



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

**PROPOSED ACQUISITION OF
SHENYANG QINGAOMEI ORAL RESTORATIVE TECHNOLOGY 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. Fu Bin ("**FB**") and Mrs Wang Jie ("**WJ**") (collectively, the "**Vendors**") to acquire Shenyang Qingaomei Oral Restorative Technology Co., Ltd. ("**SYQM**") (the "**Proposed Acquisition**").

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 Quanxin Medical Equipment Leasing 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 Vendors for the Proposed Acquisition.
- 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 SYQM

2.1 Background and Principal Activities of SYQM

- (a) SYQM is a company incorporated in China and is one of the largest dental prosthetic device provider in North Eastern China with a focus on providing custom-made prostheses to dental patients. SYQM transacts with Aidite (Qinhuangdao) Technology Co., Ltd. ("**Aidite**"), an associate of our controlling shareholder, Q & M Dental Group (Singapore) Limited. Further information on the aggregate value of transaction between SYQM and Aidite will be disclosed in subsequent announcements in due course. Upon Completion, SYQM's transactions with Aidite will be an interested person transaction and will be subjected to the materiality thresholds in respect of

the Chapter 9 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

- (b) As at the date of this Announcement, FB is the 100% shareholder of SYQM. WJ is the wife of FB and is the General Manager of SYQM. Save as disclosed above, the Vendors are independent and unrelated third parties to the Company, its Directors, or its controlling shareholders.

2.2 **Net Tangible Assets of SYQM**

The book value and net tangible asset value of SYQM will, following the completion of the Proposed Acquisition, be at least RMB 3 million. No independent valuation was conducted on SYQM.

2.3 **Net Profits of SYQM**

Based on the latest management account of SYQM for FY2016, the *pro forma* net profits after taxation of SYQM was approximately RMB 1 million.

3. **PRINCIPAL TERMS OF THE MASTER AGREEMENT AND DEFINITIVE AGREEMENTS**

3.1 **Purchase of the Sale Shares**

The Company or its nominee will acquire 100.0% of the shareholding in SYQM (the “**Sale Shares**”) for an aggregate purchase consideration of RMB 16.9 million (the “**Purchase Consideration**”) to be satisfied as follows:

- (a) Payment of RMB 3.1 million in cash to the Vendors for the share transfer of SYQM;
- (b) Investment of RMB 4.0 million into SYQM to increase its registered capital; and
- (c) Payment of RMB 9.8 million in cash to the Vendors for entering into a non-compete agreement with the Company and SYQM.

3.2 **Subscription of shares in the Company**

As part of the conditions for the Proposed Acquisition, the Vendors shall subscribe for RMB 6.45 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 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 SYQM, the expertise of FB and WJ, 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**”). 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 SYQM 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 SYQM (including its branches, if any) for at least 12 years from 1 October 2017 with a market rate rental, and obtaining the consent of the Purchaser for the terms and conditions of the renewed Tenancy Agreement. The total rental of all the premises (including office premise and warehouse) occupied by SYQM per year shall not exceed 1% of the total revenue of SYQM of the corresponding year; and
- (e) SYQM obtaining all the licenses required for operation legitimately, including without limitation to the Medical Device Distribution Enterprise License and the staff, warehouse and quality management system of SYQM complies with the requirements of Medical Device Regulatory Measures.

Service Agreement

Each of FB and WJ has agreed to sign a 12-year service agreement with SYQM and the Company.

Non-Competition

FB and WJ jointly and severally undertake that from the duration of this Master Agreement and for two (2) years after the termination of the Master Agreement, without the written consent of Purchaser, or their 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 of SYQM;
- (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 Purchaser or SYQM 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 or shareholder in any company) engaged in the Relevant Business;
- (d) Solicit in competition with the Purchaser or SYQM, any person, firm or company who is or who was a customer of Purchaser or SYQM;
- (e) By any means and at any time use any information whatsoever, which he may obtain in connection with his shareholding in SYQM or his appointment in any capacity in SYQM, which may cause loss or injury to SYQM; or
- (f) Induce any director, management staff, sales man or technical staff of SYQM to terminate such person’s job position or to leave the employment of SYQM.

Profit Guarantee

The Master Agreement further provides that the Vendors guarantee that the net profit after tax of SYQM 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 1.30 million;
- (b) 1 October 2018 – 30 September 2019: RMB 1.43 million;
- (c) 1 October 2019 – 30 September 2020: RMB 1.57 million;
- (d) 1 October 2020 – 30 September 2021: RMB 1.73 million;
- (e) 1 October 2021 – 30 September 2022: RMB 1.90 million;
- (f) 1 October 2022 – 30 September 2023: RMB 2.09 million;
- (g) 1 October 2023 – 30 September 2024: RMB 2.30 million;
- (h) 1 October 2024 – 30 September 2025: RMB 2.53 million;
- (i) 1 October 2025 – 30 September 2026: RMB 2.79 million;
- (j) 1 October 2026 – 30 September 2027: RMB 3.07 million;
- (k) 1 October 2027 – 30 September 2028: RMB 3.37 million; and
- (l) 1 October 2028 – 30 September 2029: RMB 3.71 million,

The Vendors jointly and severally guarantee 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 SYQM for FY2016. The Board accepted the Profit Guarantee after reviewing the terms of the Proposed Acquisition, the rationale of the Proposed Acquisition and the financial performance of SYQM. The Board is of the view that the Profit Guarantee is reasonable, appropriate and is in 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 SYQM and the latest management account of SYQM 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;

In the event that the Profit Guarantee is not met for any profit guarantee year, the Vendors undertake 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	377,820,128
NTA ⁽²⁾ attributable to shareholders (S\$'000)	(4,249)	(2,914)
NTA per share (cents)	(1.14)	(0.77)

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	377,820,128
Profit from continuing operations attributable to owners of parent (S\$'000)	257	476
EPS (cents)	0.07	0.13

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⁾	20.41%
(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⁾	4.26%
(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⁾	1.52%
(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 SYQM for HY2017 and the net profits of the Group for HY2017, being RMB 0.7 million and RMB 3.6 million respectively.
- (2) Computed based on: (a) the Purchase Consideration of RMB 16.9 million (approximately S\$3.5 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 5,658,490 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:

- (i) SYQM being one of the largest dental laboratories group in North Eastern China and the potential in this industry for growth; and
- (ii) the Proposed Acquisition is in line with the Company's expansion into dental related industries in Northern China and the synergy achieved between the Company's main dental services business and the Proposed Acquisition of SYQM to provide dental laboratory services.

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.