

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 2021**

For the year ended 31 December 2021, the Group continued to capitalise on the industry-wide pent-up demand for dental products and services as a result of significant tailwinds generated by an increase in spending by consumers on specialty dental treatments and tailwinds driven by the digitalisation of, and the adoption of intra-oral scanners in, the dental market. Furthermore, the Group continued to benefit from a significant increase in new clients in certain key markets, as the lasting effects of the pandemic continued to disproportionately affect our smaller and mid-scaled competitors leading to, in the Group's view, an increase in market share in the applicable markets. As the global leader in the dental prosthetics industry, the Group is in an ideal position to take advantage of the aforementioned trends. The Group's results represent a strong and continued recovery in the dental market and solid execution across each of the Group's markets operationally and financially, as most of the Group's key and applicable metrics have improved beyond pre-pandemic levels illustrating the Group's competitiveness in the industry, ability to thrive under uncertain business conditions and close relationship with its clients and customers. Notwithstanding the resurgence of COVID-19 in certain markets during the 2nd half of 2021 that affected the operations and profitability of the Group, which included government-imposed restrictions on our production facilities in Mainland China, and the weakening of the EUR and the AUD against HK\$ and RMB, the Group is confident that the underlying fundamentals of its business are solid and that it is well-positioned to capture further opportunities going forward.

## RESULTS HIGHLIGHTS

- The Revenue for the year ended 31 December 2021 was approximately HK\$2,955,172,000 (2020: HK\$2,190,208,000), representing an increase of approximately HK\$764,964,000 or 34.9%.
- The Gross Profit Margin for the year ended 31 December 2021 was approximately 52.5% (2020: 49.8%). Gross profit for the year ended 31 December 2021 was approximately HK\$1,550,651,000, representing an increase of approximately HK\$460,663,000 or 42.3%.
- The Group's EBITDA for the year ended 31 December 2021 was approximately HK\$626,393,000 (2020: HK\$442,551,000), representing an increase of approximately HK\$183,842,000 or 41.5%.
- The Group's Net Profit and Profit from core operations for the year ended 31 December 2021 were approximately HK\$360,375,000 and HK\$382,118,000 (2020: Net Profit and Profit from core operations were approximately HK\$107,659,000 and HK\$224,170,000), representing an increase of approximately HK\$252,716,000 and HK\$157,948,000, respectively.
- Basic earnings per share for the financial year ended 31 December 2021 amounted to HK37.7 cents (2020: HK11.2 cents), representing an increase of approximately 236.6%.
- The Board recommended a final dividend of HK4.4 cents per ordinary share, out of the share premium account, for the year ended 31 December 2021 (2020: HK7.0 cents). Subject to the approval of the Company's shareholders at the forthcoming annual general meeting, the final dividend will be payable on 22 June 2022 to shareholders of the Company whose names appear on the Register of Members of the Company on 1 June 2022.

Further highlights:

- For the year ended 31 December 2021, the Group's revenue from its European market increased by 36.9%, its North American market increased by 25.8%, its Greater China market increased by 42.9% (in particular, Mainland China increased by 53.8%) and its Australian market increased by 30.0%, in each case, compared with the year ended 31 December 2020.
- For the year ended 31 December 2021, the Group's digital solution cases (overseas and domestic) that are produced from its Mainland China production facilities (which, for the avoidance of doubt, does not include digital solution cases produced in the Group's non-Mainland China production facilities or overseas/satellite dental laboratories) increased to approximately 301,212 cases reflecting an increase of 183.2% as compared with the same period in 2020 (approximately 106,374 cases) as a result of our clients' increased adoption of intra-oral scanners.

- The following table sets forth summary of key financial results for the years ended 31 December 2021, 2020 and 2019.

	Year ended 31 December			2021v2020	2021v2019
	2021	2020	2019	Changes	Changes
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	%	%
Revenue	<b>2,955,172</b>	2,190,208	2,399,548	34.9%	23.2%
Gross Profit	<b>1,550,651</b>	1,089,988	1,152,931	42.3%	34.5%
Gross Profit Margin (%)	<b>52.5%</b>	49.8%	48.0%	5.4%	9.4%
EBITDA	<b>626,393</b>	442,551	391,544	41.5%	60.0%
EBITDA Margin (%)	<b>21.2%</b>	20.2%	16.3%	5.0%	30.1%
Net Profit	<b>360,375</b>	107,659	160,445	234.7%	124.6%
Net Profit Margin (%)	<b>12.2%</b>	4.9%	6.7%	149.0%	82.1%
Profit from core operations	<b>382,118</b>	224,170	163,698	70.5%	133.4%
Profit from core operations Margin (%)	<b>12.9%</b>	10.2%	6.8%	26.5%	89.7%

- The following table sets forth a breakdown of the revenue generated from the aforesaid markets for the years ended 31 December 2021, 2020 and 2019.

Sales by region	Year ended 31 December			2021 VS 2020		2021 VS 2019	
	2021	2020	2019	Change in currency	Organic growth rate	Change in currency	Organic growth rate
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	(%)	(%)	(%)	(%)
Europe	<b>1,254,596</b>	916,731	957,616	4.0%	31.6%	4.8%	25.0%
North America	<b>718,776</b>	571,170	697,082	—	25.8%	—	3.1%
Greater China	<b>699,246</b>	489,234	527,033	8.0%	32.3%	6.1%	25.0%
Australia	<b>250,339</b>	192,569	198,983	9.2%	19.1%	7.2%	17.4%
Others	<b>32,215</b>	20,504	18,834	—	57.1%	—	71.0%
	<b><u>2,955,172</u></b>	<u>2,190,208</u>	<u>2,399,548</u>				

## 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 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>REVENUE</b>	3	<b>2,955,172</b>	2,190,208
Cost of sales		<u>(1,404,521)</u>	<u>(1,100,220)</u>
<b>Gross profit</b>		<b>1,550,651</b>	1,089,988
Other income and gains	3	<b>11,807</b>	27,394
Selling and distribution expenses		<b>(359,466)</b>	(251,410)
Administrative expenses		<b>(697,311)</b>	(555,817)
Impairment of goodwill	10	—	(150,132)
Other operating expenses		<b>(19,075)</b>	(563)
Finance costs	5	<b>(23,061)</b>	(33,699)
Share of profit/(loss) of an associate		<b>542</b>	(1,537)
<b>PROFIT BEFORE TAX</b>	4	<b>464,087</b>	124,224
Income tax expense	6	<b>(103,712)</b>	(16,565)
<b>PROFIT FOR THE YEAR</b>		<b><u>360,375</u></b>	<u>107,659</u>
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>360,825</b>	107,763
Non-controlling interests		<b>(450)</b>	(104)
		<b><u>360,375</u></b>	<u>107,659</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic	8	<b><u>HK37.7 cents</u></b>	<u>HK11.2 cents</u>
Diluted	8	<b><u>HK37.7 cents</u></b>	<u>HK11.2 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b><u>360,375</u></b>	<b><u>107,659</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(65,633)</u>	<u>150,184</u>
Other comprehensive income/(loss) for the year, net of tax	<u>(65,633)</u>	<u>150,184</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>294,742</u></b>	<b><u>257,843</u></b>
<b>ATTRIBUTABLE TO:</b>		
Owners of the Company	295,192	257,947
Non-controlling interests	<u>(450)</u>	<u>(104)</u>
	<b><u>294,742</u></b>	<b><u>257,843</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 31 DECEMBER 2021*

	<i>Notes</i>	<b>2021</b>	2020
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>586,980</b>	518,915
Right-of-use assets		<b>160,107</b>	162,867
Goodwill	10	<b>1,185,682</b>	1,240,088
Intangible assets		<b>255,178</b>	287,670
Investment in an associate		<b>3,230</b>	761
Deferred tax assets		<b>49,633</b>	49,294
Long term prepayments and deposits		<b>21,170</b>	14,756
		<hr/>	<hr/>
Total non-current assets		<b>2,261,980</b>	2,274,351
<b>CURRENT ASSETS</b>			
Inventories		<b>142,488</b>	128,021
Trade receivables	11	<b>528,976</b>	473,105
Prepayments, deposits and other receivables		<b>74,869</b>	71,783
Due from an associate		<b>—</b>	4,159
Current tax assets		<b>11,061</b>	11,014
Pledged deposits		<b>4,848</b>	4,828
Cash and cash equivalents		<b>633,157</b>	697,827
		<hr/>	<hr/>
Total current assets		<b>1,395,399</b>	1,390,737
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>80,082</b>	67,670
Other payables and accruals		<b>233,055</b>	230,627
Lease liabilities		<b>47,211</b>	41,395
Interest-bearing bank borrowings	13	<b>173,402</b>	187,680
Tax payable		<b>134,535</b>	73,881
		<hr/>	<hr/>
Total current liabilities		<b>668,285</b>	601,253
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>727,114</b>	789,484
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,989,094</b>	3,063,835
		<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

	<i>Note</i>	<b>2021</b>	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>112,812</b>	123,005
Interest-bearing bank borrowings	13	<b>499,660</b>	673,063
Deferred tax liabilities		<b>11,933</b>	11,250
Other non-current liabilities		<b>6,029</b>	—
		<hr/>	<hr/>
Total non-current liabilities		<b>630,434</b>	807,318
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>2,358,660</b>	2,256,517
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>74,163</b>	74,592
Treasury shares		<b>(39)</b>	(3,106)
Reserves		<b>2,274,325</b>	2,176,175
		<hr/>	<hr/>
		<b>2,348,449</b>	2,247,661
<b>Non-controlling interests</b>		<b>10,211</b>	8,856
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>2,358,660</b>	2,256,517
		<hr/> <hr/>	<hr/> <hr/>



# 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 except for contingent consideration payable which had been measured at fair value. 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 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

## **1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had interest-bearing bank borrowings denominated in HK\$ based on the Hong Kong Interbank Offered Rate as at 31 December 2021. The Group expects that Hong Kong Interbank Offered Rate will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

## **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 (including clear aligner), 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.

	2021			2020		
	Revenue	Cost of sales	Gross profit	Revenue	Cost of sales	Gross profit
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed prosthetic devices	1,935,951	882,485	1,053,466	1,516,016	734,809	781,207
Removable prosthetic devices	537,414	243,806	293,608	403,572	199,902	203,670
Others	481,807	278,230	203,577	270,620	165,509	105,111
<b>Total</b>	<b>2,955,172</b>	<b>1,404,521</b>	<b>1,550,651</b>	<b>2,190,208</b>	<b>1,100,220</b>	<b>1,089,988</b>

## Geographical information

### (a) Revenue from external customers

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Europe	1,254,596	916,731
North America	718,776	571,170
Greater China	699,246	489,234
Australia	250,339	192,569
Others	32,215	20,504
	<u>2,955,172</u>	<u>2,190,208</u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Europe	702,157	773,781
North America	533,000	540,642
Australia	434,507	458,110
Greater China	466,308	377,279
Others	76,375	75,245
	<u>2,212,347</u>	<u>2,225,057</u>

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:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<u>Revenue</u>		
Sale of goods transferred at a point in time	<u><b>2,955,172</b></u>	<u>2,190,208</u>
<u>Other income</u>		
Bank interest income	<b>1,157</b>	1,255
Government subsidies*	<b>4,958</b>	7,202
Others	<u><b>5,685</b></u>	<u>6,566</u>
	<u><b>11,800</b></u>	<u>15,023</u>
<u>Gains</u>		
Foreign exchange gain, net	—	10,175
Gains on disposal of items of property, plant and equipment, net	—	1,521
Gains on lease modification, net	<u>7</u>	<u>675</u>
	<u>7</u>	<u>12,371</u>
Other income and gains	<u><b>11,807</b></u>	<u>27,394</u>

\* 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:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	<u><u>8,744</u></u>	<u><u>6,200</u></u>

(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):

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold <sup>#</sup>	<b>1,404,521</b>	1,100,220
Depreciation of right-of-use assets	<b>47,723</b>	47,658
Depreciation of property, plant and equipment	<b>64,286</b>	58,641
Amortisation of intangible assets	<b>28,393</b>	29,452
Lease payments not included in the measurement of lease liabilities	<b>11,951</b>	9,620
Research and development cost <sup>##</sup>	<b>36,506</b>	6,434
Auditors' remuneration	<b>10,779</b>	9,713
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries <sup>*</sup>	<b>1,170,452</b>	900,258
Pension scheme contributions	<b>151,659</b>	105,147
	<b>1,322,111</b>	1,005,405
Bank interest income	<b>(1,157)</b>	(1,255)
Loss/(gains) on disposal of items of property, plant and equipment, net <sup>**</sup>	<b>504</b>	(1,521)
Gains on lease modification, net <sup>**</sup>	<b>(7)</b>	(675)
Write-off of property, plant and equipment <sup>**</sup>	<b>608</b>	319
Impairment of goodwill	<b>—</b>	150,132
Allowance for impairment of trade receivables, net	<b>4,202</b>	5,053
Foreign exchange loss/(gain), net <sup>**</sup>	<b>17,303</b>	(10,175)

<sup>#</sup> Cost of inventories sold includes HK\$823,487,000 (2020: HK\$653,323,000) 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\$28,970,000 (2020: HK\$5,505,000) 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 nil (2020: HK\$26,265,000) 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. Loss on disposal of items of property, plant and equipment, net, 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

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans	<b>14,427</b>	23,861
Finance charges on bank loans	<b>2,964</b>	3,874
Interest on lease liabilities	<b>5,670</b>	5,964
	<b><u>23,061</u></b>	<u>33,699</u>

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

Pursuant to the PRC Income Tax Law and the respective regulations, companies of the Group 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 2021 and 2020.

Pursuant to the rules and regulations of the United States, companies of the Group, except limited liability companies (“LLC”), which operate in the United States are subject to a flat rate of 21% (2020: 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.

Companies of the Group 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, companies of the Group 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.

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current	<b>103,866</b>	58,113
Deferred	<b>(154)</b>	(41,548)
Total tax charge for the year	<b><u>103,712</u></b>	<u>16,565</u>

## 7. DIVIDENDS

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interim — HK7.5 cents (2020: Nil) per ordinary share	<b><u>71,968</u></b>	<u>—</u>
Special — HK5.0 cents (2020: Nil) per ordinary share	<b><u>47,979</u></b>	<u>—</u>
Proposed final — HK4.4 cents (2020: HK7.0 cents) per ordinary share	<b><u>42,105</u></b>	<u>67,373</u>

In 2021, the calculations of the interim dividend and special dividend are based on 959,577,000 ordinary shares in issue. The calculation of proposed final dividend is based on 956,941,000 ordinary shares in issue.

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

On 29 March 2022, the Board recommended a final dividend of HK4.4 cents per ordinary share for the year ended 31 December 2021. The proposed final dividend for the year ended 31 December 2021 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 957,223,602 (2020: 961,914,338) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<b>360,825</b>	107,763

	<b>Number of shares</b>	
	<b>2021</b>	2020
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the years used in the basic and diluted earnings per share calculation	<b>957,223,602</b>	961,914,338

## 9. PROPERTY, PLANT AND EQUIPMENT

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Carrying amount at 1 January	<b>518,915</b>	498,613
Additions	<b>135,159</b>	66,243
Disposals	<b>(5,868)</b>	(17,864)
Acquisition of a business	<b>713</b>	6,442
Write-off	<b>(608)</b>	(319)
Depreciation provided during the year	<b>(64,286)</b>	(58,641)
Exchange realignment	<b>2,955</b>	24,441
	<hr/>	<hr/>
Carrying amount at 31 December	<b><u>586,980</u></b>	<u>518,915</u>

## 10. GOODWILL

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Carrying amount at 1 January	<b>1,240,088</b>	1,310,846
Acquisition of a business	<b>5,839</b>	—
Impairment of goodwill	<b>—</b>	(150,132)
Exchange realignment	<b>(60,245)</b>	79,374
	<hr/>	<hr/>
Carrying amount at 31 December	<b><u>1,185,682</u></b>	<u>1,240,088</u>

## 11. TRADE RECEIVABLES

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

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 1 month	<b>240,514</b>	282,483
1 to 2 months	<b>80,195</b>	63,603
2 to 3 months	<b>41,002</b>	33,811
3 months to 1 year	<b>141,185</b>	70,541
Over 1 year	<b>26,080</b>	22,667
	<hr/> <b>528,976</b> <hr/>	<hr/> 473,105 <hr/>

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

## 12. TRADE PAYABLES

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

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 1 month	<b>58,033</b>	48,795
1 to 2 months	<b>17,616</b>	10,585
2 to 3 months	<b>2,402</b>	4,623
Over 3 months	<b>2,031</b>	3,667
	<u><b>80,082</b></u>	<u>67,670</u>

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



### 13. INTEREST-BEARING BANK BORROWINGS

	2021			2020		
	Effective/ contractual interest rate (%)	Maturity	HK\$'000	Effective/ contractual interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Bank loans – secured	—	—	—	1-year Loan Prime Rate	On demand	35,644
Current portion of long term bank loans – secured	<b>Hong Kong Interbank Offered Rate ("HIBOR")</b>					
	+1.60	2022	<u>173,402</u>	HIBOR+1.60	2021	<u>152,036</u>
			<u>173,402</u>			<u>187,680</u>
<b>Non-current</b>						
Long term bank loans – secured	HIBOR+1.60	2023-2025	<u>499,660</u>	HIBOR+1.60	2022-2025	<u>673,063</u>
			<u>499,660</u>			<u>673,063</u>
			<u>673,062</u>			<u>860,743</u>
Analysed into:						
Within one year or on demand				<b>173,402</b>		187,680
In the second year				<b>389,769</b>		173,402
In the third to fifth years, inclusive				<b>109,891</b>		499,661
				<u><b>673,062</b></u>		<u>860,743</u>

*Notes:*

- (a) As at 31 December 2021 and 2020, all bank borrowings are secured by the corporate guarantees of the Company and certain of its subsidiaries.
- (b) As at 31 December 2021, the Group's bank borrowings are denominated in HK\$.

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.

#### **14. EVENTS AFTER THE REPORTING PERIOD**

On 24 December 2021, Modern Dental Holding Limited, a wholly-owned subsidiary of the Company, entered into a subscription and shareholders' agreement and a shares purchase agreement in relation to the subscription and acquisition of shares in aggregate representing 70% equity interests of Apex Digital Dental SDN BHD ("**Apex Digital**"), a leading digital dental laboratory in Malaysia at a cash consideration of MYR2,073,000 with an earn-out clause that may increase it up to MYR3,073,000 depending on the achievement of the target performance by Apex Digital. The acquisition is completed in January 2022. The subscription and acquisition will provide the Group with an important foundation to further expand digital offering in the Malaysian market and a sales network to introduce the Group's comprehensive product offering and services to the Malaysian market.

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

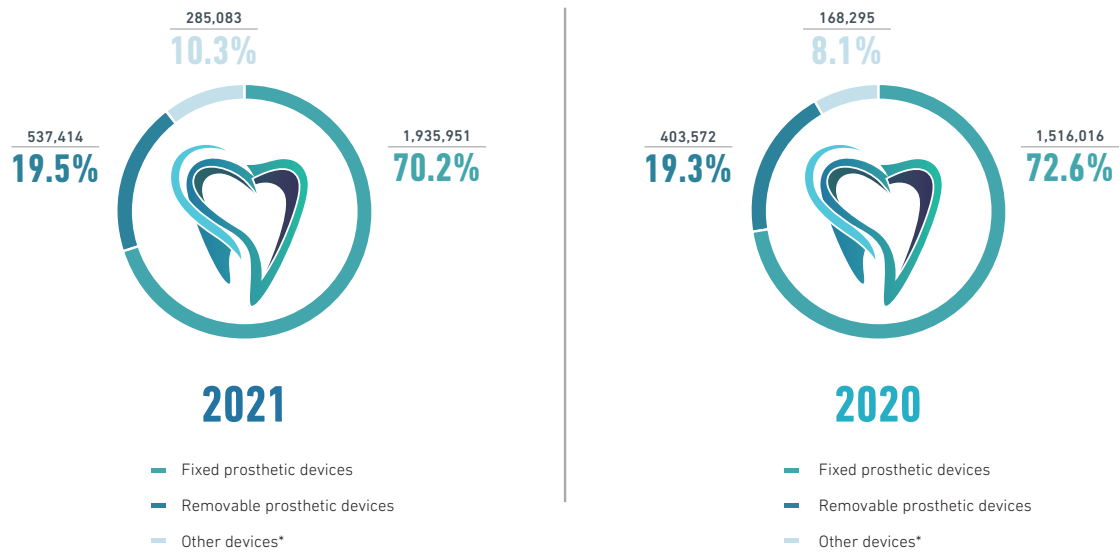
### **BUSINESS REVIEW**

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 (including clear aligner), sports guards and anti-snoring devices, raw materials, dental equipment and the services of educational events and seminars rendered. Including in “others” segment, the sales of TrioClear (our own aligner) is approximately HK\$21,007,000 (2020: HK\$4,723,000).

#### **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 2021 and 2020 respectively:

## Breakdown of revenue (HK\$'000 and %)



\* Raw materials revenue, dental equipment revenue, clear aligner 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 2021, fixed prosthetic devices business segment recorded a revenue of approximately HK\$1,935,951,000, representing an increase of approximately HK\$419,935,000 as compared with the year ended 31 December 2020. This business segment accounted for approximately 70.2% of the Group's total revenue as compared with approximately 72.6% in the year ended 31 December 2020.

### ***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 2021, removable prosthetic devices business segment recorded a revenue of approximately HK\$537,414,000, representing an increase of approximately HK\$133,842,000 as compared with the year ended 31 December 2020. This business segment accounted for approximately 19.5% of the Group's total revenue as compared with approximately 19.3% in the year ended 31 December 2020.

### ***Other Devices***

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

During the year ended 31 December 2021, other devices business segment recorded a revenue of approximately HK\$285,083,000, representing an increase of approximately HK\$116,788,000 as compared with the year ended 31 December 2020. This business segment accounted for approximately 10.3% of the Group's total revenue as compared with approximately 8.1% in the year ended 31 December 2020.

## ***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 2021 and 2020 respectively:

	Year ended 31 December					
	2021			2020		
	Sales		ASP (HK\$ per case)	Sales		ASP (HK\$ per case)
	Volume (number of cases)	Revenue (HK\$'000)		Volume (number of cases)	Revenue (HK\$'000)	
<u>Product category</u>						
Fixed prosthetic devices	<b>1,111,570</b>	<b>1,935,951</b>	<b>1,742</b>	925,096	1,516,016	1,639
Removable prosthetic devices	<b>444,478</b>	<b>537,414</b>	<b>1,209</b>	347,618	403,572	1,161
Other devices*	<b>443,570</b>	<b>285,083</b>	<b>643</b>	323,608	168,295	520
Total	<b><u>1,999,618</u></b>	<b><u>2,758,448</u></b>	<b>1,379</b>	<b><u>1,596,322</u></b>	<b><u>2,087,883</u></b>	1,308

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

## ***Sales volume and average selling price***

For the year ended 31 December 2021, the sales volume and ASP of the Group's products across its markets were 1,999,618 cases (2020: 1,596,322 cases) and HK\$1,379 per case (2020: HK\$1,308 per case), representing an increase of 25.3% and 5.4%, respectively.

For the year ended 31 December 2021, the Group's digital solution cases (overseas and domestic) that are produced from its Mainland China production facilities (which, for the avoidance of doubt, does not include digital solution cases produced in the Group's non-Mainland China production facilities or overseas/satellite dental laboratories) increased to approximately 301,212 cases reflecting an increase of 183.2% as compared with the same period in 2020 (approximately 106,374 cases) as a result of our clients' increased adoption of intra-oral scanners.

## 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 2021, 2020 and 2019 respectively:

Market	Year ended 31 December										
	2021		2020		2019		2021 vs 2020		2021 vs 2019		
	Conversion rate #	Conversion rate #	Conversion rate #	Change in Organic growth	Change in Organic growth						
	(Original currency)	(Original currency)	(Original currency)	Change in rate	Change in rate						
	Original currency per HK\$	Revenue (HK\$'000)	Revenue (HK\$'000)	Revenue (HK\$'000)	Revenue (HK\$'000)	Change in currency (%)	Change in rate (%)	Change in currency (%)	Change in rate (%)		
Europe	EUR	9.20	1,254,596	8.85	916,731	8.78	957,616	4.0%	31.6%	4.8%	25.0%
North America	US\$	7.75	718,776	7.75	571,170	7.75	697,082	—	25.8%	—	3.1%
Greater China	RMB	1.21	699,246	1.12	489,234	1.14	527,033	8.0%	32.3%	6.1%	25.0%
Australia	AUD	5.84	250,339	5.35	192,569	5.45	198,983	9.2%	19.1%	7.2%	17.4%
Others			32,215		20,504		18,834	—	57.1%	—	71.0%
Total			<u>2,955,172</u>		<u>2,190,208</u>		<u>2,399,548</u>				

# 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 2021.

Our Europe region experienced unprecedented demand for its products and services in 2021 as revenue significantly exceeded pre-pandemic levels of 2019 (for the same period). Significant tailwinds were generated by an increase in spending by consumers on specialty dental treatments and by digitalization of, and adoption of intra-oral scanners in, the dental market. In particular, sales of intra-oral scanners in the Europe region increased by 106% during the year.

The European region benefited from a significant increase in new clients as the lasting effects of the pandemic continued to disproportionately affect our smaller and mid-scaled competitors leading to, in the Group's view, a material increase in market share in this region. As the leading dental prosthetics supplier in Europe, the Group is in an ideal position to take advantage of the aforementioned trends.

The Group has been the frontrunner to provide comprehensive digital solutions offerings, ranging from numerous minimal invasive and aesthetic prosthetic solutions to intra-oral scanners and clear aligners, and is well positioned to capture the opportunities arising from the accelerated digitalisation trend of the dental industry. 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.



During the year ended 31 December 2021, the European market recorded a revenue of approximately HK\$1,254,596,000, representing an increase of approximately HK\$337,865,000 as compared with year ended 31 December 2020. This geographic market accounted for 42.5 % of the Group's total revenue as compared with approximately 41.9% for the year ended 31 December 2020. The increase of revenue from the European market was attributable to (i) the continued increase in sales orders volume since June 2020 (after the first lockdown) throughout the pandemic; (ii) the success in offering comprehensive latest state-of-the-art digital solutions to our clients that brought new clients on board; drove the increase in sales order volumes; and sales of new equipment (primarily intra-oral scanners); and (iii) the appreciation of EUR against HK\$ of 4.0% compared with the year ended 31 December 2020.

### ***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 2021.

MicroDental Laboratories, Inc. and its subsidiaries (“**MicroDental Group**”) contributed approximately HK\$570,959,000 (2020: HK\$457,417,000) to the Group's revenue, approximately HK\$76,745,000 (2020: HK\$46,648,000) to the Group's Adjusted EBITDA; approximately HK\$44,009,000 of profit (2020: HK\$98,413,000 of loss) to the Group's profit; and approximately HK\$44,009,000 of profit from core operations (2020: HK\$13,744,000) to the Group's profit from core operations for the year ended 31 December 2021.

The Group is focused on ensuring solid execution of its North American business operationally and financially. We continue to implement substantial cost controls and restructuring while maintaining appropriate operational and critical customer centric support service levels. Although the Group has closed a few unprofitable businesses during 2021 and has encountered the general softness and constraints, the revenue of the North American market has increased by approximately 25.8% in 2021 compared with 2020 (approximately 3.1% compared with 2019) and the profit from core operations of MicroDental Group has increased by 220.2% in 2021 compared with 2020 (approximately by 1,774.3% compared with 2019). The continued increase in sales and profitability of the North American region were driven by the increase in demand for its products as a direct result of the re-opening of the North American economy, pent-up demand and certain fiscal policies and fiscal stimulus adopted by the existing administration.

In 2021, our clients' interest surrounding digital dentistry continued to increase. 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 2021, the North American market recorded a revenue of approximately HK\$718,776,000, representing an increase of approximately HK\$147,606,000 as compared with the year ended 31 December 2020. This geographic market accounted for approximately 24.3% of the Group's total revenue as compared with approximately 26.1% in the year ended 31 December 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 2021.

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 at full operation, and new products addressing the mid-market segment of the dental industry, we expect to further consolidate our leading status in the Greater China market. The Mainland China market benefited from a significant increase in clients as the lasting effects of the pandemic continued to disproportionately affect our smaller and mid-scaled competitors leading to, in the Group's view, a material increase in market share in this region.

The management is cautiously optimistic on the long-term prospect of the Greater China region. The potential policy development in the Mainland China market in relation to an potential inclusion of the implant dental treatment in the social insurance benefits and the relevant price control on implant components (dental prosthetic teeth is not part of the implant component) shall lead to volume growth in implant related dental prosthetic teeth in the market. The Group is committed to support the development of the dental community in the region for long-term by (i) continuing to expand the depth and width of our products portfolios offering, such as adding mid-end products in the Mainland China; expansion of the production facilities in Shanghai; and adding implants and clear aligners products in Hong Kong and Macau; (ii) 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; and (iii) launching of our own dental digital platform in Hong Kong.

For the year ended 31 December 2021, the Greater China market recorded a revenue of approximately HK\$699,246,000, representing an increase of approximately HK\$210,012,000 as compared with the year ended 31 December 2020. This geographic market accounted for approximately 23.7% of the Group's total revenue as compared with approximately 22.3% in the year ended 31 December 2020. The increase of revenue from the Greater China market was largely attributable to (i) the continued increase in sales orders volume after the first lockdown in first half of 2020; (ii) the increase in sales orders volumes as a result of the expansion of product range offering; and (iii) the appreciation of RMB against HK\$ of 8.0% in the year ended 31 December 2021.

### ***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. Our Australian region experienced unprecedented demand for its products and services in 2021 as revenues significantly exceeded pre-pandemic levels of 2019 (for the same period) although the Australian market experienced pandemic related lockdown or restrictive measures during the 2nd half of 2021 that affected its profitability. The Group is focused on ensuring solid execution of its Australian business operationally and financially, driven by organic growth and acquisitions.

For the year ended 31 December 2021, the Australian market recorded a revenue of approximately HK\$250,339,000, representing an increase of approximately HK\$57,770,000 as compared with the year ended 31 December 2020. This geographic market accounted for approximately 8.5% of the Group's total revenue as compared with approximately 8.8% in the year ended 31 December 2020. The increase of revenue from the Australian market was largely attributable to (i) the increase in sales order volume; and (ii) the appreciation of AUD against HK\$ of 9.2% for the year ended 31 December 2021 compared with last year.

## ***Others***

Other markets primarily include Indian Ocean countries, Japan, Taiwan and Singapore. For the year ended 31 December 2021, these markets recorded a revenue of approximately HK\$32,215,000, representing an increase of approximately HK\$11,711,000 as compared with the year ended 31 December 2020. This geographic market accounted for approximately 1.0% of the Group's total revenue as compared with approximately 0.9% last year. The increase of revenue from the other markets was largely attributable to the increase in sales order volume.

## **FUTURE PROSPECTS AND STRATEGIES**

Notwithstanding any short term challenges the global economy may face such as the emergence of new variants of COVID-19, the Board is confident that the medium and long-term global demand for dental prosthetics is expected to continue due to key irreversible demographic factors and trends. While it may be unpredictable as to how the new variants of COVID-19 may affect our clients' businesses in the short term (e.g. various degree of distortions to our logistics and production operations) and government-imposed restrictions on our production facilities in Mainland China, it is evident that the lasting effects of the pandemic has disproportionately affected our smaller or mid-scaled competitors and has accelerated the adoption of intra-oral scanners by our customers in certain markets, 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 unique global distribution network of the Group brings additional opportunities to the Group and the Board is of the view that through further acquisitions, continuing organic growth, additional distribution and joint venture arrangements with upstream suppliers, venturing into new markets (including the setup of the scalable production facilities in Vietnam) and the introduction of new products (such as our own clear aligners, TrioClear and QJ Smile), the Group will go from strength-to-strength in consolidating its status as the leading global dental prosthetic device provider.

The Group has operated over 35 years and has withstood various shocks within the global economy and natural disasters in the past decades and evidently 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.

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

## **FINANCIAL REVIEW**

### **Revenue**

For the year ended 31 December 2021, the revenue of the Group amounted to approximately HK\$2,955,172,000, representing an increase of approximately 34.9% as compared with approximately HK\$2,190,208,000 for the year ended 31 December 2020. The increase was largely attributable to (i) the continued increase in sales orders volume and number of new clients amid the pandemic since the 1st round of lockdown in various countries in 1st half of 2020; (ii) appreciation of foreign currencies against HK\$ when compared with same period in 2020 (in particular, EUR and AUD although both currencies depreciated against HK\$ in the 2nd half of 2021 compared with the 1st half of 2021 whereas RMB against HK\$ remained strong throughout 2021); and (iii) increase in sales of dental equipment (including intra-oral scanners) and clear aligner products.

## Gross Profit and Gross Profit Margin

The gross profit for the year ended 31 December 2021 was approximately HK\$1,550,651,000, which was approximately 42.3% higher than that of last year. The increase of the gross profit margin of approximately 2.7% compared with last year was mainly attributable to the increase in productivity of the production teams and (ii) the appreciation of foreign currencies against HK\$ when compared with 2020 (in particular, EUR and AUD although both currencies depreciated against HK\$ in the 2nd half of 2021 compared with the 1st half of 2021 whereas RMB against HK\$ remained strong throughout 2021) offset by the increase in production costs to deal with distortions in operations arose from various stringent restrictive measures as a result of resurgence of the new variants of COVID-19 in the 2nd half of 2021.

The gross profit margins of Fixed Prosthetic Devices business segment, Removable Prosthetic Devices business segment and Others business segment were approximately 54.4%, 54.6% and 42.3% respectively. The following table sets forth the breakdown of our gross profit and gross margin by product category.

	Year ended 31 December			
	2021		2020	
	Gross profit <i>HK\$'000</i>	Gross margin (%)	Gross profit <i>HK\$'000</i>	Gross margin (%)
<u>Product category</u>				
Fixed prosthetic devices	1,053,466	54.4	781,207	51.5
Removable prosthetic devices	293,608	54.6	203,670	50.5
Others	203,577	42.3	105,111	38.8
Total	<u>1,550,651</u>		<u>1,089,988</u>	

## **Selling and Distribution Expenses**

The selling and distribution expenses increased by approximately 43.0% from approximately HK\$251,410,000 for the year ended 31 December 2020 to approximately HK\$359,466,000 for the year ended 31 December 2021, accounting for approximately 12.2% of the Group's revenue, as compared with approximately 11.5% for last year. The increase in the selling and distribution expenses was in line with the resumption in the ordinary face-to-face marketing activities (such as trade shows) in 2021 and the increase in promotions and marketing activities and sales headcount of our clear aligner business, including TrioClear and QJ Smile.

## **Administrative Expenses**

The administrative expenses increased by approximately 25.5% to approximately HK\$697,311,000 for the year ended 31 December 2021 from approximately HK\$555,817,000 for the year ended 31 December 2020, accounting for approximately 23.6% of the Group's revenue, as compared with approximately 25.4% for last year. The increase in the administrative expenses was primarily attributable to (i) the increase in research and development expenses for products development (including TrioClear) by approximately HK\$30,072,000 (2021: approximately HK\$36,506,000; 2020: approximately HK\$6,434,000); (ii) the increase in labour costs (included the increase in financial performance linked bonus of approximately HK\$17,470,000 in 2021 compared with 2020 and the increase in number of headcount); (iii) the decrease in government subsidies on labour costs under COVID-19 related employment support schemes; and (iv) costs incurred for setting up a Vietnam production facilities. The decrease in the administrative expenses as a percentage of revenue was mainly due to the strengthened costs control measures and enhancement in the economies of scale as a result of the significant increase in sales.



## **Impairment of Goodwill**

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 as a result of the on-going spreading of the COVID-19 in the North America region for the year ended 31 December 2020. During the year ended 31 December 2021, due to strong recovery of the dental industry, no further impairment loss of goodwill is therefore required to be made.

## **Other Operating Expenses**

During the year ended 31 December 2021, the other operating expenses increased by approximately 3,288.1% from approximately HK\$563,000 for the year ended 31 December 2020 to approximately HK\$19,075,000 for the year ended 31 December 2021, accounting for 0.6% of the Group's revenue, as compared with less than 0.1% for the corresponding period in 2020. Other operating expenses mainly represented exchange losses, net, incurred of HK\$17,303,000 (2020: Nil) as a result of the depreciation of foreign currencies during the 2nd half of 2021.

## **Finance Costs**

During the year ended 31 December 2021, the finance costs decreased by approximately 31.6% from approximately HK\$33,699,000 for the year ended 31 December 2020 to approximately HK\$23,061,000 for the year ended 31 December 2021, accounting for approximately 0.8% of the Group's revenue, as compared with approximately 1.5% for the corresponding period in 2020. The decrease in finance costs were mainly driven by the reduction in bank loans and decrease in interest rate in 2021 compared with 2020.

## **Income Tax Expense**

Income tax expense increased by approximately 526.1% from approximately HK\$16,565,000 for the year ended 31 December 2020 to approximately HK\$103,712,000 for the year ended 31 December 2021. The increase was primarily attributable to (i) the increase in profit before tax of the Group in 2021 and (ii) a recognition of an one-off provision for income tax and charges related to prior years of approximately HK\$19,450,000 (2020:Nil).

## **Profit for the Year**

Profit for the year increased by approximately 234.7% from approximately HK\$107,659,000 for the year ended 31 December 2020 to approximately HK\$360,375,000 for the year ended 31 December 2021. The increase in profit for the year was due to operating profit generated by the Group as a result of the strong sales performance; and no one-off non-cash impairment loss of goodwill for North America region recognised in the year ended 31 December 2021 (2020: HK\$150,132,000)

## **Profit Attributable to Owners of the Company**

Profit attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately HK\$360,825,000, representing an increase of approximately HK\$253,062,000, or approximately 234.8%, as compared with profit attributable to owners of the Company of approximately HK\$107,763,000 for the corresponding period in 2020.

## **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 2021, 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 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:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>EBITDA and Adjusted EBITDA</b>		
<b>Net profit</b>	<b>360,375</b>	107,659
Tax	<b>103,712</b>	16,565
Finance costs	<b>23,061</b>	33,699
Depreciation of right-of-use assets	<b>47,723</b>	47,658
Depreciation of property, plant and equipment	<b>64,286</b>	58,641
Amortisation of intangible assets	<b>28,393</b>	29,452
Impairment of goodwill	<b>—</b>	150,132
Less:		
Bank interest income	<b>(1,157)</b>	(1,255)
<b>EBITDA</b>	<b>626,393</b>	442,551
Add:		
One-off cost in connection with acquisitions and disposals	<b>2,293</b>	—
One-off cost in connection with restructuring and reorganisation	<b>—</b>	4,354
<b>Adjusted EBITDA</b>	<b>628,686</b>	446,905
<b>Adjusted EBITDA Margin</b>	<b>21.3%</b>	20.4%

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:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Profit from core operations</b>		
<b>Net Profit</b>	<b>360,375</b>	107,659
Add:		
Impairment of goodwill	—	150,132
One-off cost in connection with acquisitions and disposals	<b>2,293</b>	—
One-off cost in connection with restructuring and reorganisation	—	4,354
One-off tax provision related to prior years	<b>19,450</b>	—
Less:		
Tax credit related to impairment of goodwill	—	(37,975)
	<u>382,118</u>	<u>224,170</u>
<b>Profit from core operations</b>		
<b>Profit from core operations Margin</b>	<b>12.9%</b>	10.2%

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Cash Flows**

The table below summarises the Group's cash flows for the years ended 31 December 2021 and 31 December 2020 respectively:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Net cash flows from operating activities	<b>525,144</b>	400,177
Net cash flows used in investing activities	<b>(142,653)</b>	(46,964)
Net cash flows used in financing activities	<b>(452,117)</b>	(56,664)

The Group derives its working capital mainly from cash on hand and 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\$633,157,000 as of 31 December 2021, 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 2021, the net cash flows from operating activities has increased to approximately HK\$525,144,000 (2020: HK\$400,177,000). 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 2021 of approximately HK\$142,653,000, of which approximately HK\$141,451,000 was used primarily for the expansion of our production facilities and upgrade of our computer-aided/manufacturing production equipment, approximately HK\$4,677,000 was used for acquisition of a business net off with proceeds from disposal of property, plant and equipment of approximately HK\$5,364,000.

## **Financing Activities**

The Group recorded a net cash outflow used in financing activities of approximately HK\$452,117,000 for the year ended 31 December 2021. The outflow was mainly attributable to (i) repayment of bank borrowings of approximately HK\$191,026,000; (ii) payment for dividend of approximately HK\$186,508,000; (iii) repurchase of the Company's ordinary shares of approximately HK\$7,896,000; (iv) payment for lease liabilities of approximately HK\$54,065,000; and (v) payment for interest expenses of approximately HK\$14,427,000.

## **Capital Expenditure and Research and Development expenses**

During the year ended 31 December 2021, the Group's capital expenditure amounted to approximately HK\$141,451,000 which was mainly used for improvement on our production equipment and renovation of factory premises. All of the capital expenditure was financed by internal resources and bank borrowings. The management is committed to invest in research and development activities and keep abreast of the latest development of the technologies in the dental prosthetic market. In 2021, the Group has invested in acquisition of the latest state-of-the-art machineries of approximately HK\$46,061,000 in 2021 (2020: approximately HK\$41,549,000) and incurred research and development costs of approximately HK\$36,506,000 in 2021 (2020: approximately HK\$6,434,000). The aggregate amounts collectively represented approximately 3% of the revenue of the Group (2020: 2%).

## **CAPITAL STRUCTURE**

### **Bank borrowings**

Bank borrowings of the Group as of 31 December 2021 amounted to approximately HK\$673,062,000 as compared to approximately HK\$860,743,000 as of 31 December 2020. As of 31 December 2021, the bank borrowings of approximately HK\$673,062,000 were denominated in HK\$. As of 31 December 2021, 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 2021, the gearing ratio of the Group was approximately 18% (2020: 22%), reflecting that the Group’s financial position was at a sound level.

### **Debt securities**

As of 31 December 2021, the Group did not have any debt securities.

### **Contingent liabilities**

As of 31 December 2021, the Group did not have any contingent liabilities.



## **CHARGE OF GROUP ASSETS**

During the year ended 31 December 2021, 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 2021 amounted to approximately HK\$4,848,000 as compared to approximately HK\$4,828,000 as of 31 December 2020.

### **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\$300,881,000) 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 2021, the Group has paid approximately RMB172,589,000 (equivalent to approximately HK\$211,092,000) for the construction and renovation of the factory and approximately RMB18,839,000 (equivalent to approximately HK\$23,042,000) for the acquisition of land, and the remaining commitments was approximately RMB54,572,000 (equivalent to approximately HK\$66,747,000).

Save as disclosed above, the Group had no other significant capital commitments as of 31 December 2021.

## **DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

On 9 July 2021, MDPCH Pty Ltd, a wholly-owned subsidiary of the Company, entered into a share purchase agreement with independent third parties, Panagiotis (Peter) Nouris and Alexander Petratos, to acquire the business of Swift Dental Laboratory (“**Swift**”) at a cash consideration of AUD800,000 (equivalent to approximately HK\$4,677,000) and a contingent consideration of AUD370,000 (equivalent to approximately HK\$2,168,000). Swift is principally engaged in provision of dentures in Australian market. The acquisition was completed on 9 July 2021. The acquisition will provide the Group with an important foundation to build on its existing Australian-made denture work to further expand the Group’s product offering and services to its existing clients.

On 24 December 2021, Modern Dental Holding Limited, a wholly-owned subsidiary of the Company, entered into a subscription and shareholders’ agreement and a shares purchase agreement in relation to the subscription and acquisition of shares in aggregate representing 70% equity interests of Apex Digital Dental SDN BHD (“**Apex Digital**”), a leading digital dental laboratory in Malaysia at a cash consideration of MYR2,073,000 (equivalent to approximately HK\$3,872,000) with an earn-out clause that may increase it up to MYR3,073,000 (equivalent to approximately HK\$5,739,000) depending on the achievement of the target performance by Apex Digital. The acquisition is completed in January 2022. The subscription and acquisition will provide the Group with an important foundation to further expand digital offering in the Malaysian market and a sales network to introduce the Group’s comprehensive product offering and services to the Malaysian market.

The Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures for the year ended 31 December 2021 and there is no plan for material investments or capital assets as at the date of this Announcement.

## **OFF-BALANCE SHEET TRANSACTIONS**

As of 31 December 2021, the Group did not enter into any material off-balance sheet transactions.

## **IMPORTANT EVENTS AFTER THE REPORTING PERIOD**

On 24 December 2021, Modern Dental Holding Limited, a wholly-owned subsidiary of the Company, entered into a subscription and shareholders' agreement and a shares purchase agreement in relation to the subscription and acquisition of shares in aggregate representing 70% equity interests of Apex Digital, a leading digital dental laboratory in Malaysia at a cash consideration of MYR2,073,000 (equivalent to approximately HK\$3,872,000) with an earn-out clause that may increase it up to MYR3,073,000 (equivalent to approximately HK\$5,739,000) depending on the achievement of the target performance by Apex Digital. The acquisition are completed in January 2022.

Save as disclosed above, the Group has no important events after the year ended 31 December 2021 and up to the date of this Announcement.

## **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. The efficacy of the vaccines against new virus mutations, the new wave of infection particularly across developing countries with low vaccination rates, the effectiveness of policy support to facilitate the transition back to normalcy and the associated inflationary risks and supply constraints from subdued mobility caused by the pandemic, continue to pose risks and uncertainties ahead. The Group may continue to implement cost cutting measures (including salaries reduction, deferring marketing expenses, etc) to reduce the risks and uncertainties brought by the global COVID-19 pandemic.

## **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 (2021: ranged between 12% and 20%; 2020: ranged between 13% and 20%); the budgeted sales growth rates (2021: ranged between 0% and 9%; 2020: ranged between 0% and 10%); and budgeted EBITDA margins (2021: ranged between 12% and 32%; 2020: ranged between 8% and 30%), 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 2021, 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 2021, the interest rate on floating-rate bank loans were approximately HIBOR+1.60% per annum for term loans. 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 related parties, amount due from an associate, pledged deposits and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

## **Liquidity Risk**

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

## **EMPLOYEE AND REMUNERATION POLICY**

The Group had a total of 6,596 (2020: 5,838) dedicated full-time employees at our production facilities, service centers, points of sales and other sites as of 31 December 2021, mainly including 4,777 (2020: 4,219) production staff members, 669 (2020: 610) general management staff members and 408 (2020: 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 2021 was approximately HK\$1,322,111,000 (2020: HK\$1,005,405,000). 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 2021, 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 2021, no outstanding restricted share units were granted or vested pursuant to the Pre-IPO RSU Scheme.

## **DIVIDENDS**

In celebration of the Group’s 35th anniversary and in special recognition of Chan Kwun Fung’s (former chairman of the Company) and Chan Kwun Pan’s (former vice-chairman of the Company) extraordinary contribution to the Group for their decades of commitment, dedication and professionalism, the Board declared a special dividend of HK5.0 cents (six months ended 30 June 2020: Nil) per ordinary share, together with an interim dividend of HK7.5 cents (six months ended 30 June 2020: Nil) per ordinary share for the six months ended 30 June 2021.

The Board recommended a final dividend of HK4.4 cents (2020: HK7.0 cents) per ordinary share, out of the share premium account, for the year ended 31 December 2021 (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 24 May 2022, the Proposed Final Dividend will be paid on 22 June 2022 to Shareholders whose names appear on the Register of Members of the Company as at the close of business on 1 June 2022.



## **CLOSURE OF REGISTER OF MEMBERS**

To determine the entitlement to attend and vote at the AGM to be held on 24 May 2022, the Register of Members of the Company will be closed from Thursday, 19 May 2022 to Tuesday, 24 May 2022, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the forthcoming AGM, unregistered holders of shares of the Company shall ensure that, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 18 May 2022, 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 Monday, 30 May 2022 to Wednesday, 1 June 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the Proposed Final Dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 27 May 2022.

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

During the year ended 31 December 2021, the Company repurchased 3,286,000 of its ordinary shares (the “Shares”) on the Stock Exchange at an aggregate consideration of approximately HK\$7,896,000 (before expenses), details of the repurchase are summarised as follows:

Month	Number of Shares repurchased	Price per Share		Aggregate consideration
		Highest HK\$	Lowest HK\$	paid (before expenses) HK\$'000
January 2021	650,000	1.43	1.34	895
March 2021	241,000	1.83	1.76	432
April 2021	2,166,000	3.91	2.34	5,662
May 2021	229,000	3.99	3.90	907
	<u>3,286,000</u>			<u>7,896</u>

All of 3,286,000 repurchased Shares of approximately HK\$7,896,000 (before expenses) were cancelled during the year ended 31 December 2021.

The repurchase of the Shares were effected by the directors, pursuant to the mandate from Shareholders received at the annual general meetings on 28 May 2020 and 27 May 2021, 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 2021 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 2021, 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. Yau Ka Po. 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 2021, 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 2021 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 (<https://www.hkexnews.hk>) and on the website of the Company (<https://www.moderndentalgp.com>). The annual report of the Company for the year ended 31 December 2021 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 Ronald Yik Long**  
*Chairman and Executive Director*

Hong Kong, 29 March 2022

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