



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

**PROPOSED ACQUISITION OF
ZHUANGHE CITY AOXIN DAWEI DENTAL CO., LTD**

1. INTRODUCTION

1.1 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 announcement dated 15 May 2017 (the "**Earlier Announcement**") in relation to a binding memorandum of understanding (the "**MOU**") entered into by the Company with Mr. Jia Dawei ("**JDW**", or the "**Vendor**") to acquire Zhuanghe City Chengguan Street Jiadawei Dental Clinic owned by the Vendor ("**ZHJDW**").

Unless otherwise defined in this announcement, all capitalised terms used in this announcement shall have the same meanings as set out in the Earlier Announcement.

1.2 Further to the Earlier Announcement, the Board wishes to announce that Shenyang Xinao Hospital Management Co., Ltd. (the "**Purchaser**"), a subsidiary of the Company, has on 15 September 2017 entered into a Master Agreement and further definitive agreements (the "**Definitive Agreements**") with the Vendor (the "**Proposed Acquisition**"). The terms of the Master Agreement and Definitive Agreements are in conformity with the MOU.

1.3 Completion of the Proposed Acquisition ("**Completion**") is expected to take place on 31 December 2017 (or on such other date as the parties may agree in writing) (the "**Completion Date**").

2. INFORMATION ON ZHJDW

2.1 Background and Principal Activities of ZHJDW

- (a) ZHJDW is a dental clinic based in Zhuanghe City, Liaoning Province, China that provides general dental healthcare services.
- (b) The Vendor is an independent and unrelated third party to the Company, its Directors, or its controlling shareholders.

2.2 Net Tangible Assets of ZHJDW

The book value and net tangible asset value of ZHJDW will, following the completion of the Restructuring Exercise (as defined herein), be at least RMB 500,000. No independent valuation was conducted on ZHJDW.

2.3 Net Profits of ZHJDW

Based on the latest management account of ZHJDW for FY2016, the *pro forma* net profits after taxation of ZHJDW was approximately RMB 623,000.

3. PRINCIPAL TERMS OF THE MASTER AGREEMENT AND DEFINITIVE AGREEMENTS

3.1 Purchase of the Sale Shares

The Vendor shall restructure ZHJDW into a limited liability corporate entity (“**Aoxin Dawei**”) (the “**Restructuring Exercise**”).

The Company or its nominee will acquire 100.0% of the shareholding in Aoxin Dawei (the “**Sale Shares**”) for an aggregate purchase consideration of RMB 8.4 million (the “**Purchase Consideration**”) to be satisfied as follows:

- (a) Payment of RMB 0.6 million in cash to the Vendor for the share transfer of Aoxin Dawei;
- (b) Purchase of fixed assets from the Vendor of RMB 2.1 million; and
- (c) Payment of RMB 5.7 million in cash to the Vendor for entering into a non-compete agreement with the Company and Aoxin Dawei.

3.2 Subscription of shares in the Company

As part of the conditions for the Proposed Acquisition, the Vendor shall subscribe for RMB 4.28 million worth of new shares in the Company (the “**Subscription Shares**”). The issue price of S\$0.236 is equivalent to 10.0% discount and 12.3% premium to the weighted average price per ordinary share of the Company for trades done on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 15 May 2017 and 15 September 2017 respectively, being the full market day on which the MOU was entered into and the full market day on which the Master Agreement and Definitive Agreements were entered into.

The Subscription Shares shall be moratorised for a period of 5 years from the date of Completion of the Proposed Acquisition.

The Company will be making an application, through the Sponsor, to the SGX-ST for the dealing in, listing of, and quotation for, the Subscription Shares on the Catalist. An announcement will be made by the Company to notify shareholders of the receipt of the Listing and Quotation Notice in due course.

3.3 Purchase Consideration

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 history, track record and future prospects of ZHJDW and Aoxin Dawei, the expertise of the Vendor, and the strategic merits of the Proposed Acquisition.

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.

3.4 **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 ZHJDW and Aoxin Dawei being satisfactory to the Company in its sole and absolute discretion;
- (b) all approvals, waivers or consents as may be required for the sale 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;
- (d) the extension of all the tenancy agreements of Aoxin Dawei (including its branches, if any) for at least 12 years from 1 October 2017, and the rental for the renewed tenancy agreements can only be adjusted every 3 years starting from 1 October 2020 taking into account the prevailing market rates and each adjustment shall be subject to a maximum increase of 12% based on the rental paid for the previous year prior to the adjustment; and
- (e) Aoxin Dawei obtaining all the licenses required for operation legitimately, including without limitation to the Medical Practice License; as well as the de-registration of the medical practice license of ZHJDW and showing the de-registration certificate to the Purchaser.

Service Agreement

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

Non-competition

The Vendor has undertaken that during the validity period of the Master Agreement and for two (2) years after the termination of the Master Agreement, without the prior written consent of the Company, the Vendor and his associates will not:

- (a) take any action to negotiate, arrange or execute any agreements with any third party in relation to the economic profits, rights of management, controlling rights or equity capital investment relating to Aoxin Dawei;
- (b) be employed, engaged or interested (whether directly or indirectly) in any business in the People's Republic of China, that is in competition (whether directly or indirectly) with the business carried out by the Purchaser and/or Aoxin Dawei from time to time (the "**Relevant Business**");
- (c) carry on for their own account, either alone or in partnership, (or be concerned as a director, employee, consultant or shareholder in any company) engaged in the Relevant Business;
- (d) solicit in competition with the Purchaser and/or Aoxin Dawei, any person, firm or company who is or who was a customer of the Purchaser and/or Aoxin Dawei;
- (e) by any means and at any time use any information whatsoever (including but not limited to clients' and customer lists, pricing information, production costs), which the Vendor may obtain in connection his shareholding in Aoxin Dawei, which may cause loss or injury to Aoxin Dawei; or
- (f) induce any director, management staff, dentists, nurses or employees of Aoxin Dawei to terminate such person's job position or to leave the employment with Aoxin Dawei.

Profit Guarantee

The Master Agreement further provides that the Vendor guarantees that the net profit after tax of Aoxin Dawei over a period of 12 years shall be no less than the amount set out for each year ("**Profit Guarantee**") as follows:

- (a) 1 October 2017 – 30 September 2018: RMB 0.60 million;
- (b) 1 October 2018 – 30 September 2019: RMB 0.63 million;
- (c) 1 October 2019 – 30 September 2020: RMB 0.68 million;
- (d) 1 October 2020 – 30 September 2021: RMB 0.75 million;
- (e) 1 October 2021 – 30 September 2022: RMB 0.84 million;
- (f) 1 October 2022 – 30 September 2023: RMB 0.91 million;
- (g) 1 October 2023 – 30 September 2024: RMB 1.00 million;
- (h) 1 October 2024 – 30 September 2025: RMB 1.09 million;
- (i) 1 October 2025 – 30 September 2026: RMB 1.18 million;
- (j) 1 October 2026 – 30 September 2027: RMB 1.29 million;
- (k) 1 October 2027 – 30 September 2028: RMB 1.41 million; and
- (l) 1 October 2028 – 30 September 2029: RMB 1.50 million,

The Vendor guarantees that the Company shall be entitled to 100% of the Profit Guarantee for every corresponding profit guarantee year.

4. DISCLOSURE UNDER RULE 1013 OF THE CATALIST RULES

- (a) The views of the board of directors of the issuer in accepting the profit guarantee or the profit forecast and the factors taken into consideration and basis for such a view;

The Profit Guarantee is made based on the financial performance of ZHJDW for FY2016 and the potential of the business in Zhuanghe City. The Board is of the view that the provision of such Profit Guarantee is reasonable, appropriate and helps to safeguard the interest of the Company and its shareholders.

- (b) The principal assumptions including commercial bases and assumptions upon which the quantum of profit guarantee is based;

The quantum of the Profit Guarantee was derived from the Company's estimation after reviewing the track record of ZHJDW and the latest management account of ZHJDW for FY2016.

- (c) The manner and amount of compensation to be paid by the vendor in the event that the profit guarantee or the profit forecast is not met and the conditions precedent, if any, and the detailed basis for such a compensation; and

In the event that the Profit Guarantee is not met for any Profit Guarantee year, the Vendor undertakes to make up the shortfall and pay the Purchaser with personal cash and assets within thirty (30) days of demand by the Purchaser.

- (d) 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.

A moratorium for a period of 5 years from the date of issuance of the Subscription Shares is imposed on the Subscription Shares. In addition, the Vendor agreed to pledge Subscription Shares ("**Shares Pledged**") amounting to the Profit Guarantee's first year payment for a duration of 12 years as security to the Purchaser. In the event the Profit Guarantee is not met, the Company shall have the right to sell the Shares Pledged based on a prescribed formula and direct the proceeds from such sale to the Company.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

5.1 Assumptions

The *pro forma* financial effects of the Proposed Acquisition on the net tangible assets (“NTA”) per share and the earnings per share (“EPS”) of the Group are set out as below. The *pro forma* financial effects have been prepared based on the audited consolidated financial results of the Group for the financial year ended 31 December 2016. The *pro forma* financial effects are purely for illustration purposes only (and based on an exchange rate of S\$1.00 : RMB 4.83 where applicable) and are therefore not necessarily indicative of the actual financial position of the Group after the Completion of the Proposed Acquisition.

5.2 NTA

Assuming that the Proposed Acquisition had been completed on 31 December 2016, the *pro forma* financial effects on the consolidated NTA per share of the Group would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Number of shares ⁽¹⁾	372,161,638	375,916,419
NTA ⁽²⁾ attributable to shareholders (S\$'000)	(4,249)	(3,363)
NTA per share (cents)	(1.14)	(0.89)

Notes:-

- (1) The number of shares of the Company includes the subscription of 16,346,000 new ordinary shares in the Company by Honour Pte. Ltd. which was completed on 18 July 2017.
- (2) NTA refers to total assets less the sum of total liabilities, non-controlling interest and intangible assets.

5.3 EPS

Assuming that the Proposed Acquisition was completed on 1 January 2016, the *pro forma* financial effects on the EPS would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Number of shares ⁽¹⁾	372,161,638	375,916,419
Profit from continuing operations attributable to owners of parent (S\$'000)	257	386
EPS (cents)	0.07	0.10

Note:-

- (1) The number of shares of the Company includes the subscription of 16,346,000 new ordinary shares in the Company by Honour Pte. Ltd. which was completed on 18 July 2017.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

6.1 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 half year ended 30 June 2017 (“**HY2017**”) 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⁾	11.24%
(c)	The aggregate value of the Purchase Consideration to be given, compared with the Company's market capitalisation as at 14 September 2017, being the market day immediately preceding the date of the Master Agreement and Definitive Agreements ⁽²⁾	2.12%
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue (excluding treasury shares) ⁽³⁾	1.01%
(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) Net profits is defined as profit before income tax, minority interests and extraordinary items. Computed based on unaudited *pro forma* net profits of the ZHJDW for HY2017 and the net profits of the Group for HY2017, being RMB 0.4 million and RMB 3.6 million respectively.
- (2) Computed based on: (a) the Purchase Consideration of RMB 8.4 million (approximately S\$1.74 million) for the Proposed Acquisition (and based on an exchange rate of S\$1.00 : RMB 4.83 where applicable); and (b) market capitalisation of the Company of S\$82,173,289, which is determined by multiplying the issued share capital of the Company of 372,161,638 shares in issue with the volume-weighted average price of S\$0.2208 transacted on the Catalist of SGX-ST on 14 September 2017 (being the last market day for which the shares were traded prior to the day the Master Agreement and Definitive Agreements were entered into).
- (3) The number of equity securities to be issued by the Company as Purchase Consideration for the Proposed Acquisition is 3,754,781 new shares.

6.2 As the relative figures under Rule 1006 (b) of the Catalist Rules computed above exceed 5% but do not exceed 75%, the Proposed Acquisition is considered a “discloseable transaction” under Rule 1010 of the Catalist Rules. Accordingly, shareholders' approval is not required for the Proposed Acquisition pursuant to Chapter 10 of the Catalist Rules.

7. 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.

8. 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.

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 Master Agreement and Definitive Agreements are 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.

11. FURTHER ANNOUNCEMENTS

The Company will make further announcement(s) as appropriate when there are material developments 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 September 2017

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, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Company's 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 correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Ong Hwee Li (Tel: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542. SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.