



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

ACQUISITION OF SHENYANG AOXIN JINFENG DENTAL CLINIC CO., LTD.

- TERMINATION OF THE JINFENG DOCUMENTS (AS DEFINED HEREIN)

1. INTRODUCTION

1.1 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 28 February 2019 and 19 March 2019 (the "**Earlier Announcements**") in relation to the proposed acquisition of 100% equity interest in Shenyang Aoxin Jinfeng Clinic Co., Ltd. ("**Jinfeng**") (the "**Acquisition**").

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.

1.2 Pursuant to the MA, the aggregate Purchase Consideration of RMB10,266,000, was to be satisfied as follows:

- (a) payment by SYXA of RMB780,000 in cash to the Dr Fu Feng ("**Fu Feng**") and Dr Yang Ting (collectively the "**Vendors**") for the transfer of the Sale Shares. As disclosed in the Earlier Announcements, the onshore share transfer of Jinfeng has been completed;
- (b) injection by SYXA or QMSY of RMB6,880,000 ("**Proposed Investment**") as registered and paid-up capital of Jinfeng, to be utilised in the following manner: (i) RMB5,300,000 to purchase the business premises of Jinfeng from the Fu Feng and two other property owners (collectively the "**Property Owners**") ("**Proposed Acquisition of Business Premises**"); and (ii) RMB1,580,000 to purchase equipment and for other working capital purposes; and
- (c) issuance and allotment by the Company of RMB2,606,000 (S\$520,367 based on an exchange rate of S\$1.00: RMB5.008) in aggregate value of ordinary shares in the capital of the Company to the Vendors or an investment vehicle newly incorporated by the Vendors ("**Proposed Issue of Consideration Shares**").

1.3 In connection with the MA, SYXA entered into a share transfer agreement dated 28 February 2019 ("**Share Transfer Agreement**") governed by Chinese law with the Vendors for the onshore share transfer of the Sale Shares, and the Vendors had also entered into non-compete agreements and service agreements with the Company and QMSY (collectively with the MA, the Share Transfer Agreement and all other

agreements, whether oral or written entered into between *inter alia*, the Group and the Vendors in connection with the Acquisition, the "**Transaction Documents**").

- 1.4 Following the completion of the onshore share transfer on 14 March 2019, Jinfeng had entered into a total of three lease agreements governed by Chinese law with the Property Owners for the lease of the 28 Tieshan Property ("**Lease Agreements**") as the business premises of Jinfeng is situated at the 28 Tieshan Property. On 17 June 2019, Jinfeng and the Property Owners entered into a property purchase agreement governed by Chinese law ("**Property Purchase Agreement**", and collectively with the Lease Agreements, the "**Onshore Property Agreements**", and together with the Transaction Documents, the "**Jinfeng Documents**") in connection with the Proposed Acquisition of the Business Premises. On 20 June 2019, Jinfeng paid RMB170,000 to the Property Owners as downpayment on the 28 Tieshan Property ("**Downpayment**") pursuant to the Property Purchase Agreement. The Lease Agreements have since expired but as at the date of this announcement, Jinfeng owes to the Property Owners outstanding rental amounts of RMB100,000 ("**Outstanding Rental**").

2. TERMINATION OF THE JINFENG DOCUMENTS

- 2.1 The Board wishes to update the Shareholders that, on 20 May 2020 ("**Termination Date**"), the Company had entered into a deed of termination governed by Singapore law ("**Offshore Termination Deed**") with the Vendors, QMSY and SYXA (each a "**Party**" and collectively, the "**Parties**") pursuant to which the Parties have agreed to terminate the Transaction Documents with effect from the Termination Date. On the same date, Jinfeng entered into a termination agreement with the Property Owners governed by Chinese law, to terminate the Onshore Property Agreements ("**Onshore Termination Agreement**") with effect from the Termination Date. The Vendors have also agreed to procure the termination of the Onshore Property Agreements in accordance with the terms of the Onshore Termination Agreement with effect from the Termination Date. Consequently, the Proposed Investment, the Proposed Acquisition of Business Premises and the Proposed Issuance of the Consideration Shares will not be given effect to by the parties. For the avoidance of doubt, the termination of the Share Transfer Agreement under the Offshore Termination Deed is only in respect of any and all residual rights and obligations of the parties which may arise under the Share Transfer Agreement and does not involve the reversal of the onshore share transfer of Jinfeng.
- 2.2 Under the Offshore Termination Deed, the Company has agreed to pay to the Vendors a sum of RMB118,776 (approximately S\$23,807) (the "**Offshore Settlement Sum**") as full and final settlement of all rights, claims or losses that the Vendors have or may have against the Company or its related persons under the Jinfeng Documents.
- 2.3 Under the Onshore Termination Agreement, Jinfeng has agreed to pay to the Property Owners a sum of RMB538,510 (approximately S\$107,702) ("**Onshore Settlement Amount**" and together with the Offshore Settlement Sum, the "**Jinfeng Settlement Amounts**") as full and final settlement of all rights, claims or losses that the Property Owners have or may have against Jinfeng under the Onshore Property Agreement. The Onshore Settlement Amount will be net-off against the Downpayment and as such Jinfeng will need to pay to the Property Owners a sum of RMB368,510 (approximately S\$73,702).

- 2.4 Pursuant to the terms of the Offshore Termination Deed, each of the parties thereto have agreed to release and discharge each other from any and all liabilities arising out of the Transaction Documents and have agreed not to assert any claims or take any legal proceedings relating to any such liabilities against each other.
- 2.5 Fu Feng has also undertaken pursuant to the Offshore Termination Deed to and with the Company, QMSY and SYXA, *inter alia*, to procure that (i) the Property Owners perform their respective obligations under the Onshore Termination Agreement; and (ii) the Property Owners accept the payment of the Onshore Settlement Amount as full and final settlement of any and all amounts owed by Jinfeng to the Property Owners under the Onshore Property Agreements.
- 2.6 Shareholders should note that neither the payment of any sum of money nor the execution of the Offshore Termination Deed by the parties constitute or should be construed as an admission of any wrongdoing or liability whatsoever on the part of the parties to the Transaction Documents.
- 2.7 The Jinfeng Settlement Amounts were commercially agreed upon between the Company, the Vendors and the Property Owners after arm's length negotiations. The Offshore Settlement Sum was determined taking into account, amongst other things, the value of the Consideration Shares which the Vendors would have been otherwise entitled to receive under the MA for meeting the pro-rated Net Sales Targets for 1 April 2019 to 31 December 2019. The Onshore Settlement Amount was determined taking into account, the Outstanding Rental as well as a default interest rate of ten per cent. (10%) charged under the Property Purchase Agreement for any payment default.
- 2.8 After the Offshore Settlement Sum has been paid to the Vendors and the Onshore Settlement Amount has been paid to the Property Owners, the management of the Group will determine the future course of action to be undertaken for Jinfeng. Based on the Group's unaudited consolidated financial statements for the financial year ended 31 December 2019, the contribution of Jinfeng to the Group is not significant, and the termination of the Jinfeng Documents is not expected to affect the Group's operations significantly. Jinfeng will remain a subsidiary of the Company subsequent to the termination of the Jinfeng Documents. As and when there are any further developments, the Board will make the necessary announcement(s) where appropriate.

3. RATIONALE FOR THE TERMINATION OF THE JINFENG DOCUMENTS

The Board is of the view that the entry into the Offshore Termination Deed and the termination of the Transaction Documents, as well as entry into the Onshore Termination Agreement and the termination of the Onshore Property Agreements are in the best interests of the Company. Over the past year, the Board has been taking various actions to conserve cash for its core activities. As announced by the Company on 30 December 2019, the Board decided to delay the purchase of certain properties from Mdm Shao Li Hua for this purpose. A major portion of the Proposed Investment was to be deployed for the Proposed Acquisition of the Business Premises. The ongoing COVID-19 crisis has augmented the necessity to conserve cash and to stay asset light.

Due to the COVID-19 crisis, global economic outlook is uncertain. While the Group has on 26 March 2020 resumed operations in all its 17 dental centres, manufacturing distribution and dental laboratory businesses, the Company had announced on 12 May 2020 that the Group is expecting to register an operating loss for the current financial year ending 31 December 2020. Given the current global economic outlook and financial impact of the COVID-19 pandemic, the Company is of the view that the termination of the Jinfeng Documents will allow the Group to conserve financial resources for working capital use and to focus on strengthening the operations of the Group's existing dental hospitals and clinics. The termination of the Jinfeng Documents and resultant cash outlay from the payment of the Jinfeng Settlement Amounts is also substantially lower than the Proposed Investment of RMB6,880,000 by SYXA or QMSY in the registered and paid-up capital of Jinfeng under the MA. The Board is of the view that in such times of economic uncertainty, conservation of cash is more beneficial for the long-term sustainability of the Group.

4. FINANCIAL IMPACT

The Jinfeng Settlement Amounts will be paid to the Vendors from the internal resources of the Group. Accordingly, the mutual termination of the Jinfeng Documents and the payment of the Jinfeng Settlement Amounts is not expected to have any material adverse impact on the consolidated net tangible assets per share and earnings per share of the Company and the Group for the financial year ending 31 December 2020.

5. INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in the Earlier Announcements, none of the Directors, controlling shareholders and substantial shareholders of the Company have any interest, direct or indirect, in the termination of the Jinfeng Documents other than through each of their respective shareholding interests, direct and/or indirect (if any), in the Company.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Offshore Termination Deed and the Onshore Termination Agreement are available for inspection by the Shareholders at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 during normal office hours for three (3) months from the date of this announcement. Shareholders should note that in compliance with the Singapore Government's "circuit-breaker" measures to minimise further spread of the on-going COVID-19 outbreak as announced 3 April 2020, the Company's registered office will be closed from 7 April to 1 June 2020 (inclusive).

7. TRADING CAUTION

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
20 May 2020

For more information, please contact:

Deputy CEO

Ryan San Yi Leong @ Tan Yi Leong
Tel: 6235 1188
Email: ryan@aoxin.sg

*This announcement has been prepared by the Company and its contents have 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 ("**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.*

The contact person for the Sponsor is Mr. Ong Hwee Li (Tel: (65) 6232 3210) at 1 Robinson Road, #21- 00, AIA Tower, Singapore 048542.