



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

**ACQUISITION OF YOUXIN DENTAL CLINIC –
UPDATE ON PROFIT GUARANTEE**

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 18 May 2018, 31 December 2018, 21 January 2020 and 18 June 2021 (the "**Earlier Announcements**") in relation to the acquisition of 100% equity interest in Youxin Dental Clinic (the "**Acquisition**"). The onshore share transfer for Aoxin Youxin (f.k.a. Youxin Dental Clinic) was completed on 15 January 2019.

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. PROFIT GUARANTEE

As stated in the Company's announcement dated 18 June 2021 (the "**18 June 2021 Announcement**"), Dr. You Zhongjiang (the "**Vendor**") had guaranteed, among other things, that the net profit after tax adjusted for allowable expenses as set out in the Master Agreement ("**Adjusted NPAT**") of Aoxin Youxin for each 12-month period over a period of 15 years (the "**Profit Guarantee Period**") shall be no less than certain stipulated amounts for each financial year ended 31 December (each a "**Profit Guarantee Amount**") (the "**Profit Guarantee**"), in accordance with the table below:

Year	Profit Guarantee Amount (RMB) (for 15 years Profit Guarantee from 1 January 2019 to 31 December 2033)
1 January 2019 to 31 December 2019	1,400,000
1 January 2020 to 31 December 2020	880,000
1 January 2021 to 31 December 2021	1,400,000
1 January 2022 to 31 December 2022	1,600,000
1 January 2023 to 31 December 2023	2,054,000

1 January 2024 to 31 December 2024	2,054,000
1 January 2025 to 31 December 2025	2,054,000
1 January 2026 to 31 December 2026	2,054,000
1 January 2027 to 31 December 2027	2,054,000
1 January 2028 to 31 December 2028	2,054,000
1 January 2029 to 31 December 2029	2,054,000
1 January 2030 to 31 December 2030	2,054,000
1 January 2031 to 31 December 2031	2,054,000
1 January 2032 to 31 December 2032	2,054,000
1 January 2033 to 31 December 2033	2,059,000
Total	27,879,000

2.1. In the event that the Adjusted NPAT of Aoxin Youxin in any year during the Profit Guarantee Period is less than the relevant Profit Guarantee Amount for that given year, the Vendor undertakes to make up the shortfall (i.e. the difference between the relevant Profit Guarantee Amount and the Adjusted NPAT of Aoxin Youxin in that given year) and pay the Company's subsidiary, namely Q & M Dental (Shenyang) Pte. Ltd. ("QMSY"), with his personal cash and assets within thirty (30) days of demand by QMSY.

3. RESULTS OF AOXIN YOUXIN IN RELATION TO THE PROFIT GUARANTEE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 ("FY2021"), 31 DECEMBER 2020 ("FY2020") and 31 DECEMBER 2019 ("FY2019")

3.1 Based on the audited financial statements of Aoxin Youxin for FY2021, the Adjusted NPAT for FY2021 was RMB615,881, which was less than the corresponding Profit Guarantee Amount of RMB1,400,000 for FY2021. Accordingly, the Vendor has not met the Profit Guarantee for FY2021.

3.2 Based on the audited financial statements of Aoxin Youxin for FY2020, the Adjusted NPAT for FY2020 was RMB887,482, which was more than the corresponding Profit Guarantee Amount of RMB880,000 for FY2020. Accordingly, the Vendor has met the Profit Guarantee for FY2020. With reference to the Second Amendment Deed, the excess of RMB7,482 shall be offset against any shortfall arising from the financial year ending 31 December 2022 onwards.

3.3 Based on the audited financial statements of Aoxin Youxin for FY2019, the Adjusted NPAT for FY2019 was RMB1,304,221, which was less than the corresponding Profit Guarantee Amount of RMB1,400,000 for FY2019. Accordingly, the Vendor has not met the Profit Guarantee for FY2019 and the shortfall between the Profit Guarantee Amount and the Adjusted NPAT of Aoxin Youxin for FY2019 is RMB95,779 (“**FY2019 Shortfall**”).

3.4 Pursuant to Rule 1013(3)(a) of the Catalist Rules, the Board wishes to announce the following:

(i) 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 shortfall between the Profit Guarantee Amount and the Adjusted NPAT of Aoxin Youxin for FY2021 of RMB784,119 (“**FY2021 Shortfall**”) was due to the negative impact of the COVID-19 situation on Aoxin Youxin’s business in FY2021.

(ii) Any variation of the rights of the issuer; and

There is no variation to the rights of the Company relating to the Profit Guarantee in respect of Aoxin Youxin.

(iii) 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.

The Vendor has agreed to pay the FY2021 Shortfall and the FY2019 Shortfall, in the aggregate amount of RMB879,898 (“**Total Shortfall Amount**”), to the Company’s designated bank account by 30 April 2023. In the event that the Vendor fails to pay the Total Shortfall Amount, QMSY shall have legal recourse against the Vendor under the Master Agreement, as supplemented by the First and Second Amendment Deed.

The Vendor had pledged the building at which Aoxin Youxin is operating as security for the Profit Guarantee. In the event that the Profit Guarantee is not met, Shenyang Xinao Hospital Management Co., Ltd. (“**SYXA**”) or QMSY shall have the right as stipulated in terms and conditions of Master Agreement, to take possession and to dispose of the foregoing security in accordance with the laws in China.

4. 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 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.

By Order of the Board

Aoxin Q & M Dental Group Limited

Dr. Shao Yongxin
Executive Director and Group Chief Executive Officer

26 April 2022

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 document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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