



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

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## **JOINT VENTURE RELATING TO AIYASHI (爱雅仕) DENTAL CLINICS IN BEIJING**

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### **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 (Beijing) Pte. Ltd. ("**QMDB**"), 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 100 ordinary shares in QMDB (the "**QMDB Shares**"). The Board also refers to the announcements made today titled (a) "Joint Venture Relating to Dan De (丹德) Dental Clinics in Nanjing" (the "**Dan De Announcement**") in relation to the joint venture by QDGC in respect of the Dan De (丹德) dental clinics in Nanjing (the "**Dan De 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 Dan De Joint Venture and the He Cheng Proposed Joint Venture, entered into a joint venture (the "**Joint Venture**") with Dr. Wang Jia Lei ("**WJL**") and Dr. Wang Hai Peng, ("**WHP**"), pursuant to which QMDB shall acquire the economic benefits of the Aiyashi (爱雅仕) dental clinics in Beijing, PRC, namely, (a) Beijing Aiyashi Dental Clinic (北京爱雅仕口腔诊所), (b) Beijing Chang Qing Teng Dental Clinic (北京常青藤口腔诊所) and (c) Beijing Wang Jia Lei Dental Clinic (北京王嘉蕾口腔诊所) (collectively, the "**Clinics**") (details of which are set out in paragraph 1.6). In connection with the Joint Venture, QMDB shall incorporate a wholly foreign-owned enterprise ("**WFOE**") in the PRC.

The Clinics are currently operated by WJL and WHP, both of whom are licensed dentists practising in the PRC and who are the founders of the Clinics.

1.3 In connection with the Joint Venture, QDGC has entered into a shareholders agreement (the "**Shareholders Agreement**") dated 30 July 2010 with WJL and WHP. Pursuant to the terms of the Shareholders Agreement, the aggregate consideration to be received by WJL and WHP is S\$1,810,878 and shall be satisfied as follows:

- (a) QDGC shall transfer 49 QMDB Shares and 21 QMDB Shares to WJL and WHP respectively (the "**Share Consideration**");
- (b) QDGC shall pay S\$985,915 to WJL and S\$422,535 to WHP, amounting to an aggregate sum of S\$1,408,450 (being the equivalent of RMB7,000,000 at the agreed exchange rate of S\$1.00 to RMB4.97) (collectively, the "**Cash Consideration**"); and

- (c) subject to the approval of the Singapore Exchange Securities Trading Limited, the Company shall allot and issue to WJL 503,018 new ordinary shares in the capital of the Company (the "**New Shares**") and WHP 215,579 New Shares, at an issue price of S\$0.56 per New Share (collectively, the "**Consideration Shares**" and together with the Share Consideration and the Cash Consideration, the "**Consideration**").
- 1.4 WJL and WHP jointly and severally undertake to QDGC that they shall extend to QMDB shareholders loan of an amount equivalent to the Cash Consideration in accordance with the terms of a shareholders loan agreement dated 30 July 2010 between QMDB, QDGC, WJL and WHP. The purpose of the loan is to fund the opening of new clinics, the purchase of new advanced equipment and for the other working capital needs of the Clinics.
- 1.5 Upon the completion of the above, QDGC shall hold 30% of the issued and paid-up share capital of QMDB, WJL will hold 49% of the issued and paid-up share capital of QMDB and WHP will hold 21% of the issued and paid-up share capital of QMDB. QMDB shall be an associated company.
- 1.6 The economic benefits of the Clinics will be passed to QMDB via a service agreement dated 30 July 2010 (the "**Service Agreement**") entered into between QMDB and each of the Clinics, pursuant to which QMDB shall provide, *inter alia*, strategy consulting services to assist the Clinics in improving their market competitiveness so as to attract middle-level and high-level clientele, training services in respect of the employees of the Clients and annual assessment services in respect of the Client's operations and planning and in return, QMDB 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.
- 1.7 WJL and WHP have in connection with the Joint Venture provided an undertaking that, in respect of each of QMDB'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 QMDB shall not be less than RMB3,200,000 per year.
- 1.8 In connection with the Joint Venture, the Company and each of WJL and WHP have entered into, *inter alia*, a sale and purchase agreement dated 30 July 2010 pursuant to which the Company agreed to sell:
- (a) 8,750 ordinary shares in the capital of QDGC to WJL for S\$140,000; and
- (b) 3,750 ordinary shares in the capital of QDGC (collectively with the 8,750 ordinary shares in the capital of QDGC to be sold to WJL under paragraph 1.8(a), the "**QDGC Sale Shares**") to WHP for S\$60,000 (together with the S\$140,000 payable by WJL under paragraph 1.8(a), the "**QDGC Share Sale Consideration**"),

collectively representing 1% of the current share capital of QDGC (the "**QDGC Share Sale**").

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 Dan De Joint Venture to the joint venture partner therein (details of which are set out in the Dan De Announcement), the Company's shareholding interest in QDGC shall decrease from 99% to 97%.

- 1.9 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 Dan De 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 WJL and WHP who are reputable practitioners 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 WJL and WHP; and
- (a) 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 the Clinics as at 31 December 2009, the net tangible assets of the Clinics are RMB1,100,000.

**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.