



AOXIN Q & M DENTAL GROUP LIMITED
(Company Registration Number: 201110784M)
(Incorporated in the Republic of Singapore)

UPDATES ON THE ACQUISITION OF SHENYANG QINGAOMEI ORAL RESTORATIVE TECHNOLOGY CO., LTD.

- FURTHER AMENDMENTS TO THE MASTER AGREEMENT

1. INTRODUCTION

The Board of Directors (the "**Board**" or the "**Directors**") of Aoxin Q & M Dental Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to its announcements dated 15 May 2017, 18 September 2017, 30 October 2017 and 3 September 2021 in relation to the acquisition (the "**Acquisition**") of Shenyang Qingaomei Oral Restorative Technology Co., Ltd. ("**SYQM**") (the "**Earlier Announcements**"). The onshore share transfer for SYQM was completed on 30 October 2017.

Unless otherwise defined in this announcement, all capitalised terms used in this announcement shall have the same meanings as set out in the Earlier Announcements.

2. FURTHER AMENDMENTS TO THE MASTER AGREEMENT

- 2.1. As stated in paragraph 3.2 of the Company's announcement dated 3 September 2021 (the "**3 September 2021 Announcement**"), pursuant to the Master Agreement and the first Amendment Deed, Mr. Fu Bin and Ms. Wang Jie (collectively, the "**Vendors**") had guaranteed, among other things, that with effect from the date of incorporation (i.e. 30 August 2021) of Shenyang Xinchuang Medical Technology Co., Ltd. ("**Shenyang Xinchuang**"), the net distributable profit after tax ("**NDPAT**") of both SYQM and Shenyang Xinchuang on a consolidated basis for each 12-month period (commencing on 1 October of each calendar year and ending on 30 September of the next calendar year) during a twelve-year period commencing from 1 October 2017 and ending on 30 September 2029 (the "**Profit Guarantee Period**") shall be no less than the amounts set out for each year as follows (each a "**Profit Guarantee Amount**"):

- (a) 1 October 2017 – 30 September 2018: RMB 1.30 million;
- (b) 1 October 2018 – 30 September 2019: RMB 1.43 million;
- (c) 1 October 2019 – 30 September 2020: RMB 1.57 million;
- (d) 1 October 2020 – 30 September 2021: RMB 1.73 million;
- (e) 1 October 2021 – 30 September 2022: RMB 1.90 million;
- (f) 1 October 2022 – 30 September 2023: RMB 2.09 million;
- (g) 1 October 2023 – 30 September 2024: RMB 2.30 million;
- (h) 1 October 2024 – 30 September 2025: RMB 2.53 million;
- (i) 1 October 2025 – 30 September 2026: RMB 2.79 million;
- (j) 1 October 2026 – 30 September 2027: RMB 3.07 million;
- (k) 1 October 2027 – 30 September 2028: RMB 3.37 million; and
- (l) 1 October 2028 – 30 September 2029: RMB 3.71 million.



(the “**Current Profit Guarantee**”).

- 2.2. Following extensive discussions between the Company and the Vendors, the Board wishes to update the shareholders of the Company (the “**Shareholders**”) that the parties to the Master Agreement had entered into a second amendment deed to the Master Agreement (the “**Second Amendment Deed**”) on 18 March 2024 to amend the terms of the Current Profit Guarantee in the Amendment Deed, as well as the relevant terms in the supplementary letter of undertaking (Onshore) and supplementary letter of undertaking (Offshore), collectively defined as “Definitive Agreements” in connection with the Second Amendment Deed.
- 2.3. The principal amendments to the terms of the Current Profit Guarantee under the Second Amendment Deed are set out in Table 1 below (collectively, the “**Revisions to the Profit Guarantee**”):

Current Profit Guarantee			Revised Profit Guarantee		
<i>(where each 12-month period for the purposes of calculating the relevant Profit Guarantee Amounts commences on <u>1 October</u> of each calendar year and ends on <u>30 September</u> of the next calendar year)</i>			<i>(where each 12-month period for the purposes of calculating the relevant Profit Guarantee Amounts commences on <u>1 January</u> of each calendar year and ends on <u>31 December</u> of the same calendar year)</i>		
(Section A)			(Section B)		
Year No.	12- month Period	Profit Guarantee (RMB) <i>(each a “Profit Guarantee Amount”)</i>	Year No.	12-month Period (of part thereof*)	Profit Guarantee (RMB) <i>(each a “Profit Guarantee Amount”)</i>
1	1 October 2017 to 30 September 2018	1.30 million	1	1 October 2017 to 31 December 2017 (period of 3 months)*	0.325 million
2	1 October 2018 to 30 September 2019	1.43 million	2	1 January 2018 to 31 December 2018	1.43 million
3	1 October 2019 to 30 September 2020	1.57 million	3	1 January 2019 to 31 December 2019	1.57 million
4	1 October 2020 to 30 September 2021	1.73 million	4	1 January 2020 to 31 December 2020	1.73 million



5	1 October 2021 to 30 September 2022	1.90 million	5	1 January 2021 to 31 December 2021	1.90 million
6	1 October 2022 to 30 September 2023	2.09 million	6	1 January 2022 to 31 December 2022	2.09 million
7	1 October 2023 to 30 September 2024	2.30 million	7	1 January 2023 to 31 December 2023	2.30 million
8	1 October 2024 to 30 September 2025	2.53 million	8	1 January 2024 to 31 December 2024	2.53 million
9	1 October 2025 to 30 September 2026	2.79 million	9	1 January 2025 to 31 December 2025	2.79 million
10	1 October 2026 to 30 September 2027	3.07 million	10	1 January 2026 to 31 December 2026	3.07 million
11	1 October 2027 to 30 September 2028	3.37 million	11	1 January 2027 to 31 December 2027	3.37 million
12	1 October 2028 to 30 September 2029	3.71 million	12	1 January 2028 to 31 December 2028	3.71 million
-	-	-	13	1 January 2029 to 30 September 2029 (period of 9 months)*	0.975 million
Total Target Guaranteed Amount under the Current Profit Guarantee		27.79 million	Total Target Guaranteed Amount under the Revised Profit Guarantee		27.79 million

(Table 1: Figures are rounded to the millions)



2.4. Under the Revised Profit Guarantee:

- (a) Other than years 2017 and 2029, each 12-month period for the purposes of calculating the relevant Profit Guarantee Amounts will commence on 1 January and end on 31 December of each calendar year (as set out under **Section B** of Table 1, instead of commencing on 1 October of each calendar year and ending on 30 September of the next calendar year (as set out under **Section A** of Table 1 for the Current *Profit Guarantee*). **As such, the Profit Guarantee Amount of RMB1.30 million for Year No. 1 of the Current Profit Guarantee (i.e. 1 October 2017 to 30 September 2018) has been redistributed to (a) the first 3 months (i.e. 1 October 2017 to 31 December 2017, where the Profit Guarantee Amount is RMB0.325 million) and (b) the last 9 months (i.e. 1 January 2029 to 30 September 2029, where the Profit Guarantee Amount is RMB0.975 million) of the Profit Guarantee Period under the Revised Profit Guarantee.**
- (b) Other than years 2017 and 2029, each 12-month period for the purposes of calculation of the Profit Guarantee Amounts shall **commence on 1 January and end on 31 December of each calendar year**, instead of commencing on 1 October of each calendar year and ending on 30 September of the next calendar year. For the avoidance of doubt, under the Revised Profit Guarantee, the total **Profit Guarantee Period remains unchanged** and shall continue to commence on 1 October 2017 and end on 30 September 2029.
- (c) The Profit Guarantee Amounts shall be calculated on a **cumulative basis from FY 2017**. This means in the event that the NDPAT of both SYQM and Shenyang Xinchuang on a consolidated basis in any year exceeds the relevant Profit Guarantee Amount for that year, the **surplus of NDPAT over Profit Guarantee Amount for such year shall be carried forward to the next year and any subsequent year (if applicable)**, and shall be taken into consideration in calculating whether SYQM and Shenyang Xinchuang have collectively met the relevant Profit Guarantee Amount for the next year and any subsequent year (if applicable). To clarify further, if, in any given year, the NPAT of both SYQM and Shenyang Xinchuang are **unable to achieve the relevant Profit Guarantee Amount for such year after taking into consideration the accumulated surplus of NDPAT over Profit Guarantee Amount available in such year**, the Vendors shall accordingly be required to make up the shortfall amount for such year with personal cash and assets within thirty (30) days of demand by Q & M Dental (Shenyang) Pte. Ltd. (“**Shenyang SPV**”) and/or Shenyang Quanxin Medical Equipment Leasing Co., Ltd. (“**Shenyang Quanxin**”), both of which are the Company’s wholly owned subsidiaries. In the event that there is any dispute or disagreement between the Company and the Vendors as to the exact amount of the said shortfall, the calculation and determination of the said shortfall amount by the Company’s auditors at the relevant time shall be final and conclusive.



- (d) As stated in Table 1 above, the Total Target Guaranteed Amount under the Current Profit Guarantee is the same as the Total Target Guaranteed Amount under the Revised Profit Guarantee.
- (e) The following has been further agreed upon:
- (i) any outstanding receivables in relation to SYQM and/or Shenyang Xinchuang (as the case may be) (the “**Outstanding Receivables**”) shall **not** be taken into consideration when calculating whether the Profit Guarantee of each of the relevant Revised Profit Guarantee period has been achieved ;
 - (ii) in the event that the Total Target Guaranteed Amount under the Revised Profit Guarantee is achieved on a date (“**Actual PG Achievement Date**”) which is on or before 30 September 2029 (the “**PG Deadline**”), the Vendors shall nevertheless ensure that all Outstanding Receivables are collected within a period of 2 years commencing from the Actual PG Achievement Date. Otherwise, the Vendors shall be personally liable for the Outstanding Receivables which remain outstanding upon lapse of the aforesaid 2 years; and
 - (iii) in the event that the Total Target Guaranteed Amount under the Revised Profit Guarantee is **not** achieved as of the PG Deadline (i.e., 30 September 2029), the Vendors shall: -
 - (A) make up the shortfall between Total Target Guaranteed Amount under the Revised Profit Guarantee and the accumulated NDPAT actually achieved during the total Profit Guarantee Period (i.e., from 1 October 2017 to 30 September 2029), using their personal cash and assets; and
 - (B) ensure that all Outstanding Receivables as at the PG Deadline are collected within a period of 2 years commencing from the PG Deadline, failing which, the Vendors shall be personally liable for the Outstanding Receivables which remain outstanding upon lapse of the aforesaid 2 years.
 - (iv) For the avoidance of doubt, in the event of any disagreement as to the amounts involved hereunder, the calculation and determination made by the Company’s auditors shall be final and conclusive.
- 2.5. Save for the principal amendments as disclosed in paragraphs 2.3 and 2.4 above, all other terms of the Master Agreement, Definitive Agreements and Amendment Deeds shall remain in full force and effect.



- 2.6. For the avoidance of doubt, the Revisions to the Profit Guarantee shall not affect the validity of the existing share pledge (the “**Existing Share Pledge**”) of 1,135,000 shares granted by Exclusive Innovation Pte. Ltd. (“**EIPL**”), a company which is wholly-owned by Ms. Wang Jie, over the Subscription Shares (the “**Shares Pledged**”) in the capital of the Company that it owns. Please refer to paragraph 4.2 of the 3 September 2021 Announcement for further details on the Existing Share Pledge. EIPL will continue to pledge the Shares Pledged under the Revised Profit Guarantee until 30 September 2029.
- 2.7. Taking into consideration the financial performance of SYQM and Shenyang Xinchuang during the period from 1 October 2017 (i.e. the commencement date of the Profit Guarantee Period) to 31 December 2022 and to adjust each relevant 12-month period during the Profit Guarantee Period to be consistent with the relevant calendar year and audit cycle of the Company, the Board is of the view that accepting the Revisions to the Profit Guarantee is not prejudicial to the Company as it allows the Company to maintain the Total Target Guaranteed Amount within the total Profit Guarantee Period.

3. **MORATORIUM OVER THE SUBSCRIPTION SHARES**

As stated in paragraphs 2.1 and 2.2 of the Company’s announcement dated 1 March 2018, on 1 March 2018, EIPL subscribed for 5,658,490 ordinary shares in the capital of the Company (the “**Subscription Shares**”). The Subscription Shares were subject to a moratorium (the “**Moratorium**”) for a period of five (5) years (the “**Moratorium Period**”). The Moratorium Period had lapsed on **30 September 2022**. Accordingly, the Subscription Shares are no longer subject to the Moratorium.

4. **DISCLOSURE UNDER RULE 1013(1) OF THE CATALIST RULES**

4.1. **The views of the board of directors of the issuer in accepting the Revised Profit Guarantee or the profit forecast and the factors taken into consideration and basis for such a view**

Refer to paragraph 2.7 above.

4.2. **The principal assumptions including commercial bases and assumptions upon which the quantum of profit guarantee is based**

Refer to paragraph 2.7 above. For the avoidance of doubt, the Total Target Guaranteed Amount under the Revised Profit Guarantee is the same as the Total Target Guaranteed Amount under the Current Profit Guarantee and PG Deadline remains to be on 30 September 2029.



4.3. **The manner and amount of compensation to be paid by the Vendors in the event that the profit guarantee or the profit forecast is not met and the conditions precedent, if any, and the detailed basis for such a compensation**

Refer to paragraph 2.4 above.

4.4. **The safeguards put in place (such as the use of a banker's guarantee) to ensure the issuer's right of recourse in the event that the profit guarantee is not met, if any**

Please refer to paragraph 2.6 above. EIPL will continue to pledge the Shares Pledged under the Revised Profit Guarantee. In the event that the Revised Profit Guarantee is not met, the Company shall have the right to sell the Shares Pledged based on a prescribed formula and direct the proceeds from such sale to the Company.

5. PERFORMANCE OF SYQM AND SHENYANG XINCHUANG FROM 1 OCTOBER 2017 TO 31 DECEMBER 2022

5.1. The Board notes that SYQM and Shenyang Xinchuang have collectively achieved all of the Profit Guarantee Amounts for the period from 1 October 2017 to 31 December 2021 pursuant to the Revised Profit Guarantee. The cumulative Surplus as of FY2022 is RMB3,457,839, this Surplus was arrived at after offsetting with the Profit Guarantee shortfall for FY2022 amounting to RMB190,199 as explained in paragraph 5.2 below.

The cumulative surplus of each period since the commencement is as below:-

Year	Profit Guarantee RMB	NDPAT RMB	Surplus for each period RMB
FY2017	325,000	897,831	572,831
FY2018	1,430,000	1,805,995	375,995
FY2019	1,573,000	2,712,248	1,139,248
FY2020	1,730,300	1,907,589	177,289
FY2021	1,903,330	3,286,005	1,382,675
FY2022	2,093,663	1,903,464	(190,199)

Total cumulative surplus up to FY2022

3,457,839

5.2. SYQM and Shenyang Xinchuang have not achieved the required Profit Guarantee Amount in the financial year ended 31 December 2022 ("FY2022") pursuant to the Revised Profit Guarantee. Based on the audited financial statements of SYQM and Shenyang Xinchuang on a consolidated basis for FY2022, the actual NDPAT (the "Actual NDPAT") of both SYQM and Shenyang Xinchuang on a consolidated basis (after accounting adjustment cleared by the Company's auditors) was RMB1,903,464, which was less than the corresponding Profit Guarantee Amount of RMB2,093,663 under the Revised Profit Guarantee. Accordingly, the Vendors have not met the Profit Guarantee Amount for FY2022 and the shortfall between the Profit Guarantee Amount and the Actual NDPAT was **RMB190,199** (the "FY2022 Shortfall").



5.3. Pursuant to Rule 1013(3)(a) of the Catalist Rules, as the Revised Profit Guarantee was not met in FY2022, the Board wishes to announce the following:

(a) **The variance between the profit guarantee or the profit forecast and the actual profit, and the reason for the variance;**

The main reason for the FY2022 Shortfall was due to the prolonged impact of the COVID-19 pandemic and the unusually rigid anti-COVID-19 measures implemented in China during the relevant period on the business of SYQM and Shenyang Xinchuang.

(b) **Any variation of the rights of the issuer; and**

Save as disclosed in paragraph 2, there is no material variation to the rights of the Company relating to the Revised Profit Guarantee in respect of SYQM and Shenyang Xinchuang.

(c) **The possible course(s) of action by the issuer to protect the interests of the shareholders of the issuer, if any. Notwithstanding this, the issuer must provide timely updates on the specific course of action including its progress and outcome of the action.**

Refer to paragraph 2.6 above.

6. FURTHER ANNOUNCEMENT(S)

The Company will make such further announcement(s) to keep Shareholders informed, as and when there are material updates or developments in connection with the Revised Profit Guarantee. Shareholders and potential investors are advised to exercise caution when dealing in the Company's securities. When in doubt, Shareholders and potential investors are advised to seek independent advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Master Agreement, the Amendment Deed, the Second Amendment Deed and the Definitive Agreements will be made available for inspection by the Shareholders at the registered office of the Company at 9 Raffles Place, #26-01 Republic Plaza, Singapore 048619 during normal business hours for three (3) months from the date of this announcement.



Shareholders who wish to inspect the documents at the Company's registered office are required to send an email request to qnm@aoxin.sg to make an appointment in advance. The inspection of documents will be arranged with each Shareholder to limit the number of people who are present at the registered office at any one time and prevent any overcrowding.

By Order of the Board

Aoxin Q & M Dental Group Limited

Dr. Shao Yongxin
Executive Director and Group Chief Executive Officer

18 March 2024

Financial Controller

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*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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