



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

**UPDATES ON THE ACQUISITION OF YOUXIN DENTAL CLINIC –
FURTHER AMENDMENTS TO THE MASTER AGREEMENT**

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**") refer to its announcements dated 18 May 2018, 31 December 2018, 21 January 2020, 18 June 2021, and 26 April 2022 (the "**Earlier Announcements**") in relation to the acquisition of 100% equity interest in Youxin Dental Clinic (the "**Acquisition**"). The onshore share transfer for Aoxin Youxin (f.k.a. Youxin Dental Clinic) was completed on 15 January 2019.

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. FURTHER AMENDMENTS TO THE MASTER AGREEMENT

- 2.1. As stated in the Company's announcement dated 26 April 2022, Dr. You Zhongjiang (the "**Vendor**") had guaranteed, among other things, that the net profit after tax adjusted for allowable expenses as set out in the Master Agreement ("**Adjusted NPAT**") of Aoxin Youxin for each 12-month period over a period of 15 years (the "**Profit Guarantee Period**") shall be no less than certain stipulated amounts for each financial year ended 31 December (each a "**Profit Guarantee Amount**") (the "**Profit Guarantee**") (see **Column 2** of the Table 1 below). In the event that the Adjusted NPAT of Aoxin Youxin in any year during the Profit Guarantee Period is less than the relevant Profit Guarantee Amount for that given year, the Vendor undertakes to make up the shortfall (i.e. the difference between the relevant Profit Guarantee Amount and the Adjusted NPAT of Aoxin Youxin in that given year) (the "**Shortfall**") and pay the Company's subsidiary, namely Q & M Dental (Shenyang) Pte. Ltd. ("**QMSY**"), with his personal cash and assets within thirty (30) days of demand by QMSY.
- 2.2. The Board wishes to update the shareholders of the Company (the "**Shareholders**") that in view of the COVID-19 pandemic and its adverse impact on the business of Aoxin Youxin post COVID-19, the parties to the Master Agreement had entered into another amendment deed ("**Third Amendment Deed**") on 18 March 2024 to further amend the terms of the Profit Guarantee in the Master Agreement as amended, modified, and/or supplemented by the first amendment deed dated 20 January 2020 ("**First Amendment Deed**") and the second amendment deed dated 18 June 2021 ("**Second Amendment Deed**"). The amendments were made in discussion with the Vendor

and the prospects of Youxin Dental Clinic, barring any unforeseen circumstances.

2.3. The principal amendments to the Profit Guarantee pursuant to the Third Amendment Deed are set out below:

- i. the Company shall extend the Profit Guarantee Period by six (6) years, such that the Profit Guarantee Period shall be 21 years instead of 15 years (the “**Further Extension of Profit Guarantee Period**”); and
- ii. in connection with the Further Extension of Profit Guarantee Period, the Profit Guarantee in respect of each financial year ended 31 December shall be revised and be calculated as follows:

Profit Guarantee (RMB)			
(each a “Guaranteed Amount”)			
Period	Original Profit Guarantee (for 12 years Profit Guarantee from 1 January 2019 to 31 December 2030) (Column 1)	Current Profit Guarantee (for 15 years Profit Guarantee from 1 January 2019 to 31 December 2033) (Column 2)	Revised Profit Guarantee (for 21 years Profit Guarantee from 1 January 2019 to 31 December 2039) (Column 3)
1 January 2019 to 31 December 2019	1,400,000	1,400,000	1,400,000
1 January 2020 to 31 December 2020	1,400,000	880,000	880,000
1 January 2021 to 31 December 2021	1,540,000	1,400,000	1,400,000
1 January 2022 to 31 December 2022	1,694,000	1,600,000	1,600,000
1 January 2023 to 31 December 2023	1,863,000	2,054,000	500,000
1 January 2024 to 31 December 2024	2,049,000	2,054,000	800,000
1 January 2025 to 31 December 2025	2,254,000	2,054,000	800,000
1 January 2026 to 31 December 2026	2,502,000	2,054,000	800,000
1 January 2027 to 31 December 2027	2,777,000	2,054,000	800,000
1 January 2028 to 31 December 2028	3,082,000	2,054,000	800,000
1 January 2029 to 31 December 2029	3,452,000	2,054,000	1,645,363
1 January 2030 to 31 December 2030	3,866,000	2,054,000	1,645,363
1 January 2031 to 31 December 2031	-	2,054,000	1,645,363
1 January 2032 to 31 December 2032	-	2,054,000	1,645,363
1 January 2033 to 31 December 2033	-	2,059,000	1,645,363
1 January 2034 to 31 December 2034	-	-	1,645,363
1 January 2035 to 31 December 2035	-	-	1,645,363
1 January 2036 to 31 December 2036	-	-	1,645,363

1 January 2037 to 31 December 2037	-	-	1,645,363
1 January 2038 to 31 December 2038	-	-	1,645,363
1 January 2039 to 31 December 2039	-	-	1,645,370
Total	27,879,000 <i>(the "Total Target Guaranteed Amount")</i>		

Table 1 – Profit Guarantee (further revision)

iii. For the avoidance of doubt, as set out in the Table 1 above, there is no change in the Total Target Guaranteed Amount.

2.4. In connection with the Further Extension of Profit Guarantee Period and the revision of the Profit Guarantee (collectively known as the "**Further Adjustments to the Profit Guarantee**"), the 15-year service agreement of the Vendor with Aoxin Youxin and the Company will be extended for another six (6) years. In other words, the term of Vendor's service agreement is now 21 years.

2.5. Save for the principal amendments as disclosed in paragraphs 2.3 and 2.4 above, all other terms of the Master Agreement, Definitive Agreement, First Amendment Deed, and Second Amendment Deed shall remain in full force and effect.

3. DISCLOSURE UNDER RULE 1013 OF THE CATALIST RULES

3.1 The views of the board of directors of the issuer in accepting the revised profit guarantee or the profit forecast and the factors taken into consideration and basis for such a view.

3.2 The Revised Profit Guarantee is made based on the financial performance of Aoxin Youxin for FY2022 and taking into account the weak consumer sentiment in China and enduring impact of the COVID-19 pandemic on China's economic recovery and consequently, on the business of Aoxin Youxin. The Board accepted the Further Adjustments to the Profit Guarantee after reviewing the terms of the Third Amendment Deed, the rationale of the Further Extension of Profit Guarantee Period as well as the financial performance and the profit projections of Aoxin Youxin. In addition, the Board is of the view that accepting the Revised Profit Guarantee is not prejudicial to the interest of the Company as it allows the Company to strategically maintain the existing quantum of the Profit Guarantee while retaining the services of the Vendor to continue working for the Company for a further six (6) years.

3.3 The safeguards put in place (such as the use of a banker's guarantee) to ensure the issuer's right of recourse in the event that the profit guarantee is not met, if any.

The Vendor will continue to pledge the building at which Aoxin Youxin is operating as security subsequent to the Revised Profit Guarantee up to 31 December 2039. In the event that the Revised Profit Guarantee is not met, the Mortgagee, Shenyang Xinao Hospital Management Co., Ltd. (the Company's subsidiary) shall have the right to take possession and to dispose of the security in accordance with the laws in China. Pursuant to Mortgage and Security Agreement, the Company and the Vendor will register the change in mortgage period within 15 days of such change.

4 **PERFORMANCE OF AOXIN YOUXIN IN RELATION TO THE PROFIT GUARANTEE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

4.1 Based on the audited financial statements of the Aoxin Youxin for FY2022, the Adjusted NPAT and the resulting shortfall in relation to the respective profit guarantee provided to the Company for FY2022 are as follow: -

Year	Profit Guarantee amount (RMB)	Adjusted NPAT (RMB)	Shortfall (RMB)	Cumulative shortfall announcement (RMB)
2021*	1,400,000	615,881	784,119	872,416*
2022	1,600,000	(208,564)	1,808,564	2,680,980

* As announced in paragraph 3 of announcement dated 26 April 2022, the Cumulative shortfall as of FY2022 is RMB872,416, being shortfall of RMB95,779 and RMB784,119 for 2019 and 2021 respectively and offset with surplus of RMB7,482 for FY2020 with reference to the Second Amendment Deed.

4.2 Accordingly, the Board wishes to announce that Youxin has not met the Profit Guarantee for FY2022.

4.3 Pursuant to Rule 1013(3)(a) of the Catalist Rules, 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 main reason for the variances was due to the weak consumer sentiment in China and enduring impact of the COVID-19 pandemic on China's economic recovery on the business operations of Aoxin Youxin in FY2022.

(b) **Any variation of the rights of the issuer; and**

Save as disclosed, there is no variation to the rights of the Company relating to the Profit Guarantee.

(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.**

The Vendor has agreed to pay the Shortfall in the aggregate amount of RMB2,680,980 (including shortfall amount of RMB 879,898 that was due on 30 April 2023 and remains outstanding) in accordance with the repayment schedule stipulated in paragraph 5.1 below. In the event that the Vendor fails to pay the shortfall Amount, QMSY shall have legal recourse against the Vendor under the Mater Agreement as supplemented by First, Second and Third Amendment Deeds.

5. REPAYMENT OF SHORTFALL

- 5.1 As of 31 December 2022, the aggregate amount outstanding for the Shortfall is RMB 2,680,980 (“**Total Existing Shortfall**”). Taking into consideration the aforementioned reasons in paragraph 3.2 above, the Company decided to allow the Vendor to settle the Total Existing Shortfall in 6 tranches equally in accordance with the Table 2 below. For the avoidance of doubt, Tranche 1 has been duly settled by the Vendor.

Total Existing Shortfall (RMB)		
(each a “Payment Amount”)		
Tranche	Period	Payment Amount
1	Within 30 days from 31 May 2023	446,830
2	Within 30 days from 1 December 2024	446,830
3	Within 30 days from 1 December 2025	446,830
4	Within 30 days from 1 December 2026	446,830
5	Within 30 days from 1 December 2027	446,830
6	Within 30 days from 1 December 2028	446,830
Total		2,680,980

(Table 2 – Total Existing Shortfall Settlement Schedule)

6. 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 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.

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Master Agreement, Definitive Agreement, First Amendment Deed, Second Amendment Deed, and Third Amendment Deed will be made available for inspection by the Shareholders at the registered office of the Company at 9 Raffles Place, #26-01 Republic Plaza, Singapore 048619 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 prevent any overcrowding.

By Order of the Board

Dr. Shao Yongxin
Executive Director and Group Chief Executive Officer

18 March 2024

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**"). 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.*

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