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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)

CONTINUING CONNECTED TRANSACTIONS TENANCY AGREEMENTS

Reference is made to the announcement of the Company dated 30 August 2018 regarding, among other things, the entering into of the Previous Tenancy Agreements among the Group and its connected persons in respect of leasing of certain premises in Hong Kong and PRC.

On 31 December 2020 (after trading hours), the following tenancy agreements have been entered into by the Group to renew the Previous Tenancy Agreements:

- (i) Most Wealth (as landlord) and MDLCL (as tenant) entered into the Tenancy Agreement I in respect of the Premises I for a term of two years commencing from 1 January 2021 to 31 December 2022;
- (ii) Mr. Chan Kwun Fung and Mr. Chan Kwun Pan and Landlord C (as landlords) and YZJSZ (as tenant) entered into the Tenancy Agreement II in respect of the Premises II for a term of two years commencing from 1 January 2021 to 31 December 2022;
- (iii) Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Landlord C (as landlords) and MDLSZ (as tenant) entered into the Tenancy Agreement III in respect of the Premises III for a term of two years commencing from 1 January 2021 to 31 December 2022;
- (iv) Landlord B (as landlord) and MDLSZ (as tenant) entered into the Tenancy Agreement IV in respect of the Premises IV for a term of two years commencing from 1 January 2021 to 31 December 2022;
- (v) Landlord C (as landlord) and MDLSZ (as tenant) entered into the Tenancy Agreement V in respect of the Premises V for a term of two years commencing from 1 January 2021 to 31 December 2022;

(vi) Landlord A (as landlord) and MDLSZ (as tenant) entered into the Tenancy Agreement VI in respect of the Premises VI for a term of two years commencing from 1 January 2021 to 31 December 2022; and

(vii) Mr. Chan Kwun Fung and Mr. Chan Kwun Pan (as landlords) and MDLCL (as tenant) entered into the Tenancy Agreement VII in respect of the Premises VII for a term of two years commencing from 1 January 2021 to 31 December 2022.

Landlord A, Landlord B and Landlord C are associates of Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin, respectively, and are therefore connected persons of the Company pursuant to Rule 14A.07(4) and Rule 14A.12 of the Listing Rules. Further, Most Wealth is held as to 37.5%, 37.5% and 25% by Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin, respectively. Most Wealth is an associate of Mr. Chan Kwun Fung and Mr. Chan Kwun Pan and are therefore a connected person of the Company under Rule 14A.07(4) and Rule 14A.12 of the Listing Rules. The entering into of Tenancy Agreements and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that (i) the Tenancy Agreements were all entered into or completed by the subsidiaries of the Group within a 12-month period; and (ii) the Tenancy Agreements were entered into by the subsidiaries of the Group with the same party or parties connected with one another, the transactions contemplated under the Tenancy Agreements are required to be aggregated pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules.

As one or more of the applicable percentage ratios for the largest Aggregate Annual Caps exceed 0.1% but are less than 5%, the entering into of the Tenancy Agreements and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 30 August 2018 regarding, among other things, the entering into of the Previous Tenancy Agreements.

The Board announces that on 31 December 2020 (after trading hours), the Tenancy Agreement I, the Tenancy Agreement II, the Tenancy Agreement III, the Tenancy Agreement IV, the Tenancy Agreement V, the Tenancy Agreement VI and the Tenancy Agreement VII were entered into between the Group and its connected persons. The principal terms are set out below:

TENANCY AGREEMENT I

Date	:	31 December 2020 (after trading hours)
Parties	:	(i) Most Wealth (as landlord) (ii) MDLCL (as tenant)
The Premises I leased	:	Units 1701 — 1707 and 1709 — 1716, 17/F., CEO Tower, 77 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong
Usage	:	Commercial use
Construction area	:	12,012 m ²
Term	:	A term of two years commencing from 1 January 2021 to 31 December 2022 (both days inclusive)
Rent	:	HK\$288,000 per calendar month (inclusive of government rents and government rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT II

Date	:	31 December 2020 (after trading hours)
Parties	:	(i) Mr. Chan Kwun Fung and Mr. Chan Kwun Pan and Landlord C (as landlord) (ii) YZJSZ (as tenant)

The Premises II leased	:	B1 BC-C101 and C102, B501-506 and 515, B601-613 and 615, B701-713 and 715 and B801-813 and 815, Block B, Tower 7, Shiling Industrial Zone, Xinwei Village, Xili, Nanshan District, Shenzhen, the PRC (深圳市南山區西麗新圍村石嶺工業區7棟B座, B1BC區C101及C102, B501-506及515, B601-613及615, B701-713及715及B801-813及815)
Usage	:	Residential use
Construction area	:	2,749.15 m ²
Term	:	A term of two years commencing from 1 January 2021 to 31 December 2022 (both days inclusive)
Rent	:	RMB119,066.64 (equivalent to approximately HK\$140,298) per calendar month (inclusive of government rents and government rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT III

Date	:	31 December 2020 (after trading hours)
Parties	:	(i) Mr. Chan Kwun Fung and Mr. Chan Kwun Pan and Landlord C (as landlord) (ii) MDLSZ (as tenant)
The Premises III leased	:	B101-104 and B507-513, Block B, Tower 7, Shiling Industrial Zone, Xinwei Village, Xili, Nanshan District, Shenzhen, the PRC (深圳市南山區西麗新圍村石嶺工業區7棟B座B101-104及B507-513)
Usage	:	Residential use
Construction area	:	990.05 m ²
Term	:	A term of two years commencing from 1 January 2021 to 31 December 2022 (both days inclusive)
Rent	:	RMB37,293 (equivalent to approximately HK\$43,943) per calendar month (inclusive of government rents and government rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT IV

- Date** : 31 December 2020 (after trading hours)
- Parties** : (i) Landlord B (as landlord)
(ii) MDLSZ (as tenant)
- The Premises IV leased** : 1821, 1916, 1921 and 1932, Commercial and residential building No. 9, Northern District, Liu Xian Ju, Xinggao Road, Xili, Nanshan District, Shenzhen, the PRC (深圳市南山區西麗新高路留仙居北區9號商住樓1821, 1916, 1921及 1932)
- Usage** : Residential use
- Construction area** : 159.6 m²
- Term** : A term of two years commencing from 1 January 2021 to 31 December 2022 (both days inclusive)
- Rent** : RMB15,280 (equivalent to approximately HK\$18,005) per calendar month (inclusive of government rents and government rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT V

- Date** : 31 December 2020 (after trading hours)
- Parties** : (i) Landlord C (as landlord)
(ii) MDLSZ (as tenant)
- The Premises V leased** : 1826, 1922, 1924 and 1925, Commercial and residential building No. 9, Northern District, Liu Xian Ju, Xinggao Road, Xili, Nanshan District, Shenzhen, the PRC (深圳市南山區西麗新高路留仙居北區9號商住樓1826, 1922, 1924及1925)
- Usage** : Residential use
- Construction area** : 172.59 m²
- Term** : A term of two years commencing from 1 January 2021 to 31 December 2022 (both days inclusive)

Rent : RMB15,280 (equivalent to approximately HK\$18,005) per calendar month (inclusive of government rents and government rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT VI

Date : 31 December 2020 (after trading hours)

Parties : (i) Landlord A (as landlord)
(ii) MDLSZ (as tenant)

The Premises VI leased : 1901, 1902, 1907, 1909, 1926, 1927, 1931, 1933 and 1934, Commercial and residential building No. 9, Northern District, Liu Xian Ju, Xinggao Road, Xili, Nanshan District, Shenzhen, the PRC (深圳市南山區西麗新高路留仙居北區9號商住樓1901, 1902, 1907, 1909, 1926, 1927, 1931, 1933及1934)

Usage : Residential use

Construction area : 367.08 m²

Term : A term of two years commencing from 1 January 2021 to 31 December 2022 (both days inclusive)

Rent : RMB34,380 (equivalent to approximately HK\$40,510) per calendar month (inclusive of government rents and government rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT VII

Date : 31 December 2020 (after trading hours)

Parties : (i) Mr. Chan Kwun Fung and Mr. Chan Kwun Pan (as landlord)
(ii) MDLCL (as tenant)

The Premises VII leased : Unit 25, 11/F, Metro Centre I, 32 Lam Hing Street, Kowloon Bay, Kowloon

Usage : Commercial use

Construction area : 786 m²

Term	:	A term of two years commencing from 1 January 2021 to 31 December 2022 (both days inclusive)
Rent	:	HK\$13,500 per calendar month (inclusive of government rents and government rates, and exclusive of management fees, electricity charges and other outgoings)

AGGREGATE ANNUAL CAPS

The Aggregate Annual Caps are listed below:

	For the financial year ending 31 December 2021	For the financial year ending 31 December 2022
	<i>Approximate HK\$</i>	<i>Approximate HK\$</i>
Tenancy Agreement I	3,456,000	3,456,000
Tenancy Agreement II	1,683,575	1,683,575
Tenancy Agreement III	527,314	527,314
Tenancy Agreement IV	216,056	216,056
Tenancy Agreement V	216,056	216,056
Tenancy Agreement VI	486,125	486,125
Tenancy Agreement VII	<u>162,000</u>	<u>162,000</u>
Total	<u><u>6,747,126</u></u>	<u><u>6,747,126</u></u>

The Aggregate Annual Caps were determined after taking into account: (i) the historical amounts of rents paid or payable under the Previous Tenancy Agreements; (ii) the Rent; (iii) the prevailing market rents of the Premises of comparable size, location, facilities and use; and (iv) various conditions of the Premises, including but not limited to the size and location of the Premises.

The historical amounts of rents paid or payable under the Previous Tenancy Agreements and the annual caps contemplated under the Previous Tenancy Agreements are listed below:

<i>Historical amounts</i>		<i>Previous annual caps</i>	
For the financial year ended 31 December 2019	For the financial year ending 31 December 2020	For the financial year ended 31 December 2019	For the financial year ending 31 December 2020
<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
8,551,203 ^(Note 1)	8,723,461 ^(Note 2)	8,551,203 ^(Note 1)	8,723,461 ^(Note 2)

The payment of the Rent will be funded by internal resources of the Group.

Note 1: For the financial year ended 31 December 2019, the average conversion between RMB and HK\$ was approximately RMB1.14 to HK\$1.00.

Note 2: For the financial year ended 31 December 2020, the average conversion between RMB and HK\$ was approximately RMB1.18 to HK\$1.00.

REASONS FOR AND BENEFITS OF THE ENTERING INTO THE TENANCY AGREEMENTS

The Tenancy Agreements were entered into on an arm's length negotiations with reference to (i) the prevailing market rents of the Premises of comparable size, location, facilities and use; and (ii) various conditions of the Premises, including but not limited to the size and location of the Premises.

The Premises I is the principal place of business of the Company. The Premises II, the Premises III, the Premises IV, the Premises V and the Premises VI are the hostels of the staff members of MDLSZ and YZJSZ and are located in the vicinity of the production facilities and offices of the Group located in Xinwei Town, Xili, Nanshan District, Shenzhen, the PRC with easy transportation access. The Premises VII is a warehouse for storage.

The Directors (including the independent non-executive Directors) are of the view that (i) the amount of the Aggregate Annual Caps, the terms of the Tenancy Agreements and the transactions contemplated under the Tenancy Agreements are fair and reasonable; (ii) the transactions contemplated under the Tenancy Agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and (iii) in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE COMPANY

The Company is a company incorporated in the Cayman Islands and is an investment holding company. 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. The Group is principally engaged in providing dental prosthetic devices, including fixed prosthetic devices, such as crowns and bridges, removable prosthetic devices, such as removable dentures, and other devices, such as orthodontic devices, clear aligners, sports guards and anti-snoring devices.

MDLSZ is a wholly-owned subsidiary of the Company and principally engaged in manufacturing of dental prosthetic devices for the Hong Kong and overseas markets.

MDLCL is a wholly-owned subsidiary of the Company principally engaged in trading of dental prosthetic devices in the Hong Kong market and sourcing for our own production facilities.

YZJSZ is a wholly-owned subsidiary of the Company and principally engaged in manufacturing of dental prosthetic devices for the Mainland China markets.

INFORMATION ON MOST WEALTH

Most Wealth a company incorporated in Hong Kong, is principally engaged in the business of property investments and is held as to 37.5%, 37.5% and 25% by Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin, respectively.

LISTING RULES IMPLICATION

Given that Mr. Chan Kwun Fung and Mr. Chan Kwun Pan are the Directors and substantial shareholders of the Company, Most Wealth is an associate of Mr. Chan Kwun Fung and Mr. Chan Kwun Pan and are therefore a connected person of the Company under Rule 14A.07(4) and Rule 14A.12 of the Listing Rules. Further, Landlord A, Landlord B and Landlord C are associates of Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin, respectively, and are therefore connected persons of the Company pursuant to Rule 14A.07(4) and Rule 14A.12 of the Listing Rules. The entering into of Tenancy Agreements and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that (i) the Tenancy Agreements were all entered into or completed by the subsidiaries of the Group within a 12-month period; and (ii) the Tenancy Agreements were entered into by the subsidiaries of the Group with the same party or parties connected with one another, the transactions contemplated under the Tenancy Agreements are required to be aggregated pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules.

As one or more of the applicable percentage ratios for the largest Aggregate Annual Caps are exceed 0.1% but less than 5%, the entering into of the Tenancy Agreements and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

As Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin have material interests in the entering into of the Tenancy Agreements and the transactions contemplated thereunder, Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin had abstained from voting on the board resolutions approving the entering into of the Tenancy Agreements, the transactions contemplated thereunder and the Aggregate Annual Caps.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Aggregate Annual Caps”	the aggregate amount of the proposed annual caps for transactions contemplated under the Tenancy Agreements;
“associate(s)”, “connected person(s)” and “controlling shareholder(s)”	has the meaning ascribed to this term under the Listing Rules;
“Board”	the board of Directors;
“Company”	Modern Dental Group Limited (stock code: 3600), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Landlord A”	associate of Mr. Chan Kwun Fung;
“Landlord B”	associate of Mr. Chan Kwun Pan;
“Landlord C”	associate of Mr. Ngai Shing Kin;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“MDLCL”	Modern Dental Laboratory Company Limited (現代牙科器材有限公司), a company incorporated in Hong Kong and the wholly-owned subsidiary of the Company;
“MDLSZ”	Modern Dental Laboratory (Shenzhen) Company Limited (現代牙科器材(深圳)有限公司), a company established in the PRC and the wholly-owned subsidiary of the Company;
“Most Wealth”	Most Wealth International Limited, a company incorporated in Hong Kong and held as to 37.5%, 37.5% and 25% by Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin, respectively;
“Mr. Chan Kwun Fung”	Mr. Chan Kwun Fung, an executive Director, the chairman and the controlling shareholder of the Company;
“Mr. Chan Kwun Pan”	Mr. Chan Kwun Pan, an executive Director and the controlling shareholder of the Company;
“Mr. Ngai Shing Kin”	Mr. Ngai Shing King, an executive Director and the chief executive officer;
“m ² ”	square meters;
“PRC”	the People’s Republic of China but for the purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region of the PRC, and Taiwan;
“Premises”	the Premises I, the Premises II, the Premises III, the Premises IV, the Premises V, the Premises VI and the Premises VII;
“Premises I”	Units 1701 — 1707 and 1709 — 1716, 17/F., CEO Tower, 77 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong;

- “Premises II” B1 BC-C101 and C102, B501-506 and 515, B601-613 and 615, B701-713 and 715, B801-813 and 815, Block B, Tower 7, Shiling Industrial Zone, Xinwei Village, Xili, Nanshan District, Shenzhen, the PRC (深圳市南山區西麗新圍村石嶺工業區7棟B座, B1 BC區C101及102, B501-506及515, B601-613及615, B701-713及715及B801-813及815);
- “Premises III” B101-104 and B507-513, Block B, Tower 7, Shiling Industrial Zone, Xinwei Village, Xili, Nanshan District, Shenzhen, the PRC (深圳市南山區西麗新圍村石嶺工業區7棟B座, B101-104及B507-513);
- “Premises IV” 1821, 1916, 1921 and 1932, Commercial and residential building No. 9, Northern District, Liu Xian Ju, Xinggao Road, Xili, Nanshan District, Shenzhen, the PRC (深圳市南山區西麗新高路留仙居北區9號商住樓1821, 1916, 1921及1932);
- “Premises V” 1826, 1922, 1924 and 1925, Commercial and residential building No. 9, Northern District, Liu Xian Ju, Xinggao Road, Xili, Nanshan District, Shenzhen, the PRC (深圳市南山區西麗新高路留仙居北區9號商住樓1826, 1922, 1924及1925);
- “Premises VI” 1901, 1902, 1907, 1909, 1926, 1927, 1931, 1933 and 1934, Commercial and residential building No. 9, Northern District, Liu Xian Ju, Xinggao Road, Xili, Nanshan District, Shenzhen, the PRC (深圳市南山區西麗新高路留仙居北區9號商住樓1901, 1902, 1907, 1909, 1926, 1927, 1931, 1933及1934);
- “Premises VII” Unit 25, 11/F, Metro Centre I, 32 Lam Hing Street, Kowloon Bay, Kowloon;

“Previous Tenancy Agreements”	the tenancy agreement dated 26 August 2016 entered into between Most Wealth (as landlord) and MDLCL (as tenant) in respect of premise in Hong Kong and the tenancy agreements dated 30 December 2016 entered into between Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Landlord A, Landlord B and Landlord C (as landlords) and MDLSZ (as tenant) in respect of premises in PRC;
“Rent”	the rents paid or payable under the Tenancy Agreements;
“RMB”	Renminbi yuan, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of US\$0.1 each in the share capital of the Company;
“Shareholders”	the holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy Agreement I”	the tenancy agreement dated 31 December 2020, entered into between Most Wealth (as landlord) and MDLCL (as tenant) in respect of the Premises I, to renew the tenancy under the Previous Tenancy Agreement;
“Tenancy Agreement II”	the tenancy agreement dated 31 December 2020 entered into among Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Landlord C (as landlords) and YZJSZ (as tenant) in respect of the Premises II;
“Tenancy Agreement III”	the tenancy agreement dated 31 December 2020 entered into among Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Landlord C (as landlords) and MDLSZ (as tenant) in respect of the Premises III;
“Tenancy Agreement IV”	the tenancy agreement dated 31 December 2020 entered into among Landlord B (as landlord) and MDLSZ (as tenant) in respect of the Premises IV;
“Tenancy Agreement V”	the tenancy agreement dated 31 December 2020 entered into among Landlord C (as landlord) and MDLSZ (as tenant) in respect of the Premises V;

“Tenancy Agreement VI”	the tenancy agreement dated 31 December 2020 entered into among Landlord A (as landlord) and MDLSZ (as tenant) in respect of the Premises VI;
“Tenancy Agreement VII”	the tenancy agreement dated 31 December 2020 entered into among Mr. Chan Kwun Fung and Mr. Chan Kwun Pan (as landlords) and MDLCL (as tenant) in respect of the Premises VII;
“Tenancy Agreements”	the Tenancy Agreement I, the Tenancy Agreement II, the Tenancy Agreement III, the Tenancy Agreement IV, the Tenancy Agreement V, the Tenancy Agreement VI and the Tenancy Agreement VII;
“US\$”	United States dollars, the lawful currency of the United States;
“YZJSZ”	Yangzhijin Dental Laboratory (Shenzhen) Company Limited (洋紫荊牙科器材(深圳)有限公司), a company established in the PRC and the wholly-owned subsidiary of the Company; and
“%”	per cent.

This announcement contains conversion between RMB and HK\$ at RMB1.18 to HK\$1.00 unless otherwise specified. The conversion shall not be taken as a representation that RMB could actually be converted into HK\$ at that rate, or at all.

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

Hong Kong, 31 December 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.