



MODERN
Dental Group

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

(a company incorporated in the Cayman Islands with limited liability)

Stock code: 3600



2019

**ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE
REPORT**



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ABOUT THIS REPORT

Modern Dental Group Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), is pleased to present our annual Environmental, Social and Governance Report (the “**Report**”) for the year ended 31 December 2019 to provide an overview of our commitment to achieving environmental, social and governance goals through our sustainability pillars. The board (the “**Board**”) of directors has overall responsibility for the Group’s environmental, social and governance strategy and reporting. The Board is responsible for evaluating and determining the Group’s environmental, social and governance-related risks and ensuring that appropriate and effective environmental, social and governance risk management and internal control systems are in place. The Report is prepared by the Group with the assistance by an external professional service firm.

PREPARATION BASIS AND SCOPE

This Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) – “Environmental, Social and Governance Reporting Guide” and has complied with the “comply or explain” provisions as set out in the Listing Rules. This Report summarises the initiative and performance contributed by the Group in respect of corporate social responsibility in 2019, covering its principal activities in the production and distribution of dental prosthetic devices. Certain key performance indicators (“**KPIs**”) which is considered as material by the Group during the reporting period are disclosed in the Report. For scope of KPIs, we focus on operations in material geographical segment including Europe, North America, Greater China and Australia which account for over 95% (2018: over 95%) of our total business assets. The Group will continue to optimise and improve the disclosure of KPIs.

This Report shall be published in both Chinese and English. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

REPORTING PERIOD

This Report demonstrates our sustainability initiatives and performance during the reporting period from 1 January 2019 to 31 December 2019.

CONTACT INFORMATION

The Group welcomes your feedback on this Report. Should you have any enquires or comments regarding the contents or the form of this Report, please contact us by email to info@moderndentallab.com.

INTRODUCTION

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. Our success in this industry is rooted in our global proprietary sales and distribution network which we established through a series of strategic acquisitions of our former distributors. Our sales and distribution network provides us with direct access to customers, including dentists, dental clinics, hospitals, distributors and other customers, in key prosthetics markets around the globe, allowing us to promote our products in a targeted manner and to better satisfy the needs and preferences of our diverse global customer base.

The Group has a global portfolio of respected brands, including Labocast, Permadental and Elysee in Western Europe, Yangzhijin in China, Modern Dental in Hong Kong, MicroDental and Modern Dental USA in the United States, and Southern Cross Dental in Australia. We have grown these brands by providing premium and consistent quality products and superior customer service.

The Group has recognised the importance of sustainable development. In order to respond to growing trends on the expectation of the stakeholders on the corporate responsibility performance, the Group is committed to the responsible operation and value creation for stakeholders and community by integrating environmental and social factors into management considerations. Sustainability strategy is based on the compliance with the legal requirements applicable to us and opinions from stakeholders. Sustainability is crucial for the Group's growth in order to achieve business excellence and enhance capabilities for long-term competitiveness. The Group has established and implemented various policies to manage and monitor the risks related to the environment, employment, operating practices and community. Details of the management approaches to sustainable development and certain KPIs disclosure of different areas are illustrated in this Report.

STAKEHOLDER ENGAGEMENT

Consistent with past years, the Group opens up communication with its stakeholders, including employees, consumers and distributors, investors, suppliers and the community, through utilizing different channels as listed the table below. Through the stakeholders engagement, the Group understands the expectations and concerns of stakeholders. The feedbacks obtained through these channels allow the Group to further formulate the sustainable development strategy.

| Stakeholder Groups | Issues of concern | Engagement channels |
|-----------------------------------|---|---|
| Government | <ul style="list-style-type: none"> Compliance with the laws Proper tax payment | <ul style="list-style-type: none"> Work conferences Work reports preparation and submission for approval Annual and quarterly reports Website |
| Shareholders and investors | <ul style="list-style-type: none"> Low risk Return on the investment Information disclosure and transparency Protection of interests and fair treatment of shareholders | <ul style="list-style-type: none"> Annual general meeting and other shareholder meetings Annual, quarterly reports, announcements and circulars Non-deal roadshows, investors conference |
| Employees | <ul style="list-style-type: none"> Safeguard the rights and interests of employees Working environment Career development opportunities Occupational health and safety | <ul style="list-style-type: none"> Conference Training, seminars, briefing sessions Employee activities |
| Customers | <ul style="list-style-type: none"> Safe and high-quality products Stable relationship Integrity Reputation, brands and market demands | <ul style="list-style-type: none"> Regular meetings Emails, phone calls Customer feedback forms Industry exhibitions Site visits |
| Suppliers/Partners | <ul style="list-style-type: none"> Long-term partnership Honest cooperation Fair, open Information resources sharing Risk reduction | <ul style="list-style-type: none"> Business meetings, supplier conferences, phone calls, interviews Regular meetings Review and assessment Tendering process |
| Peer/Industry associations | <ul style="list-style-type: none"> Experience sharing Corporations Fair competition | <ul style="list-style-type: none"> Industry conferences Site visits and field trips |
| Market regulators | <ul style="list-style-type: none"> Compliance with the law and regulations Information disclosure | <ul style="list-style-type: none"> Annual and quarterly reports, announcements and circulars Seminars |
| Public and communities | <ul style="list-style-type: none"> Community involvement Career opportunities Social responsibilities | <ul style="list-style-type: none"> Volunteering Charity and social investment |

ENVIRONMENTAL ASPECTS

EMISSIONS

The Group's manufacturing operations are subject to national laws and local regulations, as well as periodic monitoring by relevant local government environmental protection authorities. Under such laws and regulations, if we are found to have engaged in activities that severely polluted or endangered the environment, the relevant authorities may impose penalties on us, as well as requiring us to restore the environment or remedy the effects of the pollution. Any failure to restore or remedy within the prescribed time could result in the termination of our business. Furthermore, under relevant laws and regulations, we are required to control and reduce the level of any pollution or any other harm to the environment that may be caused by the production, distribution and import of our products within the respective countries where we operate. The Group complies with related laws and regulations, including Environment Protection Law of the People Republic of China (the "PRC"), the Environmental Impact Assessment Law of the PRC, Administrative Regulations on Environmental Protection for Development Projects and the Measures for the Administration of Examination and Approval of Environmental Protection Facility of Construction Projects in the PRC, Federal Soil Protection Act (BBodSchG) in Germany, and are likely subject to the Activities Decree (Activiteitenbesluit) in the Netherlands. The Group is not aware of any material non-compliance with applicable laws and regulations relating to air emissions, greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the reporting period.

The Group has established "Environmental Facilities Operation and Management System" and implemented corresponding procedures in order to monitor the emissions generated by the Group.

Air Pollutant and Greenhouse Gas ("GHG") Emission

Air pollutant emission is monitored and mitigated by the installation of emission control devices. Cleaner fuel is used in the production center in order to reduce the air pollutants emission. Moreover, the risks associated with climate change are real and warrant action. Increasing carbon emissions in the atmosphere are having a warming effect. We are committed to taking positive action to tackle climate change and are dedicated to reducing the risk in the most efficient way for society. The Group is taking action by implementing energy saving initiatives as mentioned in the section headed "Use of Resources".

Major air pollutants emission from gaseous fuel consumption and vehicles as follows:

| Air Pollutant Emission | | |
|------------------------|-----------------|-----------------|
| | 2019 (tonne) | 2018 (tonne) |
| Sulphur dioxide | 0.03 | 0.01 |
| Nitrogen oxides | 2.17 | 1.29 |
| Particulate matter | 0.09 | 0.11 |

ENVIRONMENTAL ASPECTS

GHG emissions from our operation are set out below:

GHG Emission

| | 2019 equivalent CO ₂ (tonne) | 2018 equivalent CO ₂ (tonne) |
|--|---|---|
| Scope 1 Direct emissions (note 1) | 1,493.11 | 2,013.47 |
| Scope 2 Indirect emissions (note 1) | 14,612.13 | 10,859.75 |
| Total | 16,105.24 | 12,873.22 |
| Intensity (tonnes/sales volume'000) (note 2) | 8.91 | 7.35 |

Note:

- The calculation of the GHG is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.
Scope 1: Direct emission from sources that are owned by the Group
Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group
- The significant increase in total GHG emission were attributable to the adoption of latest emissions factor in 2019. After recalculation with the updated emission factors, total GHG in 2018 were approximately 16,188.80 tonnes of CO₂ equivalent.

Wastewater

Industrial wastewater produced by the production base of the Group is collectively delivered to and treated by our onsite sewage treatment facility before discharging. The sewage treatment is in compliance with relevant local regulations and national requirements, and has no significant impact on the surrounding environment. During the reporting period, the amount of wastewater generated is not material.

Hazardous and Non-Hazardous Wastes

Hazardous wastes include wastes acidic solution, batteries, fluorescent tubes and electrolytes. Non-hazardous wastes include gypsum, waste ceramic blocks, and empty paint cans generated/consumed at various stages of the manufacturing process. The Group has a strict classification system for different types of wastes. Each type of waste has specific storage location and collection procedures. There is a precaution implemented for the leakage of waste to prevent pollution. Wastes are separately stored and handled with the ledger for record. The Group engages qualified recycling companies to perform waste disposal and treatment so as to minimize the impact on nature.

Hazardous and non-hazardous waste

| | 2019 (tonne) | 2018 (tonne) |
|-------------------------------------|-----------------|-----------------|
| Hazardous waste | 3.30 | 2.71 |
| Non- hazardous waste | 1,849.98 | 951.25 |
| Total | 1,853.28 | 953.96 |
| Intensity (tonnes/sales volume'000) | 1.03 | 0.54 |

ENVIRONMENTAL ASPECTS

USE OF RESOURCES

As stipulated in "Energy Resource Control Procedure", the Group strives to improve the efficiency of energy, water and other material consumption. In our daily operation, fuel, electricity, water and packaging materials are the major resource consumption.

In view of the scarcity of resources, the Group has implemented measures on the efficient use of resources. For example, air conditioner operating temperature is set within a reasonable range. Lights and electrical appliance should be turned off before leaving the room. The performance on energy saving of the equipment is one of the key criteria in the procurement process. We consistently seek ways to improve energy efficiency and reduce electricity consumption in our facilities. Regarding usage of water, the Group did not encounter any problems in sourcing water that is fit for purpose. Water rate charges do not form a separate item in the rent in certain offices, yet the Group encourages staff to reduce water wastage, for example, by not running water taps in the pantry and toilet. Water pipes and taps are checked regularly to detect leaks.

Consumption of energy, water and packaging material by the Group are set out below:

Energy Consumption

| | 2019 (MWh) | 2018 (MWh) |
|---|---------------|---------------|
| Petrol | 2,816.27 | 1,420.11 |
| Diesel | 763.60 | 1,396.35 |
| LPG | 52.24 | 27.05 |
| Natural gas | 1,476.89 | 2,472.83 |
| Purchased electricity | 19,248.30 | 19,675.48 |
| Renewable Energy | 0.80 | — |
| Total | 24,358.10 | 24,991.82 |
| Energy intensity (MWh per sales volume'000) | 13.47 | 14.26 |

Water Consumption

| | 2019 (m³) | 2018 (m³) |
|---------------------------------|--------------|--------------|
| Water | 406,790.49 | 285,804.30 |
| Intensity (m³/sales volume'000) | 225.03 | 163.08 |

Packaging Materials Consumption

| | 2019 (tonne) | 2018 (tonne) |
|---------|-----------------|-----------------|
| Plastic | 51.68 | 35.10 |
| Metal | — | 0.004 |
| Paper | 63.42 | 49.85 |

ENVIRONMENTAL ASPECTS

Packaging plays an essential role in protecting, delivering and presenting our products and brands to our consumers around the world. It adds value by creating consumer convenience, providing product information, safeguarding public health and protecting the products throughout the supply chain. Modern Dental Pacific have signed up to Australian Packaging Covenant Organisation (APCO) and aligned with sustainable packaging principles. They have introduced mixed recycling collection within the business, ensured minimal general waste going to landfill by maximising re-cycling and/or re-purposing of plastic, glass and paper waste. They have installed a soft-plastics baling machine, with baled plastics to be sent to the recycling facility for repurposing into new plastic items (furniture, speed humps, etc). Modern Dental Pacific have conducted a review on all existing packaging with a focus to increase recycled content of packaging, reduce use of plastics, minimise layers of packaging which leads to setting packaging target that align to APCO targets.

THE ENVIRONMENT AND NATURAL RESOURCES

Environmental friendly production not only mitigates the impact to the environment but also increases the efficiency and conserve resources. Our production center in Shenzhen and Dongguan promotes sustainable development by enhancement of production design, use of cleaner energy and raw materials, utilisation of resources and reduction of emission during the production process. When we design the production process, we use non-toxic, non-hazardous raw materials when possible, utilise and reuse wastes and sewage generated and consider the impacts of the life cycle of the product to the environment and human health. During the process of procurement, production or sales, the consumption of raw material is strictly monitored and the emission from the production is also strictly controlled.

SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

Employment and Labour Standards

The Group has established and implemented a set of human resources management policies and procedures in place with the aim to provide good and safe working environment to its staff. Each division has their "Employee Handbook" sets out the standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination. The Group complies with laws and regulation relating to employment, including but not limited to Labour Contract Law of the PRC and the Law on Social Insurances. The Group is not aware of any material non-compliance with related laws and regulations during the reporting period.

Equal Opportunity

The Group is an equal opportunity employer. We value the diversity of our workforce and respect the differences between employees, recognizing that each employee has individual skills and attributes to bring to their job. Members of disadvantaged groups have equal access to opportunities for employment and education.

Anti-discrimination, Harassment and Bullying

The Group also ensures that employees have the right to work in an environment that is free of discrimination, harassment and bullying. Discrimination, harassment and bullying will not be tolerated under any circumstances and disciplinary action will be taken against any employee who discriminates, harasses or bullies against employee or client, or who victimizes or retaliates against a person who has complained of discrimination, harassment or bullying.

If it does occur, employees have a right to complain and not be disadvantaged in the employment conditions or opportunities as a result of lodging a complaint or bearing witness to a complaint. All complaints will be treated seriously, impartially, sympathetically and confidentially. In all cases, it is essential that all persons concerned maintain complete confidentiality in order to protect the parties involved.

Any violation of applicable laws and regulations shall be reported to management for extensive investigation according to the Group's internal guidelines and codes. Relevant departments will be notified to carry out remedial actions in case any non-compliance is identified during investigation.

Child Labor

Child labour is strictly forbidden in the Group as stipulated in the "Regulation on Prohibition of Child Labour". Candidate under the age of 16 is not allowed to work in the Group. If child labour is found, the Group will stop the child from working immediately, confirm he/she is safe in the workplace and send he/she back to his/her home. All the travel expense will be borne by the Group.

Employee welfare

The wellness of employee affects their performance. In order to promote work-life balance, the Group has also organised various of activities for employees. For example, annual dinner, leisure trips, sports and singing competitions.

SOCIAL ASPECTS

Health and Safety

The Group recognises that it is our responsibility to provide a safe and healthy workplace for all staff, contractors and visitors. To ensure the wellbeing of others, we are committed to:

- Identifying, evaluating and controlling factors within the workplace, which may cause or potentially cause injury or health issues;
- Providing safe equipment and systems of work;
- Providing written procedures and instructions to ensure safe systems of work;
- Ensuring compliance with legislative requirements and industry standards; and
- Providing information, instruction, training and supervision where appropriate to staff, contractors and visitors to ensure their safety.

The Group have adopted certain administrative guidelines on occupational health and safety in the workplace. Operational manuals and safety guidelines on production procedures are also implemented regarding the safe operation of production equipment and machinery, devices, chemicals and wax and casting lines during the production process. We have also adopted emergency response procedures depending on the severity of the incident. We require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. We appoint qualified consulting firms to conduct an on-site safety assessment and hazard identification. The Group complies with related laws and regulations, such as Law of the People's Republic of China on the Prevention and Control of Occupational Diseases. During the reporting period, the Group is not aware of any material non-compliance with applicable laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.

Development and Training

The Group is committed to providing all employees with training and development opportunities and endeavors to ensure that employees keep learning and developing within our business. In the dynamic industry in which we work, it is essential to maintain and develop skills to ensure that we provide our customers with superior service and to ensure that employees develop to their full potential. Learning and professional development are important parts of the employment. The Group provides different kinds of trainings to employees, such as new employee training, outward bound training, management training and technical skill training.

Career development is encouraged through continuing professional development, formal training and opportunities for on-the-job experience. Employees are encouraged to, wherever possible, gain well-rounded experience and development within the organisation.

SOCIAL ASPECTS

OPERATING PRACTICES

Supply Chain Management

Our principal raw materials include alloys, ceramics and dental resins. We procure our raw materials from multiple suppliers in China, Europe and the United States. The majority of our raw materials are produced by well-recognised dental material manufacturers in Europe and the United States.

We procure raw materials from well-recognised dental material suppliers. For example, we procure dental alloys and ceramics from leading dental material suppliers selling a comprehensive range of dental products worldwide. Although we have long-term business relationship with many of our suppliers, we do not have long-term procurement contracts with them. For most of our raw materials, such as ceramic, we receive their unit price annually and procure the corresponding materials under the provided unit price. For alloy, the price for each order is negotiated based on market conditions. As most of our materials are replaceable with comparable products from alternative suppliers, we believe we can promptly secure enough material supply if our suppliers fail to fulfill our orders.

The Group recognised that the conduct and behavior of our suppliers, vendors and contractors can affect – both positively and negatively – the quality of our products, the lives of people in local communities, as well as our reputation and ability to operate effectively. We expect and demand that our supply chain partners uphold the Group's principles of ethical business conduct and respect for human rights. We strive to do business only with those suppliers who share these principles.

To strengthen the management of the social and environmental risks of suppliers, the procurement department is responsible for monitoring and evaluating the social responsibility performance of suppliers. We required our suppliers (i) to confirm that it has complied with all local laws and regulations, (ii) to establish and maintain stringent quality assurance systems throughout their production processes and be able to provide timely support in the event that incoming raw materials do not meet our quality standards and (iii) to observe U.S. Food and Drug Administration ("FDA"), CE, Chinese State Food and Drug Administration ("SFDA") or other relevant certification requirements depending on the intended market destination. The procurement department holds periodic reviews/evaluation of quality and certificates with our suppliers, with a view to improving the entire quality assurance procedures. The Group maintains a long-term relationship with suppliers based on the result of supplier assessment. For more details about our quality control on procurement and production processes, please refer to section headed "Quality Control".

Product Responsibility

Achieving and maintaining a high-quality standard for products are utmost important for the sustainable growth of the Group. The production process of the products is controlled and monitored regularly in order to ensure we deliver high-quality products to our customers. The Group has been in strict compliance with local laws and regulations, such as Law of the PRC on Product Quality, Regulations on the Supervision and Administration of Medical Devices and the Administrative Measures for the Registration of Medical Devices in the PRC, and the requirements under European Union's Medical Device Directive. During the reporting period, the Group is not aware of any material non-compliance with applicable laws and regulations in relation to the product responsibility.

SOCIAL ASPECTS

Quality Control

Quality control is crucial for us to maintain our competitiveness in the market. The Group has established "Product Quality Control Procedure". The Group has a dedicated quality assurance team at each production facility and digital production center to examine the finished products before shipment. Our quality assurance team have experience in the industry in which we operate.

Quality assurance procedures are carried out at various stages of the production process, including incoming, in-process and outgoing stages. We establish quality assurance standards for individual customers and evaluate such standards on a continuous basis with customers. To closely monitor the production processes, each of the product groups has a quality control team consisting of experienced technicians and supervisors.

The incoming quality control team and sourcing team work together to inspect incoming raw materials used in our prosthesis production processes. We require our raw materials suppliers to establish and maintain stringent quality assurance systems throughout their production processes and be able to provide timely support in the event that incoming raw materials do not meet our quality standards. Our raw materials suppliers observe FDA, CE, Chinese SFDA or other relevant certification requirements depending on the intended market destination.

In our centralised production facilities in Shenzhen and Dongguan, our in-process quality control team is responsible for quality assurance inspection at various stages of the prosthesis production process. We perform quality checks at the end of every stage of production process to ensure that the semi-finished prosthesis meets all the relevant quality standards before we begin the next stage of the process. We also implement comprehensive in-process quality control checklists throughout the entire production process and record traceable information to identify and address issues.

Finished prosthesis products undergo further quality assurance examination before they are shipped to our customers. Products that do not meet our quality standards are returned to production facilities or digital production center for repairs or recycled based on the level of defects. In addition, our quality assurance team located in our service centers samples the incoming products to ensure that our quality meets or exceeds customer expectations.

In light of the above, our rigorous quality management system that enables us to monitor each stage of the production process and to ensure the quality of our prosthetic devices in which quality is critical to the success of our business. Our quality management system for various production facilities worldwide is certified under ISO certificate as follows:

| | |
|---------|------------------|
| PRC | • ISO 13485:2016 |
| Germany | • ISO 13485:2003 |
| Sweden | • ISO 9001:2015 |
| | • ISO 13485:2016 |
| | • ISO 14001:2015 |

Customer Service Management

We hold periodic quality reviews with our customers, with a view to improve the entire quality assurance procedures. All cases are tracked digitally, with a unique case number that identifies the technicians involved in fabrication, time of day completed, and the lot numbers of the materials used. This data helps us to determine the cause of any non-conformance of our product if we receive complaints from our customers.

SOCIAL ASPECTS

Customer Experience Innovation

In past years, the Company won the “Metro Awards for Service Excellence 2016 – Award for Excellent Dental Service” from Metro Daily and Prosperity in recognition of its premium services, successful trade practices and strategies. In order to enhance our service quality and serve clients’ needs effectively, the Company will launch its own app on mobile phones so as to reach clients directly through an app on mobile phones. Through the app, our customer service team will answer clients’ enquiries and collect their opinions, and the clients will also be able to monitor progress in their cases. For example, dentists can send the electronic lab sheet to us through the app. In the meantime, we can send them back the 3-D images of how the dental prosthesis will look like when the design is done so that the dentists and his clients can preview the rendering and decide to go ahead or make any adjustments. This app will enable us to raise the efficiency of our services and enhance product quality.

Furthermore, Southern Cross Dental (Ireland), one of our respected brands, was awarded “Website of the Year (less than 25 employees)” in the “FMC Dental Industry Award 2016”, in recognition of its effort in providing an easy-to-navigate website as well as a dedicated online portal to dental professionals. By considering its effective customer engagement programme, Southern Cross Dental (Ireland) was also a finalist for the “Best Loyalty Scheme” award.

In the future, the Company will continue to focus on strengthening sales channels around the world, especially in China. We will also allocate more resources to the digitisation of medicine, namely intraoral scanning and 3-D dental printing technology in order to bring more new experience to its clients.

Product Warranties

The Group provides standard product warranties that are consistent with the industry practices in the relevant geographic markets. The warranty period ranges from one year to five years from the date of delivery depending on the product and the market. The prosthetic device is guaranteed to fit the provided model and to be constructed to the design requested on the prescription form. The prosthetic device will be repaired or remade at no charge if the workmanship or material is faulty. In order to offer timely repair, our local collection points or support centers will handle minor discrepancies where possible.

Customer Information Protection and Privacy

The Group will only collect personal information ethically and lawfully. We also seek to collect information in a fair manner, and in a way which is not unreasonably intrusive. If collecting personal information on behalf of the Group, employees must inform the person involved of the purpose for which information is collected and that subject to some limitations they will be able to gain access to the information collected on request. We will take reasonable steps to protect personal information; to ensure that data is appropriately accurate, complete and current; and stored no longer than necessary.

Employee must ensure that the confidentiality of personal information contained in company records is strictly maintained. Personal information relating to individuals, including individual employee, should not be provided to other employees unless it is required to perform their jobs.

Information relating to employment records, salaries, addresses cannot be released to external organisations unless required by law, or upon informed consent from the relevant employees.

Any reported breaches of our privacy obligations will be treated seriously and investigated confidentially and objectively, without bias. In the event of an unsatisfactory result from an internal grievance procedure, complaints in respect to privacy can be made to related authorities.

With the increasing concerns over data privacy and security, the European Union developed the General Data Protection Regulation (“GDPR”), which came into force in May 2018. The business units in Europe have revised the related policies and procedures and appointed Data Privacy Officers, which are registered with the local government authority, to monitor the compliance with the GDPR in the respective countries. To raise the awareness of our customers and staff, we organised training for staff and issued newsletters. During the reporting period, the Group did not aware of any non-compliance regarding the GDPR.

SOCIAL ASPECTS

Anti-Corruption

The Group has taken a number of measures to prevent bribery or kickback by our employees. These measures include organising internal training programs, implementing an internal policy governing our employees and discussing any reported suspicious incidents at the board meetings. In addition, we adopted "Anti-Corruption and Anti-Bribery Management Policy" and code of conduct for our employees to further improve our anti-bribery practice. The Group has complied with local laws and regulations. The Group complies with relevant laws and regulations, such as False Claims Act in the United States, Criminal Law of the PRC. During the reporting period, the Group is not aware of any material non-compliance with applicable laws and regulations in relation to bribery, extortion, fraud and money laundering nor any concluded legal cases regarding corrupt practices brought against the issuer or its employees.

In accordance with our internal policy, our employees are prohibited from receiving or giving bribes or otherwise engaging in activities that violate applicable anti-corruption laws. Any payment in excess of HK\$500 must be made by the Company or our subsidiaries to our suppliers or other third parties directly, and may not be made by our employees in their individual capacities unless approved by the respective head of our local finance department in advance.

Moreover, employees are encouraged to submit inquiries or report suspicious behaviors to their supervisors, and supervisors at any level have additional deterrence and detection duties to maintain effective monitoring, review and control procedures that will prevent or detect acts of wrongdoing. Our employees are required to sign a statement acknowledging they have read, and undertaking to abide by, our rules of ethics. Violation of these rules may result in penalties, including termination of employment.

We also have in place a set of ethics and compliance measures designed to prevent our distributors from offering bribes or kickbacks. Before entering distribution relationship with our distributors, we conduct risk-based due diligence and background check and require our distributors to provide appropriate disclosure on their anti-bribery policies and their implementation on an ongoing basis. We also inform our distributors of our commitment to abiding by laws and regulations on the prohibitions against bribery and kickbacks as well as our internal policy and measures on preventing and detecting bribery and kickbacks. In addition, we also seek a reciprocal commitment to not offer bribes and kickbacks from our distributors. Therefore, we believe that the risks of corruption, bribery and other improper conduct by our distributors are minimal.

COMMUNITY

Community Investment

As a global company, the Group is committed to being a company that cares for the community through engaging in sponsorships, donations, volunteer dental consultation and social services. The Group has adopted "Community Investment Policy", which aims to build trust and stable relationship with our stakeholders. We strive to incorporate values and practices of environmental protection and community care in our operation and make a positive contribution to the society.

In past years, the Company had been awarded the "Caring Company" by the Hong Kong Council of Social Service, "Outstanding Social Caring Organization Award" and "Social Caring Awards for Green Excellence" under the "Future Leadership Summit & Social Caring Pledge Scheme". The awards are recognition of the Company's active promotion of corporate social responsibility and environmental protection responsibility.

In recent years, we have continuously sponsored Young Oral and Maxillofacial Surgeon Group of Hong Kong Limited in organising their monthly dental seminar. Charitable and other donations (the "**Donations**") made by the Group during the reporting year amounted to approximately HK 1,332,000 (2018: HK\$787,000). Part of the Donations, which amounted to approximately HK\$160,000, was made by donating free dental products to charitable organizations. The Group and its subsidiaries also joined and established various community initiatives as follows.

SOCIAL ASPECTS

The Donated Dental Services

The Group has joined the Donated Dental Services program which provides free, comprehensive dental treatment to most vulnerable people in the United States with disabilities or who are elderly or medically fragile. Since 2005, we have contributed an average of US\$5,000 on lab work per year. These are people who cannot afford necessary treatment and cannot get public aid. The program operates through a volunteer network of more than 15,000 dentists and 3,500 dental labs across the United States.

Smile Makeover Charity

We organise few times a year for those in need of urgent surgery and cannot afford special treatment. The makeover can positively enhance their self-confidence and enhance their day to day oral health.

The Modern Dental Care Foundation ("MDCF")

The Modern Dental Care Foundation has been established in April 2017 under the Dutch law as a non-government organisation. MDCF mission is to give less fortune people of Madagascar access to dental care and prevention in a sustainable and effective manner. Besides financial contributions from our group of companies, we actively promote and enhance in the care of sterilization, preparation, treatment assistance and patient organization.

In the future, we will continue to be actively involved in various community-oriented activities, further expand the scope and scale our participation, and commit to our social responsibility by taking proactive efforts.

THE STOCK EXCHANGE OF HONG KONG LIMITED'S ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

| Subject Areas, Aspects, General Disclosures and KPIs | | Section | Page |
|---|--|--|------|
| Environmental | | | |
| Aspect A1: Emissions | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | "Emissions" | 5 |
| KPI A1.1 | The types of emissions and respective emissions data. | "Emissions" | 5 |
| KPI A1.2 | Greenhouse gas emissions in total and, where appropriate, intensity. | "Emissions" | 6 |
| KPI A1.3 | Total hazardous waste produced and intensity. | "Emissions" | 6 |
| KPI A1.4 | Total non-hazardous waste produced and intensity. | "Emissions" | 6 |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved. | "Emissions" and "Use of Resources" | 5&7 |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved | "Emissions" | 6 |
| Aspect A2: Use of Resources | | | |
| General Disclosure | Policies on efficient use of resources. | "Use of Resources" | 7 |
| KPI A2.1 | Direct and/or indirect energy consumption by type in total and intensity. | "Use of Resources" | 7 |
| KPI A2.2 | Water consumption in total and intensity. | "Use of Resources" | 7 |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | "Use of Resources" | 7 |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | "Use of Resources" | 7 |
| KPI A2.5 | Total packaging material used for finished products. | "Use of Resources" | 7 |
| Aspect A3: The Environment and Natural Resources | | | |
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources | "The Environment and Natural Resources" | 8 |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them | "Emissions" and "Use of Resources" | 5&7 |
| Social (Note) | | | |
| Employment and Labour Practice | | | |
| Aspect B1: Employment | | | |
| General Disclosure* | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare. | "Employment and Labour Standards" | 9 |

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| Aspect B2: Health and Safety | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | "Health and Safety" | 10 |
| Aspect B3: Development and Training | | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | "Development and Training" | 10 |
| Aspect B4: Labour Standards | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour. | "Employment and Labour Standards" | 9 |
| Operating Practices | | | |
| Aspect B5: Supply Chain Management | | | |
| General Disclosure | Policies on managing environmental and social risks of supply chain | "Supply Chain Management" | 11 |
| Aspect B6: Product Responsibility | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | "Product Responsibility" | 11 |
| KPI B6.4 | Description of quality assurance process and recall procedures. | "Product Responsibility – Quality Control" | 12 |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | "Product Responsibility – Customer Information Protection and Privacy" | 13 |
| Aspect B7: Anti-corruption | | | |
| General Disclosure | Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | "Anti- Corruption" | 14 |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | "Anti- Corruption" | 14 |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | "Anti- Corruption" | 14 |

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| Community | | | |
| Aspect B8: Community Investment | | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests | "Community Investment" | 14 |

Note:

Pursuant to Appendix 27 of the Listing Rules, KPIs in this section are recommended disclosures only.