Conversion Price**").

As such, the Conversion Price is S$0.69. The Conversion Price represents a discount of approximately 2.82% to the weighted average closing price for the shares of the Company on 26 April 2011, being the full market day immediately preceding the date of the Loan Agreement. The Conversion Price is subject to adjustment in the event of any subdivision or consolidation of the Shares, or issue of Shares by the Company at an issue price less than the Conversion Price.

(f) Conversion

Pursuant to the terms and conditions of the Loan Agreement, IFC has the right to convert up to US$5 million (equivalent to S$6.3 million, based on the agreed exchange rate of US$1.00 to S$1.26) of the Loan into Shares of the Company from time to time. IFC may only convert the outstanding principal amount of the Convertible Loan ("**Conversion**").

(g) Conversion Shares

The Shares to be issued pursuant to the Conversion ("**Conversion Shares**") will be issued under the general mandate given by the shareholders of the Company (the "**Shareholders**") pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 26 April 2011.

When issued, the Conversion Shares will be credited as fully paid-up and will rank *pari passu* in all respects with the then existing issued and paid-up Shares of the Company. The Company will make an application to the SGX-ST for the listing and quotation of the Conversion Shares on the Official List of the SGX-ST. An announcement on the outcome of the application will be made in due course.

Assuming that the Conversion Price is S$0.69 and the Convertible Loan is fully converted, 9,130,434 Conversion Shares will be issued, representing approximately 3.32% of the existing issued and paid-up share capital of the Company as at the date of this announcement and approximately 3.21% of the enlarged issued and paid-up share capital of the Company after the issue of the Conversion Shares.

(h) Share retention agreements

Pursuant to the terms and conditions of the Loan Agreement, Quan Min Holdings Pte. Ltd. and Dr Ng Chin Siau (among others) intend to enter into a share retention agreement with IFC under which Quan Min Holdings Pte. Ltd. and Dr Ng Chin Siau will agree to collectively retain a shareholding interest in the Company of at least 51% of the issued share capital of the Company.

(i) Guarantees

Pursuant to the terms and conditions of the Loan Agreements, material subsidiaries of the Company will provide corporate guarantees to secure the repayment of all amounts owed by the Company under the Loan Agreement and other agreements entered into pursuant to the Loan Agreement.

(j) Conditions to disbursement of the Loan

The disbursement of the Loan to the Company is conditional upon, *inter alia*:-

(i) the Company obtaining all authorizations necessary for (1) the Loan; (2) the business of the Company as presently or contemplated to be carried on; (3) the enforceability and execution of the Loan Agreement and other agreements entered into pursuant to the Loan Agreement; and (4) the remittance to IFC in United States Dollars of all monies payable to IFC under the Loan Agreement. In this connection, the Company is required to ensure that all acquisitions using the proceeds from the Loan will fully comply with the applicable regulatory requirements including without limitation, Circular No. 75 issued by the PRC State Administration of Foreign Exchange of China on 21 October 2005 in respect of individual offshore investment ("**Circular 75**") and Order 10 (Provisions on Mergers with and Acquisitions of Domestic Enterprises by Foreign Investors) issued by the PRC Ministry of Commerce ("**Order 10**"), prior to acquisitions;

(ii) the Company having completed a social and environmental assessment and delivered to IFC an action plan setting out specific social and environmental measures to be undertaken by the Company to comply with the social and environmental standards of IFC;

(iii) the Company having adopted the form of an investment policy detailing the minimum requirements for investments in dental labs and clinics in the PRC, including but not limited to, requirements that each PRC partner for the Dental Projects shall comply with Circular 75 and Order 10 ("**Investment Policy**");

(iv) no event of default or potential event of default has occurred and is continuing; and

(v) IFC having received evidence that all authorizations for any Dental Project established prior to the date of the request for disbursement have been obtained and are in full force and effect.

(k) Additional Information

The Company would like to provide further background information in relation to the condition to disbursement set out in paragraph (k)(i) above. The Company and its subsidiaries ("**Group**") intends to conduct its dental clinic business in the PRC by entering into contractual arrangements with local Chinese dental clinics, pursuant to which our Group, through our wholly owned subsidiaries in China, will provide exclusive management, administrative and business services in exchange for payments from them ("**Dental Clinic Projects**").

There are several key risk factors associated with the Dental Clinic Projects.

If the PRC government finds that the Dental Clinic Projects do not comply with applicable PRC laws and regulations, the Company and its subsidiaries could be subject to penalties.

In relation to our Dental Clinic Projects, if our Group, any of the local dental clinics or any of its existing and future subsidiaries are found to be in violation of any existing or future PRC laws or regulations or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities including the Ministry of Health, which regulates the healthcare industry, may impose penalties which could result in a material and adverse effect on our ability to conduct the Group's business.

All acquisitions using the proceeds from the Loan will have to fully comply with the applicable regulatory requirements including without limitation, Circular 75 and Order 10, prior to acquisitions. The Company will have to divest any acquisitions if it is not in compliance with Circular 75 and Order 10. The Group is currently preparing applications to the relevant PRC regulatory authorities to obtain the necessary approvals and/or registrations under Circular 75 and Order 10 for the Group's current investments in the PRC.

The Group relies on contractual arrangements with local Chinese companies and its subsidiaries and shareholders for the Group's China operations, which may not be as effective in providing operational control as direct ownership.

The Group expects to continue to rely on contractual arrangements with local Chinese companies and their subsidiaries and shareholders to operate the Group's healthcare business. These contractual arrangements may not be as effective in providing the Group with control over these local Chinese companies and its subsidiaries as direct ownership. In addition, the Group may not be able to renew these contracts with these local Chinese companies and/or their subsidiaries.

4. RATIONALE FOR THE LOAN

The Company will be using the proceeds of the Loan to establish a network of reputable dental clinics and dental laboratories in main cities in the PRC. To-date, the Company has formed joint ventures with two dental healthcare groups in Beijing and Nanjing respectively, and also proposed to invest in two dental laboratory groups in the country. In total, the Company plans to invest around RMB180 million to develop its dental business in the PRC and the proceeds of the Loan will go towards the intended investment.

5. FINANCIAL EFFECTS OF THE LOAN

(a) <u>Assumptions</u>

The financial effects set out below are based on the following assumptions:-

(i) the full amount of the Convertible Loan of US$5,000,000 (equivalent to S$6,300,000, based on the agreed exchange rate of US$1.00 to S$1.26) is converted;

(ii) the Conversion Price is S$0.69; and

(iii) the maximum number of 9,130,434 Shares is issued pursuant to the conversion.

The financial effects set out herein are purely for the purposes of illustration.

(b) NTA

The effect of the Conversion on the net tangible assets ("**NTA**") per share of the Company on a consolidated basis for the financial year ended 31 December 2010, assuming that the Conversion takes place on 31 December 2010 is as follows:-

	NTA (S$'000)	**NTA per share**[(1)] (cents)
Before adjusting for Conversion	25,553	9.28[(1)]
After adjusting for Conversion	31,853	11.20[(2)]

Notes:

(1) NTA per share before Conversion is derived based on the number of Shares of the Company in issue of 275,226,497 Shares as at 31 December 2010.

(2) Adjusted NTA is based on Company's NTA as at 31 December 2010 (based on the audited financial statements of the Company for the financial year ended 31 December 2010) and the enlarged number of Shares of the Company in issue of 284,356,931 Shares after Conversion.

(c) EPS

The effect of the Conversion on the earnings per share of the Company on a consolidated basis for the financial year ended 31 December 2010, assuming that the Conversion takes place on 1 January 2010 is as follows:-

Basic and diluted earnings per share	**For the financial year ended 31 December 2010** (cents)
Before adjusting for Conversion	
- Basic earnings per share	1.47[(1)]
- Diluted earnings per share[(2)]	1.47[(1)]
After adjusting for Conversion	
- Basic earnings per share	1.42[(3)]
- Diluted earnings per share[(2)]	1.42[(3)]

Note:

(1) Earnings per share is derived based on the number of Shares of the Company in issue of 275,226,497 Shares as at 31 December 2010.

(2) The Company does not have any dilutive shares in issue.

(3) Adjusted earnings per share is based on Company's net earnings attributable to equity holders for the financial year ended 31 December 2010 (based on the audited financial statements of the Company for the financial year ended 31 December 2010) and the enlarged number of Shares of the Company in issue of 284,356,931 Shares after Conversion.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors of the Company has any interest, direct or indirect, in the Loan. As far as the Directors are aware, no controlling shareholder of the Company, has an interest, direct or indirect, in the Loan and the directors of the Company have not received any notification of any interest in the Loan from any controlling shareholder of the Company or any of their associates.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company (including those who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and the opinions expressed are fair and accurate and that no material facts have been omitted, and they jointly and severally accept responsibility accordingly. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

Issued by Q & M Dental Group (Singapore) Limited

Dr Ng Chin Siau
Chief Executive Officer
27 April 2011