



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

PROPOSED ACQUISITION OF YOUXIN DENTAL CLINIC

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Aoxin Q&M Dental Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a Memorandum of Understanding dated 16 May 2018 (the “**MOU**”) with Mr. You Zhongjiang (the “**Vendor**”) to acquire 100% of the shareholdings (the “**Sale Shares**”) in Youxin Dental Clinic (the “**YX Dental**”) (the “**Proposed Acquisition**”).

2. INFORMATION ON YX Dental

- (a) YX Dental is incorporated in Jinzhou City, Liaoning Province, China and is in the business of providing general and specialist dentistry services in Jinzhou. It has been operating since 1995 and is located at No. 14 Anhe Street, Linghe District, Jinzhou, Liaoning.
- (b) The Vendor is an independent and unrelated third party to the Company, its Directors, or its controlling shareholders.

3. THE PROPOSED ACQUISITION

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

3.1 Purchase Consideration

The Vendor shall restructure YX Dental into a limited liability corporate entity, named as Jinzhou Aoxin Youxin Dental Hospital Co. Ltd (the “**Hospital**”).

The Company or its nominee will acquire 100% of the Sale Shares for an aggregate purchase consideration of RMB 19.6 million (the “**Purchase Consideration**”) to be satisfied as follows:

- (a) Payment of RMB 1.1 million in cash to the Vendor for the share transfer of the Hospital;
- (b) Investment of RMB 3.0 million into the Hospital as working capital; and
- (c) Payment of RMB 15.5 million in cash to the Vendor for entering into a non-compete agreement with the Company and the Hospital.

The Purchase Consideration was arrived at after negotiations on a willing-buyer, willing-seller basis. In the event that any material issues and/or irregularities are uncovered in the course of due diligence which would or would reasonably be expected to cause the valuation of YX Dental to materially deviate on the downside from the Purchase Consideration, the Company and the Vendor will negotiate in good faith in reasonable adjustments (if any) to be made to the Purchase Consideration.

The Company intends to fund the cash component of the Purchase Consideration using its Initial Public Offering proceeds (“**IPO Proceeds**”) and internal cash resources of the Group. In this regard, an announcement on the use of IPO Proceeds will be released in due course, as and when the cash have been disbursed.

3.2 Subscription of shares in the Company

As part of the conditions for the Proposed Acquisition, the Vendor shall subscribe for RMB 5.88 million worth of new shares in the Company (the “**Subscription Shares**”). The issue price of \$0.23 is equivalent to 4.5% premium to the weighted average price per ordinary share of the Company for trades done on 14 May 2018, being the full market day on which the MOU was entered into.

The Subscription Shares shall be under moratorium for a period up till 30 September 2022.

3.3 Terms and Conditions

Conditions Precedent

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

- (a) the results of a due diligence exercise by the Company over the business, affairs, operations, assets, financial condition, prospects and records of YX Dental and the Hospital being satisfactory to the Company in its sole and absolute discretion;
- (b) all approvals, waivers or consents as may be required for the acquisition of the Sale Shares, to enable the Company and/or its nominee to be registered as holder(s) of all of the Sale Shares, and to give effect to the transactions contemplated pursuant to the Proposed Acquisition and where any waiver, consent or approval is subject to conditions, such conditions being satisfactory to the Company in its sole and absolute discretion and if required to be fulfilled by a particular date, being so fulfilled, and such approvals, waivers or consents remaining valid and in full force and effect;
- (c) the Company obtaining such approval(s) in connection with the Proposed Acquisition from the Board and/or shareholders of the Company in a general meeting, as may be necessary for the transactions contemplated herein, and such approval not having been withdrawn or revoked; and
- (d) the Hospital obtaining all the licenses required for operation legitimately, including without limitation to Medical Practice License; as well as the de-registration of the medical practice license of YX Dental and showing the de-registration certificate to the Company.

Service Agreement

The Vendor has agreed to sign a 12-year service agreement with the Company and the Hospital.

Non-competition

The MOU provides that Vendor, his family members and/or his nominee for a period of twelve (12) years, without the prior written consent of the Company, the Vendor and his associates will not:

- (a) be engaged or interested (whether directly or indirectly) in any dental related business, that is in competition (whether directly or indirectly) with the Company;
- (b) solicit in competition with the Company, any person, firm or company who is or who was a customer of the Company; or
- (c) employ or solicit any employees of Company.

Profit Guarantee

The MOU further provides that the Vendor guarantees (the "**Profit Guarantee**") that the audited net profit after tax of the Hospital for each year ("**Profit Guarantee Period**"), for a total of 12 years shall not be less than the following ("**Profit Guarantee Amount**"):

- (a) Year 1 - RMB 1,400,000
- (b) Year 2 - RMB 1,400,000
- (c) Year 3 - RMB 1,540,000
- (d) Year 4 - RMB 1,694,000
- (e) Year 5 - RMB 1,863,000
- (f) Year 6 - RMB 2,049,000
- (g) Year 7 - RMB 2,254,000
- (h) Year 8 - RMB 2,502,000
- (i) Year 9 - RMB 2,777,000
- (j) Year 10 - RMB 3,082,000
- (k) Year 11 - RMB 3,452,000
- (l) Year 12 - RMB 3,866,000

For the avoidance of doubt, the Profit Guarantee Period and Profit Guarantee Amount is to be adjusted or prorated (as the case may be) according to actual completion date. The Profit Guarantee Amount might be adjusted in due course to take into account of the outcome of the due diligence exercise.

Definitive Agreement

The parties will, in due course, enter into definitive agreements in respect of the Proposed Acquisition which shall contain such customary terms generally found in similar transactions including and without limitation, representations and warranties by the Vendor relating to the Sale Shares, the business of and YX Dental itself, employment and tax related matter as well as corresponding indemnities.

4. RATIONALE FOR PROPOSED ACQUISITION

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

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and controlling 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.

6. DOCUMENT FOR INSPECTION

A copy of the MOU is available for inspection by shareholders of the Company 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.

7. TRADING CAUTION

Shareholders and potential investors are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the definitive agreements will be entered into, or that the Proposed Acquisition will be completed. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

8. FURTHER ANNOUNCEMENTS

The Company will make the relevant update announcements in compliance with the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on the Proposed Acquisition upon entry into the definitive agreements in relation to the Proposed Acquisition.

By Order of the Board
Aoxin Q & M Dental Group Limited

Dr. Shao Yongxin
Executive Director and
Group Chief Executive Officer
18 May 2018

For more information please contact:
Chief Financial Officer
Cheong Yew Meng
Tel: (65) 6235 1188 Email: yewmeng@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, for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Alicia Sun (Tel: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.