



MODERN DENTAL GROUP LIMITED

現代牙科集團有限公司

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

Stock code: 3600

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2021





现代牙科集团
MODERN DENTAL GROUP

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ABOUT THIS REPORT

Modern Dental Group Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), is pleased to present our annual Environmental, Social and Governance Report (the “**Report**”) for the year ended 31 December 2021 to provide an overview of our commitment to achieving environmental, social and governance goals through our sustainability pillars. The board of directors (the “**Board**”) has overall responsibility for the Group’s environmental, social and governance strategy and reporting. The Board is responsible for evaluating and determining the Group’s environmental, social and governance-related risks and ensuring that appropriate and effective environmental, social and governance risk management and internal control systems are in place. The Report is prepared by the Group with the assistance by an external professional service firm.

REPORTING PERIOD

This Report demonstrates our sustainability initiatives and performance during the reporting period from 1 January 2021 to 31 December 2021 (the “**reporting period**”).

REPORTING SCOPE

The Report covers all major subsidiaries of the Group in material geographical segment including Europe, North America, Greater China and Australia which account for over 95% (2020: over 95%) of our total business assets that principally engaged in the production and distribution of dental prosthetic devices. The Group will continue in assessing the impacts of its business on the major ESG aspects and to include in the Report.

ABOUT THIS REPORT

REPORTING BASIS

The Report is prepared in accordance with the ESG Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Group has complied with the disclosure requirements of the “comply or explain” provisions set out in the ESG Reporting Guide. During the process of preparation of this Report, we summarized the Group’s performance in corporate and social responsibilities based on the principles of “Materiality, Quantitative, Balance and Consistency”. Please refer to the table below for our understanding and response to such reporting principles.

Reporting Principles	Definitions	Our Response
Materiality	The issues covered in this Report should reflect the significant impacts of the Group on the economy, environment and society, or the scope of assessments and decisions of stakeholders being affected.	Through continuous communication with stakeholders, combined with the Group’s strategic development and business operations, we can identify current material sustainable development issues.
Quantitative	The Report should disclose key performance indicators (“KPIs”) in a measurable manner.	The Group quantitatively discloses its environmental and social KPIs, and provides textual explanations on quantitative resources.
Balance	The Report should reflect fairly the overall sustainability performance of the Group.	The Group has explained in detail the sustainable development issues that have a significant impact in the business, including the results achieved and the challenges it faces.
Consistency	The Group should use consistent disclosure principles for the preparation of this Report.	The Group will ensure that the disclosure scope and reporting methods of this Report are generally consistent every year.

SOURCES OF INFORMATION

The information disclosed in this Report is derived from the Group’s formal documents, statistics or public information. The Board is responsible for the truthfulness, accuracy and completeness of its contents.

ACCESS TO THIS REPORT

The Report is available in Chinese and English versions. In case of any discrepancy between the Chinese and English versions of the Report, the English version shall prevail. You may access the Group’s official website at www.moderndentallab.com or the website of the Stock Exchange at <http://www.hkex.com.hk> for an electronic copy of the Report.

CONTACT INFORMATION

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

INTRODUCTION

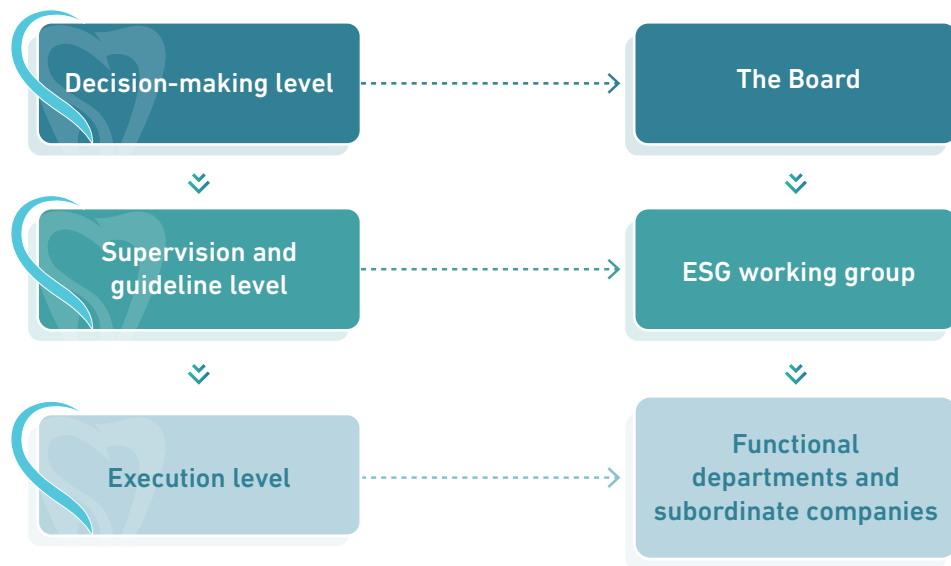
The Group is a leading global dental prosthetic device provider with a focus on providing custom-made prostheses to customers in the growing prosthetics industry. Our product portfolio is broadly categorised into three product lines: (i) fixed prosthetic devices, such as crowns and bridges; (ii) removable prosthetic devices, such as removable dentures; and (iii) others, such as orthodontic devices (including clear aligner), sports guards and anti-snoring devices, raw materials, dental equipment and the services of educational events and seminars rendered. Our success in this industry is rooted in our global proprietary sales and distribution network which we established through a series of strategic acquisitions of our former distributors. Our sales and distribution network provides us with direct access to customers, including dentists, dental clinics, hospitals, distributors and other customers, in key prosthetics markets around the globe, allowing us to promote our products in a targeted manner and to better satisfy the needs and preferences of our diverse global customer base.

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

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

SUSTAINABILITY GOVERNANCE

The Group has established an ESG framework to promote and implement the Group's sustainability strategy. To ensure effective ESG management, our ESG governance structure, composed of the Board, ESG working group, respective functional departments and subordinate companies, was established to promote ESG management and disclosure. The Board, the ultimate decision-making body of the Group, is responsible for the Group's ESG governance. The Board steers the Group's sustainable development forward and bears the overall responsibility of its ESG efforts. In the future, the Board will continue to strengthen ESG risk management and improve ESG working mechanism and regulatory processes to enhance its ESG governance standard. The ESG working group, serving on the supervision and coordination level, is responsible for implementing ESG governance strategy, coordinating ESG matters, compiling ESG reports, and reporting relevant work progress to the Board on a regular basis. Each functional department and subordinate company, serving on the execution level, is responsible for rolling out initiatives set up by the ESG working group and reporting relevant work progress and data.



STAKEHOLDER ENGAGEMENT

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

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

MATERIALITY ASSESSMENT

The Group attaches importance to the materiality assessment of ESG issues for the purpose of timely and comprehensive understanding of the materiality of each ESG issue to the business development of the Group and the expectation of stakeholders, in order to facilitate the Group's effective disclosure of ESG information and continuous improvement in the management level of relevant issues. The materiality assessment on ESG issues of the Group during the year covers the following steps:

- Step 1** The Group identified the following 21 issues in accordance with the disclosure requirements set out in the ESG Reporting Guide and based on the business characteristics and daily operation of the Group. These issues are considered to have impacts on the environment and the society during our operation.
- Step 2** Based on the understanding of the demands and expectations of stakeholder during the daily operation, the Group determined the materiality of ESG issues by benchmarking the key points and the trend of ESG works of industry peers.
- Step 3** Based on the result of the materiality assessment, the Group discussed and determined the key disclosure of the Report for the year and the key points for improvement in the future ESG work of the Group.

Social Aspects			Environmental Aspects		
1. Equal opportunity	5. Prevention of child labor and forced labor	9. Complaint handling	13. Community investment	14. Exhaust emissions	18. Water consumption
2. Employment and employee benefits	6. Selection and evaluation of suppliers	10. Protection of intellectual property rights		15. Greenhouse gas emissions	19. Paper consumption
3. Occupational health and safety	7. Control and management on environmental and social risks along the supply chain	11. Customer data privacy and data security		16. Waste management	20. Management of risks associated with Environment and Natural Resources
4. Employee development and training	8. Product quality	12. Anti-corruption and money laundering		17. Energy consumption	21. Climate change

According to the results of materiality assessment, 9 material topics (note) are regarded as the most concerned issues of stakeholder and the Group. While taking into account environmental and social responsibilities, the Group will pay more attention to the above areas, and strive to achieve continuous improvement and sustainable business development.

Note: Presented in bold.

ENVIRONMENTAL ASPECTS

EMISSIONS

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

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

Air Pollutant and Greenhouse Gas ("GHG") Emission

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

Wastewater

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

Hazardous and Non-Hazardous Wastes

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

ENVIRONMENTAL ASPECTS

USE OF RESOURCES

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

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

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

In view of our continuous effort, we target to maintain zero substantial non-compliance case in relation to the emission of exhaust gases, GHG, hazardous and non-hazardous wastes, energy consumption, water consumption and packaging materials consumption in coming five years.

THE ENVIRONMENT AND NATURAL RESOURCES

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

ENVIRONMENTAL ASPECTS

CLIMATE CHANGE

The Group is committed to mitigating the climate change and enhancing its resilience to adapt to the increasing threat of climate-related consequences.

The processes used to identify, evaluate and manage significant risks (including significant climate-related issues) by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

As a result of above risk management process, physical risk and transitions risks arising from climate change may not bring significant impacts to the Group's business. As a supporter of the recommendations of the Taskforce on Climate-Related Financial Disclosure (TCFD), the Group has assessed the potential climate related risks and identified the rising mean temperature and increasing severity and likelihood of extreme weather events such as rainstorms, floods, fire and heatwaves as major physical risks impacting our daily operation.

The Group's ESG working group is responsible for identifying and assessing any climate-related risks to which the Group's operations are exposed, and updating the Board with the latest news and developments on climate regulations and industry benchmark. In order to cope with climate-related risk, the Group implemented various emergency response mechanism and purchase adequate insurance against natural disasters, including fire or flood so as to cope with extreme weather.

In the future, we will continue to identify potential business activities impacting the environment and develop corresponding improvement measures, so as to further prevent the possible negative impacts of our operation on climate change.

SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

Employment and Labour Standards

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

Equal Opportunity

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

Anti-discrimination, Harassment and Bullying

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

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

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

Child Labor

Child labour is strictly forbidden in the Group as stipulated in the "Regulation on Prohibition of Child Labour". Candidate under the age of 16 is not allowed to work in the Group. If child labour is found, the Group will stop the child from working immediately, confirm he/she is safe in the workplace and send he/she back to his/her home. All the travel expense will be borne by the Group. The human resources department strictly complies with relevant labour laws and regulations to implement recruitment. In the recruitment processes, the human resources department takes effective procedures to verify applicants' age and inspects their identification documents and valid proof of identity before hiring any of them. Employment contracts and other records documenting all relevant details of the employees (including age) are properly maintained for verification by relevant statutory body upon request.

Employee welfare

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

SOCIAL ASPECTS

HEALTH AND SAFETY

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

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

The Group has adopted certain administrative guidelines on occupational health and safety in the workplace. Operational manuals and safety guidelines on production procedures are also implemented regarding the safe operation of production equipment and machinery, devices, chemicals and wax and casting lines during the production process. We have also adopted emergency response procedures depending on the severity of the incident. We require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. We appoint qualified consulting firms to conduct an on-site safety assessment and hazard identification. The Group complies with related laws and regulations, such as Law of the People's Republic of China on the Prevention and Control of Occupational Diseases.

During the unusual circumstances created by the COVID-19, the Group rapidly enabled our employees and contractors to adopt flexible work arrangements and introduced other measures to safeguard their wellbeing.

During each of the past three years including the reporting period, no material work-related fatalities and lost days due to work injury was recorded.

During the reporting period, the Group is not aware of any material non-compliance with applicable laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.

DEVELOPMENT AND TRAINING

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

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

SOCIAL ASPECTS

OPERATING PRACTICES

Supply Chain Management

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

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

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

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

SOCIAL ASPECTS

Product Responsibility

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

Quality Control

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

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

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

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

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

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

PRC	• ISO 13485:2016
Germany	• ISO 13485:2016
Sweden	• ISO 9001:2015
	• ISO 13485:2016
	• ISO 14001:2015
France	• ISO 9001:2015

SOCIAL ASPECTS

Customer Service Management

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

During the reporting period, there was no products sold/service provided subject to recall for safety and health reasons and no material complaints about our products and service received.

Customer Experience Innovation

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

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

In 2020, the Company was awarded "Hong Kong's Most Outstanding Services Award 2020" by Corphub.

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

Product warranties

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

SOCIAL ASPECTS

Customer Information Protection and Privacy

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

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

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

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

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

Intellectual Property

As our trade names, brands and trademarks are becoming more recognized in the PRC and overseas markets, we expect to devote additional resources to enhance the protection of our trademarks and register our trademarks in the PRC and overseas markets where we sell our prosthesis products.

The Group's legal department is the department responsible for the work related to intellectual property rights, responsible for the acquisition, modification, renewal, licensing, pledge, transfer, logout, and monitoring of intellectual property of all units including trademarks, functional variable names, copyrights, patents, responsible for guiding, supervising, and managing the intellectual property rights maintenance and rights protection and anti-counterfeiting of all units. The Group requires our staff to endeavor to guarantee and develop intellectual property rights of the Group while totally respect legal intellectual property rights of third parties. In addition, the Group would also sign confidentiality agreement and competition prohibition agreement with its staff and suppliers to prevent the infringement of intellectual property rights. Employees who are suspected of violating relevant rules of intellectual property rights of the Group shall be under investigation and the Group would take appropriate actions to this.

SOCIAL ASPECTS

Anti-Corruption

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

In accordance with our internal policy, our employees are prohibited from receiving or giving bribes or otherwise engaging in activities that violate applicable anti-corruption laws. Any payment in excess of HK\$5,000 must be made by the Company or our subsidiaries to our suppliers or other third parties directly, and may not be made by our employees in their individual capacities unless approved by the respective head of our local finance department in advance.

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

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

SOCIAL ASPECTS

COMMUNITY

Community Investment

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

In past years, "Outstanding Social Caring Organization Award" and "Social Caring Awards for Green Excellence" under the "Future Leadership Summit & Social Caring Pledge Scheme". And since Year 2016, the company continues to be awarded "Caring Company" by the Hong Kong Council of Social Services every year. The awards are recognition of the Company's active promotion of corporate social responsibility and environmental protection responsibility.



In recent years, we have continuously sponsored Young Oral and Maxillofacial Surgeon Group of Hong Kong Limited in organising their monthly dental seminar. Charitable and other donations made by the Group during the reporting year amounted to approximately HK\$1,127,000 (2020: HK\$299,000). The Group and its subsidiaries also joined and established various community initiatives as follows.

The Donated Dental Services

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

The Modern Dental Care Foundation ("MDCF")



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

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



Shining Smile Project

Since 2016, the Group has sponsored the “Shining Smile Project” initiated by the Evangelical Lutheran Church of Hong Kong and organised by the Second Smile Foundation Limited. “Shining Smile Project” is a long-term program aimed at helping ex-drug abusers recover lost dentition and regain their confidence.

Since its launch in 2016, the program has restored nearly 100 smiles and conducted more than 650 treatments.



Dress Pink Day



The Company joined the “Dress Pink Day” organised by Hong Kong Cancer Fund and Pink Revolution to show our support and raise awareness on the importance of early detection of breast cancer.

Box of Hope

The Company joined the “Box of Hope” charity project to give underprivileged children the chance to experience the joy of receiving a gift. Philanthropy has positive effects not only for children but also for the family and society more generally.



Care for the Underprivileged together with the Salvation Army

This year the Group organized a staff goods item collection campaign together with the Salvation Army. Thanks to the overwhelming responses, we have received various items including clothing, toys, shoes and electronics. These items will be distributed directly to the underprivileged, including home alone elderly, street campers and rehabilitation centers.



Clean Shorelines

The Group knows that solving the problem of marine litter requires bold initiatives.

Therefore, we organized a coastal clean-up mission at Angler's Beach, Hong Kong together with Clean Shorelines, an Inter-departmental Working Group of the Hong Kong Government, in order to take an active role in the preservation of our beautiful oceans.



APPENDIX I OVERVIEW OF KEY PERFORMANCE INDICATORS

1. Environmental Aspects¹

No. of KPIs	KPIs	Unit	2021	2020
A1.1 Emissions	Sulphur Dioxide (Sox)	tonne	0.11	0.02
	Nitrogen Oxides (Nox)	tonne	4.21	2.09
	Particulate Matter (PM)	tonne	0.03	0.09
A1.2 Greenhouse gas emissions	Scope 1 Direct emissions	tonne of equivalent CO ₂ emission	2,362.99	1,084.90
	Scope 2 Indirect emissions	tonne of equivalent CO ₂ emission	14,547.61	15,103.96
	Total	tonne of equivalent CO ₂ emission	16,910.60	16,188.86
	Intensity	tonne of equivalent CO ₂ emission/Sales volume '000	8.46	10.14
A1.3 Hazardous waste	Total hazardous waste	tonne	12.39	2.66
	Intensity	tonne/Sales volume '000	0.01	less than 0.01
A1.4 Non-hazardous waste	Total non-hazardous waste	tonne	1,788.18	1,558.75
	Intensity	tonne/Sales volume '000	0.89	0.98
A2.1 Energy consumption	Diesel	MWh	795.26	677.90
	Heat/Cooling	MWh	562.26	Nil
	LPG	MWh	49.66	22.90
	Natural gas	MWh	7,741.03	1,251.42
	Purchased electricity	MWh	15,332.97	19,902.29
	Renewable energy	MWh	Nil	0.80
	Unleaded petrol	MWh	2,397.01	2,189.87
	Total	MWh	26,878.19	24,045.18
A2.2 Water consumption	Intensity	MWh/Sales volume '000	13.44	15.06
	Total water consumption	m ³	381,418.58	346,669.96
	Intensity	m ³ /Sales volume '000	190.75	217.17
A2.5 Packaging material	Plastic	tonne	34.97	47.03
	Paper	tonne	126.13	73.03

Note

1. The calculation of environmental KPIs are with reference to "A Corporate Accounting and Reporting Standard" from The GHG Protocol and the "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the HKEx.

APPENDIX I OVERVIEW OF KEY PERFORMANCE INDICATORS

2. Social Aspects

No. of KPIs	KPIs	Unit	2021
B1.1 Total number of employees	By gender		
	Male	person	3,151
	Female	person	3,445
	By employment type		
	Full-time	person	6,348
	Part-time	person	248
	By age group		
	Below 30	person	3,020
	30-50	person	2,972
	51 or above	person	604
	By employment category		
	General staff	person	5,637
	Middle management	person	802
	Senior management	person	157
	By geographical region		
	Greater China	person	5,054
	Europe	person	492
	North America	person	579
	Australia	person	134
	Others	person	337
B1.2 Employee turnover rate	Turnover rate by gender		
	Male	%	31
	Female	%	28
	Turnover rate by age group		
	Below 30	%	31
	30-50	%	30
	51 or above	%	20
	By geographical region		
	Greater China	%	34
	Europe	%	5
	North America	%	28
	Australia	%	19
	Others	%	8

APPENDIX I OVERVIEW OF KEY PERFORMANCE INDICATORS

No. of KPIs	KPIs	Unit	2021
B3.1 Percentage of trained employees	Percentage of trained employees	%	82
	<i>By gender</i>		
	Male	%	77
	Female	%	87
	<i>By employment category</i>		
	General staff	%	79
	Middle management	%	100
	Senior management	%	100
B3.2 Average training hours completed per employee	Average training hours completed per employee	hour	23
	<i>By gender</i>		
	Male	hour	23
	Female	hour	23
	<i>By employment category</i>		
	General staff	hour	27
	Middle management	hour	28
	Senior management	hour	22
B5.1 Number of suppliers	Number of suppliers by geographical region		
	Greater China	supplier	357
	Europe	supplier	281
	North America	supplier	271
	Australia	supplier	62
	Others	supplier	47
B7.1 Legal cases in relation to corruption	Number of legal cases in relation to corruption filed and concluded	case	Nil

APPENDIX II ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Subject areas, aspects, general disclosures and KPIs		Section
A. Environmental		
Aspect A1: Emissions		
	General Disclosure	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Appendix I Overview of Key Performance Indicators
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total and, where appropriate, intensity.	Appendix I Overview of Key Performance Indicators
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	Appendix I Overview of Key Performance Indicators
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Appendix I Overview of Key Performance Indicators
KPI A1.5	Description of emission targets set and steps taken to achieve them.	Emissions & Use of Resources
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction targets set and steps taken to achieve them.	Emissions
Aspect A2: Use of Resources		
	General Disclosure	Use of Resources
KPI A2.1	Direct and indirect energy consumption by type in total.	Appendix I Overview of Key Performance Indicators
KPI A2.2	Water consumption in total and intensity.	Appendix I Overview of Key Performance Indicators
KPI A2.3	Description of energy use efficiency and a description of targets set and steps taken to achieve them.	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency and a description of targets set and steps taken to achieve them.	Use of Resources
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Appendix I Overview of Key Performance Indicators
Aspect A3: The Environmental and Natural Resources		
	General Disclosure	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Emissions & Use of Resources
Aspect A4: Climate Change		
	General Disclosure	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	Climate Change

APPENDIX II ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Subject areas, aspects, general disclosures and KPIs		Section
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
	General Disclosure	Employment and Labour Standards
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I Overview of Key Performance Indicators
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I Overview of Key Performance Indicators
Aspect B2: Health and safety		
	General Disclosure	Health and safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and safety
KPI B2.2	Lost days due to work injury.	Health and safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and safety
Aspect B3: Development and Training		
	General Disclosure	Development and Training
KPI B3.1	The percentage of employee trained by gender and employee category.	Appendix I Overview of Key Performance Indicators
KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendix I Overview of Key Performance Indicators
Aspect B4: Labour Standards		
	General Disclosure	Employment and Labour Standards
KPI B 4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment and Labour Standards
KPI B 4.2	Description of steps taken to eliminate such practices when discovered.	Employment and Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management		
	General Disclosure	Supply Chain Management
KPI B5.1	Number of suppliers by region.	Appendix I Overview of Key Performance Indicators
KPI B5.2	Description of practices relating to engaging supplies, number of supplies where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management

APPENDIX II ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Subject areas, aspects, general disclosures and KPIs		Section
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
	General Disclosure	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility - Quality Control
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility - Quality Control
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility - Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility - Quality Control
KPI B6.5	Description of customer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility - Protection and Privacy
Aspect B7: Anti-corruption		
	General Disclosure	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case.	Appendix I Overview of Key Performance Indicators
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Aspect B8: Community Investment		
	General Disclosure	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment