



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

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## THE PROPOSED ACQUISITIONS OF PROPERTIES AS INTERESTED PERSON TRANSACTIONS

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### 1. INTRODUCTION

- 1.1 The board of directors ("**Directors**" or the "**Board**") of Aoxin Q & M Dental Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce the following:
- a) on 6 December 2018, its wholly-owned subsidiary, Shenyang Aoxin Q & M Stomatology Hospital Co., Ltd. ("**SAQSH**") entered into a binding framework agreement (the "**Danan Agreement**") with Mdm Shao Li Hua ("**Vendor**") to acquire the premise located at No. 192 of Danan Street, Shenhe District, Shenyang, Liaoning Province, the People's Republic of China (the "**PRC**") (the "**Danan Property**") from the Vendor; and
  - b) on 6 December 2018, its wholly-owned subsidiary, Shenyang Heping Q & M Aoxin Stomatology Polyclinic Co., Ltd. ("**SHQAS**") entered into a binding framework agreement (the "**Xita Agreement**", and along with Danan Agreement, collectively the "**Agreements**") with the Vendor to acquire the premise located at No. 31A of Xita Street, Heping District, Shenyang, Liaoning Province, the PRC (the "**Xita Property**", and together with the Danan Property, collectively the "**Properties**") from the Vendor,
- (the "**Proposed Acquisitions**").
- 1.2 The Vendor is the sister of Dr. Shao Yongxin ("**Dr. Shao**"), the Executive Director and Group Chief Executive Officer. As at the date of this Announcement, Dr. Shao is the sole shareholder of Action Health Enterprises Limited which holds 100% shareholding of Health Field Enterprises Limited. Health Field Enterprises Limited has a direct interest in 28.67% of the share capital of the Company and consequently, Dr. Shao is deemed to have an interest in 28.67% of the share capital of the Company. Accordingly, the Vendor is an interested person within the meaning of Chapter 9 of the Listing Manual Part B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**") in relation to the Proposed Acquisitions.
- 1.3 The Proposed Acquisitions will constitute as interested person transactions pursuant to Chapter 9 of the Catalist Rules, and are subject to the approval of the shareholders of the Company (the "**Shareholders**") as the value of the Proposed Acquisitions exceeds 5% of the Group's latest audited net tangible assets of RMB121,462,000.

## 2. INFORMATION ON THE PROPERTIES

- 2.1 The Danan Property comprises a shop unit on the first and second floors of a 7-storey building ("**Danan Building**"). The Danan Property has a gross floor area of 476.67 square meters and is approved for commercial usage. As announced on 17 October 2018, SAQSH has acquired the shop unit located on the first and second floors of No. 190 of Danan Street, and is currently occupying the other three (3) shop units (including the Danan Property) of the Danan Building under a lease agreement with the Vendor and two (2) other different landlords under a 12-year lease arrangement. SAQSH has combined the four (4) adjoining shop units through renovation into one big premise with a total gross floor area of 1,765.67 square meters, which is currently used for the operation of a dental hospital (the "**Danan Hospital**"). As and when the opportunity arises, the Group will consider acquiring the remaining two (2) shop units from the other landlords. Following the completion of the Proposed Acquisition, the remaining two (2) shop units of the Danan Hospital will continue as per the existing leasing arrangement.
- 2.2 The Xita Property comprises a shop unit on the first, second and third floors of a 9-storey building ("**Xita Building**"). The Xita Property has a gross floor area of 420.83 square meters and is approved for commercial usage. SHQAS is currently occupying the Xita Property under a lease agreement with the Vendor, and another shop unit of the Xita Building with a gross floor area of 401.71 square meters under a 12-year lease arrangement with another landlord. SHQAS has been conducting its clinic business at these leased premises ("**Xita Clinic**").
- 2.3 Based on PRC law advice, the Board wishes to highlight that there is no land use condition registered in the certificates issued by PRC government authorities in respect of the Properties, and hence the land use period for the land occupied by the Properties cannot be confirmed. The Vendor has represented and warranted to SAQSH that the remaining land use period for Danan Property is 25 years and to SHQAS that the remaining land use period for Xita Property is 26 years. The Vendor has also agreed to indemnify SAQSH and SHQAS for a breach of this representation under the Agreements.

## 3. CONSIDERATION AND VALUATION REPORTS

- 3.1 The purchase consideration for the Danan Property is RMB10,248,405 and the purchase consideration for the Xita Property is RMB8,669,098 (collectively, the "**Considerations**").

The Considerations were arrived at on a "willing-buyer willing-seller" basis, after arms' length negotiations and taking into consideration, *inter alia*, the latest available valuation on the Properties (as further described under paragraph 3.3 of this Announcement), the rationale for the Proposed Acquisitions (as further described under paragraph 5 of this Announcement) and the method of payment of the Considerations (as further described under paragraph 3.2 of this Announcement).

- 3.2 The Considerations will be payable by the Group to the Vendor wholly in cash, and in such manner as agreed between the parties. The Proposed Acquisitions will be funded by existing cash and bank borrowings of the Group.
- 3.3 In connection with the Proposed Acquisitions, the Group has engaged Cushman & Wakefield Limited (the "**Valuer**") as independent valuer, to assess and determine the market value of the Properties. Based on the valuation reports issued by the Valuer in respect of the Danan Property (the "**Danan Property Valuation Report**") and the Xita Property (the "**Xita Property**"),

**Valuation Report**”), as at 12 September 2018, the market values of the Properties were as follows:

- a) the Danan Property: RMB8,820,000; and
- b) the Xita Property: RMB7,620,000.

The valuation was based on sales comparison approach by taking in account comparable sales transactions of similar properties in the vicinity and making adjustments to take into account the differences in location, building quality and other relevant factors.

#### **4. SALIENT TERMS OF THE AGREEMENTS**

##### **4.1 Conditions Precedent**

Under the terms of the Agreements, the Proposed Acquisitions are conditional on, *inter alia*, the following:

- (i) the Company having received the requisite approval(s) from its Shareholders under Chapters 9 of the Catalist Rules at an extraordinary general meeting to be convened by the Company (“**EGM**”) for, *inter alia*, the Proposed Acquisitions;
- (ii) completion of a satisfactory due diligence exercise by the Group on the Properties in PRC from the technical, legal and financial perspectives; and
- (iii) all necessary approvals or consents required for the transfer of the Properties to the Group being received on terms satisfactory to the Group, and such consents and approvals remaining in full force and effect.

If all the conditions precedent stated above are not fulfilled or waived before 31 December 2019, or such other extended date as the parties may agree in writing, the Group shall have the right to terminate the Agreements. As at the date of this Announcement, condition stated in paragraph 4.1(ii) has been satisfied.

##### **4.2 Completion**

The Group and the Vendor have agreed to execute a formal agreement as required under PRC law known as the property transfer agreement (“**Property Transfer Agreement**”) in relation to the procedure of registering, with the relevant PRC property administration authority, the transfer of the Properties to the name of the Group within 14 calendar days after the fulfilment of the conditions precedent as set out in paragraph 4.1 of this Announcement. The Board has been advised that the Property Transfer Agreement is a standard form real estate transfer agreement provided by the PRC government authorities and is required to be executed in practice and will contain terms substantially similar to the terms of the respective Agreements.

#### **5. RATIONALE FOR THE PROPOSED ACQUISITIONS**

The Directors are of the view that the Proposed Acquisitions are in line with the Group's goal to increase Shareholders' value and are in the best interests of the Group. The Proposed Acquisitions would (i) mitigate the risks associated with the leased properties in the long run, such as early termination or non-renewal of the Group's existing leasing arrangements and

possible increase in rental expenses; and (ii) ensure the continuity of the operation of the Group's business at a permanent location.

## **6. THE PROPOSED ACQUISITIONS AS INTERESTED PERSON TRANSACTIONS**

- 6.1 Under Chapter 9 of the Catalist Rules, where an entity at risk (as defined in the Catalist Rules) proposes to enter into a transaction with an interested person (as defined in the Catalist Rules) and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of the Group's latest audited net tangible asset ("**NTA**"), Shareholders' approval is required in respect of the transaction.
- 6.2 Based on the Group's latest audited consolidated financial statements for FY2017, its consolidated NTA as at 31 December 2017 was RMB121,462,000. The aggregate Considerations of RMB18,917,503 represents approximately 15.57% of the Company's latest audited consolidated NTA. Accordingly, pursuant to Chapter 9 of the Catalist Rules, the Proposed Acquisitions constitute interested person transactions and requires the approval of Shareholders at an EGM to be convened.
- 6.3 Pursuant to Rule 919 of the Catalist Rules, the Vendor and her associates will abstain from voting (either in person or by proxy), in respect of the resolution relating to the Proposed Acquisitions at the EGM. Accordingly, Dr. Shao, the Executive Director and Group Chief Executive Officer of the Company, who is deemed to be interested in the 109,401,709 ordinary shares in the Company, will abstain from voting (either in person or by proxy) on the resolution approving the Proposed Acquisitions.
- 6.4 The aggregate value of all interested person transactions entered into by the Group (excluding all transactions which are less than S\$100,000) for the current financial year up to the date of this Announcement is approximately RMB1,211,773 representing approximately 1.00% of the Group's latest audited consolidated NTA of RMB121,462,000 for FY2017. The aggregate value of all interested person transactions entered into between the Group and the Vendor (excluding all transactions which are less than S\$100,000) for the current financial year up to the date of this Announcement is approximately RMB650,833 representing approximately 0.54% of the Group's latest audited consolidated NTA of RMB121,462,000 for FY2017.
- 6.5 Save for the Proposed Acquisitions, the Group has not entered into any other interested person transactions with the Vendor during the current financial year up to the date of this Announcement which are required to be disclosed under Chapter 9 of the Catalist Rules.

## **7. FINANCIAL EFFECTS**

The financial effects of the Proposed Acquisitions on the Group as set out below are purely for illustrative purposes only and are neither indicative nor do they represent any projection of the financial performance or position of the Group after the completion of the Proposed Acquisitions.

The financial effects have been prepared based on the audited consolidated financial statements of the Group for FY2017, being the most recently completed financial year.

(a) NTA per Share

Assuming that the Proposed Acquisitions have been completed on 31 December 2017, the financial effect on the consolidated NTA per share of the Group as at 31 December 2017 is as follows:

<b>NTA</b>	<b>Before the Proposed Acquisitions</b>	<b>After the Proposed Acquisitions</b>
Net tangible assets (RMB'000)	121,462	140,380
Number of Shares ('000)	381,575	381,575
NTA per Share (RMB)	0.32	0.37

(b) Earnings Per Share ("EPS")

Assuming that the Proposed Acquisitions had been completed on 1 January 2017, being the beginning of the most recently completed financial year, the financial effect on the consolidated EPS of the Group for FY2017 is as follows:

<b>EPS</b>	<b>Before the Proposed Acquisitions</b>	<b>After the Proposed Acquisitions <sup>(1)</sup></b>
Profit attributable to owners of the Company (RMB'000)	4,878	3,997
Weighted average number of Shares ('000)	381,575	381,575
EPS (RMB cents)	1.28	1.05

**Note:**

- (1) Group profit after tax after the Proposed Acquisitions had been adjusted for depreciation, property tax and borrowing costs associated with the purchase of the Properties assuming the Proposed Acquisitions had been completed on 1 January 2017.

(c) Net Gearing Ratio

Assuming that the Proposed Acquisitions have been completed on 31 December 2017, the financial effect on the net gearing ratio of the Group as at 31 December 2017 is as follows:

<b>Net Gearing Ratio</b>	<b>Before the Proposed Acquisitions</b>	<b>After the Proposed Acquisitions</b>
Net borrowings of the Group <sup>(1)</sup> (RMB'000)	-	9,459
Total equity (RMB'000)	236,609	236,609
Net gearing ratio <sup>(2)</sup> (times)	NIL	0.04

**Notes:**

- (1) Net borrowings mean total borrowings less cash and bank balances (including restricted cash in bank).  
(2) Net gearing ratio is determined based on net borrowings divided by total equity.

## **8. AUDIT COMMITTEE STATEMENT**

Having considered the terms of the Proposed Acquisitions and the rationale thereof, the Audit Committee is of the opinion that the Proposed Acquisitions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

## **9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

9.1 Save as disclosed in this Announcement, none of the Directors or controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisitions, other than through their respective shareholdings (if any) in the Company.

9.2 No new directors are proposed to be appointed to the Board in connection with the Proposed Acquisitions. Accordingly, no service contracts will be entered into with the Company and any such persons.

## **10. FURTHER UPDATES AND CIRCULAR**

10.1 The Company will provide further updates and details on the Proposed Acquisitions in subsequent announcements as appropriate when there are material developments to the Proposed Acquisitions and/or disclose further details in accordance with the Catalist Rules.

10.2 A circular to the Shareholders of the Company setting out information on, among others, the Proposed Acquisitions and the notice of EGM will be despatched in due course. The Proposed Acquisitions are conditional on, *inter alia*, the Company obtaining approval of its Shareholders at the EGM to be convened.

## **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's registered office at 80 Robinson Road, #02-00 Singapore 068898 for a period of three (3) months commencing from the date of this Announcement:

- (a) the Constitution of the Company;
- (b) the Agreements;
- (c) the Danan Property Valuation Report;
- (d) the Xita Property Valuation Report; and
- (e) the annual report of the Company for FY2017.

## **12. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirms after making all reasonable enquiries that, to the best of their knowledge and belief, this Announcement constitutes full and true disclosure

of all material facts about the Proposed Acquisitions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading.

Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

### 13. CAUTION IN TRADING

**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**

Cheong Yew Meng  
Chief Financial Officer  
6 December 2018

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For more information please contact:

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*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") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange"). The Sponsor has not independently verified the contents of this announcement.*

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