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

UPDATES ON THE ACQUISITION OF ZHUANGHE CITY AOXIN DAWEI DENTAL CO., LTD. – AMENDMENTS TO THE MASTER AGREEMENT AND UPDATE ON PROFIT GUARANTEE

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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, 8 December 2017, 29 January 2018 and 1 March 2018 (the "**Earlier Announcements**") in relation to the acquisition of Zhuanghe City Aoxin Dawei Dental Co., Ltd. ("**Aoxin Dawei**") (the "**Proposed 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.

2. AMENDMENTS TO THE MASTER AGREEMENT

2.1. Pursuant to the Master Agreement, Mr. Jia Dawei ("**JDW**" or the "**Vendor**") had, among other things, undertaken that the net profit after tax of Aoxin Dawei to be distributed to Aoxin Dawei's shareholders (after adjusting for allowable income or expenses) ("**Adjusted NPAT**") 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**") will not be less than certain stipulated amounts (the "**Profit Guarantee**").

2.2. The Board wishes to update the shareholders of the Company (the "**Shareholders**") that in view of the COVID-19 pandemic and its long-lasting adverse impact on the business of Aoxin Dawei, the parties to the Master Agreement had on 10 February 2023 entered into a deed to amend the terms of the Profit Guarantee in the Master Agreement (the "**First Amendment Deed**") and the relevant terms in the Definitive Agreements (being the share security agreement and subscription agreement entered into with JDW) ("**Supplemental Deeds**") in connection with the First Amendment Deed.

2.3. The principal amendments to the terms of the Profit Guarantee under the First Amendment Deed are set out below:

(i) the Profit Guarantee Period shall be extended by three (3) years, such that the Profit Guarantee Period shall be fifteen (15) years instead of twelve (12) years (the "**Extension of Profit Guarantee Period**");

(ii) in connection with the Extension of Profit Guarantee Period, with effect from the financial year ended 31 December 2018, the Profit Guarantee in respect of each 12-month period shall be revised as follows (the "**Revision of the Profit Guarantee**") and the table sets out the comparison of the existing and revised Profit Guarantee:

a. each 12-month period will commence on 1 January and end on 31 December of each calendar year (as set out under Section B), 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); and

b. with effect from the financial year ended 31 December 2022, in the event that the annual Adjusted NPAT of Aoxin Dawei in any year exceeds the relevant Guaranteed Amount for such year, such excess shall be carried forward to the next year and any subsequent year (if applicable), and shall be taken into consideration in calculating whether Aoxin Dawei has met the relevant Guaranteed Amount for the next year and any subsequent year (if applicable).

Current Profit Guarantee *(for 12 years Profit Guarantee from 1 October 2017 to 30 September 2029)* ***(Section A)***			***Revised Profit Guarantee*** *(for 15 years Profit Guarantee from 1 January 2018 to 31 December 2032)* ***(Section B)***		
Year No.	***12- month Period***	***Profit Guarantee (RMB)*** *(each a "**Guaranteed Amount**")*	***Year No.***	***12-month Period****	***Profit Guarantee (RMB)*** *(each a "**Guaranteed Amount**")*
1	*1 October 2017 to 30 September 2018*	*600,000*	*1*	*1 January 2018 to 31 December 2018*	*600,000*
2	*1 October 2018 to 30 September 2019*	*630,000*	*2*	*1 January 2019 to 31 December 2019*	*630,000*
3	*1 October 2019 to 30 September 2020*	*680,400*	*3*	*1 January 2020 to 31 December 2020*	*50,000*
4	*1 October 2020 to 30 September 2021*	*748,400*	*4*	*1 January 2021 to 31 December 2021*	*100,000*
5	*1 October 2021 to 30 September 2022*	*838,300*	*5*	*1 January 2022 to 31 December 2022*	*300,000*
6	*1 October 2022 to 30 September 2023*	*913,700*	*6*	*1 January 2023 to 31 December 2023*	*600,000*
7	*1 October 2023 to 30 September 2024*	*995,900*	*7*	*1 January 2024 to 31 December 2024*	*700,000*
8	*1 October 2024 to 30 September 2025*	*1,085,600*	*8*	*1 January 2025 to 31 December 2025*	*900,000*
9	*1 October 2025 to 30 September 2026*	*1,183,300*	*9*	*1 January 2026 to 31 December 2026*	*1,000,000*

10	*1 October 2026 to 30 September 2027*	*1,289,800*	*10*	*1 January 2027 to 31 December 2027*	*1,100,000*
11	*1 October 2027 to 30 September 2028*	*1,405,800*	*11*	*1 January 2028 to 31 December 2028*	*1,100,000*
12	*1 October 2028 to 30 September 2029*	*1,504,200*	*12*	*1 January 2029 to 31 December 2029*	*1,100,000*
			13	*1 January 2030 to 31 December 2030*	*1,195,400*
			14	*1 January 2031 to 31 December 2031*	*1,200,000*
			15	*1 January 2032 to 31 December 2032*	*1,300,000*
Total		***11,875,400*** ***(the "Total Target Guaranteed Amount")***	***Total***		***11,875,400***

2.4. In connection with the Extension of Profit Guarantee Period and the Revision of the Profit Guarantee (collectively known as the "**Adjustments to the Profit Guarantee**"):

(i) the 12-year service agreement of JDW with Aoxin Dawei and the Company will be extended for three (3) years, ending on 31 December 2032. In other words, the term of JDW's service agreement is now fifteen (15) years;

(ii) with reference to the Supplemental Deeds, the duration of the Shares Pledged (equivalent to approximately RMB269,325 as at the date of this announcement) will also be extended for three (3) years, ending on 31 December 2032. In other words, the duration of the aforesaid pledge is now fifteen (15) years; and

(iii) with reference to paragraph 3 of the Company's announcement dated 29 January 2018 and the Supplemental Deeds, the moratorium period in relation to the 3,754,781 Subscription Shares (which includes the Shares Pledged) shall be extended by three (3) years till 30 September 2025. For the avoidance of doubt, the original moratorium period pursuant to the Definitive Agreements was for a period until 30 September 2022. The moratorium period mentioned in paragraph 2.1 of the Company's previous announcement dated 1 March 2018 of 1 March 2018 to 1 March 2023 was incorrect due to an administrative error.

2.5. Save for the principal amendments as disclosed in paragraph 2.3 and 2.4 above, all other terms of the Master Agreement and Definitive Agreements shall remain in full force and effect.

2.6. Taking into consideration the impact of the COVID-19 pandemic, the Board is of the view that accepting the aforementioned Adjustments to the Profit Guarantee is not prejudicial to the Company as it allows the Company to maintain the existing quantum of the Profit Guarantee while retaining the services of the Vendor to continue working for the Company for a further three (3) years.

3. RESULTS OF AOXIN DAWEI IN RELATION TO THE PROFIT GUARANTEE FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021 ("FY2021"), 31 DECEMBER 2020 ("FY2020"), 31 DECEMBER 2019 ("FY2019") AND 31 DECEMBER 2018 ("FY2018")

3.1 Based on the audited financial statements of Aoxin Dawei for FY2021, the Adjusted NPAT of Aoxin Dawei for FY2021 was RMB161,729, which was more than the corresponding Guaranteed Amount of RMB100,000 for FY2021. Accordingly, the Vendor has met the Profit Guarantee for FY2021.

3.2 Based on the audited financial statements of Aoxin Dawei for FY2020, Aoxin Dawei incurred an adjusted loss after tax ("**Adjusted NLAT**") of RMB202,404, which was less than the corresponding Guaranteed Amount of RMB50,000 for FY2020. Accordingly, the Vendor has not met the Profit Guarantee for FY2020 and the shortfall between the Guaranteed Amount and the Adjusted NLAT of Aoxin Dawei for FY2020 is RMB252,404 ("**FY2020 Shortfall**").

3.3 Based on the audited financial statements of Aoxin Dawei for FY2019, the Adjusted NPAT of Aoxin Dawei for FY2019 was RMB166,520, which was less than the corresponding Guaranteed Amount of RMB630,000 for FY2019. Accordingly, the Vendor has not met the Profit Guarantee for FY2019 and the shortfall between the Guaranteed Amount and the Adjusted NPAT of Aoxin Dawei for FY2019 is RMB463,480 ("**FY2019 Shortfall**").

3.4 Based on the audited financial statements of Aoxin Dawei for FY2018, the Adjusted NPAT of Aoxin Dawei for FY2018 was RMB445,560, which was less than the corresponding Guaranteed Amount of RMB600,000 for FY2018. Accordingly, the Vendor has not met the Profit Guarantee for FY2018 and the shortfall between the Guaranteed Amount and the Adjusted NPAT of Aoxin Dawei for FY2018 is RMB154,440 ("**FY2018 Shortfall**").

3.5 Pursuant to Rule 1013(3)(a) of the Catalist Rules, where the Profit Guarantee as not been met, 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 Vendor has met the Profit Guarantee for FY2021. The main reason for the total shortfall between the Profit Guarantee and the Adjusted NPAT of Aoxin Dawei for FY2018, FY2019 and FY2020 amounting to RMB870,324 ("**Total Shortfall Amount**") was due to the Vendor allocating a portion of his time during this period to aid in the setting up of and provision of services at another hospital of the Group, Dalian Aoxin Quanmin Stomatology Hospital Co., Ltd. and the negative impact of the COVID-19 pandemic on the business of Aoxin Dawei.

(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 Profit Guarantee in respect of Aoxin Dawei.

(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.**

(i) The Vendor has on 19 January 2023 agreed to pay the amount of RMB227,324 ("**Total Net Shortfall Amount**") to the Company's designated bank account by 30 April 2023. The Total Net Shortfall Amount was arrived at after adjusting the Total Shortfall Amount for management fees amounting to RMB643,000 due to Aoxin Dawei for the Vendor's services rendered to Dalian Aoxin Quanmin Stomatology Hospital Co., Ltd from FY2018 to FY2021 as per the Operating Income Target Commitment Agreement entered into with the Group in January 2020 ("**Adjustment to Total Shortfall Amount**"). The Adjustment to Total Shortfall Amount was only agreed with the Vendor on 19 January 2023 due to prolonged negotiations with the Vendor to reach an amicable resolution.

(ii) In the event that the Vendor fails to pay the Total Net Shortfall Amount by 30 April 2023, the subsidiaries of the Company, Q & M Dental (Shenyang) Pte. Ltd. or Shenyang Xinao Hospital Management Co., Ltd. (parties to the Master Agreement and First Amendment Deed on behalf of the Company) shall have legal recourse under the Master Agreement against the Vendor which includes a compensation amount of RMB8.4 million plus 10% interest per annum payable to the Company by the Vendor within two (2) weeks of written notice to the Vendor exercising this right;

(iii) To align the interest of the Vendor and the Company in relation to the Revision of the Profit Guarantee, the service agreement of the Vendor and Shares Pledged by the Vendor has been extended to expire on 31 December 2032 to align with the expiry of the Profit Guarantee Period. In addition, 3,754,781 of the Vendor's Subscription Shares are subject to moratorium till 30 September 2025. In the event that the Profit Guarantee is not met, the Company shall have the right to sell the Shares Pledged (after the lapse of the moratorium period or such other arrangement as agreed with the Board) and direct the proceeds from such sale to the Company.

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 Adjustments of 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.

5. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Master Agreement, Definitive Agreements, First Amendment Deed and the Supplemental Deeds will be made available for inspection by the Shareholders at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 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 such arrangements are subject to prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be implemented by the relevant authorities from time to time.

By Order of the Board

Dr. Shao Yongxin
Executive Director and Group Chief Executive Officer

22 February 2023

For more information, please contact:

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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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