MODERN DENTAL GROUP LIMITED
現代牙科集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3600)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS HIGHLIGHTS

- Profit for the year ended 31 December 2019 was approximately HK$160,445,000, representing an increase of approximately HK$77,205,000 or 92.7% as compared with that of year ended 31 December 2018. The MicroDental Group reported a profit of approximately HK$638,000 for the year ended 31 December 2019 (year ended 31 December 2018: loss of approximately HK$17,320,000).

- The Group's EBITDA for the year ended 31 December 2019 was approximately HK$391,544,000 (2018: HK$265,449,000), representing an increase of approximately HK$126,095,000 or 47.5% as compared with the prior year.

- Basic earnings per share for the financial year ended 31 December 2019 amounted to HK16.5 cents (2018: HK8.6 cents), an increase by approximately 91.9%.

- The net cash flows from operating activities for the year ended 31 December 2019 were approximately HK$342,226,000 (2018: HK$204,893,000), representing an increase of approximately HK$137,333,000 or 67.0% as compared with the prior year.

- The Group's revenue in the year ended 31 December 2019 was approximately HK$2,399,548,000, representing an increase of approximately HK$84,081,000 or 3.6% as compared with that of the year ended 31 December 2018, which reflects an overall increase in revenue in original currency but was offset by an material depreciation of (i) Euro against Hong Kong dollars, (ii) Australian dollars against Hong Kong dollars and (iii) Renminbi against Hong Kong dollars, during the year when compared with the year ended 31 December 2018:

	2019	2018	**Percentage difference**
Average EUR/HKD Exchange rate	**8.78**	9.26	-5.2%
Average AUD/HKD Exchange rate	**5.45**	5.86	-7.0%
Average RMB/HKD Exchange rate	**1.14**	1.18	-3.4%

- The Gross profit margin for the year ended 31 December 2019 was approximately 48.0% (year ended 31 December 2018: 46.6%). Gross profit for 2019 was approximately HK$1,152,931,000, representing an increase of approximately HK$73,595,000 or 6.8% as compared with the prior year.

- The Board recommended a final dividend of HK2.2 cents per ordinary share out of the share premium account for the year ended 31 December 2019 (2018: HK1.4 cents). Subject to the approval of the Company's shareholders at the forthcoming annual general meeting, the final dividend will be payable on 26 June 2020 to shareholders of the Company whose names appear on the Register of Members of the Company on 5 June 2020.

FINANCIAL RESULTS

The board of directors (the "**Board**" or the "**Directors**") of Modern Dental Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
REVENUE	3	**2,399,548**	2,315,467
Cost of sales		**(1,246,617)**	(1,236,131)
Gross profit		**1,152,931**	1,079,336
Other income and gains	3	**14,737**	11,344
Selling and distribution expenses		**(294,352)**	(275,142)
Administrative expenses		**(615,725)**	(630,558)
Other operating expenses		**(17,177)**	(12,533)
Finance costs	5	**(37,902)**	(51,516)
Share of losses of associates		**(504)**	(1,929)
PROFIT BEFORE TAX	4	**202,008**	119,002
Income tax expense	6	**(41,563)**	(35,762)
PROFIT FOR THE YEAR		**160,445**	83,240
ATTRIBUTABLE TO:			
Owners of the Company		**161,557**	85,391
Non-controlling interests		**(1,112)**	(2,151)
		160,445	83,240
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	8	**HK16.5 cents**	HK8.6 cents
Diluted	8	**HK16.5 cents**	HK8.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**160,445**	83,240
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(37,464)**	(110,681)
Other comprehensive loss for the year, net of tax	**(37,464)**	(110,681)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**122,981**	(27,441)
ATTRIBUTABLE TO:		
Owners of the Company	**124,093**	(25,202)
Non-controlling interests	**(1,112)**	(2,239)
	122,981	(27,441)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	9	**498,613**	433,810
Prepaid land lease payments		**—**	11,817
Goodwill		**1,310,846**	1,329,523
Intangible assets		**295,145**	330,561
Right-of-use assets	10(a)	**194,733**	—
Investments in associates		**9,625**	8,396
Deferred tax assets		**11,832**	10,814
Long term prepayments and deposits		**17,830**	21,771
Total non-current assets		**2,338,624**	2,146,692
CURRENT ASSETS			
Inventories		**115,274**	110,906
Trade receivables	11	**423,271**	380,443
Prepayments, deposits and other receivables		**64,739**	58,294
Due from an associate		**58**	55
Current tax assets		**20,040**	17,796
Pledged deposits		**5,330**	11,482
Cash and cash equivalents		**393,905**	380,393
Total current assets		**1,022,617**	959,369
CURRENT LIABILITIES			
Trade payables	12	**70,026**	64,319
Other payables and accruals		**197,839**	170,440
Lease liabilities	10(b)	**53,337**	—
Interest-bearing bank and other borrowings	13	**106,336**	30,171
Tax payable		**48,902**	40,152
Total current liabilities		**476,440**	305,082
NET CURRENT ASSETS		**546,177**	654,287
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,884,801**	2,800,979

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**696,012**	779,072
Deferred tax liabilities		**16,047**	18,774
Lease liabilities	10(b)	**145,132**	—
Other non-current liabilities		**5,203**	10,931
Total non-current liabilities		**862,394**	808,777
NET ASSETS		**2,022,407**	1,992,202
EQUITY			
Equity attributable to owners of the Company			
Share capital		**76,078**	77,500
Treasury shares		**(21,796)**	(16,459)
Reserves		**1,966,538**	1,935,203
		2,020,820	1,996,244
Non-controlling interests		**1,587**	(4,042)
TOTAL EQUITY		**2,022,407**	1,992,202

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**"), and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015 – 2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, the adoption of the above new and revised standards did not have any significant effect on the financial position or performance of the Group.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases - Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings, furniture and fixtures, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately as lease liabilities in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;

- using hindsight in determining the lease term where the contract contains options to extend/terminate the lease;

- excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application; and

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

<u>As a lessee – Leases previously classified as finance leases</u>

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 as at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in right-of-use assets	214,055
Decrease in property, plant and equipment	(1,949)
Decrease in prepaid land lease payments	(12,070)
Increase in prepayments, other receivables and other assets	171
Increase in total assets	200,207
Liabilities	
Decrease in other payables and accruals	(10,610)
Increase in lease liabilities	226,313
Decrease in interest-bearing bank and other borrowings	(1,106)
Increase in total liabilities	214,597
Decrease in retained earnings	(14,390)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	176,645
Weighted average incremental borrowing rate as at 1 January 2019	3%
Discounted operating lease commitments as at 1 January 2019	158,722
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(124)
Add: Commitments relating to leases previously classified as finance leases	1,106
Payments for optional extension periods not recognised as at 31 December 2018	66,609
Lease liabilities as at 1 January 2019	226,313

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) The fixed prosthetic devices segment is a supplier of restorative dental procedures, such as crowns, bridge and implants.

(b) The removable prosthetic devices segment produces full dentures and partial dentures. Dentures can be further classified as dentures with metal frameworks and dentures without metal frameworks.

(c) The "others" segment comprises, principally, orthodontic devices, sport guards and anti-snoring devices, raw materials, dental equipment and the service of educational events and seminars rendered.

Management monitors the revenue and cost of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment gross profit.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	2019			2018		
	Revenue	**Cost of sales**	**Gross profit**	Revenue	Cost of sales	Gross profit
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Fixed prosthetic devices	**1,682,419**	**854,994**	**827,425**	1,664,457	883,531	780,926
Removable prosthetic devices	**460,099**	**242,438**	**217,661**	451,304	241,101	210,203
Others	**257,030**	**149,185**	**107,845**	199,706	111,499	88,207
Total	**2,399,548**	**1,246,617**	**1,152,931**	2,315,467	1,236,131	1,079,336

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Europe	**957,616**	924,601
North America	**697,082**	688,431
Greater China	**527,033**	466,956
Australia	**198,983**	221,615
Others	**18,834**	13,864
	2,399,548	2,315,467

The revenue information above is based on the locations of the customers.

As no revenue derived from sales to any single customer of the Group has accounted for 10% or more of the Group's total revenue during the year, no information about major customer is presented.

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Europe	**740,889**	739,342
North America	**721,281**	630,329
Greater China	**363,813**	266,722
Australia	**432,843**	426,460
Others	**67,966**	73,025
	2,326,792	2,135,878

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2019	2018
	HK$'000	*HK$'000*
<u>Revenue</u>		
Sale of goods transferred at a point in time	**2,399,548**	2,315,467
<u>Other income</u>		
Bank interest income	**1,270**	547
Government subsidies*	**3,982**	5,545
Others	**8,998**	5,252
	14,250	11,344
<u>Gains</u>		
Gains on disposal of items of property, plant and equipment, net	**487**	—
	487	—
Other income and gains	**14,737**	11,344

* Government subsidies contain the stabilisation subsidy and special fund of self-independent innovation industry from the government. There are no unfulfilled conditions or contingencies relating to these subsidies.

(a) The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**4,236**	2,320

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products, payment is generally due within 30 to 90 days from delivery for established customers and up to 180 days for major customers.

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold#	**1,246,617**	1,236,131
Depreciation of property, plant and equipment	**57,551**	57,439
Amortisation of intangible assets	**35,452**	37,777
Amortisation of prepaid land lease payments	**—**	262
Depreciation of right-of-use assets	**59,901**	—
Minimum lease payments under operating leases	**—**	64,109
Lease payments not included in the measurement of lease liabilities	**1,961**	—
Research and development cost##	**7,447**	13,761
Auditors' remuneration	**9,275**	9,880
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**1,027,213**	1,007,272
Pension scheme contributions	**137,617**	140,310
	1,164,830	1,147,582
Bank interest income	**(1,270)**	(547)
(Gains)/ losses on disposal of items of property, plant and equipment, net**	**(487)**	156
Write-off of intangible assets*	**—**	86
Remeasurement gain on contingent consideration*	**—**	(773)
Write-off of property, plant and equipment*	**195**	430
Allowance for impairment of trade and other receivables, net	**6,675**	886
Foreign exchange loss, net*	**16,920**	12,283

* Included in "other operating expenses" in the consolidated statement of profit or loss.

** Gains on disposal of items of property, plant and equipment, net are included in "other income and gains" in the consolidated statement of profit or loss. Losses on disposal of items of property, plant and equipment, net are included in "other operating expenses" in the consolidated statement of profit or loss.

Cost of inventories sold includes HK$768,369,000 (2018: HK$762,116,000) relating to employee benefit expense, lease payments not included in the measurement of lease liabilities, minimum lease payments under operating leases and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

Research and development costs includes HK$6,263,000 (2018: HK$12,717,000) relating to employee benefit expense, lease payments not included in the measurement of lease liabilities, minimum lease payments under operating leases and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

5. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans	**28,584**	23,925
Less: amount capitalised on qualifying assets	**(1,896)**	(1,828)
	26,688	22,097
Write-off of capitalised finance charges upon re-financing of bank loans	**—**	12,333
Foreign exchange loss incurred upon re-financing of bank loans	**—**	13,130
Finance charges on bank loans	**4,181**	3,919
Interest on lease liabilities	**7,033**	—
Interest on finance leases	**—**	37
	37,902	51,516

6. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempt from the payment of the Cayman Islands income tax.

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any tax in the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Pursuant to the PRC Income Tax Law and the respective regulations, the companies which operate in Mainland China are subject to Corporate Income Tax ("**CIT**") at the rate of 25% on the taxable income for the years ended 31 December 2019 and 2018.

Pursuant to the rules and regulations of the United States, the companies, except limited liability companies ("**LLC**"), which operate in the United States are subject to a flat rate of 21% (2018: flat rate of 21%) at the federal level, and are also subject to the statutory application state CIT. LLC are generally treated as flow-through entities, where income "flows through" to investors or owners, which are not subject to CIT.

Pursuant to the Macau Offshore Company Law and the respective regulations, the operation of offshore companies and their activities in Macau is not subject to CIT.

The companies which operate in Europe are subject to income tax on their respective assessable profit at the prevailing rates in the jurisdictions in which they operate.

Pursuant to the rules and regulations of Australia, the companies which operate in Australia are subject to income tax at the rate of 30% on their respective taxable income.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019	2018
	HK$'000	*HK$'000*
Current	**45,488**	42,549
Deferred	**(3,925)**	(6,787)
Total tax charge for the year	**41,563**	35,762

7. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Interim — HK3.1 cents (2018: HK1.9 cents) per ordinary share	**30,589**	19,000
Proposed final — HK2.2 cents (2018: HK1.4 cents) per ordinary share	**21,596**	14,000

In 2019, the calculation of the interim dividend and proposed final dividend is based on 986,746,000 (2018: 1,000,000,000) ordinary shares and 981,646,000 (2018:1,000,000,000) ordinary shares in issue respectively.

On 30 March 2020, the Board recommended a final dividend of HK2.2 cents per ordinary share for the year ended 31 December 2019. The proposed final dividend for the year ended 31 December 2019 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 980,162,330 (2018: 997,150,640) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculations of basic and diluted earnings per share are based on:

	2019	2018
	HK$'000	*HK$'000*
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**161,557**	85,391

	Number of shares	
	2019	2018
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the years used in the basic and diluted earnings per share calculation	**980,162,330**	997,150,640

9. PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	HK$'000	*HK$'000*
Carrying amount at 1 January	**433,810**	326,703
Effect of adoption of IFRS 16	**(1,949)**	—
Carrying amount at 1 January (restated)	**431,861**	326,703
Additions	**137,006**	181,231
Disposals	**(7,275)**	(1,852)
Acquisition of a subsidiary	**1,923**	—
Write-off	**(195)**	(430)
Depreciation provided during the year	**(57,551)**	(57,439)
Exchange realignment	**(7,156)**	(14,403)
Carrying amount at 31 December	**498,613**	433,810

10. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings, furniture and fixtures, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 16 years, leases of furniture and fixtures generally have lease terms between 2 and 6 years and motor vehicles generally have lease terms between 2 and 6 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use-assets and the movements during the year are as follows:

	Leasehold land	**Buildings**	**Furniture and fixtures**	**Motor Vehicles**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
As at 1 January 2019	12,070	201,325	544	116	214,055
Additions	8,802	10,985	948	21,202	41,937
Depreciation for the year	(361)	(49,609)	(407)	(9,524)	(59,901)
Exchange realignment	(412)	(893)	(6)	(47)	(1,358)
As at 31 December 2019	20,099	161,808	1,079	11,747	194,733

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 Lease liabilities	2018 Finance lease payables
	HK$'000	*HK$'000*
Carrying amount at 1 January	**226,313**	897
New leases	**33,135**	911
Accretion of interest recognised during the year	**7,033**	37
Payments	**(66,994)**	(649)
Exchange realignment	**(1,018)**	(90)
Carrying amount at 31 December	**198,469**	1,106
Analysed into:		
Current portion	**53,337**	489
Non-current portion	**145,132**	617
	198,469	1,106

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019
	HK$'000
Interest on lease liabilities	**7,033**
Depreciation charge of right-of-use assets	**59,901**
Expenses relating to low-value assets and short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	**1,961**
Total amount recognised in profit or loss	**68,895**

11. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**248,472**	223,184
1 to 2 months	**61,757**	57,242
2 to 3 months	**31,209**	32,149
3 months to 1 year	**68,513**	54,400
Over 1 year	**13,320**	13,468
	423,271	380,443

The Group normally allows credit terms of 30 to 90 days to established customers, and extends credit terms up to 180 days for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**39,271**	35,890
1 to 2 months	**20,578**	21,334
2 to 3 months	**5,100**	5,047
Over 3 months	**5,077**	2,048
	70,026	64,319

The trade payables are unsecured, non-interest-bearing and are normally repayable within one to three months or on demand. The carrying amounts of trade payables approximate to their fair values due to their relatively short maturity terms.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective/ contractual interest rate	**Maturity**		Effective/ contractual interest rate	Maturity	
	(%)		***HK$'000***	*(%)*		*HK$'000*
Current						
Finance lease payables	**—**	**—**	**—**	3.69–13.70	2019	489
Bank loans – secured	**Hong Kong Interbank Offered Rate ("HIBOR") +1.10**	**On demand**	**20,000**	HIBOR+1.70	On demand	19,970
Current portion of long term bank loans – secured	**HIBOR+1.60**	**2020**	**86,336**	HIBOR+1.60	2019	9,712
			106,336			30,171
Non-current						
Finance lease payables	**—**	**—**	**—**	3.69–10.34	2020-2023	617
Long term bank loans – secured	**HIBOR+1.60**	**2021-2023**	**696,012**	HIBOR+1.60	2020-2023	778,455
			696,012			779,072
			802,348			809,243

	2019	2018
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**106,336**	29,682
In the second year	**207,340**	82,443
In the third to fifth years, inclusive	**488,672**	696,012
	802,348	808,137
Finance lease payables:		
Within one year	**—**	489
In the second year	**—**	302
In the third to fifth years, inclusive	**—**	315
	—	1,106
	802,348	809,243

Notes:

(a) As at 31 December 2019 and 2018, all bank loans are secured by the corporate guarantees of the Company and certain of its subsidiaries.

(b) As at 31 December 2019, the Group's bank borrowings denominated in HK$ amounted to HK$802,348,000.

As at 31 December 2018, the Group's bank borrowings denominated in HK$ amounted to HK$808,137,000. The Group's finance lease payables denominated in HK$, Australian dollars ("**AUD**") and Canadian dollars ("**CAD**") amounted to HK$6,000, HK$366,000 and HK$734,000, respectively.

(c) As a result of inital application of IFRS 16, finance lease payables of HK$1,106,000 previously included in "Interest-bearing bank and other borrowings" were adjusted to lease liabilities at 1 January 2019 (refer to note 1.1 to the consolidated financial statements for further details).

14. EVENTS AFTER THE REPORTING PERIOD

(i) Subsequent to the end of the reporting period, the Company repurchased 4,600,000 of its ordinary shares on the Hong Kong Stock Exchange ("**Stock Exchange**") at an aggregate consideration of approximately HK$6,867,000 (before expenses). Together with 14,569,000 ordinary shares of approximately HK$21,757,000 (before expenses) repurchased in year end 31 December 2019, 19,169,000 repurchased ordinary shares of approximately HK$28,624,000 (before expenses) were cancelled subsequently in February and March 2020.

(ii) The outbreak of 2019 Novel Coronavirus ("**COVID-19**") has grown into a global pandemic during the first quarter of 2020. The Group is closely monitoring and evaluating its potential impact, and is taking precautionary and necessary measures to mitigate its impact on the financial position and operating results of the Group. The outbreak of COVID-19 is expected to have at least, a short-term negative impact on the global economic environment which in turn, is likely to affect the Group's revenue and profit in the first half of 2020. How effective government measures are, in the countries that the Group operates, and how quickly global economies recover from the negative impact of this pandemic, may have an effect on the Group's financial results for the year ending 2020. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

Save as disclosed above, the Group does not have other significant subsequent events as at the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

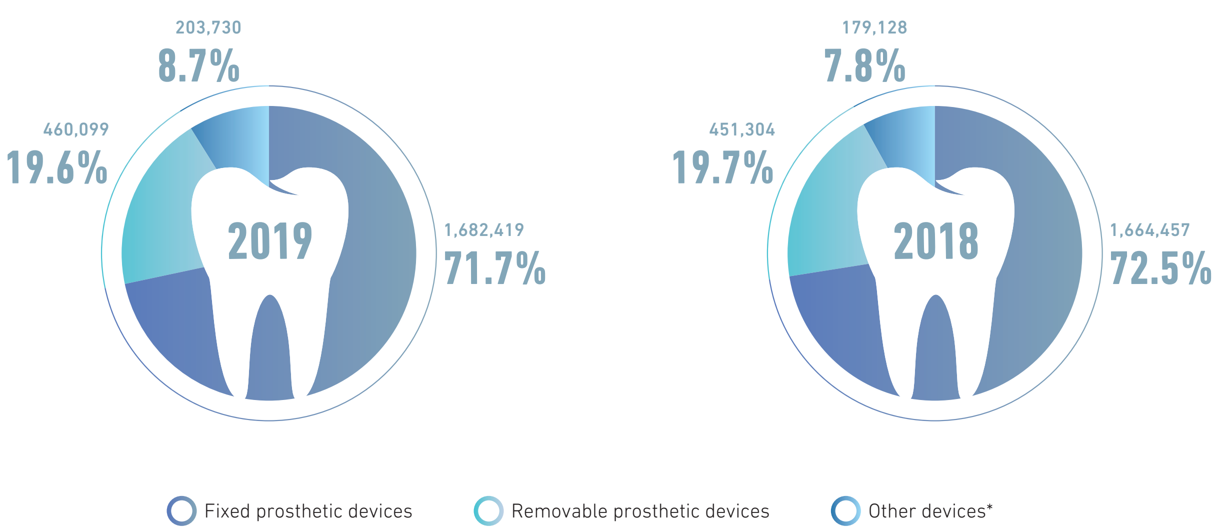
BUSINESS REVIEW

The Group is a leading global dental prosthetic device provider with a focus on providing custom-made prostheses to customers in the growing prosthetics industry. Our product portfolio is broadly categorised into three product lines: (i) fixed prosthetic devices such as crowns and bridges; (ii) removable prosthetic devices such as removable dentures; and (iii) others such as orthodontic devices, sports guards and anti-snoring devices, raw materials, dental equipment and the services of educational events and seminars rendered.

Product Category

The figures below set forth the breakdown of revenue (in thousand Hong Kong dollars and percentage) by product category for the years ended 31 December 2019 and 2018 respectively:

Breakdown of revenue (HK$'000 and %)



* Raw materials revenue, dental equipment revenue and the service revenue are subtracted from the Group's revenue.

Fixed Prosthetic Devices

Our fixed prosthetic devices, including crowns and bridges, are used for restorative dental procedures. Crowns are fixed replacements for a single tooth while bridge treatments permanently replace several adjacent teeth.

During the year ended 31 December 2019, fixed prosthetic devices business segment recorded a revenue of approximately HK$1,682,419,000 representing an increase of approximately HK$17,962,000 as compared with the year ended 31 December 2018. This business segment accounted for approximately 71.7% of the Group's total revenue as compared with approximately 72.5% in the year ended 31 December 2018.

Removable Prosthetic Devices

Our removable prosthetic devices primarily comprise dentures. As prostheses are used to replace natural teeth, they must provide functional biting and chewing surfaces and must also appear and feel natural.

During the year ended 31 December 2019, removable prosthetic devices business segment recorded a revenue of approximately HK$460,099,000, representing an increase of approximately HK$8,795,000 as compared with the year ended 31 December 2018. This business segment accounted for approximately 19.6% of the Group's total revenue as compared with approximately 19.7% in the year ended 31 December 2018.

Other Devices

Other devices include orthodontic devices, anti-snoring devices, and sports guards.

During the year ended 31 December 2019, other devices business segment recorded a revenue of approximately HK$203,730,000, representing an increase of approximately HK$24,602,000 as compared with the year ended 31 December 2018. This business segment accounted for approximately 8.7% of the Group's total revenue as compared with approximately 7.8% in the year ended 31 December 2018.

Product Category

The following table sets forth the breakdown of sales volume, revenue, and average selling price ("**ASP**") by product category for the years ended 31 December 2019 and 2018 respectively:

	Year ended 31 December					
	2019			2018		
	Sales Volume ***(number of cases)***	**Revenue** ***(HK$'000)***	**ASP** ***(HK$ per case)***	Sales Volume *(number of cases)*	Revenue *(HK$'000)*	ASP *(HK$ per case)*
Product category						
Fixed prosthetic devices	**1,029,746**	**1,682,419**	**1,634**	1,033,151	1,664,457	1,611
Removable prosthetic devices	**426,365**	**460,099**	**1,079**	401,232	451,304	1,125
Other devices*	**351,643**	**203,730**	**579**	318,108	179,128	563
Total	**1,807,754**	**2,346,248**	**1,298**	1,752,491	2,294,889	1,310

* The raw materials revenue, dental equipment revenue and the service revenue are subtracted from the Group's revenue.

Sales volume and average selling price

For the year ended 31 December 2019, the sales volume and ASP of the Group's products across its markets were 1,807,754 cases (Year ended 31 December 2018: 1,752,491 cases) and HK$1,298 per case (Year ended 31 December 2018: HK$1,310 per case), representing an increase of 3.2% and a decrease of 0.9%, respectively.

Geographic Market

By leveraging on our sales and distribution network, we achieved a leading position in the dental prosthetics industry across Europe, North America, Greater China, Australia, and other countries. The following table sets forth a breakdown of the revenue generated from the aforesaid markets for the years ended 31 December 2019 and 2018 respectively:

		Year ended 31 December					
		2019		2018			
Market	**Original currency**	**Conversion rate # *(Original currency per HK$)***	**Revenue *(HK$'000)***	Conversion rate # *(Original currency per HK$)*	Revenue *(HK$'000)*	Change in currency *(%)*	Organic growth rate *(%)*
Europe*	**EUR**	**8.78**	**919,271**	9.26	912,172	-5.2%	6.3%
North America	**US$**	**7.75**	**697,082**	7.75	688,431	—	1.3%
Greater China**	**RMB**	**1.14**	**512,299**	1.18	464,136	-3.4%	14.2%
Australia***	**AUD**	**5.45**	**198,762**	5.86	216,286	-7.0%	-1.2%
Others			**18,834**		13,864	—	35.8%
Total			**2,346,248**		2,294,889		

* The dental equipment revenue is subtracted from the European revenue.

** The raw materials and dental equipment revenue are subtracted from the Greater China revenue.

*** Our Australian market includes both Australia and New Zealand. The service revenue is subtracted from the Australian revenue.

The conversion rate shall not be taken as a representation that respective original currency could actually be converted into HK$ at that rate, or at all.

Europe

The revenue generated from sales in the European markets, including France, Germany, the Netherlands, Belgium, Denmark, Sweden, Norway, Spain, the United Kingdom and other European countries, accounted for the largest portion of our revenue for the year ended 31 December 2019.

Our sales and distribution network in Europe is able to reach 13 countries and we offer a portfolio of well-respected, long-established and trusted brands. Generally, the Group performed well in Europe, in particular, our PRC-made imports. This growth (in original currency) has been product-and customer-led, as customers are typically purchasing different products from our broad product lines. We offer comparatively more competitive prices for products of comparable quality in the market with high quality customer services.

One key strategy in Europe is to offer existing clients comprehensive and innovative products and services, including technologically advanced and traditional products, and better local services such as providing quicker and more efficient turnaround time through our satellite local laboratories which are in close proximity to our clients. The Group is in a position to match our clients' high expectations through our various onshore and offshore resources. Through our improved local presence, the Group is in a better position to attract new customers from local competitors in additional market segments. At the same time, our team and management are working intensively on growth strategies and synergies, on a range of new products (in particular, implant solutions, orthodontic treatments and anti-snoring appliances), on being at the forefront of continuous education and training programs, and innovations to stimulate further growth. In Europe, we have a geographically diversified business model which puts us in a strong position for seizing acquisition opportunities going forward. At the same time, we have organic growth drivers such as improved marketing and sales, brand awareness, track-record in quality and customer service, providing value-added services to our clients and in turn, consolidating our reputation as being a one-stop shop for our customers.

For the year ended 31 December 2019, the European market recorded a revenue of approximately HK$919,271,000, representing an increase of approximately HK$7,099,000 as compared with year ended 31 December 2018. Together with the sales of dental equipment of approximately HK$38,345,000, this geographic market accounted for 39.9% of the Group's total revenue as compared with approximately 39.9% for the year ended 31 December 2018. The increase of revenue from the European market was attributable to the annual increment of the retail price to the dentists (in original currency) and increase in sales of dental equipment, offset by the depreciation of EUR against HK$ of 5.2% in the year ended 31 December 2019 compared with the year ended 31 December 2018.

North America

The revenue generated from sales in the North American market, including the United States and Canada, represented the second largest portion of our revenue for the year ended 31 December 2019.

MicroDental Laboratories, Inc. and its subsidiaries ("**MicroDental Group**") contributed approximately HK$560,122,000 (year ended 31 December 2018: HK$500,601,000) to the Group's revenue, approximately HK$45,657,000 (year ended 31 December 2018: HK$5,029,000) to the Group's Adjusted EBITDA and approximately HK$638,000 of profit (year ended 31 December 2018: HK$17,320,000 of loss) to the Group's profit for the year ended 31 December 2019. The profit of approximately HK$638,000 for the year ended 31 December 2019 included (i) non-cash depreciation and amortization of approximately HK$37,172,000; and (ii) non-recurring expenses, such as one-off costs in connection with the restructuring and reorganisations of approximately HK$1,710,000. With new management team for North America (CEO and CFO), we are confident of effectively implementing our main strategies for MicroDental Group: (i) to increase sales through new products, implementing efficiencies and increasing our sales and marketing team and strategies; (ii) to strategically place each of our products at the optimal price-point; (iii) to capitalise on existing and future synergies, leverage MicroDental Group's 40-year brand history, its extensive distribution network and its very highly trained and experienced workforce; and (iv) cost restructuring, effectively leveraging existing resources and minimising any overlap of resources.

With our Group's onshore and offshore North American production capabilities, we are in a unique position to offer customers a wide range of onshore-and offshore-made products, improve the customer's experience and shorten turnaround time. Our expanded North American distribution network is an effective platform for the Group to effectively promote new products. The Group is expected to further utilise its extensive North American distribution network for its existing products as well as new products.

The dental prosthetics market in North America grew during the year as a result of various factors. The aging population had a direct impact on the demand for dental prosthetic devices. In addition, the promulgation of the Affordable Care Act in 2010, the coverage of health insurance has expanded. Moreover, the United States government has been funding and promoting oral health awareness. The ongoing Sino-US trade tension imposed uncertainty over the global operation environment. No tariff is being imposed on the Group's products during the year. In view of the relatively small portion of products (less than one-fifth of the sales in the US) being manufactured in the PRC and supplied to the United States market and the fact that certain production facilities of the Group are strategically located outside of the PRC, it is considers that the financial performance of the Group will not be materially and adversely affected by any potential import tariffs. And it may be beneficial to our production and sale in the US in the medium to long term on the assumption that the Group would be in an ideal market position to capture the market share lost by its competitors who source their products from the PRC as a result of any potential import tariffs.

During the year ended 31 December 2019, the North American market recorded a revenue of approximately HK$697,082,000, representing an increase of approximately HK$8,651,000 as compared with the year ended 31 December 2018. This geographic market accounted for approximately 29.1% of the Group's total revenue as compared with approximately 29.7% in the year ended 31 December 2018. The increase of revenue from the North American market was largely attributable to the successful introduction of high-end products, the gradual phase out of lower value products and the annual increment of the retail price to the dentists.

Greater China

Our Greater China market comprises Mainland China, Hong Kong and Macau. The revenue generated from sales in the Greater China market accounted for the third largest portion of our revenue for the year ended 31 December 2019.

Given the significant rise in the living standards in Greater China over the years, people have become increasingly aware of the importance of oral health, which benefits the custom-made dental prosthetics domestic sales market. We offer comparatively higher prices for products with premium quality in Greater China, which appeal to the population that has a strong demand for higher quality products. The Greater China market has continued to grow in the year with a low-teens increase in revenue in original currency (HK$ and RMB) due to the Group's strategy of expanding the coverage of our products offering and focusing on building better relationships with, and attracting new clients from, private clinics in first tier cities in the Mainland China. Another key strategy was to expand our geographic presence, such as improving our sales and marketing strategies, customer service and technical service teams to provide customers with a higher quality service. The Group has been actively looking for acquisitions or strategic co-operation opportunities in Greater China.

With our new production facilities in Dongguan, we expect to further consolidate our status in the Greater China market as we would have sufficient room to expand our production capacity significantly.

For the year ended 31 December 2019, the Greater China market recorded a revenue of approximately HK$512,299,000, representing an increase of approximately HK$48,163,000 as compared with year ended 31 December 2018. Together with the sales of raw materials and dental equipment of approximately HK$14,734,000, this geographic market accounted for approximately 21.9% of the Group's total revenue as compared with approximately 20.2% last year. The increase in revenue from the Greater China market was largely attributable to (i) the increase in sales of new products and (ii) volume growth during the year, however offset by the depreciation of RMB against HK$ of 3.4% in the year ended 31 December 2019.

Australia

Australian market includes both Australia and New Zealand. In Australia and New Zealand, individuals are primarily responsible for financing their own dental treatments.

Through our various brands, which offer onshore-and offshore-made products, at multiple price points ranging from economy and standard to premium/boutique, the Group is able to effectively penetrate the entire Australian market. Similar to our strategy in Europe, where the Group is focusing on providing better local service, we have invested in local production capacity to provide faster service to our customers, and to provide choices around where the products are made. The Group is one of the largest players in the Australian market. The Group continues to grow sales volume, despite increased competition and continual industry pressure on price points and service levels. The Group is a preferred supplier to the major corporate dental groups in the market.

For the year ended 31 December 2019, the Australian market recorded a revenue of approximately HK$198,762,000, representing a decrease of approximately HK$17,524,000 as compared with the year ended 31 December 2018. Together with the service revenue generated from rendering educational events and seminars of approximately HK$221,000, this geographic market accounted for approximately 8.3% of the Group's total revenue as compared with approximately 9.6% last year. The decrease in the revenue from the Australian market was largely attributable to depreciation of AUD against HK$ of 7.0% in the year ended 31 December 2019 when compared with the year ended 31 December 2018 and the decrease in service revenue during the year.

Others

Other markets primarily include Indian Ocean countries, Japan and Singapore. For the year ended 31 December 2019, these markets recorded a revenue of approximately HK$18,834,000, representing an increase of approximately HK$4,970,000 as compared with the year ended 31 December 2018. This geographic market accounted for approximately 0.8% of the Group's total revenue as compared with approximately 0.6% last year.

FUTURE PROSPECTS AND STRATEGIES

The Board expects the long term global demand for dental prosthetics to continue to be stable and growing due to the growing global population and the aging population, notwithstanding any short term challenges the global economy may face in 2020.

The Board is of the view that through further acquisitions, continuing organic growth, joint ventures and new products, the Group will go from strength-to-strength in consolidating its status as the leading global dental prosthetic device provider. In particular, the Board is of the view that with the following strategies, the Group is expected to outperform its competitors in the industry:

(i) The continued integration of MicroDental Group under new leadership that has brought in renewed energy and optimism. The Group has delivered a turnaround of MicroDental Group and delivered a net profit in 2019, which the Group will look to improve and increase in 2020.

(ii) The unique global distribution network of the Group brings additional opportunities to the Group, including:

  (a) additional distribution and joint venture arrangements with upstream suppliers; and

  (b) new products, such as orthodontic devices.

The Group has operated over 30 years and has withstood various shocks within the global economy and natural disasters in the past decades, and the Group has come out stronger after the occurrence of each event. With the Board's extensive experience and determination to meet any short-term challenges, the Group is in an ideal position to take advantage of, and will remain opportunistic in, any business opportunities in 2020 whilst remaining cautious and prudent in safeguarding shareholders' interests.

The Board is of the opinion that the financial position of the Group is solid and healthy. The Board believes the proposed share buy-back and subsequent cancellation of the repurchased ordinary shares could enhance the value of the ordinary shares thereby improving the return to shareholders of the Company. In addition, the Board believes that the proposed share buy-back reflects the Group's confidence in its long term business prospects and would ultimately benefit the Company and is in the interests of the Company and the shareholders of the Company as a whole.

The Board is highly appreciative of the enormous efforts of our people, customers and suppliers during this difficult time, as they work relentlessly to fulfil targets and maintaining daily operations.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the revenue of the Group amounted to approximately HK$2,399,548,000 representing an increase of approximately 3.6% as compared with approximately HK$2,315,467,000 for the year ended 31 December 2018. The increase was mainly attributable to (i) the annual increment of retail prices to the dentists; and (ii) the organic growth in the sales, offset by depreciation of foreign currencies against HK$ during the year.

Gross Profit and Gross Profit Margin

The gross profit for the year ended 31 December 2019 was approximately HK$1,152,931,000, which was approximately 6.8% higher than that of last year. The increase of the gross profit margin of approximately 1.4% compared with last year was mainly attributable to the increase in sales of high-value products and strengthened control in production costs offset by the increase in sales of dental equipment, such as intra-oral scanners, with lower gross margin in the current year.

The gross profit margins of Fixed Prosthetic Devices business segment, Removable Prosthetic Devices business segment and Others business segment were approximately 49.2%, 47.3% and 42.0% respectively. The following table sets forth the breakdown of our gross profit and gross margin by product category.

	Year ended 31 December			
	2019		2018	
	Gross profit	**Gross margin**	Gross profit	Gross margin
	HK$'000	***(%)***	*HK$'000*	*(%)*
Product category				
Fixed prosthetic devices	**827,425**	**49.2**	780,926	46.9
Removable prosthetic devices	**217,661**	**47.3**	210,203	46.6
Others	**107,845**	**42.0**	88,207	44.2
Total	**1,152,931**		1,079,336	

Selling and Distribution Expenses

The selling and distribution expenses increased by approximately 7.0% from approximately HK$275,142,000 for the year ended 31 December 2018 to approximately HK$294,352,000 for the year ended 31 December 2019, accounting for approximately 12.3% of the Group's revenue, as compared with approximately 11.9% for last year. The increase in the selling and distribution expenses was primarily attributable to the increase in freight and transportation cost, salaries, bonuses, commissions and other benefits for sales personnel, which resulted from the increase in the Group's sales, offset by depreciation of the EUR, RMB and AUD against HK$ during the year.

Administrative Expenses

The administrative expenses decreased by approximately 2.4% to approximately HK$615,725,000 for the year ended 31 December 2019 from approximately HK$630,558,000 for the year ended 31 December 2018, accounting for approximately 25.7% of the Group's revenue, as compared with approximately 27.2% for last year. The decrease in the administrative expenses was primarily attributable to (i) an increase in the average salaries of our employees, offset by depreciation of average rate of the EUR, RMB and AUD against HK$ during the year; and (ii) decrease in research and development related expenditure of new product under development by approximately HK$6,314,000 when compared with last year.

Other Operating Expenses

The other operating expenses increased by approximately 37.1% from approximately HK$12,533,000 for the year ended 31 December 2018 to approximately HK$17,177,000 for the year ended 31 December 2019, accounting for approximately 0.7% of the Group's revenue, as compared with approximately 0.5% for last year. Other operating expenses mainly represented foreign exchange loss, net, of approximately HK$16,920,000 (2018: HK$12,283,000). The increase in foreign exchange loss, net, was mainly due to the depreciation of EUR, AUD and RMB during the year.

Finance Costs

The finance costs decreased by approximately 26.4% from approximately HK$51,516,000 for the year ended 31 December 2018 to approximately HK$37,902,000 for the year ended 31 December 2019, accounting for approximately 1.6% of the Group's revenue, as compared with approximately 2.2% for last year. The decrease was primarily attributable to no one-off write-off of capitalised interest and fee and related exchange losses incurred during the year following the completion of the re-financing of bank loans of the Group in January 2018 (2018: approximately HK$25,463,000 in aggregate) and offset by increase in the interest on lease liabilities of approximately HK$7,033,000 due to initial application of IFRS 16 on 1 January 2019.

Income Tax Expense

Income tax expense increased by approximately 16.2% from approximately HK$35,762,000 for the year ended 31 December 2018 to approximately HK$41,563,000 for the year ended 31 December 2019. The increase was primarily attributable to the increase in the profit before tax.

Profit for the Year

Profit for the year increased by approximately 92.7% from approximately HK$83,240,000 for the year ended 31 December 2018 to approximately HK$160,445,000 for the year ended 31 December 2019. The increase in profit for the year was mainly caused by (i) the turnaround of MicroDental Group as a direct result of the Group's continued integration of, and implementation of, strategies to focus in promotions of high value products and phasing out of lower value items; (ii) an overall improvement in the Group's gross profit margin in year ended 31 December 2019; and (iii) no one-off write-off of capitalised interest and fee and related exchange losses incurred during the year ended 31 December 2019 following the completion of the re-financing of bank loans of the Group in January 2018.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately HK$161,557,000, representing an increase of approximately HK$76,166,000, or approximately 89.2%, as compared with approximately HK$85,391,000 for last year. The increase in profit attributable to owners of the Company for the year was mainly caused by (i) the turnaround of MicroDental Group as a direct result of the Group's continued integration of, and implementation of, strategies to focus in promotions of high value products and phasing out of lower value items; (ii) an overall improvement in the Group's gross profit margin in the year ended 31 December 2019; and (iii) no one-off write-off of capitalised interest and fee and related exchange losses incurred during the year ended 31 December 2019 following the completion of the re-financing of bank loans of the Group in January 2018.

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with the International Financial Reporting Standards (the "**IFRS**"), the Company also assesses the operating performance based on a measure of adjusted earnings before interest, tax, depreciation and amortisation (the "**EBITDA**") as additional financial measures. By means of these financial measures, the management of the Group is able to evaluate their financial performance regardless of the items they do not consider indicative of the operating performance of their business.

EBITDA and Adjusted EBITDA

During the year ended 31 December 2019, the Group incurred some one-off expenses, which are not indicative of the operating performance of the business of the year. Therefore, the Group arrives at an adjusted EBITDA (the "**Adjusted EBITDA**") by eliminating the effects of certain non-cash or non-recurring items, including one-off transaction cost in connection with acquisitions and disposals, one-off cost in connection with restructuring and reorganisation and remeasurement gain on contingent consideration.

The table below indicates the profit for the years, reconciling the Adjusted EBITDA for the years presented to the most comparable financial measures calculated in accordance with the IFRSs:

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
EBITDA and Adjusted EBITDA		
Net profit	**160,445**	83,240
Finance costs	**37,902**	51,516
Tax	**41,563**	35,762
Depreciation of right-of-use assets	**59,901**	—
Depreciation of property, plant and equipment	**57,551**	57,439
Amortisation of intangible assets	**35,452**	37,777
Amortisation of prepaid land lease payments	**—**	262
Less:		
Bank interest income	**(1,270)**	(547)
EBITDA	**391,544**	265,449
Add:		
One-off transaction cost in connection with acquisitions and disposals	**26**	1,469
One-off cost in connection with restructuring and reorganisation	**3,227**	10,864
Less:		
Remeasurement gain on contingent consideration	**—**	(773)
Adjusted EBITDA*	**394,797**	277,009
Adjusted EBITDA Margin	**16.5%**	12.0%

* Following the adoption of IFRS 16 on 1 January 2019, the Group's statutory results for year ended 31 December 2019 are on a IFRS 16 basis, whereas the statutory results for the year ended 31 December 2018 are on a IAS 17 basis as previously reported. Hence, any comparison between the two different of reporting basis would not be meaningful. The Group believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a IFRS 16 basis, allows a like-with-like comparison with the prior period results, and to better reflect management's view of the Group's underlying operational performance. Adjusted EBITDA before adoption of IFRS 16 is approximately HK$329,377,000, which is comparable to Adjusted EBITDA of previous years.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows

The table below summarises the Group's cash flows for the years ended 31 December 2019 and 31 December 2018 respectively:

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Net cash flows from operating activities	**342,226**	204,893
Net cash flows used in investing activities	**(138,586)**	(142,602)
Net cash flows used in financing activities	**(184,037)**	(39,128)

The Group derives its working capital mainly from cash on hand, net cash generated from operating activities. The Board expects that the Group will rely on the internally generated funds and the available banking facilities in the absence of unforeseen circumstances. There were no material changes in the funding and financial policies of the Group.

The Group's balance of cash and cash equivalents was approximately HK$393,905,000 as of 31 December 2019, which was mainly denominated in HK$, RMB, US$, EUR and AUD.

Operating Activities

Cash inflow from operating activities was mainly generated from cash receipt from revenue generated from sales of our products. Cash outflow from operating activities was mainly due to purchase of raw materials, wages of technicians and employees and tax paid. For the year ended 31 December 2019, the net cash flows from operating activities has increased to approximately HK$342,226,000 (2018: approximately HK$204,893,000). The increase in net cash flows from operating activities was primarily attributable to increase in cash generated from operations as a result of the increase in operating profit of the Group and the impact of the adoption of IFRS 16 in the year ended 31 December 2019.

Investing Activities

The net cash flows used in investing activities for the year ended 31 December 2019 of approximately HK$138,586,000, of which approximately HK$138,712,000 was used primarily for the expansion of our production facilities and upgrade of our computer-aided/manufacturing production equipment.

Financing Activities

The Group recorded a net cash flows used in financing activities of approximately HK$184,037,000 for the year ended 31 December 2019. The outflow was mainly attributable to (i) repayment of bank loans of approximately HK$29,970,000; (ii) payment of dividend of approximately HK$44,085,000; (iii) repurchase of the Company's ordinary shares of approximately HK$30,819,000; (iv) payment for the principal portion of lease liabilities of approximately HK$59,961,000; and (iv) payment of interest expenses of approximately HK$35,617,000.

Capital Expenditure

During the year ended 31 December 2019, the Group's capital expenditure amounted to approximately HK$138,712,000 which was mainly used for expansion of our production facilities and improvement in our production equipment. All of the capital expenditure was financed by internal resources and bank borrowings.

CAPITAL STRUCTURE

Bank borrowings

Bank borrowings of the Group as of 31 December 2019 amounted to approximately HK$802,348,000 as compared to approximately HK$808,137,000 as of 31 December 2018. Pledged bank deposits of the Group as of 31 December 2019 amounted to approximately HK$5,330,000 as compared to approximately HK$11,482,000 as of 31 December 2018. As of 31 December 2019, the bank borrowings of approximately HK$802,348,000 were denominated in HK$. As of 31 December 2019, all bank borrowings were at floating interest rates.

Cash and cash equivalents

The amount in which cash and cash equivalents were held are set out in the paragraph headed "Liquidity and Financial Resources" in this Announcement.

Gearing ratio

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital (equity attributable to owners of the Company) plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables and accruals, lease liabilities, other non-current liabilities, less cash and cash equivalents and pledged deposits. As of 31 December 2019, the gearing ratio of the Group was approximately 30% (31 December 2018: 25%), reflecting that the Group's financial position was at a sound level. The increase was due to initial application of IFRS 16 in 1 January 2019, lead to increase in the lease liabilities and net debt.

Debt securities

As of 31 December 2019, the Group did not have any debt securities.

Contingent liabilities

As of 31 December 2019, the Group did not have any contingent liabilities.

CHARGE OF GROUP ASSETS

During the year ended 31 December 2019, Modern Dental Holding Limited, a subsidiary of the Company, entered into three bank loans facility agreements (the "**Facility Agreements**") for certain term loans and a revolving credit, secured by corporate guarantees of the Company and certain of its subsidiaries. Pursuant to the Facility Agreements, if the aggregate shareholding of Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Dr. Chan Ronald Yik Long, Ms. Chan Yik Yu, Mr. Ngai Chi Ho Alwin and Mr. Ngai Shing Kin, directly or indirectly, in the Company's share capital ceases to be at least 50%, the commitment under the Facility Agreements will be cancelled and all the outstanding amounts under the Facility Agreements will become immediately due and payable.

Commitments

The investment agreement was entered into between Modern Dental Laboratory Company Limited and Dongguan Songshan Lake High-tech Industrial Development Zone Management Committee. Pursuant to the agreement, Modern Dental Laboratory Company Limited would invest not less than RMB246,000,000 for the acquisition of land, construction of a new factory and acquisition and installation of equipment in the Dongguan Songshan Lake High-tech Industrial Development Zone.

As of 31 December 2019, the Group has paid approximately RMB18,839,000 and approximately RMB125,225,000 for the acquisition of land and construction in progress, respectively, and the remaining commitments was approximately RMB101,936,000.

Save as disclosed above, the Group had no other significant capital commitments as of 31 December 2019.

DETAILS OF MATERIAL ACQUISITIONS, DISPOSALS OF SUBSIDIARIES, ASSOICATES AND JOINT VENTURES

The Group had no material acquisitions, disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2019.

OFF-BALANCE SHEET TRANSACTIONS

As of 31 December 2019, the Group did not enter into any material off-balance sheet transactions.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

(i) Subsequent to the end of the reporting period, the Company repurchased 4,600,000 of its ordinary shares on the Stock Exchange at an aggregate consideration of approximately HK$6,867,000 (before expenses). Together with 14,569,000 ordinary shares of approximately HK$21,757,000 (before expenses) repurchased in year end 31 December 2019, 19,169,000 repurchased ordinary shares of approximately HK$28,624,000 (before expenses) were cancelled subsequently in February and March 2020.

(ii) The outbreak of COVID-19 has grown into a global pandemic during the first quarter of 2020. The Group is closely monitoring and evaluating its potential impact, and is taking precautionary and necessary measures to mitigate its impact on the financial position and operating results of the Group. The outbreak of COVID-19 is expected to have at least, a short-term negative impact on the global economic environment which in turn, is likely to affect the Group's revenue and profit in the first half of 2020. How effective government measures are, in the countries that the Group operates, and how quickly global economies recover from the negative impact of this pandemic, may have an effect on the Group's financial results for the year ending 2020. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Group's business, financial condition and results of operations are subject to various business risks and uncertainties. The factors set out below are those that the Group believes could result in the Group's financial condition or results of operations differing materially from expected or historical results. There may be other risks in addition to those set out below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Global Economy and Cross Countries Operations

As a global business, the Group is exposed to the development of the global economy and continued changes in government policies, political, social, legal and regulatory requirements as well as the industries and geographical markets in which it operates. As a result, the Group's financial condition and results of operations may be influenced by the general state of the economy and operating environment of markets in which it operates. Any significant decrease in the level of economic growth in the global or regional or a specific economy could adversely affect the Group's financial condition or results of operations. For instance, the ongoing Sino-US trade tension imposed uncertainty over the global operation environment. No tariff is being imposed on the Group's products during the year. In view of the small portion of products being manufactured in the PRC and supplied to the United States market and the fact that certain production facilities of the Group are strategically located outside of the PRC, it is considered that the financial performance of the Group will not be materially and adversely affected by the potential import tariffs. And it may be beneficial to our production and sale in the United States in the medium to long term on the assumption that the Group would be in an ideal market position to capture the market share lost by its competitors who source their products from the PRC as a result of any potential import tariffs applied to the industry.

Mergers and Acquisitions Risk

Goodwill and intangible assets arising from mergers and acquisitions accounted for significant portion in the Group's total assets. If there is any impairment on the goodwill and intangible assets, it will affect the profit of the Group.

The Group mitigates such risk by engagement of legal and financial advisers to carry out due diligence of material acquisitions. The Group has also annually engaged external valuer, Brilliant Appraisal Limited, to assess the impairment of material goodwill and intangible assets and no material changes in key assumptions have been made in the current year. The key assumptions, such as the pre-tax discount rates (2019: ranged between 11% and 21%; 2018: ranged between 11% and 33%); the budgeted sales growth rates (2019: ranged between 5% and 12%; 2018: ranged between 5% and 13%); and budgeted EBITDA margins (2019: ranged between 2% and 31%; 2018: ranged between 2% and 38%), are determined with reference to historical performance of the Group; market research of the prosthetic devices industry and the specific business plans of the Group.

Centralisation of Production Facilities

In the past, the production of the Group relied heavily on its existing production facilities in Shenzhen, Mainland China. If there were disruptions to the production sites in Shenzhen, the Group may suffer from interruptions to its business. During the year ended 31 December 2019, the management has completed the opening of the new production site in Dongguan to share the production of the Group. As such, the risk arising from centralized production facilities in Shenzhen is mitigated. Apart from this, the Group has already had various smaller scale production sites in different parts of the world, such as the United States, Europe and Australia, etc, and will continue to explore opportunities around the world.

Interest Rate Risk

Our exposure to the interest rate risk relates primarily to our long-term debt obligations with floating interest rates. We manage our interest rate exposure with a focus on reducing our overall cost of debt and exposure to changes in interest rate. Our management continues to monitor the cash flows of our operation and the debt markets, where we would expect to refinance these borrowings with a lower cost of debt when desirable. For the year ended 31 December 2019, the interest rates on floating-rate bank loans were approximately HIBOR+1.60% per annum for term loans and HIBOR+1.10% per annum for a revolving credit. The Group had not entered into any type of interest rate agreements or derivative transactions to hedge against the fluctuations in interest rates.

Foreign Currency Risk

In light of the nature of our business, we are exposed to various foreign currencies, among which, RMB, EUR, AUD and US$ are mostly used apart from HK$. To minimise the impact of foreign currency rate volatility, we monitor foreign currency risk at operational level closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Credit Risk

The credit risk of our other financial assets, which comprise trade receivables, financial assets included in prepayments, deposits and other receivables, amount due from a related party, amount due from an associate, pledged deposits and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since we trade only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within our Group as the customer bases of our trade receivables are widely dispersed.

Liquidity Risk

Our policy is to maintain sufficient cash and cash equivalents and to have available funding through bank borrowings. Details of the liquidity risk are set out in the paragraph headed "Liquidity and Financial Resources" in this Announcement.

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 6,139 dedicated full-time employees at our production facilities, service centers, points of sales and other sites as of 31 December 2019, mainly including 4,552 production staff members, 521 general management staff members and 361 customer service staff members.

In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). Employees of the Group are the eligible participants of the Share Option Scheme (as defined below). During the year, the relationship between the Group and our employees have been stable. We had not experienced any strikes or other labor disputes which materially affected our business activities.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to the written resolutions of the shareholders of the Company (the "**Shareholders**") passed on 25 November 2015.

The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants including any employee, Directors, supplier, customer and advisor of the Group and invested entity of the Group as the Directors determine, as an incentive or a reward for their contribution to the Group.

As of 31 December 2019, no options had been granted or agreed to be granted pursuant to the Share Option Scheme.

PRE-IPO RESTRICTED SHARE UNIT SCHEME

A restricted share unit scheme (the "**Pre-IPO RSU Scheme**") was adopted pursuant to the written resolutions of the Shareholders passed on 19 June 2015 (the "**Pre-IPO RSU Scheme Adoption Date**"). The purpose of the Pre-IPO RSU Scheme is to give incentives thereto in order to retain key employees for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Pre-IPO RSU Scheme shall be valid and effective for a period of 10 years commencing on the Pre-IPO RSU Scheme Adoption Date, under the administration of the Board and the trustee.

As of 31 December 2019, no outstanding restricted share units were granted or vested pursuant to the Pre-IPO RSU Scheme.

DIVIDENDS

An interim dividend of HK3.1 cents per ordinary share was paid to the Shareholders on 10 October 2019. The Board recommended a final dividend of HK2.2 cents (2018: HK1.4 cents) per ordinary share, out of the share premium account, for the year ended 31 December 2019 (the "**Proposed Final Dividend**"). Subject to the approval by the Shareholders in the forthcoming annual general meeting of the Company (the "**AGM**") to be held on 28 May 2020, the Proposed Final Dividend will be paid on 26 June 2020 to Shareholders whose names appear on the Register of Members of the Company as at the close of business on 5 June 2020.

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to attend and vote at the AGM to be held on 28 May 2020, the Register of Members of the Company will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the forthcoming AGM, unregistered holders of shares of the Company shall ensure that, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 22 May 2020, for the purpose of effecting the share transfers.

To determine the entitlement to the Proposed Final Dividend (subject to approval by the Shareholders at the AGM), the Register of Members of the Company will be closed from Wednesday, 3 June 2020 to Friday, 5 June 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the Proposed Final Dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 2 June 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2019, the Company repurchased 21,454,000 of its ordinary shares on the Stock Exchange at an aggregate consideration of approximately HK$30,819,000 (before expenses), details of the repurchase are summarised as follows:

Month	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration paid (before expenses)
		HK$	*HK$*	*HK$'000*
January 2019	1,785,000	1.36	1.24	2,360
March 2019	100,000	1.34	1.33	133
April 2019	1,000,000	1.39	1.33	1,352
May 2019	2,100,000	1.38	1.29	2,801
June 2019	1,900,000	1.30	1.24	2,416
July 2019	2,000,000	1.31	1.28	2,589
September 2019	3,000,000	1.69	1.24	4,341
October 2019	3,705,000	1.70	1.43	5,844
November 2019	1,664,000	1.80	1.61	2,818
December 2019	4,200,000	1.54	1.38	6,165
	21,454,000			30,819

Out of 21,454,000 repurchased ordinary shares, 6,885,000 ordinary shares of approximately HK$9,062,000 (before expenses) were cancelled during the year ended 31 December 2019, while the remaining 14,569,000 ordinary shares of approximately HK$21,757,000 (before expenses) were recognised as treasury shares as at 31 December 2019 and subsequently cancelled in February and March 2020.

The repurchase of the Company's Shares were effected by the directors, pursuant to the mandate from Shareholders received at the annual general meeting on 23 May 2019, with a view to benefiting Shareholders as a whole by enhancing the net assets value per share and earnings per share of the Group.

Save as disclosed above, during the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the year ended 31 December 2019, the Company has complied with the applicable code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Securities Dealing Code containing the provisions set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, and after having made specific enquiry with regard to securities transactions by the Directors, all Directors have confirmed their compliance with the required standards set out in the Model Code regarding Directors' securities transactions throughout the year.

AUDIT COMMITTEE

The audit committee consists of three independent non-executive Directors, namely Dr. Cheung Wai Bun Charles J.P., Dr. Chan Yue Kwong Michael and Dr. Wong Ho Ching. Dr. Cheung Wai Bun Charles J.P. is the Chairman of the Audit Committee. The Group's final results for the year ended 31 December 2019, including the accounting principles and practices adopted by the Group have been reviewed by all the members of the audit committee.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.moderndentalgp.com). The annual report of the Company for the year ended 31 December 2019 will be despatched to shareholders of the Company and will be published on the same websites in due course.

By order of the Board
Modern Dental Group Limited
Chan Kwun Fung
Chairman and Executive Director

Hong Kong, 30 March 2020

As at the date of this announcement, the board of directors of the Company comprises Chan Kwun Fung, Chan Kwun Pan, Ngai Shing Kin, Ngai Chi Ho Alwin, Chan Chi Yuen, Chan Ronald Yik Long and Chan Yik Yu as executive Directors, and Cheung Wai Bun Charles J.P., Chan Yue Kwong Michael, Wong Ho Ching and Cheung Wai Man William as independent non-executive Directors.