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 DECEMBER 31, 2015

RESULTS HIGHLIGHTS

- The Group's revenue in 2015 was approximately HK$1,415,620,000, representing an increase of approximately HK$223,454,000 or 18.7% over 2014.
- Gross profit for 2015 was approximately HK$761,368,000, representing an increase of approximately HK$119,299,000 or 18.6% over 2014. The gross profit margin was approximately 53.8%.
- Profit for 2015 was approximately HK$83,006,000, representing a decrease of HK$48,239,000 or 36.8% over 2014. This decrease was primarily attributable to the payment of expenses for the Listing.
- The Group's core EBITDA for the financial year ended December 31, 2015 was approximately HK$301,957,000 (2014: HK$268,441,000) while the core Net Profit for the financial year of 2015 was HK$196,430,000 (2014: HK$179,967,000).
- Basic earnings per share for the financial year ended December 31, 2015 amounted to HK9.93 cents (2014: HK15.12 cents).

FINANCIAL RESULTS

The board of directors (the "**Board**" or the "**Directors**") of Modern Dental Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended December 31, 2015, together with the comparative figures for the year ended December 31, 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	**2015** *HK$'000*	2014 *HK$'000*
REVENUE	3	**1,415,620**	1,192,166
Cost of sales		**(654,252)**	(550,097)
Gross profit		**761,368**	642,069
Other income and gains	3	**2,827**	19,689
Selling and distribution expenses		**(147,822)**	(137,742)
Administrative expenses		**(434,402)**	(312,597)
Other operating expenses		**(5,078)**	(5,506)
Finance costs	4	**(42,337)**	(30,477)
PROFIT BEFORE TAX	5	**134,556**	175,436
Income tax expense	6	**(51,550)**	(44,191)
PROFIT FOR THE YEAR		**83,006**	131,245
ATTRIBUTABLE TO:			
Owners of the Company		**81,963**	120,186
Non-controlling interests		**1,043**	11,059
		83,006	131,245
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	**HK9.93 cents**	HK15.12 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	HK$'000	*HK$'000*
Profit for the year	**83,006**	131,245
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(111,382)**	(79,564)
Other comprehensive loss for the year, net of tax	**(111,382)**	(79,564)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(28,376)**	51,681
ATTRIBUTABLE TO:		
Owners of the Company	**(30,486)**	41,709
Non-controlling interests	**2,110**	9,972
	(28,376)	51,681

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	Note	**2015**	2014
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**138,486**	138,085
Goodwill		**857,592**	596,480
Intangible assets		**338,599**	267,508
Derivative financial instruments		**3,635**	3,067
Deferred tax assets		**5,264**	630
Total non-current assets		**1,343,576**	1,005,770
CURRENT ASSETS			
Inventories		**58,288**	57,588
Trade receivables	9	**288,228**	252,605
Prepayments, deposits and other receivables		**31,370**	25,368
Due from related parties		**2**	38,437
Due from shareholders		**—**	65,950
Current tax assets		**8,939**	8,166
Pledged deposits		**3,360**	10,353
Cash and cash equivalents		**945,689**	167,545
Total current assets		**1,335,876**	626,012
CURRENT LIABILITIES			
Trade payables	10	**33,542**	41,313
Other payables and accruals		**120,773**	164,690
Interest-bearing bank and other borrowings		**102,182**	135,906
Derivative financial instruments		**5,030**	—
Dividend payables		**—**	25,000
Due to related parties		**1,050**	15,019
Due to shareholders		**—**	8,910
Tax payable		**37,608**	32,932
Total current liabilities		**300,185**	423,770
NET CURRENT ASSETS		**1,035,691**	202,242
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,379,267**	1,208,012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2015

	Note	**2015**	2014
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**543,589**	220,789
Derivative financial instruments		**9,108**	9,496
Due to shareholders		**—**	406,332
Deferred tax liabilities		**33,256**	14,459
Other non-current liabilities		**5,478**	5,779
Total non-current liabilities		**591,431**	656,855
NET ASSETS		**1,787,836**	551,157
EQUITY			
Equity attributable to owners of the Company			
Share capital		**77,500**	39,860
Treasury shares		**(632)**	—
Reserves		**1,702,670**	504,263
		1,779,538	544,123
Non-controlling interests		**8,298**	7,034
TOTAL EQUITY		**1,787,836**	551,157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These 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 (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. The Financial statements is 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 December 31, 2015. 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 arrangements 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 parent 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 the 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 in the accounting policy for subsidiaries below. 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 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

IFRS 9	Financial Instruments[2]
IFRS 10, IFRS 12 and IAS 28 Amendments	Investment Entities: Applying the Consolidation Exception[1]
IFRS 15	Revenue from Contracts with Customers[2]
IAS 1 Amendments	Disclosure Initiative[1]
IAS 16 and IAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
IAS 7 Amendments	Disclosure Initiative[3]
IAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealized Losses[3]
IFRS 16	Leases[4]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs issued in September 2014[1]

1 Effective for annual periods beginning on or after January 1, 2016
2 Effective for annual periods beginning on or after January 1, 2018
3 Effective for annual periods beginning on or after January 1, 2017
4 Effective for annual periods beginning on or after January 1, 2019

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on its results of operations and financial position.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January, 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

Amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments to IFRS 10 also clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Consequential amendments were made to IFRS 12 to require an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 9 to present the disclosures in respect of investment entities in accordance with IFRS 12. IAS 28 was also amended to allow an investor that is not itself an investment entity, and has an interest in an investment entity associate or joint venture, to retain the fair value measurement applied by the investment entity associate or joint venture to the interest in its subsidiaries. The amendments are not expected to have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

The Annual Improvements to IFRSs 2012–2014 Cycle issued in October 2014 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from January 1, 2016. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

- IFRS 7 Financial Instruments: Disclosures: Clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the IFRS 7 disclosures are required.

- IFRS 7 Financial Instruments: Disclosures: Clarifies that the disclosures in respect of the offsetting of financial assets and financial liabilities in IFRS 7 are not required in the condensed interim financial statements, except where the disclosures provide a significant update to the information reported in the most recent annual report, in which case the disclosures should be included in the condensed interim financial statements.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to January 1, 2018. The Group expects to adopt IFRS 15 on January 1, 2018. During the year ended December 31, 2015, the Group performed a preliminary assessment on the impact of the adoption of IFRS 15.

1.1 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from January 1, 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized 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, bridges and implants.

(b) The removable prosthetic devices segment produces full dentures and partial dentures. Dentures can be further classified as dentures with metal frameworks and dentures without metal frameworks.

(c) The "others" segment comprises, principally, orthodontic devices, sport guards and anti-snoring devices, raw materials, dental equipment, Invisalign and the service of educational events and seminars rendered ("**Other Devices**").

Management monitors the revenue and cost of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment gross profit/(loss).

The geographical information of the non-current assets information excludes financial instruments and deferred tax assets.

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.

2. OPERATING SEGMENT INFORMATION (CONTINUED)

The following table sets forth a breakdown of our revenue, cost of sales and gross profit by product line for the years ended 2014 and 2015 respectively.

	2015			2014		
	Revenue *HK$'000*	**Cost of sales** *HK$'000*	**Gross profit** *HK$'000*	Revenue *HK$'000*	Cost of sales *HK$'000*	Gross profit *HK$'000*
Fixed prosthetic devices	**964,839**	**427,144**	**537,695**	824,473	370,572	453,901
Removable prosthetic devices	**289,591**	**137,908**	**151,683**	264,365	124,299	140,066
Others	**161,190**	**89,200**	**71,990**	103,328	55,226	48,102
Total	**1,415,620**	**654,252**	**761,368**	1,192,166	550,097	642,069

Geographical information

(a) *REVENUE FROM EXTERNAL CUSTOMERS*

	2015 *HK$'000*	2014 *HK$'000*
Europe	**698,332**	659,283
Greater China	**384,452**	333,901
North America	**158,204**	122,379
Australia	**162,475**	63,415
Others	**12,157**	13,188
	1,415,620	1,192,166

The revenue information above is based on the locations of the customers.

(b) *NON-CURRENT ASSETS*

	2015 *HK$'000*	2014 *HK$'000*
Europe	**718,647**	824,897
Greater China	**76,758**	80,374
North America	**71,194**	81,686
Australia	**457,007**	8,013
Others	**11,071**	7,103
	1,334,677	1,002,073

The non-current assets information above is based on the locations of the assets and excludes financial instruments and 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:

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,415,620**	1,192,166
Other income		
Bank interest income	**453**	599
Exchange gains, net	**619**	—
Others	**712**	1,822
	1,784	2,421
Gains		
Fair value gains, net:		
Call options and put options	**256**	179
Forward foreign exchange contracts	**—**	1,880
Remeasurement gain on contingent consideration	**787**	—
Remeasurement gain of an available-for-sale investment	**—**	15,209
	1,043	17,268
Other income and gains	**2,827**	19,689

4. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans	**23,730**	19,234
Finance charges on bank loans	**4,353**	3,537
Imputed interest on shareholders' loans	**13,857**	7,419
Interest on finance leases	**397**	287
	42,337	30,477

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold	**205,643**	176,215
Depreciation	**30,303**	25,361
Amortization of intangible assets	**34,411**	27,009
Minimum lease payments under operating leases	**30,470**	25,013
Auditors' remuneration	**15,221**	1,588
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**532,796**	443,235
Pension scheme contributions	**46,558**	39,819
Equity-settled share option expense	**7,481**	—
	586,835	483,054
Bank interest income	**(453)**	(599)
Loss on disposal of items of property, plant and equipment, net	**346**	86
Loss on de-recognition of call options	**—**	801
Fair value (gains)/loss, net:		
Call options and put options	**(256)**	(179)
Forward foreign exchange contracts	**4,337**	(1,880)
Remeasurement gain on contingent consideration	**(787)**	—
Remeasurement gain of an available-for-sale investment	**—**	(15,209)
Write-off of property, plant and equipment	**235**	573
Allowance for impairment of trade receivables	**3,600**	1,849
Reversal of impairment of trade receivables	**(670)**	(314)
Foreign exchange differences, net	**(619)**	3,970

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% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Pursuant to the PRC Income Tax Law and the respective regulations, the companies which operate in Mainland China are subject to Corporate Income Tax at the rate of 25% on the taxable income for the years ended December 31, 2014 and December 31, 2015.

6. INCOME TAX EXPENSE (CONTINUED)

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2015 HK$'000	2014 HK$'000
Current — Hong Kong	**4,636**	5,622
Current — Mainland China	**21,706**	14,888
Current — Elsewhere	**27,824**	22,112
Deferred	**(2,616)**	1,569
Total tax charge for the year	**51,550**	44,191

7. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Interim dividend by:		
The Company	**—**	40,000

The Directors do not recommend the payment of a final dividend for the year ended December 31, 2015.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts 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 825,001,647 (2014 restated: 794,721,809) in issue during the year, as adjusted to reflect the share sub-division and capitalization issue during the year.

The calculation of the diluted earnings per share amounts for the year ended December 31, 2015 is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. The Group had no potentially dilutive ordinary shares in issue during the year ended December 31, 2014. No adjustment has been made to the basic earnings per share amounts presented for the year ended December 31, 2015 in respect of a dilution as the impact of the shares outstanding under the Pre-IPO RSU Scheme had an anti-dilutive effect on the basic earnings per share amounts presented.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (CONTINUED)

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

	2015	2014
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	**81,963**	120,186

	Number of shares	
	2015	2014
		Restated
Shares		
Weighted average number of ordinary shares in issue during the years used in the basic earnings per share calculation	**825,001,647**	794,721,809
Effect of dilution — weighted average number of ordinary shares:		
The Pre-IPO RSU Scheme	**—**	—
	825,001,647	794,721,809

9. TRADE RECEIVABLES

An aging analysis of the trade receivables as at the end of each of the reporting period, based on the invoice date and net of provision, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**170,292**	118,692
1 to 2 months	**43,032**	44,188
2 to 3 months	**19,988**	25,831
3 months to 1 year	**46,103**	53,410
Over 1 year	**8,813**	10,484
	288,228	252,605

The Group normally allows credit terms of 30–90 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 larger number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancement over its trade balances. Trade receivables are non-interest-bearing.

A certain portion of the Group's trade receivables amounting to approximately HK$72,409,000 (2014: HK$99,938,000) was pledged to secure general banking facilities granted to the Group.

10. TRADE PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**25,199**	30,356
1 to 2 months	**5,662**	5,301
2 to 3 months	**842**	3,679
Over 3 months	**1,839**	1,977
	33,542	41,313

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.

MANAGEMENT DISCUSSION AND ANALYSIS

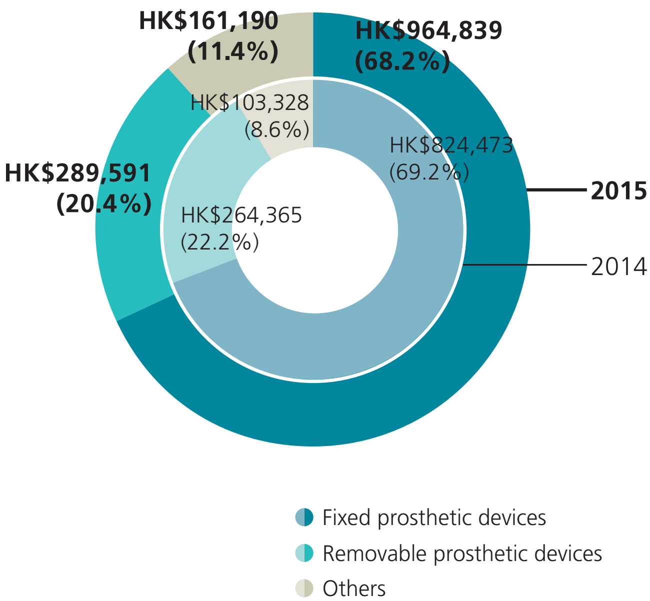
BUSINESS REVIEW

The Group are 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 categorized into three product lines: fixed prosthetic devices such as crowns and bridges; removable prosthetic devices such as removable dentures; and other devices such as orthodontic devices, sports guards and anti-snoring devices, raw materials, dental equipment, Invisalign and the services of educational events and seminars rendered.

Product Category

The figures below set forth the breakdown of revenue (in thousand dollars and percentage) by product category for the years 2014 and 2015 respectively:

Breakdown of 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 under review, Fixed Prosthetic Devices business segment recorded a revenue of approximately HK$964,839,000, representing an increase of approximately HK$140,366,000 as compared with the year of 2014. This business segment accounted for 68.2% of the Group's total revenue as compared with approximately 69.2% in the year of 2014.

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 under review, Removable Prosthetic Devices business segment recorded a revenue of approximately HK$289,591,000, representing an increase of approximately HK$25,226,000 as compared with the year of 2014. This business segment accounted for 20.4% of the Group's total revenue as compared with approximately 22.2% in the year of 2014.

Other Devices

Other Devices include orthodontic devices, anti-snoring devices, sport guards, raw materials, dental equipment, Invisalign and the services of educational events and seminars rendered.

During the year under review, Other Devices business segment recorded a revenue of approximately HK$161,190,000, representing an increase of approximately HK$57,862,000 as compared with the year of 2014. This business segment accounted for 11.4% of the Group's total revenue as compared with approximately 8.6% in the year of 2014.

The increase in the revenue from Other Devices resulted from the healthy increases in both the sales volumes and the average selling prices, partially offset by the depreciation of the EUR and AUD during the year. The increase in the average selling prices was principally the result of our acquisitions of the SCDL Group (as defined below) in March 2015, which enabled us to sell our products to more retail customers at higher retail prices.

Geographic Market

By leveraging on our sales and distribution network, we achieved a leading position in the dental prosthetics industry across Europe, Greater China, North America, Australia, and other countries. The following table sets forth a breakdown of the revenue generated from the aforesaid markets:

	Years ended December 31,	
	2015	2014
	Revenue	Revenue
	HK$'000	*HK$'000*
Market		
Europe*	**695,295**	659,283
Greater China**	**383,466**	326,313
North America	**158,204**	122,379
Australia***	**158,014**	63,415
Others	**12,157**	13,188
Total	**1,407,136**	1,184,578

* We subtract the raw materials revenue and dental equipment revenue from the European revenue.

** We subtract the raw materials and dental equipment revenue from the Greater China revenue.

*** Our Australian market includes both Australia and New Zealand. We subtract the services revenue from the Australian revenue.

Europe

The revenue generated from the sales in European markets, including France, Germany, Netherlands, Belgium, Denmark, Spain and other European countries, accounted for the largest portion of our revenue in the year under review.

Our sales and distribution network in Europe is able to reach 13 countries and we offer a portfolio of respected brands. While the economic environment in Europe continued to be weak, the total dental prosthetics market has grown, albeit slowly. We offer comparatively lower prices for products of comparable quality in the market.

During the year under review, the European market recorded a revenue of approximately HK$695,295,000, representing an increase of approximately HK$36,012,000 as compared with last year. Together with the sales of dental equipment of HK$3,037,000, this geographic market accounted for 49.3% of the Group's total revenue as compared with approximately 55.3% last year. The increase of revenue from the European market was largely attributable to (i) the full-year consolidation of our subsidiaries acquired in April 2014 ("**Elysee**"); (ii) our strategy of shifting the focus to high value-added products in the European market by realising the synergy effect after the integration of the European distributors acquired by the Group; and (iii) the annual increment of the retail price to the dentists.

Greater China

Our Greater China market comprises Mainland China, Hong Kong and Macau. The revenue generated from the sale in the Greater China market accounted for the second largest portion of our revenue in the year under review.

Given the significant rise in the living standards in Greater China over the years, people have been increasingly aware of oral health, which benefits the custom-made dental prosthetics domestic sales market. We offer comparatively higher prices for products of premium quality in Greater China, which appeal to the population who has a strong demand for higher quality products.

During the year under review, the Greater China market recorded a revenue of approximately HK$383,466,000, representing an increase of approximately HK$57,153,000 as compared with last year. Together with the sales of raw materials of HK$986,000, this geographic market accounted for 27.2% of the Group's total revenue as compared with approximately 28.0% last year. The increase of revenue from the Greater China market was largely attributable to (i) the consolidation of market with majority market share; (ii) our strategy of shifting the focus to high value-added products; and (iii) the annual increment of the retail price to the dentists.

North America

The revenue generated from the sales in the North American market, including the United States and Canada, represented a smaller portion of our revenue.

The dental prosthetics market in the North America grew during the year under review as a result of various factors. The aging population had a direct impact on the demand for dental prosthetic devices. In addition, since the promulgation of the Affordable Care Act in 2010, the coverage of health insurance has been expanded. Moreover, the United States government has been funding and promoting oral health awareness.

During the year under review, the North American market recorded a revenue of approximately HK$158,204,000, representing an increase of approximately HK$35,825,000 as compared with last year. This geographic market accounted for 11.2% of the Group's total revenue as compared with approximately 10.3% last year. The increase of revenue from the North American market was largely attributable to (i) the full-year consolidation of Sundance Dental Laboratory, LLC ("**Sundance**"), in May 2014; and (ii) the full-year operation of Troy production facility in April 2014, which enabled us to manufacture more products with higher retail prices locally rather than importing the same from Mainland China.

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. Therefore, the growth in the disposable income per capita in Australia since 2008 helped boost the development of the dental prosthetics industry. Moreover, we acquired a group of companies, which was our principal Australian distributor (the "**SCDL Group**"), in March 2015 during the year under review. With the acquisition of the SCDL Group, we are and will be able to enhance our direct contact with our primary customers, improve the breadth of our customer service and offer our customers a more complete range of products and competitive pricing.

During the year under review, the Australian market recorded a revenue of approximately HK$158,014,000, representing an increase of approximately HK$94,599,000 as compared with last year. Together with the service revenue generated from rendering educational events and seminars of HK$4,461,000, this geographic market accounted for 11.5% of the Group's total revenue as compared with approximately 5.3% last year. The remarkable increase in the revenue from the Australian market was largely attributable to the acquisition of the SCDL Group in March 2015, which enabled us to sell our products to more retail customers at higher retail prices. The increase in our revenue from the Australian market was partially offset by the depreciation of AUD during the year under review.

Others

Other markets primarily include Indian Ocean countries and Japan. During the year under review, these markets recorded a revenue of approximately HK$12,157,000, representing a decrease of approximately HK$1,031,000 as compared with last year. This geographic market accounted for 0.8% of the Group's total revenue as compared with approximately 1.1% last year. The decrease in the revenue from other markets was primarily due to the fact that we had a relatively small sales base in these countries and our product mix was subject to constant fluctuations.

FUTURE PROSPECTS AND STRATEGIES

According to Roland Berger, an independent industry consultant commissioned by us, the demand for dental prosthetics continues to increase owing to the growing global population and the increasing aging population. All of the Group's key dental prosthetics markets show trends of growth, except the Dutch market, which has been affected by the price ceiling set on dental prosthetics by the Dutch government. Mainland China is expected to be the market with the highest growth rate, although with a comparatively small base largely due to the low penetration rate of prosthetic devices.

In the coming year, the Group will continue to (i) further penetrate existing geographic markets, (ii) further realize the synergy effects and operating leverage achieved by further integrating the acquired targets, (iii) optimize the production process and increase the productivity and efficiency, and (iv) broaden product offering with a focus on high-value products to increase the profitability. In particular, the Board will actively seek opportunities to further penetrate the existing geographic markets by means of strategic acquisitions of local dental laboratories and setting up joint ventures in Mainland China and local dental laboratories. In the event of strategic acquisitions, they will be funded by the net proceeds from the listing of the shares of the Company on December 15, 2015 (the "**Listing**").

FINANCIAL REVIEW

Revenue

During the year under review, the consolidated revenue of the Group amounted to HK$1,415,620,000, representing an increase of 18.7% as compared with HK$1,192,166,000 in last year. The increase is mainly attributable to (i) the acquisition of SCDL Group and the full year consolidation of Elysee; (ii) the annual increment of retail prices to the dentists; (iii) the organic growth in the sales volume; (iv) our strategy of shifting the focus to high value-added products; and (v) the operation of regional digital production facilities to provide locally made products with higher retails prices to the dentists.

Gross Profit and Gross Profit Margin

The gross profit for the year ended December 31, 2015 was approximately HK$761,368,000, which was approximately 18.6% higher than that of last year. The remarkable increase in the gross profit was primarily attributable to the acquisition of the SCDL Group during the year, which enabled the Group to sell products at higher retail prices in Australian market. However, the gross profit margin of approximately 53.8% showed a slight decrease (2014: 53.9%) because of an offset by the depreciation of EUR and AUD during the year.

The gross profit margins of Fixed Prosthetic Devices business segment, Removable Prosthetic Devices business segment and Other Devices business segment were approximately 55.7%, 52.4% and 44.7%. The following table sets forth the breakdown of our gross profit and gross margin by product line.

	Year ended December 31,			
	2015		2014	
	HK$'000	**Gross margin (%)**	*HK$'000*	Gross margin (%)
Gross profit:				
Fixed prosthetic devices	**537,695**	**55.7**	453,901	55.1
Removable prosthetic devices	**151,683**	**52.4**	140,066	53.0
Others	**71,990**	**44.7**	48,102	46.6
Total	**761,368**		642,069	

Selling and Distribution Expenses

During the year under review, selling and distribution expenses increased by approximately 7.3% from HK$137,742,000 for the year ended December 31, 2014 to HK$147,822,000 for the year ended December 31, 2015, accounting for approximately 10.4% of the Group's revenue, as compared with approximately 11.6% for last year. The increase was primarily attributable to (i) an increase of HK$4.1 million or 7.1%, in salaries, bonuses, commissions and other benefits for sales personnel, which resulted from the headcount increase after our acquisitions of Elysee and the SCDL Group; and (ii) an increase of HK$1.3 million or 3.0% in the shipping costs, as a result of the increase in our sales volumes during the year and the fact that the shipping costs for the finished products were shifted to us after our acquisitions of downstream distributors, such as Elysee and the SCDL Group, partially offset by the depreciation of the EUR and AUD in the year; and (iii) an increase of HK$5.7 million, or 28.0%, in advertising and promotion for ordinary marketing expenses as a result of the acquisition of Elysee and the SCDL Group and large-scale promotion campaigns for the development of sales and marketing channels as well as outlays on brand building.

Administrative Expenses

During the year under review, the administrative expenses increased by approximately 39.0% from HK$312,597,000 for the year ended December 31, 2014 to HK$434,402,000 for the year ended December 31, 2015, accounting for approximately 30.7% of the Group's revenue, as compared with approximately 26.2% for last year. The increase in the administrative expenses was primarily attributable to (i) an increase of HK$58.8 million or 36.0%, in salaries, bonuses and other benefits for the administrative staff, arising from the increased headcount of the administrative staff due to our acquisitions of Elysee and the SCDL Group, and to a lesser extent, an increase in the average salaries of our employees; (ii) an increase of HK$32.6 million, or 80.6%, in the professional fee mainly arising from the Listing expenses; (iii) an increase of HK$8.5 million or 23.6% in the office expenses and rental expenses primarily arising from an increase in our office floor area as a result of our acquisition of Elysee and the SCDL Group; and (iv) an increase of HK$12.3 million or 32.3% in the depreciation of office equipment and amortization of intangible assets as a result of the amortization of customer relationship of Elysee and the SCDL Group.

Other Operating Expenses

During the year under review, other operating expenses decreased by approximately 7.8% from HK$5,506,000 for the year ended December 31, 2014 to HK$5,078,000 for the year ended December 31, 2015, accounting for approximately 0.4% of the Group's revenue, as compared with approximately 0.5% for last year. The decrease was primarily attributable to the fair value loss on the forward foreign exchange contract on EUR and AUD of HK$4.3 million in the year, which was totally offset by the decrease in an exchange loss of HK$4.0 million and a loss on the de-recognition of call options by HK$0.8 million in last year.

Finance Costs

During the year under review, the finance costs increased by approximately 38.9% from HK$30,477,000 for the year ended December 31, 2014 to HK$42,337,000 for the year ended December 31, 2015, accounting for approximately 3.0% of the Group's revenue, as compared with approximately 2.6% for last year. The increase was primarily attributable to (i) an increase in the interest on bank loans, overdraft and other loans of HK$4.5 million as a result of further bank borrowing funds for our strategic acquisitions and expansion; and (ii) an additional shareholder loan has been raised in the year of 2015, which led to an increase by HK$6.4 million in the imputed interest accordingly.

Income Tax Expense

During the year under review, income tax expense increased by approximately 16.7% from HK$44,191,000 for the year ended December 31, 2014 to HK$51,550,000 for the year ended December 31, 2015. The increase was primarily attributable to (i) the higher income tax rate applicable to us after our acquisitions of the SCDL Group during the year; and (ii) the amortization of certain intangible assets that we acquired through our strategic acquisitions, which was not deductible for tax purposes.

Profit for the Year and Margin

Profit for the year decreased by approximately 36.8% from approximately HK$131,245,000 for the year ended December 31, 2014 to HK$83,006,000 for the year ended December 31, 2015, accounting for approximately 5.9% of the Group's revenue, as compared with approximately 11.0% for last year. The decrease was primarily attributable to the payment of expenses for the Listing.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company amounted to approximately HK$81,963,000, representing a decrease of approximately HK$38,223,000, or 31.8%, as compared with approximately HK$120,186,000 for last year.

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with the International Financial Reporting Standards ("**IFRS**"), the Company also assesses the operating performance based on a measure of core earnings before interest, tax, depreciation and amortization ("**EBITDA**") and core net profit 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 performance of their business.

EBITDA, Core EBITDA, Core Net Profit and Core Net Profit Margin

During the year under review, the Company incurred some one-off expenses, which are not indicative of the operating performance of the business of the year. Therefore, the Company arrives at a core EBITDA ("**Core EBITDA**"), a core net profit ("**Core Net Profit**") and a core net profit margin ("**Core Net Profit Margin**") by eliminating the effects of certain non-cash or non-recurring items, including one-off transaction cost in connection with acquisitions, acquisition loans and reorganization, the Listing expenses, loan arrangement fee in connection with acquisitions, the Pre-IPO RSU Scheme (as defined below) related expenses, imputed interest on shareholders' loan and one-off fair value gains on available-for-sale investment. The table below indicates the profit for the years, reconciling the Core EBITDA for the years presented to the most comparable financial measures calculated in accordance with the IFRS:

	For the year ended December 31,	
	2015	2014
	HK$'000	*HK$'000*
EBITDA and Core EBITDA		
Net profit	**83,006**	131,245
Financial costs	**42,337**	30,477
Tax	**51,550**	44,191
Depreciation	**30,303**	25,361
Amortization of intangible assets	**34,411**	27,009
Less:		
Interest income	**453**	599
EBITDA	**241,154**	257,684
One-off transaction cost in connection with acquisitions	**5,760**	16,270
One-off transaction cost in connection with acquisition loans	**—**	1,566
One-off transaction cost in connection with reorganization	**—**	246
IPO expenses	**40,358**	7,884
Pre-IPO RSU Scheme related expenses	**14,685**	—
Less:		
One-off fair value gains on available-for-sale investment	**—**	15,209
Core EBITDA	**301,957**	268,441

The following table reconciles the core net profit for the years presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, indicating profit for the years:

	For the year ended December 31,	
	2015	2014
	HK$'000	*HK$'000*
Core net profit:		
Net profit	**83,006**	131,245
Amortization of intangible assets	**34,411**	27,009
One-off transaction cost in connection with acquisitions	**5,760**	16,270
One-off transaction cost in connection with acquisition loans	**—**	1,566
One-off transaction cost in connection with reorganization	**—**	246
IPO expenses	**40,358**	7,884
Loan arrangement fee in connection with acquisitions	**4,353**	3,537
Imputed interest on shareholders' loan	**13,857**	7,419
Pre-IPO RSU Scheme related expenses	**14,685**	—
Less:		
One-off fair value gains on available-for-sale investment	**—**	15,209
Core net profit	**196,430**	179,967
Core net profit margin	**13.9%**	15.1%

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows

The table below summaries the Group's cash flows for the years ended December 31, 2014 and December 31, 2015:

	For the year ended December 31	
	2015	2014
	HK$'000	*HK$'000*
Net cash flows from operating activities	**121,565**	181,486
Net cash flows used in investing activities	**(265,802)**	(350,642)
Net cash flows from financing activities	**955,571**	179,388

The Group derives its working capital mainly from cash on hand, net cash generated from operating activities and financing activities. The Board expects that the Group will rely on the internally generated funds, the available bank facilities and the Listing, and 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$945,689,000 as of December 31, 2015, representing an increase of approximately HK$816,967,000 when compared with the last year.

Operating Activities

Cash inflow 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 employee and tax paid. Net cash generated from operating activities was approximately HK$121,565,000 for the year ended December 31, 2015. The amount was primarily attributable to profit before of HK$134.6 million, as adjusted by (i) income tax paid of HK$50.8 million; (ii) non-cash items affecting net income, including the add-back of depreciation and amortization of HK$64.7 million and finance costs of HK$42.3 million; and (iii) changes in capital, which consistent primarily of a decrease in trade payables of HK$20.1 million, a decrease in other payables and accruals of HK$19.3 million and a significant decrease in due to shareholders of HK$56.5 million.

The amount of trade receivables increased from approximately HK$252,605,000 for the financial year ended December 31, 2014 to HK$288,228,000 for the year 2015. The trade receivable turnover days (the average of the beginning and ending trade receivable balances/revenue × 365 days) decreased from approximately 71 days for the financial year ended December 31, 2014 to approximately 70 days for the financial year ended December 31, 2015. The slight decrease in the trade receivable turnover days was mainly due to following our acquisition of the SCDL Group, we were able to deal directly with our primary customers, which shortened our cash recovery cycle.

The amount of trade payables decreased from approximately HK$41,313,000 for the financial year ended December 31, 2014 to HK$33,542,000 for the financial year ended December 31, 2015. The trade payable turnover days (the average of the beginning and ending trade payable balances/cost of sales × 365 days) decreased from approximately 24 days for the financial year ended December 31, 2014 to approximately 21 days for the financial year ended December 31, 2015. The general credit terms granted by suppliers were normally ranged from 30–90 days. The decline in trade payable turnover days was primarily due to the increase in our cost of sales in 2015 as a result of our growth of sales.

The amount of inventory increased from approximately HK$57,588,000 for the financial year ended December 31, 2014 to HK$58,288,000 for the financial year ended December 31, 2015. The inventory turnover days (the average of the beginning and ending inventory balances/cost of sales × 365 days) reduced from approximately 35 days for the financial year ended December 31, 2014 to approximately 32 days for the financial year ended December 31, 2015. The decrease in inventory turnover days was mainly because of the increase in our cost of sales in 2015 as a result of our growth of sales, partially offset by a slight increase in our inventories.

Investing Activities

The Group recorded a net cash outflow used in investing activities of approximately HK$265,802,000 for the year 2015, of which HK$245.1 million was used for acquisitions. For example, we paid a consideration of AUD43.4 million (approximately HK$257.3 million) to acquire the SCDL Group in March 2015. The remaining HK$29.7 million in expenditures for investing activities were primarily for purchase of property, plant and equipment, as we expanded our production facilities and upgraded our equipment for computer-aided/manufacturing production.

Financing Activities

The Group recorded a net cash inflow from financing activities of approximately HK$955,571,000 for the year 2015. The inflow mainly came from new bank borrowings raised of approximately HK$844.3 million to repay the old bank loans and the proceeds of the Listing of approximately HK$796.8 million. Major outflows were the (i) repayment of HK$716.6 million in bank loans and other borrowings; (ii) payment of HK$37.9 million for share issue expenses; and (iii) payment of acquisition on non-controlling interest of HK$59.4 million.

Capital Expenditure

During the year under review, the Group's capital expenditure amounted to approximately HK$274.8 million which was mainly used for the acquisition of the SCDL Group on March 20, 2015, and the expansion of our production facilities and the improvement in our production equipment. All of the capital expenditure was financed by internal resources and bank borrowings.

CAPITAL STRUCTURE

Bank borrowings

Bank loans of the Group as of December 31, 2015 amounted to approximately HK$642,052,000 as compared to approximately HK$355,669,000 as of December 31, 2014. Pledged bank deposits of the Group as of December 31, 2015 amounted to approximately HK$3,360,000 as compared to approximately HK$10,353,000 as of December 31, 2014. As of December 31, 2015, the bank loans of HK$641,828,000 and HK$224,000 were denominated in USD and CAD.

The gearing ratio of the Group by reference to the net debt to total book capitalization ratio (total book capitalization means the sum of total liabilities and shareholders' equity) was approximately -8.9%, reflecting that the Group's financial position was at a sound level.

Debt securities

As of December 31, 2015, the Group did not have any debt securities.

Contingent liabilities

As of December 31, 2015, the Group did not have any material contingent liabilities or guarantees.

CHARGE OF GROUP ASSETS

Commitments

The investment agreement dated April 28, 2015 entered into between Modern Dental Laboratory Company Limited and Dongguan Songshan Lake High-tech Industrial Development Zone Management Committee regarding investing not less than RMB246,000,000 for the acquisition of land, construction of a new factory and acquisition and installation of equipment in the Songshan Lake High-tech Industrial Development Zone.

Save as disclosed above, the Group had no other significant capital commitments as of December 31, 2015.

PERFORMANCE OF INVESTMENTS MADE AND FUTURE PROSPECTS

The SCDL Acquisition

The Group's investing activities mainly include the strategic acquisition of the SCDL Group, a group of companies which were our principal distributors before the acquisition. For the year ended December 31, 2015, the Group's investments amounted to approximately HK$257,283,000, mainly involving in the acquisition of the SCDL Group as well as the purchase of property, plant and equipment. It is expected that these investments will provide us with an opportunity to enter into new attractive market through established distribution channels and to establish direct access with our end customers, which allow us to provide superior customer services and after-sales services to complement our premium quality product and service offerings.

The acquisition of the SCDL Group took place in March 2015. For the purpose of further developing our business in Australia, the Group acquired, amongst others, 100% of the issued share capital of a holding company of the SCDL Group. For details of the acquisition, please refer to the prospectus of the Company dated December 3, 2015 (the "**Prospectus**").

OFF-BALANCE SHEET TRANSACTIONS

As of December 31, 2015, the Group did not enter into any material off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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 December 31, 2015, the effective interest rate on fixed-rate bank loans was approximately LIBOR+(2.60–2.85)% per annum. 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 and USD are mostly used apart from HKD. We started to have relatively larger exposure to the AUD since our acquisition of SCDL Group in March 2015. To minimize the impact of foreign currency rate volatility, we monitor foreign currency risk 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, amounts due from related parties 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 recognized 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 in different sectors and industries.

Liquidity Risk

Our policy is to maintain sufficient cash and cash equivalents and to have available funding through capital contribution, financial support from our Shareholders and bank borrowings.

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 4,591 dedicated full-time employees at our production facilities, service centers, points of sales and other sites as of December 31, 2015, including approximately 3,597 production staff members, 366 general management staff members and 256 customer service staff members.

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). During the year under review, 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 passed on November 25, 2015 (the "**Share Option Scheme Adoption Date**').

The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants including any employee, non-executive Directors, supplier, customer and advisor of the Group and invested entity of the Group as the Directors determine, as incentives or rewards for their contribution to the Group.

As at December 31, 2015, no options had been granted or agreed to be granted pursuant to the Share Option Scheme.

RESTRICTED SHARE UNIT SCHEME

A restricted share unit scheme (the "**Pre-IPO RSU Scheme**") was adopted pursuant to the written resolutions of the Shareholders of the Company passed on June 19, 2015. 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 June 19, 2015, under the administration of the Board and the trustee.

As at December 31, 2015, an aggregate of 8,149,038 restricted share units were granted to eligible participants in accordance with the restricted share unit scheme.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended December 31, 2015.

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to attend and vote at the annual general meeting ("**AGM**") of the Company to be held on Monday, June 20, 2016, the register of members of the Company will be closed from Friday, June 17, 2016 to Monday, June 20, 2016, both days 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, all duly completed transfer forms 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 22, Hopewell entre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, June 16, 2016 for the purpose of effecting the share transfers.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing amounted to HK$647,483,000, and such proceeds are intended to be applied in the manner consistent with that set out in the Prospectus.

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

During the period from December 15, 2015 (the "**Listing Date**") to December 31, 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Throughout the period from the Listing Date to December 31, 2015, the Company has complied with all 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 of Hong Kong Limited (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 period from the Listing Date to December 31, 2015.

AUDIT COMMITTEE

The Company has established the audit committee with written terms of reference. The audit committee consists of Dr. Cheung Wai Bun Charles, Dr. Chan Yue Kwong Michael and Dr. Wong Ho Ching, who are independent non-executive Directors. The Group's final results for the year ended December 31, 2015, including the accounting principles and practices adopted by the Group have been reviewed by all the members of the audit committee.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.moderndentalgp.com). The annual report of the Company for the year ended December 31, 2015 will be despatched to shareholders of the Company and will be published on the same websites in due course.

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

Hong Kong, March 23, 2016

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