



Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration No. 200800507R)

JOINT VENTURE RELATING TO SHANGHAI CHUANGYI INVESTMENT & MANAGEMENT CO. LTD

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 as a part of the Group's expansion plans of its dental healthcare business into the People's Republic of China (the "PRC"), Q & M Dental Holdings (China) Pte. Ltd. ("QDHC"), a 100% subsidiary of the Company, has on 7 November 2011 entered into a binding memorandum of understanding (the "MOU") with Mr. Wu Jian and Mr Wu Jun (collectively, the "Shareholders") relating to a proposed joint venture (the "Proposed Joint Venture") in respect of Shanghai Chuangyi Investment and Management Co Ltd ("SCIM").
- 1.2 SCIM is a limited liability company, established and existing under the PRC laws, which focuses on the operation and management of dental clinics. It is the holding company of Shanghai Kangyi Dental Polyclinic Co Ltd ("SKDP") which operates a 6 chair dental clinic in Hongqiao Road, Changning, Shanghai, PRC under the brand name "Alpha Dental". As at the date hereof, the registered capital of SCIM is RMB 1 million and the Shareholders own 100% of all the shares in SCIM. SCIM is the sole shareholder of SKDP which has a registered capital of RMB 1 million. SKDP has total staff strength of 23 including 6 dentists.
- 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, QDHC shall conduct due diligence investigations, audit and a valuation on SCIM and its subsidiaries.
- 1.4 Under the terms of the MOU, it is proposed that the Shareholders shall transfer 60% of their shares in the capital of SCIM to QDHC (the "SCIM Share Transfer") or its nominees. Under the terms of the MOU, subject to the valuation results of SCIM and its subsidiaries, the consideration payable by QDHC in respect of the SCIM Share Transfer shall be RMB 8.4375 million (approximately S\$1.6875 million) (the "Consideration"). The Shareholders will inject the sum of RMB 4,218,750 as interest free shareholders' loan, repayable within four (4) years, into SCIM.
- 1.5 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 SCIM and its subsidiaries;
 - (b) the future business prospects of the Proposed Joint Venture;
 - (c) current operational scale and the business of SCIM and its subsidiaries; and
 - (d) profit undertakings provided by the Shareholders.
- 1.6 Subject to the results of the due diligence investigations referred to in paragraph 1.3 being satisfactory to QDHC, the parties shall arrange for the execution of the definitive agreements relating to the Proposed Joint Venture (the "Definitive Agreements") in a timely manner.
- 1.7 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 SCIM and its subsidiaries include, inter alia, the

following:

- (i) to assist in improving the financial management rules and systems of SCIM and its subsidiaries and to supervise the financial matters; and
- (ii) to provide consultancy service to market positioning of Proposed Joint Venture, so as to ensure the services, products, techniques, and equipment meet customer's requirements.
- (b) The Shareholders shall undertake to QDHC that the net profit after tax of the SCIM for a period of ten (10) years ("Profit Target") from the date of completion of the SCIM Share Transfer shall be no less than
 - Year 1 RMB 1,500,000
 - Year 2 RMB 1,575,000
 - Year 3 RMB 1,653,750
 - Year 4 RMB 1,737,000
 - Year 5 RMB 1,824,000
 - Year 6 RMB 1,915,000
 - Year 7 RMB 1,915,000
 - Year 8 RMB 1,915,000
 - Year 9 RMB 1,915,000
 - Year 10 RMB 1,915,000
- (c) The Shareholders have agreed that QDHC shall have the priority right to dividends of 60% of the Profit Target for a period of ten (10) years commencing from the first year of Proposed Joint Venture. The Shareholders shall be responsible for any shortfall in the Profit Target.

- 1.8 Under the MOU, the Shareholders (including any of its appointed party) shall not for a period of six (6) months from the execution of the MOU, without the prior consent from QDHC, 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 SCIM and its subsidiaries or other arrangement with respect to the business of SCIM and its subsidiaries.

2. RATIONALE FOR THE PROPOSED JOINT VENTURE

The business of SCIM and its subsidiaries is in line with QDHC's expansion plans into the PRC as it is intended for SCIM to provide the platform for future Q & M clinics in Shanghai. 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 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.

QDHC shall leverage on the Group's expertise to improve the management and operational standards of SCIM 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 SCIM, its subsidiaries and the Shareholders who are experienced in the dental healthcare market in Shanghai, PRC.

3. FINANCIAL INFORMATION

Based on the latest management accounts of SCIM and its subsidiaries as at 31 December 2010 provided by the Shareholders, the total asset value of SCIM and its subsidiaries was RMB 1,332,361 (approximately S\$266,472) and the turnover for 2010 was RMB 4,335,734 (approximately S\$867,146).

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
Group Chief Executive Officer

8 November 2011

About Q & M Dental Group

Q & M Dental Group [QNM SP / QMDT.SI] is a growing private dental healthcare group in Asia. The Group operates the largest network of dental outlets in Singapore and is building its presence in the People's Republic of China ("PRC") and Malaysia.

Founded in 1996, Q & M Dental Group has built an established brand through its reputation as a reliable provider of quality dental healthcare services. In Singapore, the Group has 45 dental clinics strategically located island-wide, two dental centres and one mobile dental clinic. It also owns a dental supplies and equipment distribution company. The Group has a team of more than 140 experienced dentists, supported by over 300 clinic support staff, to provide quality service to its patient pool of more than 400,000 island-wide.

Q & M Dental Group is presently executing plans to expand its presence in the overseas markets. To-date, the Group has invested in two dental healthcare groups in the PRC that operate a total of seven dental clinics, one dental centre and a mobile dental clinic in Beijing and Nanjing cities. It also has a 70% stake in a dental practice in Johor, Malaysia that operates 2 dental clinics.
