



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

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

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**") wishes to announce that on 28 February 2019, the Company and its subsidiaries Q&M Dental (Shenyang) Pte Ltd ("**QMSY**") and Shenyang Xinao Hospital Management Co., Ltd ("**SYXA**") entered into a master agreement (the "**MA**") with Dr Fu Feng and Dr Yang Ting (collectively the "**Vendors**") for the acquisition of 100% of the shareholdings (the "**Sale Shares**") in Shenyang Aoxin Jinfeng Dental Clinic Co., Ltd. ("**Jinfeng**" or the "**Clinic**") from the Vendors (the "**Proposed Acquisition**").

2. INFORMATION ON JINFENG

2.1 Background and Principal Activities of Jinfeng

(a) Jinfeng, incorporated on 14 August 2018, is in the business of providing general and specialist dentistry services operating at No. 28 Tieshan Road, Huanggu District, Shenyang City, Liaoning of the People's Republic of China ("**PRC**") (the "**28 Tieshan Property**").

(b) The Vendors are the holders of all the Sale Shares and they hold the Sale Shares in the following proportion:

Dr Fu Feng: 67%

Dr Yang Ting: 33%.

The Vendors are independent and unrelated third parties to the Company, its Directors, controlling shareholders, or its substantial shareholders or their respective associates.

2.2 Net Tangible Assets of Jinfeng

Based on the latest unaudited management account as at 31 October 2018, the book value and net tangible asset value of Jinfeng is RMB780,000. No independent valuation was conducted on Jinfeng.

2.3 Net Profits of Jinfeng

As Jinfeng is a newly set-up clinic, there are currently no operations.

3. THE SALIENT TERMS OF THE PROPOSED ACQUISITION

The salient terms of the Proposed Acquisition are set out below:

3.1 Purchase Consideration

3.1.1. Under the MA, the aggregate purchase consideration for the Proposed Acquisition is RMB10,266,000 (the "**Purchase Consideration**"), which will be satisfied as follows:

- (a) payment by SYXA of RMB780,000 in cash to the Vendors for the transfer of the Sale Shares;
- (b) injection by SYXA or QMSY of RMB6,880,000 as registered and paid-up capital of Jinfeng, to be utilised in the following manner: (i) RMB5,300,000 to purchase the business premise of Jinfeng from the Vendors; 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 (the "**Consideration Shares**") to the Vendors or an investment vehicle newly incorporated by the Vendors ("**Vendor Co**"). Please refer to paragraph 3.2 of this announcement for further information on the Consideration Shares.

As stated above, the business premise of Jinfeng is situated at the 28 Tieshan Property which is owned by the Vendors. The Board understands that the remaining period of land use rights for the 28 Tieshan Property is until 23 April 2054. The Board has appointed an independent valuer to conduct a valuation of the 28 Tieshan Property. Further announcements will be made by the Company to apprise the shareholders of the Company (the "**Shareholders**") of any development in respect of the purchase of the 28 Tieshan Property.

- 3.1.2. Where necessary, Vendors shall complete the registration of the Vendor Co in accordance with the *Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents Engaging in Overseas Financing and Investing through Round-Trip Investment via Special Purpose Companies* (Circular 37) of the State Administration of Foreign Exchange of the PRC.
- 3.1.3. The Purchase Consideration was arrived at after negotiations on a "*willing-buyer, willing-seller*" basis. In arriving at the Purchase Consideration, the Company has taken into account, *inter alia*, the current market conditions, the Vendor's professional expertise, the Net Sales Target (as defined below) and the rationale for the Proposed Acquisition.
- 3.1.4. The Company intends to fund the cash component of the Purchase Consideration using its internal resources of the Group. In the event that any material issues/irregularities are uncovered in the course of due diligence which would or would reasonably be expected to cause the net tangible assets of Jinfeng to materially deviate on the downside from the Purchase Consideration, the Company and the Vendors will negotiate in good faith for reasonable adjustments (if any) to be made to the Purchase Consideration.

3.2 Consideration Shares

- 3.2.1. The Consideration Shares shall be issued by the Company upon the completion of the Proposed Acquisition (the "**Completion**") at an issue price of S\$0.23 per Consideration Share (the "**Issue Price**"). Consequently, 2,262,440 Consideration Shares shall be issued to the Vendors at Completion.
- 3.2.2. Pursuant to the MA, the Consideration Shares are issued on the basis that Jinfeng's annual healthcare revenue based on the audited accounts of Jinfeng ("**Net Sales Target**") for each of the years set out in Column A (*Year*) of the table below (the "**Table**"), shall not be less than the amounts as set out in the corresponding Column B (*Net Sales Target in RMB*) of the Table. In the event that the Net Sales Target is not achieved for any year, the Vendors shall forfeit their entitlement to such number of Consideration Shares set out against that year in Column C (*Number of Consideration Shares*) of the Table. In such a case, the Vendors shall have the obligation to sell such number of Consideration Shares in the open market at the prevailing market price at that time and pay the proceeds (after deduction of expenses) to the Company. As a condition precedent to Completion, the Vendors will provide a power of attorney ("**POA**") to the Company to give effect to the sale of the

Consideration Shares along with the custody of the share certificates in respect of the Consideration Shares, in the event that the Vendors fail to do so. In addition, all of the Consideration Shares shall be subject to a moratorium by the Company (the "**Moratorium**"). The relevant number of Consideration Shares set out in Column C of the Table for a particular year will be released from the Moratorium only upon the Company confirming in writing to the Vendors that the Net Sales Target for that year is met.

Table

Column A (Year)	Column B (Net Sales Target in RMB)	Column C (Number of Consideration Shares)
1 January 2019 – 31 December 2019	1,800,000	197,960
1 January 2020 – 31 December 2020	1,980,000	217,910
1 January 2021 – 31 December 2021	2,178,000	239,610
1 January 2022 – 31 December 2022	2,395,800	263,040
1 January 2023 – 31 December 2023	2,635,380	289,960
1 January 2024 – 31 December 2024	2,898,918	318,610
1 January 2025 – 31 December 2025	3,188,810	349,870
1 January 2026 – 31 December 2026	3,507,690	385,480

For illustration purposes only, if the Net Sales Target of RMB1,800,000 for the year from 1 January 2019 to 31 December 2019 is not met, the Vendors will have an obligation to sell 197,960 Consideration Shares in the open market at the then prevailing market price and pay the proceeds of such sale (after deduction of expenses) to the Company. In the event that the said Net Sales Target is met, the Company will release 197,960 Consideration Shares from the Moratorium.

- 3.2.3. The Issue Price of S\$0.23 is equivalent to 15.0% premium to the weighted average price per ordinary share of the Company ("**Shares**") for trades done on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 27 February 2019, being the full market day for which the Shares were traded prior to the day the MA was entered into.
- 3.2.4. The Company will be making an application, through its sponsor (the "**Sponsor**") to the SGX-ST for the dealing in, listing of, and quotation for, the Consideration Shares on the Catalist board of the SGX-ST (the "**Catalist**"). An announcement will be made by the Company to notify the Shareholders of the receipt of the listing and quotation notice ("**LQN**") from the SGX- ST in due course.

3.3 Terms and Conditions

3.3.1. Conditions Precedent

Completion of the Proposed Acquisition is subject to, *inter alia*, the following:

- (a) SYXA completing satisfactory due diligence exercise on Jinfeng (including legal, financial, tax and operational);
- (b) the Company receiving the LQN;
- (c) the Company, Vendors, Vendor Co (if applicable) and Jinfeng obtaining the necessary consents and approvals (including but not limited to, necessary waiver) under applicable laws and relevant agreements in respect of the transactions contemplated by the MA;
- (d) the laws and policies of Singapore and the PRC not prohibiting the transactions contemplated by the MA;
- (e) the business, operation, assets (including real properties), financial conditions or prospect of Jinfeng not encountering any material adverse change;
- (f) Jinfeng and the Vendors undertaking certain agreed restructuring steps in accordance with the MA; and
- (g) Jinfeng obtaining all the licenses required for operation legitimately, including without limitation to the Medical Practice License.

If any of the conditions precedent are not satisfied by 30 June 2019, SYXA and QMSY will have the right to terminate the MA.

3.3.2. Service Agreement

The Vendors have agreed to sign 8-year service agreements with Jinfeng and the Company.

3.3.3. Other Agreements

The MA provides that the parties will, based on the principles provided in the MA, negotiate and enter into certain agreements and legal documents after the execution of the MA, which will include but not limited to the following:

- (a) equipment leasing agreement between Jinfeng and Shenyang Quan Xin Medical Equipment Leasing Co., Ltd;
- (b) non-compete agreement between Vendors, QMSY and the Company (at both onshore and offshore level);
- (c) trademark licensing agreement between the Company and Jinfeng; and
- (d) onshore and offshore letter of undertaking from Vendors to QMSY, SYXA and the Company.

4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition on the net tangible assets (“NTA”) per Share and the earnings per Share (“EPS”) of the Group as set out below are purely for illustrative purposes only (and based on an exchange rate of S\$1.00: RMB5.008) and are neither indicative nor do they represent any projection of the financial performance or position of the Group after the Completion.

The financial effects have been prepared based on the audited consolidated financial statement of the Group for the financial year ended 31 December 2017, being the most recently completed financial year.

4.1 NTA per Share

Assuming that the Proposed Acquisition had been completed on 31 December 2017, the financial effects on the consolidated NTA per Share of the Group would be as follows:

NTA	Before the Proposed Acquisitions	After the Proposed Acquisitions
NTA ⁽¹⁾ attributable to Shareholders (RMB'000)	121,462	124,068
Number of Shares ('000)	381,575	383,835
NTA per Share (RMB)	0.32	0.32

Note:

(1) NTA refers to total assets less the sum of total liabilities, non-controlling interest and intangible assets.

4.2 EPS

Assuming that the Proposed Acquisition was completed on 1 January 2017, the financial effects on the EPS would be as follows:

EPS	Before the Proposed Acquisitions	After the Proposed Acquisitions
Profit from continuing operations attributable to owners of parent (RMB'000)	4,878	4,979
Weighted average number of Shares ('000)	381,575	383,835
EPS (RMB cents)	1.28	1.30

5. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

5.1 The relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**") based on the Company's latest announced unaudited financial statements of the Group for the full year ended 31 December 2018 ("**FY2018**") are as follows:

Rule 1006	Bases	Relative Figures
(a)	The net asset value (" NAV ") of the asset to be disposed of compared with the Group's NAV	N.A.
(b)	The net profits attributable to the asset to be acquired, compared with the Group's net profits ⁽¹⁾	N.A.
(c)	The aggregate value of the Purchase Consideration to be given, compared with the Company's market capitalisation ⁽²⁾	2.69%
(d)	The number of Consideration Shares issued by the Company as	0.59%

	consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue (excluding treasury shares)	
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	N.A.

Notes:

- (1) Not applicable as Jinfeng is a newly set up clinic.
- (2) Computed based on: (a) the Purchase Consideration of RMB10,266,000 (approximately S\$2.05 million) for the Proposed Acquisition (and based on an exchange rate of S\$1.00 : RMB5.008); and (b) market capitalisation of the Company of S\$76,314,892 which is determined by multiplying the issued share capital of the Company of 381,574,909 Shares in issue with the volume-weighted average price of S\$0.20 transacted on the Catalist on 27 February 2019 (being the last market day for which the Shares were traded prior to the day the MA was entered into).

6. RATIONALE FOR THE PROPOSED ACQUISITION

The Directors are of the view that the Proposed Acquisition is in the best interests of the Company and its Shareholders as the Proposed Acquisition is in line with the Company's expansion of its dental business in North China and allows the Company to add a fully operational clinic to its portfolio.

7. DISCLOSURES IN RESPECT OF THE NET SALES TARGETS

While the Board does not consider the Net Sales Targets to constitute a profit guarantee or profit forecast, in the interest of full disclosure, the Board sets out the following information for the consideration by the Shareholders:

- 7.1 The Net Sales Targets are derived based on the potential of the business in Shenyang City. The Board is of the view that the provision of such Net Sales Target by the Vendors is reasonable, appropriate and helps to safeguard the interest of the Company and the Shareholders.
- 7.2 The quantum of the Net Sales Target was derived from the Company's estimation after reviewing the track record of the Vendors over the past 10 years. The Vendors were previously employed by the Group as dentists.
- 7.3 In the event that the Net Sales Target for any year is not met, the Vendors shall forfeit their entitlement to a certain number of Consideration Shares (as set out in Column C of the Table), and will have an obligation to sell those Consideration Shares in the open market and pay the proceeds (after deduction of expenses) to the Company. Please refer to paragraph 3.2.2 of this announcement for further information.
- 7.4 In order to safeguard the Company's interest, the Company will procure the POA and the Moratorium from the Vendors. Please refer to paragraph 3.2.2 of this announcement for further information.

8. INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors, controlling shareholders and substantial shareholders of the Company or their associates have any interests, direct or indirect, in the Proposed Acquisition, other than through each of their respective shareholding interests, direct and/or indirect (if any), in the Company.

9. DIRECTORS' SERVICE CONTRACTS

No person will be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract in relation thereto will be entered into between the Company and any such person.

10. DOCUMENTS FOR INSPECTION

A copy of the MA is available for inspection by Shareholders at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours for a period of three (3) months from the date of this announcement.

11. FURTHER ANNOUNCEMENTS

The Company will make further announcement(s) as appropriate when there are material developments to the Proposed Acquisition.

12. 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
28 February 2019

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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.*

This announcement has not been examined or approved by 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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