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 2020

2020 was undoubtedly a year filled with immense challenges, during which the Group was concerned with a material impact on the global economic and health situation brought by the COVID-19 pandemic. The unexpected outbreak of COVID-19 in early 2020 dealt a serious blow to the global economy in an unprecedented manner, which affected various markets in which the Group operates in. Amidst the difficult situation, the top priority of the Group management has been to protect the health of all employees and maintain stable operations. Under the leadership of management, the Group dealt with the adversity created by the COVID-19 outbreak head on and overcame the related challenges.

In a year of two halves, the second half of 2020 saw great opportunities for the Group as we capitalised on the pent-up demand for our products and services, and an acceleration of consolidation within the industry which in turn, led to an unprecedented turnaround of the Group's financial results for the Group.

The Group's selected financial highlights:

- The Group's Profit from core operations for the year ended 31 December 2020 was approximately HK$224,170,000 which represents an increase of 36.9% when compared with approximately HK$163,698,000 for same period in 2019 and notably, the Group's Profit from core operations for the six months ended 31 December 2020 was approximately HK$209,652,000 which represents an increase of 179.0%, when compared with approximately HK$75,141,000 for the six months ended 31 December 2019.

- The Group's Profit from core operations margin for the year ended 31 December 2020 was 10.2% which represents an increase of 50.0% when compared with approximately 6.8% for 2019.

- The Group's EBITDA for the year ended 31 December 2020 was approximately HK$442,551,000 (of which, approximately HK$46,388,000 was contributed by MicroDental) which represents an increase of 13.0% when compared with approximately HK$391,544,000 for same period in 2019 and notably, the Group's EBITDA for the six months ended 31 December 2020 was approximately HK$335,060,000 which represents an increase of 69.8%, when compared with approximately HK$197,282,000 for the six months ended 31 December 2019.

- The Group's EBITDA margin for the year ended 31 December 2020 was approximately 20.2% which represents an increase of 23.9% when compared with approximately 16.3% for 2019.

- The Group's net cash flows from operating activities for the year ended 31 December 2020 was approximately HK$400,177,000 which represents an increase of 16.9% when compared with approximately HK$342,226,000 for 2019.

The Group (***excluding*** MicroDental)'s selected financial highlights:

- Revenue for the year ended 31 December 2020 was approximately HK$1,732,791,000 which represents a decrease of 5.8% when compared with approximately HK$1,839,426,000 for 2019, which is notable considering the Revenue for the six months ended 30 June 2020 has decreased by approximately 22.4% when compared with the six months ended 30 June 2019.

- Gross Profit Margin for the year ended 31 December 2020 was approximately 52.9% which represents an increase of 3.3% when compared with approximately 51.2% for 2019.

- Profit from core operations Margin for the year ended 31 December 2020 was approximately 11.6% which represents an increase of 45.0% when compared with approximately 8.0% for 2019.

- EBITDA Margin for the year ended 31 December 2020 was approximately 22.3% which represents an increase of 23.2% when compared with approximately 18.1% for 2019.

While challenges from the COVID-19 pandemic remain, as the leading global dental prosthetic device provider the Group is confident that it is well placed to capitalise on all available opportunities in our industry going forward.

RESULTS HIGHLIGHTS

- The following table sets forth summary of key financial results for the six months periods ended 31 December 2020 and 2019.

	Six months period ended 31 December		
	2020	2019	Changes
	(unaudited)	(unaudited)	
	HK$'000	*HK$'000*	*%*
Revenue	**1,292,985**	1,208,170	7.0%
Gross Profit	**675,965**	582,908	16.0%
Gross Profit Margin (%)	**52.3%**	48.2%	8.5%
EBITDA	**335,060**	197,282	69.8%
EBITDA Margin (%)	**25.9%**	16.3%	58.9%
Profit from core operations	**209,652**	75,141	179.0%
Profit from core operations Margin (%)	**16.2%**	6.2%	161.3%

- The following table sets forth summary of key financial results for the years ended 31 December 2020 and 2019.

	Year ended 31 December		
	2020	2019	Changes
	HK$'000	*HK$'000*	*%*
Revenue	**2,190,208**	2,399,548	(8.7%)
Gross Profit	**1,089,988**	1,152,931	(5.5%)
Gross Profit Margin (%)	**49.8%**	48.0%	3.8%
EBITDA	**442,551**	391,544	13.0%
EBITDA Margin (%)	**20.2%**	16.3%	23.9%
Profit from core operations	**224,170**	163,698	36.9%
Profit from core operations Margin (%)	**10.2%**	6.8%	50.0%

- The Group's Profit from core operations (which excludes the one-off non-cash impairment loss of goodwill for our North America region of approximately HK$150,132,000 (2019: Nil) and its related tax credit of approximately HK$37,975,000 (2019: Nil), restructuring and reorganisation cost of approximately HK$4,354,000 (2019: HK$3,227,000 and transaction cost in connection with acquisitions and disposals of nil (2019: HK$26,000)) for the year ended 31 December 2020 was approximately HK$224,170,000 (2019: HK$163,698,000), which represents an increase of approximately 36.9% compared to the year ended 31 December 2019.

- Basic earnings per share for the financial year ended 31 December 2020 amounted to HK11.2 cents (2019: HK16.5 cents), represents a decrease by approximately 32.1%.

- The Board recommended a final dividend of HK7.0 cents per ordinary share out of the share premium account for the year ended 31 December 2020 (2019: HK2.2 cents). Subject to the approval of the Company's shareholders at the forthcoming annual general meeting, the final dividend will be payable on 28 June 2021 to shareholders of the Company whose names appear on the Register of Members of the Company on 4 June 2021.

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 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
REVENUE	3	**2,190,208**	2,399,548
Cost of sales		**(1,100,220)**	(1,246,617)
Gross profit		**1,089,988**	1,152,931
Other income and gains	3	**27,394**	14,737
Selling and distribution expenses		**(251,410)**	(294,352)
Administrative expenses		**(555,817)**	(615,725)
Impairment of goodwill	10	**(150,132)**	—
Other operating expenses		**(563)**	(17,177)
Finance costs	5	**(33,699)**	(37,902)
Share of losses of associates		**(1,537)**	(504)
PROFIT BEFORE TAX	4	**124,224**	202,008
Income tax expense	6	**(16,565)**	(41,563)
PROFIT FOR THE YEAR		**107,659**	160,445
ATTRIBUTABLE TO:			
Owners of the Company		**107,763**	161,557
Non-controlling interests		**(104)**	(1,112)
		107,659	160,445
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	8	**HK11.2 cents**	HK16.5 cents
Diluted	8	**HK11.2 cents**	HK16.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**107,659**	160,445
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**150,184**	(37,464)
Other comprehensive income/(loss) for the year, net of tax	**150,184**	(37,464)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**257,843**	122,981
ATTRIBUTABLE TO:		
Owners of the Company	**257,947**	124,093
Non-controlling interests	**(104)**	(1,112)
	257,843	122,981

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	9	**518,915**	498,613
Right-of-use assets		**162,867**	194,733
Goodwill	10	**1,240,088**	1,310,846
Intangible assets		**287,670**	295,145
Investments in associates		**761**	9,625
Deferred tax assets	11	**49,294**	11,832
Long term prepayments and deposits		**14,756**	17,830
Total non-current assets		**2,274,351**	2,338,624
CURRENT ASSETS			
Inventories		**128,021**	115,274
Trade receivables	12	**473,105**	423,271
Prepayments, deposits and other receivables		**71,783**	64,739
Due from an associate		**4,159**	58
Current tax assets		**11,014**	20,040
Pledged deposits		**4,828**	5,330
Cash and cash equivalents		**697,827**	393,905
Total current assets		**1,390,737**	1,022,617
CURRENT LIABILITIES			
Trade payables	13	**67,670**	70,026
Other payables and accruals		**230,627**	197,839
Lease liabilities		**41,395**	53,337
Interest-bearing bank borrowings	14	**187,680**	106,336
Tax payable		**73,881**	48,902
Total current liabilities		**601,253**	476,440
NET CURRENT ASSETS		**789,484**	546,177
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,063,835**	2,884,801

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**123,005**	145,132
Interest-bearing bank borrowings	14	**673,063**	696,012
Deferred tax liabilities	11	**11,250**	16,047
Other non-current liabilities		**—**	5,203
Total non-current liabilities		**807,318**	862,394
NET ASSETS		**2,256,517**	2,022,407
EQUITY			
Equity attributable to owners of the Company			
Share capital		**74,592**	76,078
Treasury shares		**(3,106)**	(21,796)
Reserves		**2,176,175**	1,966,538
		2,247,661	2,020,820
Non-controlling interests		**8,856**	1,587
TOTAL EQUITY		**2,256,517**	2,022,407

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 2020. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are not expected to have any significant impact on the Group's financial statements.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments are not expected to have any significant impact on the Group's financial statements..

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

	2020			2019		
	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	**1,516,083**	**739,968**	**776,115**	1,682,419	854,994	827,425
Removable prosthetic devices	**403,330**	**201,379**	**201,951**	460,099	242,438	217,661
Others	**270,795**	**158,873**	**111,922**	257,030	149,185	107,845
Total	**2,190,208**	**1,100,220**	**1,089,988**	2,399,548	1,246,617	1,152,931

Geographical information

(a) Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
Europe	**916,731**	957,616
North America	**571,170**	697,082
Greater China	**489,234**	527,033
Australia	**192,569**	198,983
Others	**20,504**	18,834
	2,190,208	2,399,548

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

	2020	2019
	HK$'000	*HK$'000*
Europe	**773,781**	740,889
North America	**540,642**	721,281
Australia	**458,110**	432,843
Greater China	**377,279**	363,813
Others	**75,245**	67,966
	2,225,057	2,326,792

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:

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Sale of goods transferred at a point in time	**2,190,208**	2,399,548
Other income		
Bank interest income	**1,255**	1,270
Government subsidies*	**7,202**	3,982
Others	**6,566**	8,998
	15,023	14,250
Gains		
Foreign exchange gain, net	**10,175**	—
Gains on disposal of items of property, plant and equipment, net	**1,521**	487
Gains on lease modification, net	**675**	—
	12,371	487
Other income and gains	**27,394**	14,737

* 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:

	2020	2019
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**6,200**	4,236

(**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):

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold#	**1,100,220**	1,246,617
Depreciation of right-of-use assets	**47,658**	59,901
Depreciation of property, plant and equipment	**58,641**	57,551
Amortisation of intangible assets	**29,452**	35,452
Lease payments not included in the measurement of lease liabilities	**9,620**	1,961
Research and development cost##	**6,434**	7,447
Auditors' remuneration	**9,713**	9,275
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries*	**900,258**	1,027,213
Pension scheme contributions	**105,147**	137,617
	1,005,405	1,164,830
Bank interest income	**(1,255)**	(1,270)
Gains on disposal of items of property, plant and equipment, net**	**(1,521)**	(487)
Gains on lease modification, net**	**(675)**	—
Write-off of property, plant and equipment**	**319**	195
Impairment of goodwill	**150,132**	—
Allowance for impairment of trade receivables, net	**5,053**	6,675
Foreign exchange (gain)/loss, net**	**(10,175)**	16,920

\# Cost of inventories sold includes HK$653,323,000 (2019: HK$768,369,000) relating to employee benefit expense, lease payments not included in the measurement of lease liabilities 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$5,505,000 (2019: HK$6,263,000) relating to employee benefit expense, lease payments not included in the measurement of lease liabilities and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

* The amount has been net-off with government subsidies of HK$26,265,000 (2019: Nil) under COVID-19 related employment support schemes. There were no unfulfilled conditions or contingencies relating to these subsidies.

** Gains on disposal of items of property, plant and equipment, net, gains on lease modification, net and foreign exchange gain, net, are included in "other income and gains" in the consolidated statement of profit or loss. Write-off of property, plant and equipment and foreign exchange loss, net, are included in "other operating expenses" in the consolidated statement of profit or loss.

5. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans	**23,861**	28,584
Less: amount capitalised on qualifying assets	**—**	(1,896)
	23,861	26,688
Finance charges on bank loans	**3,874**	4,181
Interest on lease liabilities	**5,964**	7,033
	33,699	37,902

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% (2019: 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. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 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 2020 and 2019.

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% (2019: 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.

	2020	2019
	HK$'000	*HK$'000*
Current	**58,113**	45,488
Deferred	**(41,548)**	(3,925)
Total tax charge for the year	**16,565**	41,563

7. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Interim — Nil (2019: HK3.1 cents) per ordinary share	**—**	30,589
Proposed final — HK7.0 cents (2019: HK2.2 cents) per ordinary share	**67,373**	21,596

In 2020, the calculation of proposed final dividend is based on 962,477,000 ordinary shares in issue.

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

On 30 March 2021, the Board recommended a final dividend of HK7.0 cents per ordinary share for the year ended 31 December 2020. The proposed final dividend for the year ended 31 December 2020 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 961,914,338 (2019: 980,162,330) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

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

	2020	2019
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**107,763**	161,557

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the years used in the basic and diluted earnings per share calculation	**961,914,338**	980,162,330

9. PROPERTY, PLANT AND EQUPMENT

	2020	2019
	HK$'000	*HK$'000*
Carrying amount at 1 January	**498,613**	431,861
Additions	**66,249**	137,006
Disposals	**(17,870)**	(7,275)
Acquisition of subsidiaries	**6,442**	1,923
Write-off	**(319)**	(195)
Depreciation provided during the year	**(58,641)**	(57,551)
Exchange realignment	**24,441**	(7,156)
Carrying amount at 31 December	**518,915**	498,613

10. GOODWILL

	2020	2019
	HK$'000	*HK$'000*
Carrying amount at 1 January	**1,310,846**	1,329,523
Impairment of goodwill	**(150,132)**	—
Exchange realignment	**79,374**	(18,677)
Carrying amount at 31 December	**1,240,088**	1,310,846

Impairment testing of goodwill and trademark

In accordance with IAS 36, the recoverable amounts of the Group's cash generating units ("**CGUs**") including those which contain goodwill and trademark were determined using the higher of fair value less cost to sell or value in use, which is determined by discounting the estimated future cash flows generated from the continuing use of the unit. Management performed impairment testing of goodwill and trademark annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As a result of material impact on the global economy and market conditions caused by the COVID-19 pandemic, the Group determined there were indicators of potential impairment on certain CGUs. Based on the valuation performed by an external valuer, Brilliant Appraisal Limited, engaged by the Company, it was determined that the carrying value of the CGU in North America, being MicroDental and Modern US, of HK$658,147,000 was greater than its recoverable amount of HK$508,015,000, resulting in impairment on goodwill amounted to HK$150,132,000 due to the on-going spreading of the COVID-19 in the North America region during first half of 2020. The recoverable amounts of CGUs were reassessed at 31 December 2020 and no further impairment on goodwill was considered necessary.

11. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	**Fair value adjustments arising from acquisition of subsidiaries**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 January 2019	19,077	17,475	36,552
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	2,293	(4,987)	(2,694)
Exchange realignment	(33)	—	(33)
At 31 December 2019 and 1 January 2020	**21,337**	**12,488**	**33,825**
Deferred tax credited to the consolidated statement of profit or loss during the year	**(729)**	**(4,179)**	**(4,908)**
Exchange realignment	**112**	**—**	**112**
Gross deferred tax liabilities at 31 December 2020	**20,720**	**8,309**	**29,029**

Deferred tax assets

	Losses available for offsetting against future taxable profits
	HK$'000
At 1 January 2019	28,592
Deferred tax credited to the consolidated statement of profit or loss during the year	1,231
Exchange realignment	(213)
At 31 December 2019 and 1 January 2020	**29,610**
Deferred tax credited to the consolidated statement of profit or loss during the year	**36,640**
Exchange realignment	**823**
Gross deferred tax assets at 31 December 2020	**67,073**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

	2020	2019
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**49,294**	11,832
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(11,250)**	(16,047)
	38,044	(4,215)

12. 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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**282,483**	248,472
1 to 2 months	**63,603**	61,757
2 to 3 months	**33,811**	31,209
3 months to 1 year	**70,541**	68,513
Over 1 year	**22,667**	13,320
	473,105	423,271

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.

13. 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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**48,795**	39,271
1 to 2 months	**10,585**	20,578
2 to 3 months	**4,623**	5,100
Over 3 months	**3,667**	5,077
	67,670	70,026

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.

14. INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Effective/ contractual interest rate	**Maturity**		Effective/ contractual interest rate	Maturity	
	(%)		***HK$'000***	*(%)*		*HK$'000*
Current						
Bank loans – secured	**1-year Loan Prime Rate**	**On demand**	**35,644**	HIBOR+1.10	On demand	20,000
Current portion of long term bank loans – secured	**Hong Kong Interbank Offered Rate ("HIBOR") +1.60**	**2021**	**152,036**	HIBOR+1.60	2020	86,336
			187,680			106,336
Non-current						
Long term bank loans – secured	**HIBOR+1.60**	**2022-2025**	**673,063**	HIBOR+1.60	2021-2023	696,012
			673,063			696,012
			860,743			802,348

	2020	2019
	HK$'000	*HK$'000*
Analysed into:		
Within one year or on demand	**187,680**	106,336
In the second year	**173,402**	207,340
In the third to fifth years, inclusive	**499,661**	488,672
	860,743	802,348

Notes:

(a) As at 31 December 2020 and 2019, all bank borrowings are secured by the corporate guarantees of the Company and certain of its subsidiaries.

(b) As at 31 December 2020, the Group's bank borrowings denominated in HK$ and RMB amounted to HK$825,099,000 and HK$35,644,000, respectively.

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

15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company repurchased 650,000 of its ordinary shares on the Hong Kong Stock Exchange at an aggregate consideration of HK$895,000 (before expenses).

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

MANAGEMENT DISCUSSION AND ANALYSIS

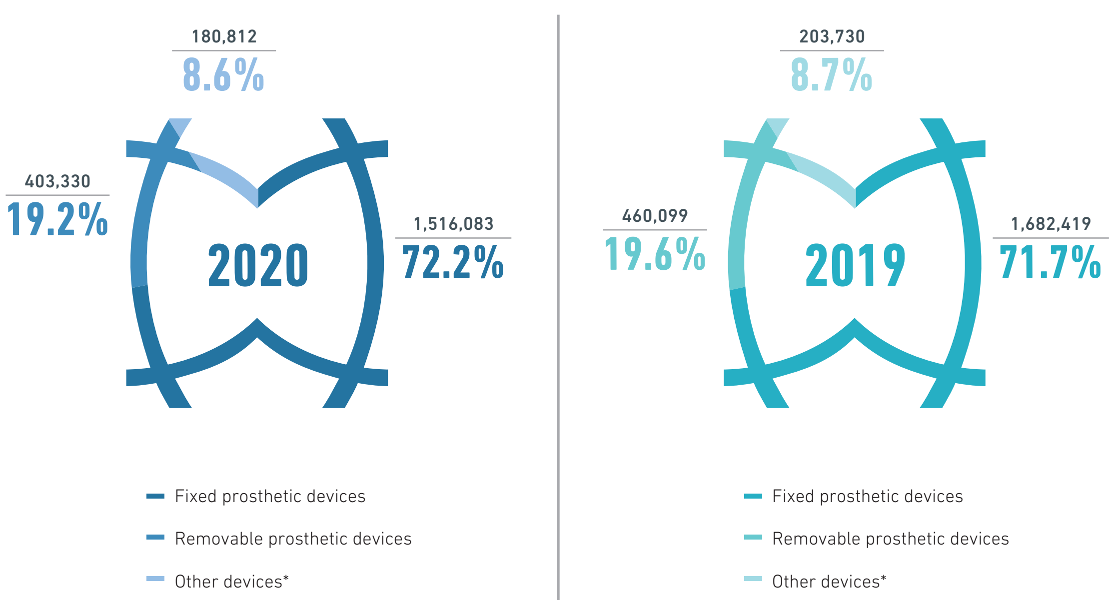
BUSINESS REVIEW

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 2020 and 2019 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 2020, fixed prosthetic devices business segment recorded a revenue of approximately HK$1,516,083,000, representing a decrease of approximately HK$166,336,000 as compared with the year ended 31 December 2019. This business segment accounted for approximately 72.2% of the Group's total revenue as compared with approximately 71.7% in the year ended 31 December 2019.

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 2020, removable prosthetic devices business segment recorded a revenue of approximately HK$403,330,000, representing a decrease of approximately HK$56,769,000 as compared with the year ended 31 December 2019. This business segment accounted for approximately 19.2% of the Group's total revenue as compared with approximately 19.6% in the year ended 31 December 2019.

Other Devices

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

During the year ended 31 December 2020, other devices business segment recorded a revenue of approximately HK$180,812,000, representing a decrease of approximately HK$22,918,000 as compared with the year ended 31 December 2019. This business segment accounted for approximately 8.6% of the Group's total revenue as compared with approximately 8.7% in the year ended 31 December 2019.

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 2020 and 2019 respectively:

	Year ended 31 December					
	2020			2019		
	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	**925,096**	**1,516,083**	**1,639**	1,029,746	1,682,419	1,634
Removable prosthetic devices	**347,618**	**403,330**	**1,160**	426,365	460,099	1,079
Other devices*	**323,608**	**180,812**	**559**	351,643	203,730	579
Total	**1,596,322**	**2,100,225**	**1,316**	1,807,754	2,346,248	1,298

* 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 2020, the sales volume and ASP of the Group's products across its markets were 1,596,322 cases (2019: 1,807,754 cases) and HK$1,316 per case (2019: HK$1,298 per case), representing a decrease of 11.7% and an increase of 1.4%, 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 2020 and 2019 respectively:

		Year ended 31 December					
		2020		2019			
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**	**8.85**	**869,949**	8.78	919,271	0.8%	-6.1%
North America	**US$**	**7.75**	**571,170**	7.75	697,082	—	-18.1%
Greater China**	**RMB**	**1.12**	**448,823**	1.14	512,299	-1.8%	-10.8%
Australia***	**AUD**	**5.35**	**190,289**	5.45	198,762	-1.8%	-2.5%
Others			**19,994**		18,834	—	6.2%
Total			**2,100,225**		2,346,248		

* 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 2020.

Our Europe region had a very strong start in the beginning of 2020. However, from mid-March 2020 to beginning of May 2020, the COVID-19 pandemic resulted in lockdowns in applicable markets. During this time, only emergency cases were taken care of by our clients. The Group experienced logistical issues (such as traveling and product delivery, etc) during this period, leading to a substantial decline in sales orders volume, in all of our European markets, except for Germany, Sweden, Norway and Finland. Following the re-opening of various markets since mid-May 2020, a speedy recovery in sales volume (in particular, digital cases) has been noted. The Europe region recorded increased sales by 11.6% for the period from July 2020 to December 2020 when compared with same period in 2019, indicating (i) a solid recovery reflecting not only deferred sales orders accumulated during the lockdown period but also gains in market share from accelerated consolation within the dental industry (as evidenced by the sales growth of 13.3% in 4th quarter of 2020 compared with 4th quarter of 2019); (ii) business leads generated from our continued online educations efforts; and (iii) market recognition of our reputation as the digital treatment concept solution expert in the region. The Group has been the frontrunner to provide comprehensive digital solutions offerings, ranging from numerous minimal invasive and aesthetic prosthetic solutions to intraoral scanners and clear aligners, and is well positioned to capture the opportunities arising from the accelerated digitalisation trend of the dental industry. Although the COVID-19 pandemic caused uncertainty to the operating environment, the Group is committed and would continue to equip ourselves to provide the state-of-the art digital solutions offering to the dental community in the market. As evidenced by the Group's strong revenue growth in the second half of 2020, the Group believes COVID-19 has disproportionately affected our smaller and mid-scaled competitors in this market. The increase in revenue growth, in the Group's view, does not just reflect the pent-up demand but a material increase in market share. The Group believes the consolidation in the industry is expected to continue at an accelerated pace.

For the year ended 31 December 2020, the European market recorded a revenue of approximately HK$869,949,000, representing a decrease of approximately HK$49,322,000 as compared with year ended 31 December 2019. Together with the sales of dental equipment of approximately HK$46,782,000, this geographic market accounted for 41.9 % of the Group's total revenue as compared with approximately 39.9% for the year ended 31 December 2019. The decrease of revenue from the European market was attributable to decrease in the sales orders volumes due to COVID-19 pandemic in 1st half of 2020 and partially offset by the increase in the sales order volumes from June 2020 to December 2020, annual increment of the retail price to the dentists and increase in sales of dental equipment compared with the year ended 31 December 2019.

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 2020.

MicroDental Laboratories, Inc. and its subsidiaries ("**MicroDental Group**") contributed approximately HK$457,417,000 (2019: HK$560,122,000) to the Group's revenue, approximately HK$46,648,000 (2019: HK$45,657,000) to the Group's Adjusted EBITDA; approximately HK$98,413,000 of loss (2019: HK$638,000 of profit) to the Group's profit; and approximately HK$13,744,000 (2019: HK$2,348,000) to the Group's profit from core operations for the year ended 31 December 2020. The loss of approximately HK$98,413,000 (2019: profit of HK$638,000) for the year ended 31 December 2020 included (i) an one-off non-cash impairment loss of goodwill of approximately HK$150,132,000 (2019: Nil); (ii) a tax credit related to the impairment loss of goodwill of approximately HK$37,975,000 (2019: Nil); and (iii) non-cash depreciation and amortisation of approximately HK$29,684,000 (2019: HK$37,172,000).

The COVID-19 pandemic resulted in a substantial drop in our North America activity between mid-March 2020 to late May 2020. However, from late May 2020 onwards, the Group has seen a positive spike in activity resulting in a positive rebound in sales. Sales in the 4th quarter of 2020 has recovered to approximately 97% of the 4th quarter of 2019. Although the sales has already recovered in the 2nd half of 2020, with the uncertainty surrounding the development of the COVID-19 pandemic in the region in the 1st half of 2020, the management took a conservative approach on the impairment review and recorded an one-off non-cash impairment loss of goodwill of approximately HK$150,132,000 in the first half of 2020 in which the impairment loss of goodwill is not allowed to be reversed subsequently in accordance with the IFRSs.

Since the COVID-19 pandemic, we implemented substantial cost controls including an initial hiring freeze, voluntary unpaid leave, furloughs, business travel restrictions while maintaining appropriate operational and critical customer centric support service levels. We also focused on client retention that will help us mitigate the ongoing situation. Our successful execution and quick actions allowed us to reduce significant operating costs during the pandemic, efforts in engaging with customers as we provide the ongoing services and supports required led us to achieve positive results as the market rebounds since June 2020.

In addition, our clients' interest surrounding digital dentistry increased during the current year. With our centralised digital workflows and network oversight over our wide coverage of production units within the region, we are well positioned to support the customers needs through their digitalization journey, focusing on leveraging efficiencies and providing an enhanced customer experience throughout the network.

During the year ended 31 December 2020, the North American market recorded a revenue of approximately HK$571,170,000, representing a decrease of approximately HK$125,912,000 as compared with the year ended 31 December 2019. This geographic market accounted for approximately 26.1% of the Group's total revenue as compared with approximately 29.1% in the year ended 31 December 2019. The decrease of revenue from the North American market was largely attributable to decrease in the sales orders volumes due to the COVID-19 pandemic in 1st half of 2020, offset by the sales rebounds in 2nd half of 2020.

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 2020.

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. 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.

The Greater China region has been affected by the COVID-19 pandemic in which:

(i) In Mainland China, a strict lockdown approach was imposed where the dental hospitals and clinics were not allowed to operate during the lockdown period, generally started from late January 2020 and removed gradually by phase depending on each province/city's situation since mid-March 2020; and

(ii) In Hong Kong and Macau, the major impacts from the COVID-19 have been the travel restrictions and various social distancing measures. The dental hospitals and clinics have generally maintained their operations with various safety measures put in place with the exception that the operations of the public dental hospitals and clinics in Hong Kong have been suspended since late January 2020. However, they have all resumed their operations in early 2021 with various safety measures put in place. We expect a quick rebound in prosthetic demand as the number of people seeking dental treatment has been building up for the last few months.

Despite the difficult operating environment during the period, the management is cautiously optimistic on the long-term prospect of the Greater China region and is committed to support the development of the dental community in the region for long-term by (i) increasing focus on our educational platforms, Center of Dental Education and Pure Dental ("普潔"), which strategically increased the number of online education webinars offered by various leading industry experts to capture the less busy schedule of our dentists customers for educations and promotions of our latest state-of-the art innovative solutions and products offering; (ii) continuing to expand the depth and width of our products portfolios offering, such as adding mid-end products in the Mainland China and adding implants and clear aligners products in Hong Kong and Macau; and (iii) launching of our own dental digital platform in Hong Kong. These efforts have started to pay off towards the end of the six months ended 30 June 2020 as sales of the Greater China region had recovered and were strong. The Greater China region delivered increased sales in June 2020 when compared with June 2019, indicating a solid recovery reflecting deferred sales orders accumulated during the lockdown period, bearing in mind that some of our customers, such as public dental hospitals and clinics in Hong Kong, were still affected by the COVID-19 pandemic. The sales growth in the 4th quarter of 2020 is approximately 7.2% compared with the 4th quarter of 2019.

For the year ended 31 December 2020, the Greater China market recorded a revenue of approximately HK$448,823,000, representing a decrease of approximately HK$63,476,000 as compared with year ended 31 December 2019. Together with the sales of raw materials and dental equipment of approximately HK$40,411,000, this geographic market accounted for approximately 22.3% of the Group's total revenue as compared with approximately 21.9% last year. The decrease of revenue from the Greater China market was largely attributable to the decline in sales orders volumes impacted by the COVID-19 pandemic in the 1st half of 2020 and the depreciation of RMB against HK$ of 1.8% in the year ended 31 December 2020 and partially offset by the recovery in sales in 2nd half of 2020 and increase in sales of raw materials and dental equipment.

Australia

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

The Australian market had a strong start in terms of sales growth at the beginning of 2020 until the region affected by the COVID-19 pandemic from mid March 2020 to mid May 2020.

The COVID-19 pandemic presented serious operational challenges to the business. Social distancing protocols slowed patient visits to dental clinics from mid March 2020 and, from late March 2020 onwards, Australian dentists were only allowed to perform emergency works while New Zealand dental surgeries were shut completely. These restrictions were only lifted at the end of April 2020 with volumes returning to normal by the end of May 2020.

Despite this, all Australian businesses remained open throughout the period. Every effort was made to continue to deliver cases on a timely basis leveraging both the local and overseas production capabilities of the Group. We maintained regular contact with our customer base and ran regular educational events via webinars.

Despite the downturn in the overall market, our Australian region has demonstrated our commitment and confidence in the dental industry by expanding our product portfolios, such as implant products and mouthguards, and has been able to successfully engage with the market during this period. Although a substantial decline in orders volumes was noted in April 2020, a speedy recovery in sales orders volumes has been noted since mid May 2020 and sales for the period from June 2020 to December 2020 exceeded the same period of 2019, indicating not only a solid recovery reflecting deferred sales orders accumulated during the lockdown period but also gains in market share from accelerated consolation within the dental industry (as evidenced by the sales growth of approximately 21.2% in the 4^{th} quarter of 2020 compared with the 4^{th} quarter of 2019).

For the year ended 31 December 2020, the Australian market recorded a revenue of approximately HK$190,289,000, representing a decrease of approximately HK$8,473,000 as compared with the year ended 31 December 2019. Together with the service revenue generated from rendering educational events and seminars of approximately HK$2,280,000, this geographic market accounted for approximately 8.8% of the Group's total revenue as compared with approximately 8.3% last year. The decrease of revenue from the Australian market was largely attributable to the decrease in sales order volume caused by COVID-19 pandemic in the 1st half of 2020 and depreciation of AUD against HK$ by 1.8% for the year ended 31 December 2020 compared with year ended 31 December 2019 and offset by increase in sales in the 2nd half of 2020.

Others

Other markets primarily include Indian Ocean countries, Japan and Singapore. For the year ended 31 December 2020, these markets recorded a revenue of approximately HK$19,994,000, representing an increase of approximately HK$1,160,000 as compared with the year ended 31 December 2019. Together with the service revenue generated from rendering educational events and seminars of approximately HK$510,000, this geographic market accounted for approximately 0.9% of the Group's total revenue as compared with approximately 0.8% 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. The COVID-19 global pandemic has disproportionately affected the business of our smaller or mid-scaled competitors which in turn, has the direct effect of accelerating the process of consolidation within our industry and ultimately benefiting the Group, as the global leader in the industry.

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) In 2020, as a direct result of the COVID-19 global pandemic, the Group's industry experienced an acceleration of consolidation. The Group expects this acceleration of consolidation as a key driver and tailwind for the Group's growth going forward. As the leading global dental prosthetic device provider with a well diversified operations across different regions around the world, the Group is in an ideal position to benefit from the aforementioned trend as illustrated by the Group's unprecedented net profit for 2nd half of 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.

(iii) The continued integration of MicroDental Group under new leadership that has brought in renewed energy and optimism. Although North America has been severely affected by the COVID-19 pandemic, MicroDental Group has continued to deliver improvement in profit from operations in 2020 compared with 2019 and has taken the COVID-19 pandemic as an opportunity to further enhance its productivity.

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 whilst remaining cautious and prudent in safeguarding shareholders' interests.

Prudent financial management has always been one of the competitive advantages of the Group over the years and is well recognised by our banks. The Group took various rapid financing measures to make sure sufficiency funds would be available to deal with the uncertainties posted by the COVID-19 pandemic. In fact, the Group had successfully advanced a 5-year committed bank loan of HK$200 million in the first quarter of 2020. The Board is grateful to enjoy the continuous support and trust demonstrated by our banks as the debt financing market was indeed severely distorted during the COVID-19 pandemic.

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 2020, the revenue of the Group amounted to approximately HK$2,190,208,000, representing a decrease of approximately 8.7% as compared with approximately HK$2,399,548,000 for the year ended 31 December 2019. The decrease was mainly attributable to decrease in sales orders volume in the first half of 2020 in countries affected by the COVID-19 pandemic, offset by the recovery in sales in the second half of 2020 and the annual increment of retail prices to the dentist.

Gross Profit and Gross Profit Margin

The gross profit for the year ended 31 December 2020 was approximately HK$1,089,988,000, which was approximately 5.5% lower than that of last year. The increase of the gross profit margin of approximately 1.8% compared with last year was mainly attributable to the increase in productivity of the production team in China since the second half of 2020 with our Dongguan facility is in full scale operations and depreciation of RMB against HK$ by 1.8% when compared with year ended 31 December 2019.

The gross profit margins of Fixed Prosthetic Devices business segment, Removable Prosthetic Devices business segment and Others business segment were approximately 51.2%, 50.1% and 41.3% respectively. The following table sets forth the breakdown of our gross profit and gross margin by product category.

	Year ended 31 December			
	2020		2019	
	Gross profit	**Gross margin**	Gross profit	Gross margin
	HK$'000	***(%)***	*HK$'000*	*(%)*
Product category				
Fixed prosthetic devices	**776,115**	**51.2**	827,425	49.2
Removable prosthetic devices	**201,951**	**50.1**	217,661	47.3
Others	**111,922**	**41.3**	107,845	42.0
Total	**1,089,988**		1,152,931	

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately 14.6% from approximately HK$294,352,000 for the year ended 31 December 2019 to approximately HK$251,410,000 for the year ended 31 December 2020, accounting for approximately 11.5% of the Group's revenue, as compared with approximately 12.3% for last year. The decrease in the selling and distribution expenses was due to the enhanced sales and marketing efficiency in online educations and promotion activities; limited travelling and entertainment activities; and strengthened cost control measures.

Administrative Expenses

The administrative expenses decreased by approximately 9.7% to approximately HK$555,817,000 for the year ended 31 December 2020 from approximately HK$615,725,000 for the year ended 31 December 2019, accounting for approximately 25.4% of the Group's revenue, as compared with approximately 25.7% for last year. The decrease in the administrative expenses was in line with the decrease in sales and was primarily attributable to (i) strengthened costs control measures and (ii) government subsidies on labour costs under COVID-19 related employment support schemes.

Impairment of Goodwill

During the year ended 31 December 2020, the Group recorded an one-off non-cash impairment loss of goodwill for North America's cash generating unit of approximately HK$150,132,000 (2019: Nil) in the first half of 2020 when our North America's business unit was heavily affected by the on-going spreading of the COVID-19. For details, please refer to Note 10 in this Announcement.

Other Operating Expenses

During the year ended 31 December 2020, the other operating expenses decreased by approximately 96.7% from approximately HK$17,177,000 for the year ended 31 December 2019 to approximately HK$563,000 for the year ended 31 December 2020, accounting for less than 0.1% of the Group's revenue, as compared with approximately 0.7% for the corresponding period in 2019. Other operating expenses mainly represented (i) exchange losses, net, incurred of nil (2019: HK$16,920,000); and (ii) write-off of property, plant and equipment of approximately HK$319,000 (2019: HK$195,000).

Finance Costs

During the year ended 31 December 2020, the finance costs decreased by approximately 11.1% from approximately HK$37,902,000 for the year ended 31 December 2019 to approximately HK$33,699,000 for the year ended 31 December 2020, accounting for approximately 1.5% of the Group's revenue, as compared with approximately 1.6% for the corresponding period in 2019.

Income Tax Expense

Income tax expense decreased by approximately 60.1% from approximately HK$41,563,000 for the year ended 31 December 2019 to approximately HK$16,565,000 for the year ended 31 December 2020. The decrease was primarily attributable to the recognition of deferred tax credit primarily related to the impairment on goodwill recorded during the year.

Profit for the Year

Profit for the year decreased by approximately 32.9% from approximately HK$160,445,000 for the year ended 31 December 2019 to approximately HK$107,659,000 for the year ended 31 December 2020. The decrease in profit for the year was due to a recognition of an one-off non-cash impairment loss of goodwill for North America region of approximately HK$150,132,000 (2019: Nil) for the year ended 31 December 2020. However, without taking into account the goodwill impairment, its related tax credit and certain non-recurring items, the profit from core operations for the year ended 2020 was approximately HK$224,170,000, which represents an increase of approximately 36.9% when compared to the profit from core operations for year ended 31 December 2019 of approximately HK$163,698,000.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2020 amounted to approximately HK$107,763,000, representing a decrease of approximately HK$53,794,000, or approximately 33.3%, as compared with profit attributable to owners of the Company approximately HK$161,557,000 for the corresponding period in 2019.

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, Adjusted EBITDA and Profit from core operations

During the year ended 31 December 2020, 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**") and profit from core operations by eliminating the effects of certain non-cash or non-recurring items, including one-off transaction cost in connection with acquisitions and disposals and one-off cost in connection with restructuring and reorganisation.

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	
	2020	2019
	HK$'000	*HK$'000*
EBITDA and Adjusted EBITDA		
Net profit	**107,659**	160,445
Tax	**16,565**	41,563
Finance costs	**33,699**	37,902
Depreciation of right-of-use assets	**47,658**	59,901
Depreciation of property, plant and equipment	**58,641**	57,551
Amortisation of intangible assets	**29,452**	35,452
Impairment of goodwill	**150,132**	—
Less:		
Bank interest income	**(1,255)**	(1,270)
EBITDA	**442,551**	391,544
Add:		
One-off transaction cost in connection with acquisitions and disposals	**—**	26
One-off cost in connection with restructuring and reorganisation	**4,354**	3,227
Adjusted EBITDA	**446,905**	394,797
Adjusted EBITDA Margin	**20.4%**	16.5%

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

	For the year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Profit from core operations		
Net Profit	**107,659**	160,445
Add:		
Impairment of goodwill	**150,132**	—
One-off transaction cost in connection with acquisitions and disposals	**—**	26
One-off cost in connection with restructuring and reorganisation	**4,354**	3,227
Less:		
Tax credit related to impairment of goodwill	**(37,975)**	—
Profit from core operations	**224,170**	163,698
Profit from core operations Margin	**10.2%**	6.8%

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows

The table below summarises the Group's cash flows for the years ended 31 December 2020 and 31 December 2019 respectively:

	For the year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Net cash flows from operating activities	**400,177**	342,226
Net cash flows used in investing activities	**(46,964)**	(138,586)
Net cash flows used in financing activities	**(56,664)**	(184,037)

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$697,827,000 as of 31 December 2020, which was mainly denominated in HK$, 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 2020, the net cash flows from operating activities has increased to approximately HK$400,177,000 (2019: HK$342,226,000). 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 profit from core operations.

Investing Activities

The net cash flows used in investing activities for the year ended 31 December 2020 of approximately HK$46,964,000, of which approximately HK$72,446,000 was used primarily for the expansion of our production facilities and upgrade of our computer-aided/ manufacturing production equipment, net off with proceeds from disposal of property, plant and equipment of approximately HK$19,385,000.

Financing Activities

The Group recorded a net cash flows used in financing activities of approximately HK$56,664,000 for the year ended 31 December 2020. The outflow was mainly attributable to (i) net cash inflows from bank borrowings of approximately HK$52,609,000; (ii) payment of dividend of approximately HK$21,172,000; (iii) repurchase of the Company's ordinary shares of approximately HK$9,934,000; (iv) payment for lease liabilities of approximately HK$54,454,000 and; (v) payment of interest expenses of approximately HK$23,861,000.

Capital Expenditure

During the year ended 31 December 2020, the Group's capital expenditure amounted to approximately HK$72,446,000 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 2020 amounted to approximately HK$860,743,000 as compared to approximately HK$802,348,000 as of 31 December 2019. As of 31 December 2020, the bank borrowings of approximately HK$825,099,000 and HK$35,644,000 were denominated in HK$ and RMB, respectively. As of 31 December 2020, 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 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 2020, the gearing ratio of the Group was approximately 22% (2019: 30%), reflecting that the Group's financial position was at a sound level.

Debt securities

As of 31 December 2020, the Group did not have any debt securities.

Contingent liabilities

As of 31 December 2020, the Group did not have any contingent liabilities.

CHARGE OF GROUP ASSETS

During the year ended 31 December 2020, Modern Dental Holding Limited, a subsidiary of the Company, entered into certain 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.

Pledged bank deposits of the Group as of 31 December 2020 amounted to approximately HK$4,828,000 as compared to approximately HK$5,330,000 as of 31 December 2019.

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 (equivalent to approximately HK$292,286,000) for the acquisition of land, and construction and renovation of a factory in the Dongguan Songshan Lake High-tech Industrial Development Zone.

As of 31 December 2020, the Group has paid approximately RMB154,664,000 (equivalent to approximately HK$183,765,000) for the construction and renovation of the factory and approximately RMB18,839,000 (equivalent to approximately HK$22,384,000) for the acquisition of land, and the remaining commitments was approximately RMB72,497,000 (equivalent to approximately HK$86,137,000).

During the year, the Group entered a construction agreement for setting up the production lines in a leased ready-built factory in Vietnam and as of 31 December 2020, the remaining commitments was approximately VND2,325,000,000 (equivalent to approximately HK$791,000).

Save as disclosed above, the Group had no other significant capital commitments as of 31 December 2020.

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 2020.

OFF-BALANCE SHEET TRANSACTIONS

As of 31 December 2020, the Group did not enter into any material off-balance sheet transactions.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company repurchased 650,000 of its ordinary shares (the "**Shares**") on the Hong Kong Stock Exchange (the "**Stock Exchange**") at an aggregate consideration of approximately HK$895,000 (before expenses).

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. On the other hand, the Group's global business covering different regions and countries also mitigates the Group's reliance on any single region or country.

For instance, the global COVID-19 pandemic has caused a global health emergency and significant disruptions to economies worldwide which could adversely impact the Group's operating results for the year ended 31 December 2020. The Group continues to implement cost cutting measures (including salaries reduction, deferring marketing expenses, etc) to navigate the current and anticipated impacts of the global COVID-19 pandemic.

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 period under review. 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. The Group has already started to setup a new production facility in Vietnam to further mitigate the risk.

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 (2020: ranged between 13% and 20%; 2019: ranged between 11% and 21%); the budgeted sales growth rates (2020: ranged between 0% and 10%; 2019: ranged between 5% and 12%); and budgeted EBITDA margins (2020: ranged between 8% and 30%; 2019: ranged between 2% and 31%), 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

The production of the Group relied heavily on its existing production facilities in Shenzhen, Mainland China and in Dongguan, Mainland China. If there are disruptions to the production sites in Shenzhen and Dongguan, the Group may suffer from interruptions to its business. During the year ended 31 December 2020, the management has also started to set up a new production facility in Vietnam to further mitigate the risk. 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 2020, the interest rates on floating-rate bank loans were approximately HIBOR+1.60% per annum for term loans and 1-year Loan Prime Rate 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 5,838 dedicated full-time employees at our production facilities, service centers, points of sales and other sites as of 31 December 2020, mainly including 4,219 production staff members, 610 general management staff members and 341 customer service staff members.

Total staff costs of the Group (excluding the Directors' and chief executive's remuneration) for the year ended 31 December 2020 was approximately HK$1,005,405,000 (2019: HK$1,164,830,000). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

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, Director, supplier, customer, shareholder, research, development or other technological support personnel and advisor of the Group and invested entity of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group as the Directors determine, as incentives or rewards for their contribution to the Group.

As of 31 December 2020, 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 2020, no outstanding restricted share units were granted or vested pursuant to the Pre-IPO RSU Scheme.

DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months period ended 30 June 2020 (six months ended 30 June 2019: HK3.1 cents). The Board recommended a final dividend of HK7.0 cents (year ended 31 December 2019: HK2.2 cents) per ordinary share, out of the share premium account, for the year ended 31 December 2020 (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 27 May 2021, the Proposed Final Dividend will be paid on 28 June 2021 to Shareholders whose names appear on the Register of Members of the Company as at the close of business on 4 June 2021.

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to attend and vote at the AGM to be held on 27 May 2021, the Register of Members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021, 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 4:00 p.m. on Friday, 21 May 2021, 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, 2 June 2021 to Friday, 4 June 2021, 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 4:00 p.m. on Tuesday, 1 June 2021.

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

During the year ended 31 December 2020, the Company repurchased 6,850,000 of its Shares on the Stock Exchange at an aggregate consideration of approximately HK$9,934,000 (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 2020	3,800,000	1.58	1.41	5,712
February 2020	800,000	1.49	1.39	1,155
October 2020	850,000	1.35	1.23	1,118
November 2020	550,000	1.42	1.32	753
December 2020	850,000	1.43	1.38	1,196
	6,850,000			9,934

Out of 6,850,000 repurchased Shares, 4,600,000 Shares of approximately HK$6,867,000 (before expenses) were cancelled during the year ended 31 December 2020, while the remaining 2,250,000 Shares of approximately HK$3,067,000 (before expenses) were recognised as treasury shares as at 31 December 2020.

The repurchase of the Shares were effected by the directors, pursuant to the mandate from Shareholders received at the annual general meetings on 23 May 2019 and 28 May 2020, 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 2020, 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 2020, 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 2020, 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 2020 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 2020 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 2021

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.