



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

**PROPOSED MODIFICATIONS TO THE NON-COMPETE UNDERTAKINGS OF Q & M DENTAL GROUP
(SINGAPORE) LIMITED AND AOXIN Q & M DENTAL GROUP LIMITED**

1. INTRODUCTION

1.1 The Board of Directors (the "**Board**") of Aoxin Q & M Dental Group Limited (the "**Company**" or "**Aoxin Q & M**", and together with its subsidiaries, the "**Group**", and an "**Aoxin Q & M Group Company**" shall be construed accordingly) refers to the offer document dated 18 April 2017 (the "**Offer Document**") which was issued in connection with the spin-off and the listing of the Company on the Catalist Board (the "**Catalist**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com.

1.2 As set out on pages 222 to 226 (section entitled "*Potential Conflicts of Interest with Q & M Singapore*") of the Offer Document, in order to address any potential conflicts of interest that may arise between the Company and its controlling shareholder Q & M Dental Group (Singapore) Limited ("**Q & M Singapore**", and together with its subsidiaries and associated companies, the "**Q & M Singapore Group**", and a "**Q & M Singapore Group Company**" shall be construed accordingly), resulting from the spin-off of the Company, Q & M Singapore and the Company provided certain non-compete undertakings to each other.

1.3 Q & M Singapore Group undertook, amongst other things, not to engage in, carry on or otherwise be interested in businesses engaged in the provision of dental services or the provision, distribution or sale of dental equipment and supplies (the "**Relevant Business**") in the Northern PRC Region (as defined herein) (the "**QM Non-Compete**") save for certain exempted transactions. The Northern PRC Region refers to the provinces of Beijing, Gansu, Hebei, Heilongjiang, Inner Mongolia, Jilin, Liaoning, Ningxia, Qinghai, Shaanxi, Shandong, Shanxi, Tianjin and Xinjiang, within the People's Republic of China (the "**PRC**").

1.4 Similarly, the Group undertook, amongst other things, not to engage in, carry on or otherwise be interested in any Relevant Business outside of the Northern PRC Region (the "**AQMD Non-Compete**" and together with the QM Non-Compete, the "**Existing Non-Competes**"). This essentially excludes the Group from operating any Relevant Business in the Southern PRC Region (as defined herein). The Southern PRC Region refers to the provinces of Anhui, Chongqing, Fujian, Guangdong, Guangxi, Guizhou, Hainan, Henan, Hong Kong, Hubei, Hunan, Jiangsu, Jiangxi, Macau, Shanghai, Sichuan, Tibet, Yunnan and Zhejiang, within the PRC.

1.5 Pursuant to discussions between the Company and Q & M Singapore, both parties are now desirous of amending the Existing Non-Competes (the "**Proposed Modifications**").

2. PROPOSED MODIFICATIONS

2.1 The terms of the Proposed Modifications are aimed at allowing Q & M Singapore Group to participate in projects in the Northern PRC Region and the Group to participate in projects in the Southern PRC Region, in the following manner

- 2.1.1 whenever an Aoxin Q & M Group Company intends to incorporate or acquire any interest (whether by purchase or otherwise and whether alone or through a joint venture) in an entity which carries on or engages in the Relevant Business in the Northern PRC Region, Aoxin Q & M may, in its sole discretion, extend an invitation to Q & M Singapore Group to participate as a joint venture partner in such Relevant Business; and
 - 2.1.2 whenever a Q & M Singapore Group Company intends to incorporate or acquire any interest (whether by purchase or otherwise and whether alone or through a joint venture) in an entity which carries on or engages in the Relevant Business in the Southern PRC Region, Q & M Singapore may, in its sole discretion, extend an invitation to the Group to participate as a joint venture partner in such Relevant Business.
- 2.2 Any joint venture ("**JV**") entered into between the Group and the Q & M Singapore Group pursuant to such invitations will be subject to, *inter alia*, the following terms:
- 2.2.1 prior to extending any invitation, the audit committee ("**AC**") of the company extending the invitation will determine whether the project is suitable for the purpose of the JV. The respective ACs of the Company and Q & M Singapore will also ensure that that terms of the JV are on normal commercial terms and not prejudicial to the interests of the Company, Q & M Singapore and/or their minority shareholders;
 - 2.2.2 the risk and rewards of a JV will be in proportion to the respective equity holdings of each joint venture partner in the JV; and
 - 2.2.3 the equity interest of Q & M Singapore in a JV for a project in the Northern PRC Region will not exceed that of Aoxin Q & M and similarly, the equity interest of Aoxin Q & M in a JV for a project in the Southern PRC Region will not exceed that of Q & M Singapore.
- 2.3 The Company intends to enter into revised non-compete agreements with Q & M Singapore in order to give effect to the Proposed Modifications.
- 2.4 The Company, through a letter dated 25 February 2019, consulted the SGX-ST on the Proposed Modifications. On 7 June 2019, SGX-ST confirmed to the Company that it has no further comments on the Proposed Modifications, subject to the following:
- 2.4.1 the Company seeking the approval of its shareholders (the "**Shareholders**") for the Proposed Modifications (with Q & M Singapore and its associates abstaining from voting);
 - 2.4.2 the Company making an immediate announcement on the details (including rationale) of the Proposed Modifications to the AQMD Non-Compete including the Company's AC views that the same are beneficial to the Group; and
 - 2.4.3 the terms of reference of the AC to be revised to take into consideration the Proposed Modifications to the AQMD Non-Compete.

3. RATIONALE AND VIEW OF THE AUDIT COMMITTEE

- 3.1 The AC of the Company is of the view that the Proposed Modifications to the AQMD Non-Compete are beneficial to the Group for the following key reasons:
- 3.1.1 The Group is dependent on financing for acquisitions and opening of new clinics. Since its listing on the Catalist on 26 April 2017, the Group has announced the following acquisitions and new clinic openings:
 - (a) the acquisition of Shenyang Qingamei Oral Restorative Technology Co., Ltd as announced on 30 October 2017;
 - (b) the acquisition of Zhuanghe City Aoxin Dawei Dental Co., Ltd as announced on 8 December 2017;

- (c) the proposed acquisition of Youxin Dental Clinic as announced on 18 May 2018;
- (d) the launch and opening of the Panjin Aoxin Q&M Dental Hospital Co., Ltd as announced on 20 May 2018;
- (e) the launch and opening of Shenhe Aoxin Stomatology Polyclinic Co., Ltd as announced on 30 May 2018; and
- (f) the proposed acquisition of Shenyang Huanggu Aoxin Dental Clinic Co., Ltd as announced on 21 December 2018.

The Company has fully utilised the proceeds raised from its listing on the Catalist amounting to S\$9.1 million as at end November 2018. To continue its growth, it will have to raise further equity or debt financing for acquisitions or capital expenditure for the opening of new clinics. Unlike the Q & M Singapore Group, the Group is unable to issue medium-term notes to raise debt financing as it is newly listed on the Catalist and does not have a track record of borrowings from banks.

Instead of raising further equity by issuing new shares, which will be dilutive to existing Shareholders, it will be commercially beneficial for Aoxin Q & M to instead enter into a joint venture with its controlling shareholder, Q & M Singapore. Such joint ventures with a trusted partner will help the Company manage the risk exposure and capital requirements resulting from its expansion plans, and continue to expand its footprint in the Northern PRC Region.

3.1.2 Q & M Singapore is the largest listed dental group in South-East Asia and as the single largest shareholder of the Company, it has an existing and vested interest in the success of the Group. By having the option to partner with Q & M Singapore in the Northern PRC Region, the Company will be able to leverage on Q & M Singapore's legal and financial expertise in due diligence and structuring of acquisitions.

3.2 In compliance with the requirements of the SGX-ST set out in paragraph 2.4 above, the terms of reference of the AC of the Company will also be revised to take into consideration the Proposed Modifications to the AQMD Non-Compete, and will be disclosed in the Circular (as defined herein) accordingly.

4. EXTRAORDINARY GENERAL MEETING

4.1 The Company will be convening an extraordinary general meeting ("**EGM**") to seek the approval of the Shareholders for the Proposed Modifications to the AQMD Non-Compete. Q & M Singapore and its associates shall abstain from the voting in respect of the resolution pertaining to the Proposed Modifications to the AQMD Non-Compete.

4.2 A circular (the "**Circular**") containing, *inter alia*, the following further information relating to the Proposed Modifications as well as the Notice of EGM will be despatched to Shareholders in due course:

- 4.2.1 detailed terms and exact wordings of the Proposed Modifications to the AQMD Non-Compete;
- 4.2.2 clause-by-clause rationale for each of the modifications proposed in respect of the AQMD Non-Compete;
- 4.2.3 procedures that will be implemented by the Company to address potential conflicts of interest that may arise as a result of the Proposed Modifications;
- 4.2.4 revised terms of reference of the AC of the Company; and
- 4.2.5 such other information the Board deems necessary for consideration by the Shareholders in respect of the Proposed Modifications.

4.3 The Company understands that Q & M Singapore will also be convening an EGM to seek the approval of its shareholders for the Proposed Modifications.

5. TRADING CAUTION

Shareholders and potential investors of the Company 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
Group Chief Executive Officer
10 June 2019

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This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"). This announcement 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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