

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)

CONNECTED TRANSACTIONS TENANCY AGREEMENTS

Reference is made to the announcement of the Company dated 31 December 2020 in relation to, among other things, the entering into of the Previous Tenancy Agreements among the Group and its connected persons in respect of leasing of certain premises in Hong Kong and PRC. On 30 December 2022 (after trading hours), the Group further entered into Tenancy Agreements with its connected persons regarding leasing of premises in PRC.

THE LEASE AGREEMENTS

On 30 December 2022 after trading hours, the following tenancy agreements were entered into by the Group to renew the Previous Tenancy Agreements: -

- (i) Most Wealth (as landlord) and MDLCL (as tenant) entered into the Tenancy Agreement I regarding the Premise I with a term of two years commencing from 1 January 2023 to 31 December 2024;
- (ii) Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Landlord C (as landlords, collectively) and YZJSZ (as tenant) entered into the Tenancy Agreement II regarding the Premise II with a term of two years commencing from 1 January 2023 to 31 December 2024;
- (iii) Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Landlord C (as landlords, collectively) and MDLSZ (as tenant) entered into the Tenancy Agreement III regarding the Premise III with a term of two years commencing from 1 January 2023 to 31 December 2024;
- (iv) Landlord B (as landlord) and MDLSZ (as tenant) entered into the Tenancy Agreement IV regarding the Premise IV with a term of two years commencing from 1 January 2023 to 31 December 2024;

- (v) Landlord C (as landlord) and MDLSZ (as tenant) entered into the Tenancy Agreement V regarding the Premise V with a term of two years commencing from 1 January 2023 to 31 December 2024;
- (vi) Landlord A (as landlord) and MDLSZ (as tenant) entered into the Tenancy Agreement VI regarding the Premise VI with a term of two years commencing from 1 January 2023 to 31 December 2024; and
- (vii) Mr. Chan Kwun Fung and Mr. Chan Kwun Pan (as landlords, collectively) and MDLCL (as tenant) entered into the Tenancy Agreement VII regarding the Premise VII with a term of two years commencing from 1 January 2023 to 31 December 2024.

The Group also entered into below new Tenancy Agreements for the use of buildings on 30 December 2022 after trading hours: -

- (viii) Mr. Chan Chi Yuen and Mr. Chan Kwun Pan (as landlords, collectively) and MDLDG (as tenant) entered into the Tenancy Agreement VIII regarding the Premise VIII with a term of two years commencing from 1 January 2023 to 31 December 2024; and
- (ix) Mr. Chan Kwun Fung and Mr. Chan Kwun Pan (as landlords, collectively) and YZJDG (as tenant) entered into the Tenancy Agreement IX regarding the Premise IX with a term of two years commencing from 1 January 2023 to 31 December 2024.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Most Wealth is beneficially owned as to 37.5%, 37.5% and 25% by Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin, respectively, whom they are Directors of the Company. Therefore, Most Wealth is a connected person of the Company. Landlord A, Landlord B and Landlord C are associates of Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin, respectively, and hence connected persons of the Company pursuant to Rule 14A.07(4) and Rule 14A.12(1a) of the Listing Rules. Mr. Chan Chi Yuen, is a Director of the Company and therefore a connected person of the Company. Accordingly, the entering into of Tenancy Agreements and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to IFRS 16, the entering into of the Tenancy Agreements by the subsidiaries of the Group in respect of the use of buildings will require the Group to recognize the use of buildings as an acquisition of right-of-use assets under the definition of transactions set out in Rule 14.04(1)(a) and Rule 14A.24(1) of the Listing Rules.

The value of the right-of-use assets recognized by the Company at the present value of aggregate consideration payables in accordance with IFRS 16 is set out as follows: -

	Value of right-of-use assets <i>Approximate HK\$'000</i> (unaudited)
Tenancy Agreement I	6,698
Tenancy Agreement II	2,828
Tenancy Agreement III	886
Tenancy Agreement IV	272
Tenancy Agreement V	272
Tenancy Agreement VI	454
Tenancy Agreement VII	295
Tenancy Agreement VIII	1,919
Tenancy Agreement IX	<u>1,437</u>
Total	<u><u>15,061</u></u>

As the highest applicable percentage ratios as defined under Rule 14A.07 of the Listing Rules with regard to such right-of-use assets are 0.1% or more but less than 5%, the entering into of the Tenancy Agreements constitutes a one-off connected transaction for the Company and is subject to the announcement and reporting requirements but is exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 30 December 2022 after trading hours, the Tenancy Agreement I, Tenancy Agreement II, Tenancy Agreement III, Tenancy Agreement IV, Tenancy Agreement V, Tenancy Agreement VI, Tenancy Agreement VII, Tenancy Agreement VIII and Tenancy Agreement IX were entered into between the Group and its connected persons.

The principal terms of the Tenancy Agreements are summarized as below:

TENANCY AGREEMENT I

Date of Agreement : 30 December 2022 (after trading hours)

Parties : (i) Most Wealth (as landlord)
: (ii) MDLCL (as tenant)

The Premise I leased : Units 1701-1716, 17/F., CEO Tower, 77 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong

Usage : Commercial use

Construction area : 12,805 sq.ft.

Term : A term of two years commencing from 1 January 2023 to 31 December 2024 (both days inclusive)

Rent : HK\$307,000 per calendar month (inclusive of government rents and rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT II

Date of Agreement : 30 December 2022 (after trading hours)

Parties : (i) Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Landlord C (as landlord)
: (ii) YZJSZ (as tenant)

The Premise II leased : Units BC-C101, BC-C102, B501-B506, B515, B601-B613, B615, B701-B713, B715, B801-B813 and B815, Block B, Tower 7, Shiling Industrial Zone, Xinwei Village, Xili, Nanshan District, Shenzhen, PRC. (深圳市南山區西麗新圍石嶺工業區7棟B座BC區C101, C102, B501-B506, B515, B601-B613, B615, B701-B713, B715, B801-B813及B815)

Usage : Residential use

Construction area : 2,749.15 m²

Term : A term of two years commencing from 1 January 2023 to 31 December 2024 (both days inclusive)

Rent : RMB119,067 (equivalent to approximate HK\$129,605) per calendar month (inclusive of government rents and rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT III

Date of Agreement : 30 December 2022 (after trading hours)

Parties : (i) Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Landlord C (as landlord)

: (ii) MDLSZ (as tenant)

The Premise III leased : Units BC-B101-B104, B507-B513, Block B, Tower 7, Shiling Industrial Zone, Xinwei Village, Xili, Nanshan District, Shenzhen, PRC. (深圳市南山區西麗新圍石嶺工業區7棟B座BC區B101-B104, 及B507-B513)

Usage : Residential use

Construction area : 990.05 m²

Term : A term of two years commencing from 1 January 2023 to 31 December 2024 (both days inclusive)

Rent : RMB37,293 (equivalent to approximate HK\$40,594) per calendar month (inclusive of government rents and rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT IV

Date of Agreement : 30 December 2022 (after trading hours)

Parties : (i) Landlord B (as landlord)

: (ii) MDLSZ (as tenant)

The Premise IV leased	:	Units 1821, 1916 and 1932, Commercial and Residential Building, No. 9 Northern District, Liu Xian Ju, Zinggao Road, Xili, Nanshan District, Shenzhen, PRC. (深圳市南山區西麗新高路留仙居北區9號商住樓(城市公寓)1821, 1916及1932)
Usage	:	Residential use
Construction area	:	120.93 m ²
Term	:	A term of two years commencing from 1 January 2023 to 31 December 2024 (both days inclusive)
Rent	:	RMB11,460 (equivalent to approximate HK\$12,474) per calendar month (inclusive of government rents and rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT V

Date of Agreement	:	30 December 2022 (after trading hours)
Parties	:	(i) Landlord C (as landlord)
	:	(ii) MDLSZ (as tenant)
The Premise V leased	:	Units 1826, 1834 and 1922, Commercial and Residential Building, No. 9 Northern District, Liu Xian Ju, Zinggao Road, Xili, Nanshan District, Shenzhen, PRC. (深圳市南山區西麗新高路留仙居北區9號商住樓(城市公寓) 1826, 1834及1922)
Usage	:	Residential use
Construction area	:	128.61 m ²
Term	:	A term of two years commencing from 1 January 2023 to 31 December 2024 (both days inclusive)
Rent	:	RMB11,460 (equivalent to approximate HK\$12,474) per calendar month (inclusive of government rents and rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT VI

Date of Agreement	:	30 December 2022 (after trading hours)
Parties	:	(i) Landlord A (as landlord)
	:	(ii) MDLSZ (as tenant)
The Premise VI leased	:	Units 1901, 1926, 1931, 1933 and 1934, Commercial and Residential Building, No. 9 Northern District, Liu Xian Ju, Zinggao Road, Xili, Nanshan District, Shenzhen, PRC. (深圳市南山區西麗新高路留仙居北區9號商住樓 (城市公寓) 1901, 1926, 1931, 1933及1934)
Usage	:	Residential use
Construction area	:	205.30 m ²
Term	:	A term of two years commencing from 1 January 2023 to 31 December 2024 (both days inclusive)
Rent	:	RMB19,100 (equivalent to approximate HK\$20,790) per calendar month (inclusive of government rents and rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT VII

Date of Agreement	:	30 December 2022 (after trading hours)
Parties	:	(i) Mr. Chan Kwun Fung and Mr. Chan Kwun Pan (as landlord)
	:	(ii) MDLCL (as tenant)
The Premise VII leased	:	Unit 25, 11/F, Metro Centre I, 32 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong
Usage	:	Commercial use
Construction area	:	786 sq. ft.
Term	:	A term of two years commencing from 1 January 2023 to 31 December 2024 (both days inclusive)

Rent : HK\$13,500 per calendar month (inclusive of government rents and rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT VIII

Date of Agreement : 30 December 2022 (after trading hours)

Parties : (i) Mr. Chan Chi Yuen and Mr. Chan Kwun Pan (as landlord)

: (ii) MDLDG (as tenant)

The Premise VIII leased : Lane No. 13, District 1, Zhang Wan Di, Shui Ping Estate, Dongguan, PRC. (東莞市水平村長萬地一區一巷13號)

Usage : Residential use

Construction area : 3,781 m²

Term : A term of two years commencing from 1 January 2023 to 31 December 2024 (both days inclusive)

Rent : RMB80,819 (equivalent to approximate HK\$87,972) per calendar month (inclusive of government rents and rates, and exclusive of management fees, electricity charges and other outgoings)

TENANCY AGREEMENT IX

Date of Agreement : 30 December 2022 (after trading hours)

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

: (ii) YZJDG (as tenant)

The Premise IX leased : Lane No. 9, District 1, Zhang Wan Di, Shui Ping Estate, Dongguan, PRC. (東莞市水平村長萬地一區一巷9號)

Usage : Residential use

Construction area : 2,830 m²

Term	:	A term of two years commencing from 1 January 2023 to 31 December 2024 (both days inclusive)
Rent	:	RMB60,491 (equivalent to approximate HK\$65,845) per calendar month (inclusive of government rents and rates, and exclusive of management fees, electricity charges and other outgoings)

INFORMATION OF THE COMPANY

The Company is an investment holding company incorporated in the Cayman Islands. The Group is principally engaged in the production and distribution of fixed prosthetic devices, removable prosthetic devices and other devices. It is a leading dental prosthetic device provider with a focus on providing custom-made prostheses to customers in the growing prosthetics industry.

REASONS FOR AND BENEFITS OF THE ENTERING INTO THE TENANCY AGREEMENTS

The Tenancy Agreements were entered into on an arm's length negotiations with reference to the prevailing market rents of the premises of comparable size, location, facilities and use. They enabled the Group to make use of the properties as the principal place of business of the Company, the staff quarters to subsidiaries of the Group and the storage of documents of the Company which will enhance the development of relevant segment of business of the Group.

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

Since Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin are executive Directors and substantial shareholders of the Company, and Mr. Chan Chi Yuen is an executive Director of the Company, they have material interests in entering into the Tenancy Agreements and the transactions contemplated thereunder, they have abstained from voting on the board resolutions approving these Tenancy Agreements.

INFORMATION ON MOST WEALTH

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

LISTING RULES IMPLICATION

Mr. Chan Kwun Fung and Mr. Chan Kwan Pan are the Directors and substantial shareholders of the Company. They are therefore connected persons of the Company under Rule 14A.07(1) of the Listing Rules.

Most Wealth, a 75%-controlled company jointly held by Mr. Chan Kwun Fung and Mr. Chan Kwun Pan, is defined as an associate of connected persons under Rule 14A.12 of the Listing Rules. Most Wealth is accordingly a connected person under Rule 14A.07(4) of the Listing Rules.

Mr. Chan Chi Yuen, the Director of the Company, is a connected person of the Company under Rule 14A.07(1) of the Listing Rules.

Further, Landlord A, Landlord B and Landlord C are associates of Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, and Mr. Ngai Shing Kin, respectively. Landlord A, Landlord B and Landlord C are individually connected persons of the Company under Rule 14A.07(4) and Rule 14A.12 of the Listing Rules.

Accordingly, the entering into of Tenancy Agreements with above parties and the transactions contemplated thereunder constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to IFRS 16, the properties leased under Tenancy Agreements will be recognized as the acquisition of right-of-use assets with the aggregate consideration of approximately HK\$15.4 million, which will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future.

Since the applicable percentage ratios in respect of (i) the aggregated total value of right-of-use assets of the Tenancy Agreements and (ii) the aggregated value of consideration given are more than 0.1% but less than 5%, the entering into the Tenancy Agreements and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholder's approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate(s)”, “connected person(s)”, “substantial shareholder(s)” and “controlling shareholder(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Company”	Modern Dental Group Limited (stock code: 3600), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Landlord A”	associate of Mr. Chan Kwun Fung
“Landlord B”	associate of Mr. Chan Kwun Pan
“Landlord C”	associate of Mr. Ngai Shing Kin
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MDLCL”	Modern Dental Laboratory Company Limited (現代牙科器材有限公司), a company incorporated in Hong Kong and wholly-owned by the Company as a subsidiary
“MDLDG”	Modern Dental and Medical Instruments (Dongguan) Company Limited (現代牙科醫療器材(東莞)有限公司), a company established in the PRC and wholly-owned by the Company as a subsidiary

“MDLSZ”	Modern Dental Laboratory (Shenzhen) Company Limited (現代牙科器材(深圳)有限公司), a company established in the PRC and wholly-owned by the Company as a subsidiary
“Most Wealth”	Most Wealth International Limited (保康國際有限公司), a company incorporated in Hong Kong and held as to 37.5%, 37.5% and 25% by Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin, respectively
“Mr. Chan Chi Yuen”	Mr. Chan Chi Yuen, an executive Director of the Company
“Mr. Chan Kwun Fung”	Mr. Chan Kwun Fung, an executive Director and a controlling shareholder of the Company
“Mr. Chan Kwun Pan”	Mr. Chan Kwun Pan, an executive Director and a controlling shareholder of the Company
“Mr. Ngai Shing Kin”	Mr. Ngai Shing Kin, an executive Director, chief executive officer and a substantial shareholder of the Company
“m ² ”	square meter(s)
“PRC”	the People’s Republic of China, while for the purpose of this announcement and unless context suggest otherwise, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan.
“Premises”	the Premise I, the Premise II, the Premise III, the Premise IV, the Premise V, the Premise VI, the Premise VII, the Premise VIII and the Premise IX
“Premise I”	Units 1701-1716, 17/F., CEO Tower, 77 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong
“Premise II”	Units BC-C101, BC-C102, B501-B506, B515, B601-B613, B615, B701-B713, B715, B801-B813 and B815, Block B, Tower 7, Shiling Industrial Zone, Xinwei Village, Xili, Nanshan District, Shenzhen, PRC. (深圳市南山區西麗新圍石嶺工業區7棟B座BC區C101, C102, B501-B506, B515, B601-B613, B615, B701-B713, B715, B801-B813及B815)

“Premise III”	Units BC-B101-B104, B507-B513, Block B, Tower 7, Shiling Industrial Zone, Xinwei Village, Xili, Nanshan District, Shenzhen, PRC. (深圳市南山區西麗新圍石嶺工業區7棟B座BC區B101-B104, 及B507-B513)
“Premise IV”	Units 1821, 1916 and 1932, Commercial and Residential Building, No. 9 Northern District, Liu Xian Ju, Zinggao Road, Xili, Nanshan District, Shenzhen, PRC (深圳市南山區西麗新高路留仙居北區9號商住樓 (城市公寓)1821, 1916及1932)
“Premise V”	Units 1826, 1922 and 1834, Commercial and Residential Building, No. 9 Northern District, Liu Xian Ju, Zinggao Road, Xili, Nanshan District, Shenzhen, PRC (深圳市南山區西麗新高路留仙居北區9號商住樓 (城市公寓)1826, 1834及1922)
“Premise VI”	Units 1901, 1926, 1931, 1933 and 1934, Commercial and Residential Building, No. 9 Northern District, Liu Xian Ju, Zinggao Road, Xili, Nanshan District, Shenzhen, PRC (深圳市南山區西麗新高路留仙居北區9號商住樓 (城市公寓) 1901, 1926, 1931, 1933及1934)
“Premise VII”	Unit 25, 11/F, Metro Centre I, 32 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong
“Premise VIII”	Lane No. 13, District 1, Zhang Wan Di, Shui Ping Estate, Dongguan, PRC (東莞市水平村長萬地一區一巷13號)
“Premise IX”	Lane No. 9, District 1, Zhang Wan Di, Shui Ping Estate, Dongguan, PRC (東莞市水平村長萬地一區一巷9號)
“Previous Tenancy Agreements”	the tenancy agreements dated 31 December 2020 entered into between (i) Most Wealth (as landlord) and MDLCL (as tenant) in respect of Premise I; (ii) Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Landlord A, Landlord B and Landlord C (as landlords) and MDLSZ and YZJSZ (as tenants) in respect of Premise II, Premise III, Premise IV, Premise V and Premise VI; and (iii) Mr. Chan Kwun Fung and Mr. Chan Kwun Pan (as landlord) and MDLCL (as tenant) in respect of Premise VII

“Rent”	the rents paid or payable under the Tenancy Agreements
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Share(s)”	Ordinary share(s) of US\$0.1 each in the share capital of the Company
“shareholder(s)”	The holder(s) of the shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq. ft.”	square feet
“Tenancy Agreements”	the Tenancy Agreement I, the Tenancy Agreement II, the Tenancy Agreement III, the Tenancy Agreement IV, the Tenancy Agreement V, the Tenancy Agreement VI, the Tenancy Agreement VII, the Tenancy Agreement VIII and the Tenancy Agreement IX
“US\$”	United States dollars, the lawful currency of the United States
“YZJDG”	Dongguan Yangzhijin Dental Technology Company Limited (東莞洋紫荊牙科器材有限公司), a company established in the PRC and wholly-owned by the Company as a subsidiary
“YZJSZ”	Yangzhijin Dental Laboratory (Shenzhen) Company Limited (洋紫荊牙科器材(深圳)有限公司), a company established in the PRC and wholly-owned by the Company as a subsidiary
“%”	per cent

This announcement contains conversion between RMB and HK\$ at RMB1.0885 to HK\$1 unless otherwise specified. The conversion shall not be taken as a representation that RMB could actually be converted in to HK\$ at that rate, or at all.

By order of the Board
Modern Dental Group Limited
Chan Ronald Yik Long
Chairman and Executive Director

Hong Kong, 30 December 2022

As at the date of this announcement, the board of directors of the Company comprises Chan Ronald Yik Long, 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.