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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016, INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

RESULTS HIGHLIGHTS

- The Group's revenue in the six months ended 30 June 2016 was approximately HK$774,440,000, representing an increase of approximately HK$93,150,000 or 13.7% as compared with that of the six months ended 30 June 2015.
- Gross profit for the six months ended 30 June 2016 was approximately HK$427,758,000, representing an increase of approximately HK$60,289,000 or 16.4% as compared with that of the six months ended 30 June 2015. The gross profit margin was approximately 55.2%.
- Profit for the six months ended 30 June 2016 was approximately HK$71,134,000, representing an increase of HK$11,653,000 or 19.6% as compared with that of the six months ended 30 June 2015. This increase was primarily attributable to (i) the organic growth of the business; (ii) the acquisition of SCDL Group in 2015 and (iii) the fact that the listing expenses were one-off expenses incurred in 2015.
- The Group's EBITDA for the six months ended 30 June 2016 was approximately HK$146,222,000 (the six months ended 30 June 2015: HK$132,612,000).
- Basic earnings per share for the six months ended 30 June 2016 amounted to HK7.10 cents (the six months ended 30 June 2015: HK7.29 cents).
- On 24 August 2016, the Board declared an interim dividend of HK2.1 cents per share for the six months ended 30 June 2016 (the six months ended 30 June 2015: Nil). The interim dividend will be payable on Tuesday, 25 October 2016 to shareholders of the Company whose names appear on the register of members of the Company on Monday, 3 October 2016.

INTERIM RESULTS

The board of directors (the "**Board**" or the "**Directors**") of Modern Dental Group Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
	Notes	**2016**	2015
		(Unaudited)	(Audited)
		HK$'000	*HK$'000*
REVENUE	4	**774,440**	681,290
Cost of sales		**(346,682)**	(313,821)
Gross profit		**427,758**	367,469
Other income and gains	4	**2,103**	3,408
Selling and distribution expenses		**(81,596)**	(68,165)
Administrative expenses		**(219,475)**	(200,690)
Other operating expenses		**(15,326)**	(544)
Finance costs	6	**(14,265)**	(18,323)
PROFIT BEFORE TAX	5	**99,199**	83,155
Income tax expense	7	**(28,065)**	(23,674)
PROFIT FOR THE PERIOD		**71,134**	59,481
ATTRIBUTABLE TO:			
Owners of the Company		**70,442**	59,558
Non-controlling interests		**692**	(77)
		71,134	59,481
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	8	**HK7.10 cents**	HK7.29 cents
Diluted	8	**HK7.10 cents**	HK7.29 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**71,134**	59,481
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**11,184**	(83,832)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**11,184**	(83,832)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**82,318**	(24,351)
ATTRIBUTABLE TO:		
Owners of the Company	**81,557**	(24,545)
Non-controlling interests	**761**	194
	82,318	(24,351)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	**30 June 2016 (Unaudited) *HK$'000***	31 December 2015 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**136,590**	138,486
Goodwill		**874,378**	857,592
Intangible assets		**324,779**	338,599
Derivative financial instruments		**—**	3,635
Deferred tax assets		**5,353**	5,264
Deposits paid for purchase of property, plant and equipment		**31,591**	—
Prepayments for acquisition of subsidiaries		**405,981**	—
Total non-current assets		**1,778,672**	1,343,576
CURRENT ASSETS			
Inventories		**70,190**	58,288
Trade receivables	10	**329,928**	288,228
Prepayments, deposits and other receivables		**61,733**	31,372
Derivative financial instruments		**3,263**	—
Current tax assets		**5,439**	8,939
Pledged deposits		**3,541**	3,360
Cash and cash equivalents		**510,667**	945,689
Total current assets		**984,761**	1,335,876
CURRENT LIABILITIES			
Trade payables	11	**32,280**	33,542
Other payables and accruals		**111,369**	121,823
Interest-bearing bank and other borrowings	12	**160,617**	102,182
Derivative financial instruments		**16,413**	5,030
Tax payable		**38,083**	37,608
Total current liabilities		**358,762**	300,185
NET CURRENT ASSETS		**625,999**	1,035,691
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,404,671**	2,379,267

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2016

	Notes	**30 June 2016 (Unaudited) *HK$'000***	31 December 2015 (Audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,404,671**	2,379,267
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**487,548**	543,589
Derivative financial instruments		**—**	9,108
Deferred tax liabilities		**30,620**	33,256
Other non-current liabilities		**5,970**	5,478
Total non-current liabilities		**524,138**	591,431
NET ASSETS		**1,880,533**	1,787,836
EQUITY			
Equity attributable to owners of the Company			
Share capital		**77,500**	77,500
Treasury shares		**(632)**	(632)
Reserves		**1,795,642**	1,702,670
		1,872,510	1,779,538
Non-controlling interests		**8,023**	8,298
TOTAL EQUITY		**1,880,533**	1,787,836

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Modern Dental Group Limited (the "Company") is incorporated as an exempted company with limited liability in the Cayman Islands on 5 July 2012 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the production and distribution of dental prosthetic devices.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Triera Holdings Limited, which is incorporated in the British Virgin Islands with limited liability.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016, noted below.

IFRS 10, IFRS 12 and IAS 28 Amendments	*Investment Entities: Applying the Consolidation Exception*
IAS 1 Amendments	*Disclosure Initiative*
IAS 16 and IAS 38 Amendments	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs issued in September 2014

The adoption of these new and revised IFRSs did not have any significant effect on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) The fixed prosthetic devices segment is a supplier of restorative dental procedures, such as crowns, bridge and implants.

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

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

Management monitors the revenue and cost of the Group's operating segments separately for the purpose of making decisions about 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.

	Six months ended 30 June					
	2016 (unaudited)			2015 (audited)		
	Revenue	**Cost of sales**	**Gross profit**	Revenue	Cost of sales	Gross profit
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Fixed prosthetic devices	**527,820**	**226,901**	**300,919**	461,836	199,984	261,852
Removable prosthetic devices	**174,220**	**77,856**	**96,364**	134,848	70,435	64,413
Others	**72,400**	**41,925**	**30,475**	84,606	43,402	41,204
Total	**774,440**	**346,682**	**427,758**	681,290	313,821	367,469

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Europe	**385,306**	340,245
Greater China	**194,760**	187,002
North America	**90,480**	76,572
Australia	**98,033**	72,221
Others	**5,861**	5,250
	774,440	681,290

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

(b) Non-current assets

	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Europe	**708,556**	718,647
Greater China	**510,607**	76,758
North America	**71,160**	71,194
Australia	**472,009**	457,007
Others	**10,987**	11,071
	1,773,319	1,334,677

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

4. 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:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**774,440**	681,290
Other income		
Bank interest income	**487**	284
Exchange gains, net	**—**	1,007
Others	**1,468**	330
	1,955	1,621
Gains		
Fai value gains, net:		
Call options and put options	**—**	539
Forward foreign exchange contracts	**—**	1,147
Gain on disposal of items of property, plant and equipment	**148**	101
	148	1,787
Other income and gains	**2,103**	3,408

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Cost of inventories sold	**103,866**	88,378
Depreciation	**15,180**	15,242
Amortisation of intangible assets	**18,065**	16,176
Minimum lease payments under operating leases	**17,168**	14,739
Auditors' remuneration	**3,346**	7,419
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**295,434**	257,673
Pension scheme contributions	**32,362**	26,514
Share based payment expense	**11,796**	832
	339,592	285,019
Bank interest income	**(487)**	(284)
Gain on disposal of items of property, plant and equipment, net	**(148)**	(101)
Fair value loss/(gains), net:		
Call options and put options	**372***	(539)
Forward foreign exchange contracts	**7,704***	(1,147)
Remeasurement loss on contingent consideration*	**521**	—
Write-off of property, plant and equipment*	**15**	178
Allowance for impairment of trade receivables	**2,804**	2,330
Foreign exchange differences, net	**6,632***	(1,007)

* Included in "other operating expenses" in the interim condensed consolidated statements of profit or loss.

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans	**11,303**	10,914
Finance charges on bank loans	**2,875**	541
Imputed interest on shareholders' loans	**—**	6,650
Interest on finance leases	**87**	218
	14,265	18,323

7. INCOME TAX EXPENSE

The Group calculates the income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Current – Hong Kong	**2,441**	2,009
Current – Mainland China	**13,264**	8,230
Current – Elsewhere	**15,692**	16,859
Deferred	**(3,332)**	(3,424)
Total tax charge for the period	**28,065**	23,674

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

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2016 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 991,850,962 (six months ended 30 June 2015 (restated): 816,850,962) in issue during the period, as adjusted to reflect the share sub-division and capitalization issue during the year ended 31 December 2015.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2016 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 period, 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 effect of dilution is nil and no adjustment has been made for the six months ended 30 June 2015 because not all necessary vesting condition of the pre-IPO restricted share unit scheme (the "Pre-IPO RSU Scheme") have been satisfied as at 30 June 2015.

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:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	**70,442**	59,558

	Number of shares	
	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
		Restated
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**991,850,962**	816,850,962
Effect of dilution – weighted average number of ordinary shares:		
The Pre-IPO RSU Scheme	**236,372**	—
	992,087,334	816,850,962

9. DIVIDENDS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Interim dividend:	**21,000**	—
Total:	**21,000**	—

On 24 August 2016, the Board declare an interim dividend of HK2.1 cents per share for the six months ended 30 June 2016 (the six months ended 30 June 2015: Nil).

10. TRADE RECEIVABLES

An aging analysis of the trade receivables as at 30 June 2016 and 31 December 2015, based on the invoice date and net of provision, is as follows:

	30 June 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
Within 1 month	**199,926**	170,292
1 to 2 months	**41,203**	43,032
2 to 3 months	**20,781**	19,988
3 months to 1 year	**54,818**	46,103
Over 1 year	**13,200**	8,813
	329,928	288,228

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

Certain of the Group's trade receivables of approximately HK$85,697,000 (unaudited) (2015: HK$72,409,000 (audited) were pledged to secure general banking facilities granted to the Group.

11. TRADE PAYABLES

An aging analysis of the trade payables as at 30 June 2016 and 31 December 2015, based on the invoice date, is as follows:

	30 June 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
Within 1 month	**26,257**	25,199
1 to 2 months	**4,484**	5,662
2 to 3 months	**1,229**	842
Over 3 months	**310**	1,839
	32,280	33,542

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.

The above balances are unsecured and non-interest-bearing. The carrying amounts of other payables and accruals approximate to their fair values.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
	Effective/ contractual interest rate (%)	**HK$'000**	Effective/ contractual interest rate (%)	HK$'000
Current				
Finance lease payables	**4.53-8.50**	**1,172**	4.53-8.50	1,146
Bank loan – secured	**LIBOR+(2.60-2.85)**	**77,500**	LIBOR+(2.60-2.85)	77,500
Current portion of long term bank loans – secured	**LIBOR+(2.60-2.85)**	**81,945**	LIBOR+(2.60-2.85)	23,536
		160,617		102,182
Non-current				
Finance lease payables	**4.53-8.50**	**2,024**	4.53-8.50	2,573
Long term bank loans - secured	**LIBOR+(2.60-2.85)**	**485,524**	LIBOR+(2.60-2.85)	541,016
		487,548		543,589
		648,165		645,771

	30 June 2016 (Unaudited) ***HK$'000***	31 December 2015 (Audited) *HK$'000*
Analysed into:		
Bank loans and bank overdrafts repayable:		
Within one year or on demand	**159,445**	101,036
In the second year	**126,611**	111,446
In the third to fifth years, inclusive	**358,913**	429,570
	644,969	642,052
Finance lease payables:		
Within one year	**1,172**	1,146
In the second year	**1,426**	1,727
In the third to fifth years, inclusive	**598**	846
	3,196	3,719
	648,165	645,771

Notes:

(a) On 6 November 2015, the Group has drawn down a US$75 million 5 year term loan and a US$10 million revolving loan, and has repaid the majority of its existing bank loan facilities in the same month. The principal and interest payments for existing loan facilities will be repaid according to the loan agreements. As at 30 June 2016, all of the amounts borrowed from these facilities are guaranteed by the Company and its subsidiaries and secured by the shares of the subsidiaries as well as certain trade receivables, bank deposits and equipment of the subsidiaries.

(b) As at 30 June 2016 (unaudited), the Group's bank borrowings denominated in USD and Canadian Dollar ("CAD") amounted to HK$644,666,000 and HK$303,000 respectively. The Group's finance lease payables denominated in HK$, Australia dollar ("AUD") and USD amounted to HK$30,000, HK$2,533,000 and HK$633,000 respectively.

As at 31 December 2015 (audited), the Group's bank borrowings denominated in USD and CAD amounted to HK$641,828,000 and HK$224,000 respectively. The Group's finance lease payables denominated in HK$, EUR, AUD and USD amounted to HK$35,000, HK$22,000, HK$2,892,000 and HK$770,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading global dental prosthetic device provider with a focus on providing custom-made prostheses to customers in the growing prosthetics industry. Our product portfolio is broadly categorized into three product categories: fixed prosthetic devices such as crowns and bridges; removable prosthetic devices such as removable dentures; and other devices and services such as orthodontic devices, sports guards and anti-snoring devices, raw materials, dental equipment, Invisalign and the services of educational events and seminars rendered.

For the six months ended 30 June 2016, we are pleased to announce that our revenue growth in the majority of our markets remains healthy and stable, outperforming our competitors and the industry as a whole. Despite relatively low growth in the North American, European and Australian economies, demand for our products and services remain strong and resilient in these markets, and reflecting the high and relatively inelastic demand for our products during low growth or high growth environments. The depreciating RMB has partially offset our revenue growth within Greater China, however, in certain specific regions of Greater China, we have experienced pockets of robust growth. Going forward, we expect to see the fruits and results of our recent sales and marketing efforts (in particular, Greater China) reflected in our 2016 full year results. Our Hong Kong market grew at a solid and consistent rate, consolidating our market-dominating position. Looking forward, our 2016 full year results are expected to be bolstered by acquisitions that are completed, and target companies integrated within our global group, prior to this calendar year.

As a global group within the healthcare industry, our diversified and leading position allows us to take advantage of consolidation opportunities in the fragmented dental prosthetics industry, gaining market share when our competitors are losing ground. This has particularly been the case in our North American, European and Australian markets where we are currently going from strength-to-strength, effectively creating a difficult environment for our competitors to operate in. Our lower priced-products of the same, or better, quality compared with our competitors in these markets give us that competitive edge.

During this period, we have experienced an increase in demand for our more complicated and high priced products, illustrating our status as the global dental laboratory that can process and produce prosthetic devices of high quality, across the full range of our products. Our focused strategy on selling higher average selling-priced products within each of our product categories (in particular, complicated fixed prosthetic devices and removable prosthetic devices) have been effective in strengthening our revenue growth and maintaining our gross profit margin. The average selling price ("**ASP**") for our fixed prosthetic devices and removable prosthetic devices were HK$1,394 and HK$1,002, respectively, compared with HK$591 in the other devices category.

Finally, we would like to thank our clients, shareholders and business partners for their enduring support. We will continue to maintain and implement our growth strategies, endeavour to outperform our competitors and create greater value to our shareholders.

Product Category

The following table sets forth the breakdown of revenue, sales volume and ASP by product category for the six months ended 30 June 2015 and 2016 respectively:

	For the six months ended 30 June					
	2016			2015		
	Number of case	**Revenue *HK$'000***	**ASP *HK$***	Number of case	Revenue *HK$'000*	ASP *HK$*
Fixed prosthetic devices	**378,538**	**527,820**	**1,394**	347,170	461,836	1,330
Removable prosthetic devices	**173,786**	**174,220**	**1,002**	159,930	134,848	843
Other devices*	**111,727**	**66,030**	**591**	104,482	80,923	775
Total	**664,051**	**768,070**	**1,157**	611,582	677,607	1,108

* We subtract the raw materials revenue, dental equipment revenue and the services revenue from the Group's revenue.

Fixed Prosthetic Devices

Our fixed prosthetic devices, including crowns and bridges, are used for restorative dental procedures. Crowns are fixed replacements for a single tooth while bridge treatments permanently replace several adjacent teeth.

During the period under review, fixed prosthetic devices business segment recorded a revenue of approximately HK$527,820,000, representing an increase of approximately HK$65,984,000 as compared with that of the six months ended 30 June 2015. This business segment accounted for 68.2% of the Group's total revenue as compared with approximately 67.8% in the six months ended 30 June 2015.

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 period under review, removable prosthetic devices business segment recorded a revenue of approximately HK$174,220,000, representing an increase of approximately HK$39,372,000 as compared with that of the six months ended 30 June 2015. This business segment accounted for 22.5% of the Group's total revenue as compared with approximately 19.8% in the six months ended 30 June 2015.

Other Devices and Services

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

During the period under review, the other devices segment recorded a revenue of approximately HK$66,030,000, representing a decrease of approximately HK$14,893,000 as compared with that of the six months ended 30 June 2015. Together with the sales of raw materials, dental equipment and other services rendered, the business segment of other devices and services recorded a revenue of approximately HK$72,400,000, accounted for 9.3% of the Group's total revenue as compared with approximately 12.4% in the six months ended 30 June 2015.

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, sales volume and ASP from the aforesaid markets:

	For the six months ended 30 June					
		2016			2015	
	Number	**Revenue**	**ASP**	Number	Revenue	ASP
Market	**of case**	***HK$'000***	***HK$***	of case	*HK$'000*	*HK$*
Europe*	**230,749**	**383,294**	**1,661**	199,670	339,102	1,698
Greater China**	**285,341**	**193,226**	**677**	278,649	186,010	668
North America	**75,237**	**90,480**	**1,203**	68,917	76,572	1,111
Australia***	**54,956**	**95,206**	**1,732**	49,873	70,672	1,417
Others	**17,768**	**5,861**	**330**	14,473	5,250	363
Total	**664,051**	**768,067**	**1,157**	611,582	677,606	1,108

* 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 period under review.

Our sales and distribution network in Europe is able to reach 13 countries and we offer a portfolio of respected brands. Notwithstanding weakness of the economic environment in Europe, the total dental prosthetics market has grown, albeit slowly and the Group outperformed to the overall market. Our sales and marketing efforts have yielded positive results and this is reflected in the strong growth in our revenue in this market. This growth has been product and customer-led, as customers are typically purchasing different products from our broad product line. We offer comparatively lower prices for products of comparable quality in the market.

During the period under review, the European market recorded a revenue of approximately HK$383,294,000, representing an increase of approximately HK$44,192,000 as compared with that of the six months ended 30 June 2015. Together with the sales of dental equipment of HK$2,012,000 (six months ended 30 June 2015: HK$1,143,000), this geographic market accounted for 49.8% of the Group's total revenue as compared with approximately 49.9% in the six months ended 30 June 2015.

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 period 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 which has a strong demand for higher quality products.

During the period under review, the Greater China market recorded a revenue of approximately HK$193,226,000 representing an increase of approximately HK$7,216,000 as compared with the six months ended 30 June 2015. Together with the sales of raw materials and dental equipment of HK$1,533,000 (six months ended 30 June 2015: HK$992,000), this geographic market accounted for 25.1% of the Group's total revenue as compared with approximately 27.5% in the six months ended 30 June 2015. The increase of revenue from the Greater China market has been partially offset by the depreciating RMB whilst revenue from our Hong Kong market continues to grow at a solid and consistent rate.

North America

The revenue generated from the sales in the North American market, including the United States and Canada, represents a significant portion of our revenue. The dental prosthetics market in the North America grew during the period 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. The dental prosthetics market has consistently grown strongly and our revenue growth is an outperformance when compared to the overall market. Revenue has increased in the vast majority of the products in our broad product line with demand for implant-related and Zirconic-based products, and removable prosthetics products growing particularly strongly.

During the period under review, the North American market recorded a revenue of approximately HK$90,480,000, representing an increase of approximately HK$13,908,000 as compared with that of the six months ended 30 June 2015. This geographic market accounted for 11.7% of the Group's total revenue as compared with approximately 11.2% in the six months ended 30 June 2015. The strong increase of revenue from the North American market is also attributable to our marketing and sales strategy and techniques (in particular, the 30/90 Programme) which have been effective in penetrating the market.

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 to boost the development of the dental prosthetics industry.

During the period under review, the Australian market recorded a revenue of approximately HK$95,206,000, representing an increase of approximately HK$24,534,000 as compared with that of the six months ended 30 June 2015. Together with the service revenue generated from rendering educational events and seminars of HK$2,827,000 (six months ended 30 June 2015: HK$1,549,000), this geographic market accounted for 12.7% of the Group's total revenue as compared with approximately 10.6% in the six months ended 30 June 2015. The strong increase in the revenue from the Australian market was largely attributable to our sales and marketing strategy that was implemented after our acquisition of our principal Australian distributor, SCDL Holdings Pty Ltd and its subsidieries ("**SCDL Group**").

Others

Other markets primarily include Indian Ocean countries and Japan. During the period under review, these markets recorded a revenue of approximately HK$5,861,000, representing an increase of approximately HK$611,000 as compared with that of the six months ended 30 June 2015. This geographic market accounted for 0.7% of the Group's total revenue as compared with approximately 0.8% in the six months ended 30 June 2015.

FINANCIAL REVIEW

Revenue

During the period under review, the consolidated revenue of the Group amounted to HK$774,440,000, representing an increase of 13.7% as compared with HK$681,290,000 in the six months ended 30 June 2015. The increase was mainly attributable to (i) the acquisition of SCDL Group; (ii) the annual increment of retail prices to the dentists; and (iii) the organic growth in the sales volume.

Gross Profit and Gross Profit Margin

The gross profit for the period under review was approximately HK$427,758,000, which was approximately 16.4% higher than that of the six months ended 30 June 2015. The gross margin was increased from 53.9% in the six months ended 30 June 2015 to 55.2% in the same period of 2016. The enhancement of the gross margin was primarily attributable to the depreciation of RMB, which was the major currency used in recording the production costs.

The gross profit margins of fixed prosthetic devices business segment, removable prosthetic devices business segment and other devices and services business segment were approximately 57.0%, 55.3% and 42.1% respectively. The following table sets forth the breakdown of our gross profit and gross profit margin by product category.

	Six months ended 30 June			
	2016		2015	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	HK$'000	***(%)***	*HK$'000*	*(%)*
Product category:				
Fixed prosthetic devices	**300,919**	**57.0**	261,852	56.7
Removable prosthetic devices	**96,364**	**55.3**	64,413	47.8
Other devices and services	**30,475**	**42.1**	41,204	48.7
Total	**427,758**	**55.2**	367,469	53.9

Selling and Distribution Expenses

During the period under review, selling and distribution expenses increased by approximately 19.7% from HK$68,165,000 for the six months ended 30 June 2015 to HK$81,596,000 for the six months ended 30 June 2016, accounting for approximately 10.5% of the Group's revenue, as compared with approximately 10.0% for corresponding period in 2015. The increase was primarily attributable to (i) an increase of HK$ 4.2 million or 14.0%, in salaries, bonuses, commissions and other benefits for sales personnel, largely arising from the headcount increase after our acquisition of SCDL Group; and (ii) an increase of HK$6.4 million or 28.1% in freight and transportation costs, as a result of an increase in our sales volume during the period under review and the fact that the freight and transportation costs for the finished products were shifted to us after our acquisitions of downstream distributors, such as SCDL Group, partially offset by the depreciation of the EUR and AUD in the period under review; and (iii) an increase of HK$2.5 million or 28.2% in advertising and promotion, for ordinary marketing expenses as a result of acquisition of 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 period under review, administrative expenses increased by approximately 9.4% from HK$200,690,000 for the six months ended 30 June 2015 to HK$219,475,000 for the six months ended 30 June 2016, accounting for approximately 28.3% of the Group's revenue, as compared with approximately 29.5% for corresponding period in 2015. The increase was primarily attributable to (i) an increase of HK$29.9 million, or 30.9%, in salaries, bonuses and other benefits for administrative staff, as a result of the increased headcount of administrative staff arising from our acquisition of SCDL Group, share based payment expenses of HK$11.8 million pursuant to the Pre-IPO RSU Scheme (as defined below), which was passed on 19 June 2015, and to a lesser extent, an increase in average salaries of our employees; and (ii) an increase of HK$2.7 million, or 11.4%, in depreciation of office equipment and amortization of intangible assets, which was mainly attributable to the amortization of customer relationship of SCDL Group. The increases in staff costs, depreciation and amortization are offset by a decrease of HK$20.8 million, or 63.2%, in the professional fees arising from the listing expenses of the Company recorded in the year 2015.

Other Operating Expenses

During the period under review, other operating expenses increased from HK$544,000 for the six months ended 30 June 2015 to HK$15,326,000 for the six months ended 30 June 2016, accounting for approximately 2.0% of the Group's revenue, as compared with approximately 0.08% for corresponding period in 2015. The increase was primarily attributable to (i) realized loss on the forward foreign exchange contract on EUR and AUD of HK$7,704,000; and (ii) exchange loss of HK$6,632,000 as a result of depreciation of EUR and AUD in the period under review.

Finance Costs

During the period under review, finance costs decreased by approximately 22.1% from HK$18,323,000 for the six months ended 30 June 2015 to HK$14,265,000 for the six months ended 30 June 2016, accounting for approximately 1.8% of the Group's revenue, as compared with approximately 2.7% for corresponding period in 2015. The decrease was primarily attributable to the lower interest cost as a result of refinance completed in November 2015.

Income Tax Expense

During the period under review, income tax expense increased by approximately 18.5% from HK$23,674,000 for the six months ended 30 June 2015 to HK$28,065,000 for the six months ended 30 June 2016. The effective tax rates of respective periods were 28.3% for the six months ended 30 June 2016 and 28.5% for the corresponding period in 2015. The increase in income tax expense was primarily attributable to (i) the higher income tax rate applicable to us after our acquisition of SCDL Group in 2015; and (ii) the higher profit before tax noted due to the business growth.

Profit for the Period under Review and Margin

Profit for the period under review increased by approximately 19.6% from approximately HK$59,481,000 for the six months ended 30 June 2015 to HK$71,134,000 for the six months ended 30 June 2016, accounting for approximately 9.2% of the Group's revenue, as compared with approximately 8.7% for the six months ended 30 June 2015. The increase was primarily attributable to (i) the organic growth of the business; (ii) the acquisition of SCDL Group in 2015 and (iii) the fact that the listing expenses were one-off expenses incurred in 2015.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company amounted to approximately HK$70,442,000, representing an increase of approximately HK$10,884,000, or 18.3%, as compared with approximately HK$59,558,000 for the six months ended 30 June 2015.

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 earnings before interest, tax, depreciation and amortization ("**EBITDA**") as additional financial measures. By means of these financial measures, the management of the Group is able to evaluate their financial performance regardless of the items they do not consider indicative of the performance of their business.

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
EBITDA		
Net profit	**71,134**	59,481
Financial costs	**14,265**	18,323
Tax	**28,065**	23,674
Depreciation	**15,180**	15,242
Amortization of intangible assets	**18,065**	16,176
Less:		
Interest income	**(487)**	(284)
EBITDA	**146,222**	132,612

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows

The table below summarizes the Group's cash flows for the six months ended 30 June 2016 and the year ended 31 December 2015:

	30 June 2016	31 December 2015
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Net cash flows from operating activities	**41,571**	60,808
Net cash flows used in investing activities	**(462,161)**	(257,589)
Net cash flows (used in)/from financing activities	**(12,955)**	211,808

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 net proceeds from the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited on 15 December 2015 (the "**Listing**"), 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$510,667,000 as of 30 June 2016, representing a decrease of approximately HK$435,022,000 as compared with that as of 31 December 2015.

Operating Activities

Cash inflow from operating activities was mainly generated from cash receipt from revenue generated from sales of our products. Cash outflow from operating activities was mainly due to purchase of raw materials, wages of technicians and employees and tax paid. Net cash generated from operating activities was approximately HK$41,571,000 for the six months ended 30 June 2016. The amount was primarily attributable to profit before tax of HK$99.2 million, as adjusted by (i) income tax paid of HK$26.7 million; (ii) non-cash items affecting net income, including the add-back of depreciation and amortization of HK$33.2 million, equity settled share option expenses of HK$11.8 million and finance costs of HK$14.3 million; and (iii) changes in working capital, which consisted primarily of an increase of trade receivables of HK42.6 million, an increase of prepayment, deposits and other receivables of HK$27.8 million and an decrease of other payables and accruals of HK$17.6 million.

The amount of trade receivables increased from approximately HK$288,228,000 as of 31 December 2015 to HK$329,928,000 as of 30 June 2016. The trade receivable turnover days from approximately 70 days for the year ended 31 December 2015 to approximately 73 days for the six months ended 30 June 2016. The trade receivable turnover days slightly increase was primarily due to an increase in our trade receivables driven by the growth in our sales.

The amount of trade payables decreased from approximately HK$33,542,000 as of 31 December 2015 to HK$32,280,000 as of 30 June 2016. The trade payable turnover days maintained from approximately 21 days for the year ended 31 December 2015 to approximately 17 days for the six months ended 30 June 2016. The general credit terms granted by suppliers were normally ranged from 30 to 90 days. The decline in trade payable turnover days was primarily due to the increase in our cost of sales as a result of our growth of sales.

The amount of inventories increased from approximately HK$58,288,000 as of 31 December 2015 to HK$70,190,000 as of 30 June 2016. The inventory turnover days increased from approximately 32 days for the year ended 31 December 2015 to approximately 34 days for the six months ended 30 June 2016. The increase in inventory turnover days was mainly due to maintenance sufficient stock level to meet potential demand as result of growth of sale.

Investing Activities

The Group recorded a net cash outflow used in investing activities of approximately HK$462,161,000 for the six months ended 30 June 2016, of which HK$413.7 million was used for the prepayment of the acquisition of RTFP Dental Inc. and acquisitions of Cenetory Pty Limited and Precision Dental Laboratory Limited. An amount of US$52,250,000 (equivalent to HK$405,981,000), comprising the deposit and the first milestone payment of the acquisition of RTFP Dental Inc., which was announced in the announcement of the Company dated 7 June 2016. The remaining amount was used for acquisitions of Cenetory Pty Limited and Precision Dental Laboratory Limited. The remaining

HK$47.7 million in expenditures for investing activities primarily comprised purchase of property, plant and equipment, which amounted to HK$44.1 million, for the expansion of our production facilities and the upgrading of our equipment for computer-aided/manufacturing production. Further details of the acquisitions of RTFP Dental Inc. and Cenetory Pty Limited are set out in the paragraph headed "Investments Made and Future Prospects".

Financing Activities

The Group recorded a net cash outflow from financing activities of approximately HK$12,955,000 for the six months ended 30 June 2016. The outflow mainly came from the interest payment.

Capital Expenditure

During the period under review, the Group's capital expenditure amounted to approximately HK$457,823,000 which was mainly used for prepayment of acquisition of RTFP Dental Inc. and acquisitions of Cenetory Pty Limited and Precision Dental Laboratory Limited, and expansion of our production facilities and improvement in our production equipments. All of the capital expenditure was financed by internal resources and the net proceeds from the Listing.

CAPITAL STRUCTURE

Bank borrowings

Bank loans of the Group as of 30 June 2016 amounted to approximately HK$644,969,000 as compared to approximately HK$642,052,000 as of 31 December 2015. Pledged bank deposits of the Group as of 30 June 2016 amounted to approximately HK$3,541,000 as compared to approximately HK$3,360,000 as of 31 December 2015. As of 30 June 2016, the bank loans of HK$644,666,000 and HK$303,000 were denominated in USD and CAD.

Finance lease payables

Finance lease payables of the Group as of 30 June 2016 amounted to approximately HK$3,196,000 as compared to approximately HK$3,719,000 as of 31 December 2015. As of 30 June 2016, the finance lease payables of HK$30,000, HK$2,533,000 and HK$633,000 were denominated in HKD, AUD and USD, respectively.

Cash and cash equivalents

The amount in which cash and cash equivalents were held are set out in the paragraph headed "Liquidity and Financial Resources" in this Announcement.

Gearing ratio

The 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) as of 30 June 2016 was approximately 13.2%, reflecting that the Group's financial position was at a sound level.

Debt securities

As of 30 June 2016, the Group did not have any debt securities.

Contingent liabilities

As of 30 June 2016, the Group did not have any material contingent liabilities or guarantees.

CHARGE OF GROUP ASSETS

In October 2015, Modern Dental Holding Limited, a subsidiary of the Company, entered into a facility agreement for a term loan amounting to US$75,000,000 with a term of five years and a revolving credit amounting to US$10,000,000, secured by certain assets of the Group including certain shares, receivables and accounts of subsidiaries of the Company.

Commitments

The commitments of the Group are primarily related to (i) the investment agreement dated 28 April 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, (ii) the purchase agreement dated 7 June 2016 entered into between Yangzhijin Dental Laboratory (Beijing) Co., Ltd. and Beijing Huiyuan Tongguang Technology Development Co. Ltd. regarding acquisition of factory building in total amount of RMB34,627,000, and (iii) the stock purchase agreement (the "**Stock Purchase Agreement**") dated 6 June 2016 entered into among RTFP Dental Holdings Inc. (as vendor), MDI Acquisitions Inc. (as purchaser), and Modern Dental America Holding Limited (solely with respect to the guarantee provision) in relation to the acquisition of the 100% of the outstanding shares of RTFP Dental Inc.. For further details of the acquisition of RTFP Dental Inc., please refer to the announcement of the Company dated 7 June 2016.

Save as disclosed above, the Group had no other significant capital commitments as of 30 June 2016.

INVESTMENTS MADE AND FUTURE PROSPECTS

The Group's investing activities mainly include two strategic acquisitions, namely (i) the acquisition of RTFP Dental Inc. and (ii) the acquisition of Cenetory Pty Limited.

On 6 June 2016, MDI Acquisitions Inc. (as purchaser), a wholly-owned subsidiary of the Company, and Modern Dental America Holding Limited (solely with respect to the guarantee provision) entered into the Stock Purchase Agreement with RTFP Dental Holdings Inc. (as vendor), pursuant to which MDI Acquisitions Inc. shall purchase 100% of the outstanding shares of RTFP Dental Inc.. RTFP Dental Inc. is principally engaged in dental laboratory services providing customized dental prosthetic restorations in North America. It is expected that the acquisition is able to accelerate the Group's revenue and profit growth in North America and provide a strategic platform for the Group to further build on its established brand, its existing nationwide sales and distribution network throughout North America. For further details of the acquisition of RTFP Dental Inc., please refer to the announcement of the Company dated 7 June 2016.

As the closing of the acquisition of RTFP Dental Holdings Inc. is subject to the fulfilment (or if applicable, waiver) of the conditions as set out in the Stock Purchase Agreement, the acquisition may or may not proceed. The issue of this announcement does not in any way imply that the Stock Purchase Agreement will be implemented or completed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

Further, the acquisition of 100% of the issued share capital of Cenetory Pty Limited took place on 1 June 2016. Cenetory Pty Limited trades as Slater Dental Studio, a dental laboratory based in Gold Coast, Queensland, Australia. By the acquisition, it is expected that the Group is able to expand its local production, service and support capacity as well as to reach a broader customer base especially in the Queensland market. For further details of the acquisition of Cenetory Pty Limited, please refer to the announcement of the Company dated 6 June 2016.

FUTURE PROSPECTS AND STRATEGIES

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.

OFF-BALANCE SHEET TRANSACTIONS

As of 30 June 2016, the Group did not enter into any material off-balance sheet transactions.

IMPORTANT EVENTS AFTER REPORTING DATE

No important events affecting the Company have occurred since 30 June 2016 and up to the date of this Announcement.

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 six months ended 30 June 2016, 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.

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 25 November 2015.

The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants including any employee, 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 30 June 2016, 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 19 June 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 19 June 2015, under the administration of the Board and the trustee.

As at 30 June 2016, an aggregate of 8,149,038 restricted share units were granted to eligible participants in accordance with the restricted share unit scheme.

INTERIM DIVIDEND

The Board declared an interim dividend of HK2.1 cents per share for the six months ended 30 June 2016 (the six months ended 30 June 2015: Nil), which is approximately HK$21 million and 29.8% of the profit attributable to the shareholders of the Company. The interim dividend will be payable on Tuesday, 25 October 2016 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 3 October 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 29 September 2016 to Monday, 3 October 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2016, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Wednesday, 28 September 2016.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing amounted to HK$647,483,000, and such proceeds were applied in the manner consistent with that set out in the prospectus of the Company dated 3 December 2015.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 30 June 2016, the Company has complied with all the 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 during the six months ended 30 June 2016.

REVIEW OF INTERIM RESULTS

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 interim results for the six months ended 30 June 2016, including the accounting principles and practices adopted by the Group have been reviewed by all the members of the audit committee and the external auditors of the Company, Ernst & Young.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim 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 interim report of the Company for the six months ended 30 June 2016 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, 24 August 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.