



## Q & M DENTAL GROUP (SINGAPORE) LIMITED

(Company Registration No. 200800507R)

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### JOINT VENTURE RELATING TO BEIJING LE LE JIA MEDICAL SOLUTIONS 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") are pleased to announce that Q & M Dental Group Holdings (China) Pte. Ltd. ("QDHC"), a 100% owned subsidiary of the Company, has on 13 June 2011 entered into a non-binding memorandum of understanding (the "MOU") with the shareholders of Beijing Le Le Jia Medical Solutions Co., Ltd ("LLJ"), Mr. Wang Jia Lei and Ms Wang Jia Bei (the "Shareholders"). The MOU relates to a proposed joint venture (the "Proposed Joint Venture") which will complement the Group's expansion plans of its dental healthcare business into the People's Republic of China (the "PRC").
- 1.2 LLJ is a limited liability company established and existing under the PRC laws, which focuses on the processing and manufacturing of dental devices and dental device materials research. As at the date hereof, the registered capital of LLJ is RMB 3 million and the Shareholders own the entire interest in the capital of LLJ.
- 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 LLJ.
- 1.4 Under the terms of the MOU, subject to the valuation results of LLJ, it is proposed that the Shareholders shall transfer 49% of their shares in the capital of LLJ to QDHC (the "LLJ Share Transfer"). The total consideration payable by QDHC in respect of the LLJ Share Transfer shall be RMB 25.0 million (approximately S\$4.77 million) of which RMB 15.0 million (approximately S\$2.86 million) (the "Consideration") shall be payable upon completion of the LLJ Share Transfer ("Completion") and the remaining RMB 10.0 million (approximately S\$1.91 million) (the "Additional Consideration") shall be payable in 5 annual tranches subject to LLJ achieving Net Profit after Tax amounting to (i) RMB 4.0 million (approximately S\$0.76 million) for first year from date of Completion, (ii) RMB 4.52 million (approximately S\$0.86 million) for second year from date of Completion, (iii) RMB 5.1 million (approximately S\$0.97 million) for third year from date of Completion, (iv) RMB 5.77 million (approximately S\$1.10 million) for fourth year from date of Completion, (v) RMB 6.52 million (approximately S\$1.24 million) for fifth year from date of Completion, (vi) RMB 7.0 million (approximately S\$1.34 million) for sixth year from date of Completion and (vii) RMB 7.5 million (approximately S\$1.43 million) per year from seventh to tenth year from date of Completion.
- 1.5 The Consideration and Additional 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 LLJ;
  - (b) the future business prospects of the Proposed Joint Venture;
  - (c) current operational scale and production capacity of the business of LLJ; 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) QDHC's responsibilities in respect of LLJ include, inter alia, the following:
- (i) to assist in improving the financial management rules and systems of LLJ 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, equipment, and after sale services of LLJ;
- (b) the Shareholders shall undertake to QDHC that the dividends, service fee and/or transaction profit (after deduction of all taxes and fees within the PRC) to be received from LLJ by QDHC for a period of ten (10) years shall be no less than (i) RMB 2.5 million (approximately S\$0.477 million) per year for the first year, second and third years from Completion, (ii) RMB2.83 million (approximately S\$0.540 million) for the fourth year from Completion, (iii) RMB3.19 million (approximately S\$0.609 million) for the fifth year from completion, (iv) RMB 3.43 million (approximately S\$0.655 million) for the sixth year from completion and (v) RMB 3.675 million (approximately S\$0.701 million) per year from seventh to tenth year from Completion; and failing which, the Shareholders shall be responsible for any shortfall.
- 1.8 Under the MOU, neither the Shareholders nor LLJ (including any of its appointed party) shall 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 LLJ or other arrangement with respect to the business of LLJ.

## **2. RATIONALE FOR THE PROPOSED JOINT VENTURE**

The business of LLJ is in line with QDHC's expansion plans into the PRC as it is intended for LLJ 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.

QDHC shall leverage on the Group's expertise to improve the management and operational standards of LLJ, and enhance the quality of its products, services and techniques whilst the Group shall also benefit from the local knowledge and extensive experience of LLJ, 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 LLJ as at 31 December 2010, the net asset value of LLJ is RMB 10 million (approximately S\$1.91 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 Singapore Exchange Securities Trading Limited ("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 substantial shareholders of the Company have any interest in the proposed transaction 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**

13 June 2011

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### **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 41 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 130 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.

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