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)

PROFIT WARNING

This announcement is made by Modern Dental Group Limited (the "**Company**", and together with its subsidiaries, collectively referred to as the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (the "**SFO**") (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the "**Board**") wishes to inform the shareholders and potential investors of the Company that, based on the preliminary assessment of the latest available unaudited consolidated management accounts of the Group (the "**Management Accounts**") for the six months ended 30 June 2020 ("**1H 2020**"), which have not been audited or reviewed by the auditor of the Group, the Group is expected to record:

(i) a net loss for 1H 2020 to be within the range of HK$135 million to HK$145 million when compared to a net profit attributable to the shareholders of approximately HK$87 million for the six months ended 30 June 2019 ("**1H 2019**"); and

(ii) a positive EBITDA for 1H 2020 to be within the range of HK$100 million to HK$110 million when compared to the EBITDA of approximately HK$194.4 million for 1H 2019.

The net loss for 1H 2020 was due to (i) a recognition of an one-off non-cash impairment loss on goodwill for North America region of approximately HK$150 million (1H2019: Nil) for 1H2020; and (ii) the decrease in sales by approximately 24% as a result of the decline in sales orders volumes in countries affected by the COVID-19 pandemic during 1H2020.

Despite the difficult operating environment, and excluding the one-off non-cash impairment loss on goodwill, the Group continued to (i) generate a positive EBITDA; (ii) a profit from core operations (the profit would have been to be in the range of HK$5 million to HK$15 million if impairment of goodwill is excluded) and (iii) maintain a healthy cash balance of approximately HK$393 million as at 30 June 2020 (31 December 2019: approximately HK$393 million).

Towards the end of 1H2020, sales of the Group had recovered and were strong, in particular, Australia, Europe, the Greater China regions delivered increased sales in June 2020 when compared with June 2019, indicating a solid recovery reflecting deferred sales orders accumulated during the lockdown period.

The Board is cautiously optimistic that the demand for the Group's products would remain solid given a number of regions have already showed signs of recovery towards the end of 1H2020.

The Company is currently finalising the unaudited consolidated financial results of the Group for 1H 2020. The information contained in this announcement is only based on the information currently available to the Company and the preliminary assessment of the Board on the Management Accounts prepared in accordance with the International Financial Reporting Standards applicable for the six months ended 30 June 2020, which have not been audited or reviewed by the auditors of the Company. The final unaudited consolidated results of the Group for 1H 2020 is expected to be announced by the end of August 2020, which may be different from the figures and information contained in this announcement.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 18 August 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.