



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

PROPOSED ACQUISITION OF YOUXIN DENTAL CLINIC

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 18 May 2018 (the "**Earlier Announcement**") in relation to a binding memorandum of understanding (the "**MOU**") entered into by the Company with Mr. You Zhongjiang ("**YZJ**", or the "**Vendor**") to acquire 100% equity interest in Youxin Dental Clinic owned by the Vendor ("**YX Dental**") (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 Xin Ao Hospital Management Co., Ltd. (the "**Purchaser**"), a subsidiary of the Company, has on 29 December 2018 entered into a Master Agreement and further definitive agreements (the "**Definitive Agreements**") with the Vendor for 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 by 30 June 2019 (or on such other date as the parties may agree in writing) (the "**Completion Date**").

2. INFORMATION ON YX DENTAL

2.1 Background and Principal Activities of YX Dental

- (a) YX Dental is a dental clinic based 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, its controlling shareholders or substantial shareholders.

2.2 Net Tangible Assets of YX Dental

The book value and net tangible asset value of YX Dental will, following the completion of the Restructuring Exercise (as defined herein), be at least RMB 1.0 million. No independent valuation was conducted on YX Dental.

2.3 Net Profit of YX Dental

Based on the latest management accounts of YX Dental for financial year ended 31 December 2017 and financial period ended 30 June 2018, the net profit after taxation of YX Dental was approximately RMB 1.3 million and RMB0.6 million.

3. PRINCIPAL TERMS OF THE MASTER AGREEMENT AND DEFINITIVE AGREEMENTS

3.1 Purchase of the Sale Shares

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

The Company or its nominee will acquire 100% of the shareholdings in Aoxin Youxin (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 Aoxin Youxin;
- (b) Investment of RMB 3.0 million into Aoxin Youxin 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 Aoxin Youxin.

3.2 Purchase Consideration

The Purchase Consideration was arrived at after arm’s length negotiations, and 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 YX Dental and Aoxin Youxin, the expertise of the Vendor, the rationale for the Proposed Acquisition and the strategic merits of the Proposed Acquisition. 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 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 the Group's internal cash resources.

3.3 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 S\$0.23 is equivalent to 4.5% premium and 5.8% 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 14 May 2018 and 26 December 2018 respectively, being the full market day on which the MOU was entered into and the full market day on which the shares of the Company were traded prior to the day the Master Agreement and Definitive Agreements were entered into.

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

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.

3.4 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 YX Dental and Aoxin Youxin 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 Youxin (including its branches, if any) for at least 12 years from 1 January 2019, and at no time shall the total rental of

Aoxin Youxin exceed 6% of the total operating income of Aoxin Youxin of that corresponding year. The rental for the renewed tenancy agreements can only be adjusted every 3 years starting from 1 January 2022 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 Youxin 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 Purchaser.

Service Agreement

The Vendor has agreed to sign a 12-year service agreement with Aoxin Youxin 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 Youxin;
- (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 Youxin 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 Youxin, any person, firm or company who is or who was a customer of the Purchaser and/or Aoxin Youxin;
- (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 Youxin, which may cause loss or injury to Aoxin Youxin; or

- (f) induce any director, management staff, dentists, nurses or employees of Aoxin Youxin to terminate such person's job position or to leave the employment with Aoxin Youxin.

Profit Guarantee

The Master Agreement further provides that the Vendor guarantees that the net profit after tax of Aoxin Youxin over a period of 12 years shall be no less than the amount set out for each financial year ended 31 December ("**Profit Guarantee**") as follows:

- (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; and
- (l) Year 12 - RMB 3,866,000.

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 YX Dental for FY2017 and the potential of the business in Jinzhou City. The Board accepted the Profit Guarantee after reviewing the terms of the Proposed Acquisition, the rationale of the Proposed Acquisition and the financial performance as well as the profit projections of YX Dental. The Board is of the view that the provision of such profit guarantee 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 YX Dental and the latest management account of YX Dental for FY2017.

- (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 up till 30 September 2022 from the date of issuance of the Subscription Shares is imposed on the Subscription Shares. In addition, the Vendor agreed to pledge the building at which YX Dental is operating as security for the Profit Guarantee. In the event that the Profit Guarantee is not met, the Purchaser shall have the right to take possession and to dispose of the security in accordance to the laws in China.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

5.1 Assumptions

The 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 financial effects have been prepared based on the audited consolidated financial results of the Group for the financial year ended 31 December 2017. The financial effects are purely for illustration purposes only (and based on an exchange rate of S\$1.00 : RMB 5.013 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 2017, the 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	381,574,909	386,975,576
NTA ⁽¹⁾ attributable to shareholders (RMB'000)	121,462	127,342
NTA per share (RMB cents)	31.83	32.91

Note:

(1) 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 2017, the financial effects on the EPS would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Number of shares	381,574,909	386,975,576
Profit from continuing operations attributable to owners of parent (RMB'000)	4,878	6,147
EPS (RMB cents)	1.28	1.59

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 2018 (“**HY2018**”) 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⁾	12.35%
(c)	The aggregate value of the Purchase Consideration to be given, compared with the Company's market capitalisation ⁽²⁾	4.72%
(d)	The number of Subscription Shares issued by the Company as consideration for the Proposed Acquisitions, compared with the number of equity securities previously in issue (excluding treasury shares) ⁽³⁾	1.42%
(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 profit is defined as profit before income tax, minority interests and extraordinary items. Computed based on unaudited net profit of YX Dental for HY2018 and the net profit of the Group for HY2018, being RMB 0.6 million and RMB 4.8 million respectively.

(2) Computed based on: (a) the Purchase Consideration of RMB 19.6 million (approximately S\$3.91 million) for the Proposed Acquisition (and based on an exchange rate of S\$1.00 : RMB 5.013 where applicable); and (b) market capitalisation of

the Company of S\$82,954,385, 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\$0.2174 transacted on the Catalist of SGX-ST on 26 December 2018 (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 5,099,784 Subscription 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, 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 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
31 December 2018

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 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.

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