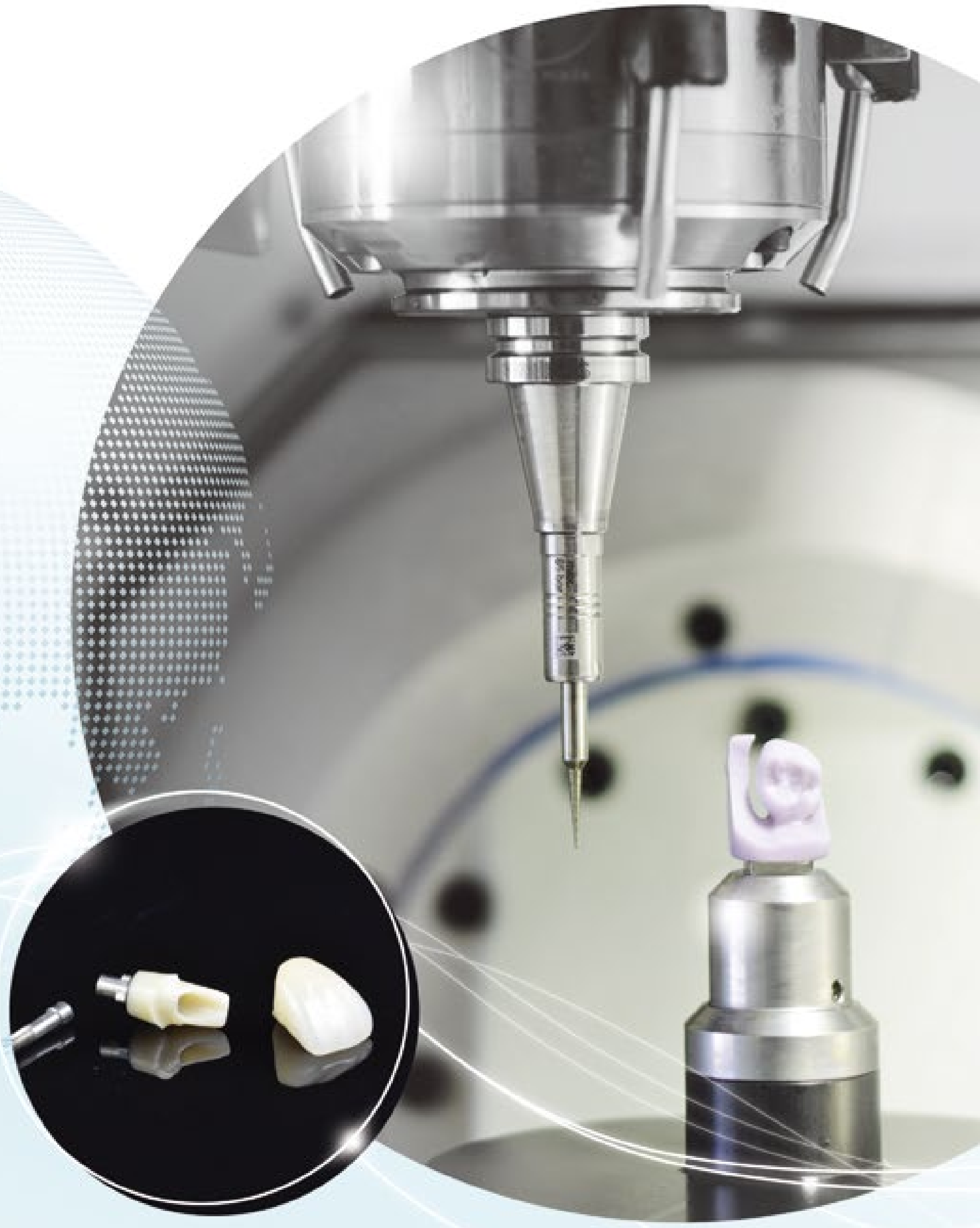
MODERN Dental Group

MODERN DENTAL GROUP LIMITED
現代牙科集團有限公司

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

Stock code: 3600



2015
ANNUAL REPORT

MODERN Dental Group

Contents

Annual Report 2015

Chairman's Statement

Modern Dental aims to reinforce its leading position in China and overseas markets through business expansion.

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Modern Dental Group Limited (the "**Company**", stock code: 3600), I hereby present the annual results of the Company and its subsidiaries (which are collectively referred to as the "**Group**" or "**Modern Dental**") for the year ended December 31, 2015.

Modern Dental is a leading global dental prosthetic device provider with the largest share of the dental prosthetics markets in Western Europe, Australia, China and Hong Kong. Its share of the United States market is growing fast in terms of revenue in 2014 according to Roland Berger, an independent industry consultant commissioned by us.

The global dental prosthetics industry has been growing consistently in recent years and is expected to continue the momentum as it is driven by the rising demand for cosmetic dentistry, growing awareness of oral health, rising disposable income and aging population. As a market leader with a global sales and distribution network and strategically-located production facilities, we are well-positioned to capitalize on the consolidation of the fast-growing but fragmented dental prosthetics industry. We have also set our sights especially on China's market, which is expected to grow at a CAGR of 19.2% from 2014 to 2018 according to Roland Berger.

The shares (the "**Shares**") of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on December 15, 2015 (the "**Listing**"). The Listing marks a milestone for the Group and gives it access to the capital market. The initial public offering of the Company not only has bolstered its capital base with the net proceeds but also has enhanced its reputation and the awareness of its brand.

For the year ended December 31, 2015, the Group recorded a revenue of approximately HK$1,416 million (2014: HK$1,192 million). Profit for the year was approximately HK$83 million (2014: HK$131 million). Core net profit (as defined in Management Discussion and Analysis) was approximately HK$196 million (2014: HK$180 million). Earnings per share for the year ended December 31, 2015 were HK cents 9.93 (2014: HK cents 15.12).

The Company has established its global proprietary sales and distribution network through a series of strategic acquisitions of its former distributors. In 2015, Modern Dental sold its products to customers in more than 20 countries. Modern Dental had 22 points of sale in China and 29 service centers overseas, with a customer base of over 12,000 worldwide.

We have built various respected brands for different geographic markets, namely Labocast, Permadental and Elysee for Western Europe, Yangzhijin (洋紫荊) for China, Modern Dental Laboratory for Hong Kong, Modern Dental USA for the United States and Southern Cross Dental for Australia, New Zealand and Ireland. Supported by its production facilities in China, Germany, Australia, the United States and Madagascar as well as over 3,400 technicians (as of December 31, 2015), Modern Dental provides premium products of consistent quality and superior customer service.

Modern Dental has a proven track record of making its first forays into new, promising markets through strategic acquisitions of distributors whose established channels allow direct access to end users. In March 2015, we acquired a brand, namely "Southern Cross Dental" through acquiring a group of companies based in Australia, which had been our distributor since 2000. The Group's strong capability of making such strategic acquisitions gives it a significant advantage in the fragmented dental prosthetics industry.

In the future, Modern Dental aims to reinforce its leading position in China and overseas markets through business expansion. In Mainland China, we will expand our sales network by setting up more points of sales in selected cities. In North America, we will acquire more service centers to enhance customer service. In Europe, we will increase the number of local laboratories. The Company will also try to attain synergies with our acquired companies through further integration by increasing sales and enhancing management efficiency and cost effectiveness. We will also seek to improve the production process and increase productivity and efficiency. For instance, we plan to increase the use of CAD/CAM (computer-aided design and computer-aided manufacturing) technologies by establishing large-scale digital production centers in regions where there is sufficient demand, and relocate its centralized production facilities to a modernized factory in Dongguan. Modern Dental will also expand its product offerings with emphasis on high-margin products to increase profitability.

Finally, I would like to take this opportunity to thank the Board and all staff members for their dedication, professionalism and determination to succeed. I would also like to thank our clients, shareholders and business partners for their enduring support. We will endeavor to achieve outstanding performance and create the greatest value for our stakeholders.

Chan Kwun Fung
Chairman

March 23, 2016

Management Discussion and Analysis

Modern Dental Group Limited is a leading global dental prosthetic device provider with a focus on providing custom-made prostheses to customers in the growing prosthetics industry.

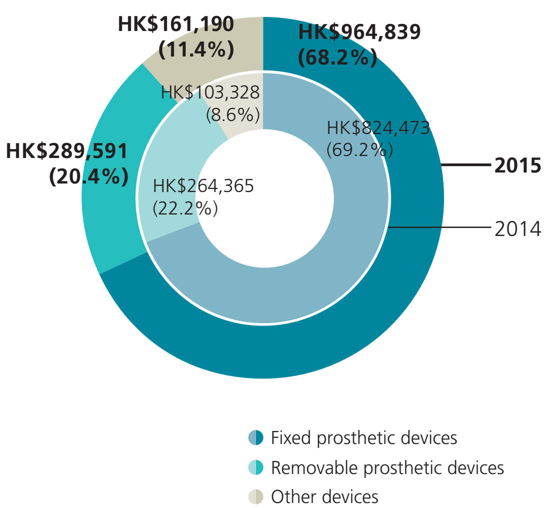
BUSINESS REVIEW

Modern Dental Group Limited (the “**Company**”, with its subsidiaries, 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 lines: (i) fixed prosthetic devices such as crowns and bridges; (ii) removable prosthetic devices such as removable dentures; and (iii) 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.

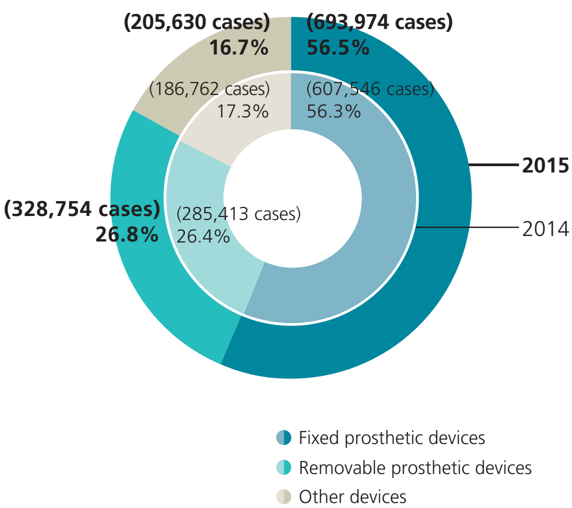
Product Category

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

Breakdown of revenue
(HK$’000)



Breakdown of sales volumes



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 ("**ASP**"), partially offset by the depreciation of the EUR and AUD during the year. The increase in the ASP 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. The increase in sales volumes was mainly due to the growth of our distribution network and the synergy effect which the Group achieved from the past strategic acquisitions.

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 volumes and the ASP generated from the aforesaid markets:

	Year ended December 31,					
	2015			2014		
Market	Revenue (HK$'000)	Sales Volumes (number of case)	ASP (HK$ per case)	Revenue (HK$'000)	Sales Volumes (number of case)	ASP (HK$ per case)
Europe*	695,295	401,586	1,731	659,283	359,750	1,833
Greater China**	383,466	551,030	696	326,313	494,099	660
North America	158,204	140,922	1,123	122,379	112,776	1,085
Australia***	158,014	104,780	1,508	63,415	86,790	731
Others	12,157	30,040	405	13,188	26,306	501
Total	1,407,136	1,228,358	1,146	1,184,578	1,079,721	1,097

The table below sets forth the ASP in each geographic market at its original currency.

Market	Original currency	Year ended December 31, 2015 ASP (Original currency per case)	2014 ASP (Original currency per case)
Europe	EUR	**197**	178
Mainland China	RMB	**609**	590
Hong Kong	HKD	**600**	568
United States	USD	**157**	150
Canada	CAD	**122**	121
Australia	AUD	**253**	104
Others	HKD	**405**	501

* We subtract the raw materials revenue and dental equipment revenue from the European revenue when calculating the ASP for our products in the European market, as the corresponding sales volumes in Europe do not include the sales of raw materials and dental equipment.

** We subtract the raw materials and dental equipment revenue from the Greater China revenue when calculating the ASP for our products in the Greater China market, as the corresponding sales volumes in Greater China do not include the sales of raw materials and dental equipment.

*** Our Australian market includes both Australia and New Zealand. We subtract the services revenue from the Australian revenue when calculating the ASP for our products in the Australian market, as the corresponding sales volumes in Australia do not include the rendering of services of educational events and seminars.

Europe

The revenue generated from the sales in the European market, including France, Germany, the 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 sales volumes increased by 41,836 cases, or 11.6%. The retail price recorded a decrease of HK$102 per case, or 5.6%, in ASP from HK$1,833 per case in 2014 to HK$1,731 per case in 2015, which was largely due to the depreciation of EUR during the year. Compared to the ASP in the original currency, an increase of 19 EUR per case, or 10.7%, from 178 EUR per case in 2014 to 197 EUR per case in 2015 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 sales volumes of our products in the Greater China market accounted for the largest portion of our total sales volumes.

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 sales volumes increased by 56,931 cases, or 11.5%. The retail price recorded an increase of HK$36 per case, or 5.5%, in ASP from HK$660 per case in 2014 to HK$696 per case in 2015. Compared to the ASP in the original currency, an increase of ASP was noted in the Hong Kong market. The increase of HK$32 per case, or 5.6%, from HK$568 per case in 2014 to HK$600 per case in 2015 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.

The ASP of our products in Mainland China in 2015 recorded an increase of RMB19 per case, or 3.2%, from RMB590 per case in 2014 to RMB609 per case in 2015. The increase was largely attributable to the fact that the Group has continuously been developing the Mainland China market with the focus shifted to our high value-added products.

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 sales volumes increased by 28,146 cases, or 25.0%. The retail price recorded an increase of HK$38 per case, or 3.5%, in ASP from HK$1,085 per case in 2014 to HK$1,123 per case in 2015. Compared to the ASP in the original currency, an increase of ASP was noted in the United States market. The increase of US$7 per case, or 4.7%, from US$150 per case in 2014 to US$157 per case in 2015, 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.

The ASP of our products in Canada was maintained at CAD122 per case in 2015 as compared with CAD121 in 2014 due to the stable market situation.

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 sales volumes increased by 17,990 cases, or 20.7%. The retail price recorded an increase of HK$777 per case, or 106.3% in ASP, from HK$731 per case in 2014 to HK$1,508 per case in 2015. Compared to the ASP in the original currency, there was an increase of AUD149 per case, or 143.3%, from AUD104 per case in 2014 to AUD253 per case in 2015. The remarkable increase in both the sales volumes and the ASP was largely attributable to the acquisition of the SCDL Group, 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 increase in the sales volumes by 3,734 cases, or 14.2%, was achieved by Labo Ocean Indien SA in the Indian Ocean countries. The ASP of our products in other countries decreased from HK$501 per case in 2014 to HK$405 per case in 2015, which 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.

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 the 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 category.

	Year ended December 31,			
	2015		2014	
Product Category	Gross profit HK$'000	Gross profit margin (%)	Gross profit HK$'000	Gross profit margin (%)
Fixed prosthetic devices	537,695	55.7	453,901	55.1
Removable prosthetic devices	151,683	52.4	140,066	53.0
Other devices	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 fees mainly arising from the expenses of the listing (the "**Listing**") of the shares (the "**Shares**") of the Company on December 15, 2015 (the "**Listing Date**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"); (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 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 shareholders' 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 the consolidated financial statements of the Group, 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 costs in connection with acquisitions, acquisition loans and reorganization respectively, 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:

	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
Listing 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:

	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
Listing 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:

	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 of Directors (the "**Board**" or the "**Directors**") of the Company expects that the Group will rely on the internally generated funds, the available bank facilities and the proceeds from 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 last year. The cash and cash equivalents were held mainly in RMB, HKD, USD, CAD, EUR and AUD.

Operating Activities

Cash inflow from operating activities was mainly generated from cash receipt from revenue generated from sales of our products. Cash outflow from operating activities was mainly due to purchase of raw materials, wages of technicians and employees and tax paid. 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 tax 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 consist 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 the amounts due to shareholders of HK$56.5 million.

The amount of trade receivables increased from approximately HK$252,605,000 for the year ended December 31, 2014 to HK$288,228,000 for the year ended December 31, 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 year ended December 31, 2014 to approximately 70 days for the year ended December 31, 2015. The slight decrease in the trade receivable turnover days was mainly due to the fact that 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 year ended December 31, 2014 to HK$33,542,000 for the 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 year ended December 31, 2014 to approximately 21 days for the 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 year ended December 31, 2014 to HK$58,288,000 for the 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 year ended December 31, 2014 to approximately 32 days for the 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 ended December 31, 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 was primarily for the 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 ended December 31, 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.

Bank loans and other borrowings

The Board considers that the level of borrowings at the end of the year under review remains healthy and sustainable. As at December 31, 2015, the Group had interest-bearing bank loans and other borrowings which amounted to approximately HK$645,771,000. The Board considers that our borrowings during the year under review had no seasonality of borrowing requirements.

The Board considers that the maturity profile of borrowings is in line with normal commercial practices. As at December 31, 2015, the Group's bank loans and bank overdrafts which amounted to approximately HK$101,036,000, approximately HK$111,446,000 and approximately HK$429,570,000 are repayable within one year or on demand, in the second year and in the third to fifth years (inclusive), respectively. The Group's finance lease payables which amounted to approximately HK$1,146,000, approximately HK$1,727,000 and approximately HK$846,000 are repayable within one year, in the second year and in the third to fifth years (inclusive), respectively.

Details of the amount and maturity profile of borrowings and finance lease payables during the year under review are set out in Note 23 to the consolidated financial statements.

CAPITAL STRUCTURE

Funding and treasury policies

The management of the Group is dedicated to controlling the treasury activities of the Group by seeking opportunities to realize the Group's business strategies with an aim to obtain a higher return for the shareholders of the Company (the "**Shareholders**") at an appropriate risk exposure.

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, respectively. As of December 31, 2015, bank borrowings of HK$224,000 was at fixed interest rates.

Finance lease payables

Finance lease payables of the Group as of December 31, 2015 amounted to approximately HK$3,719,000 as compared to approximately HK$1,026,000 as of December 31, 2014. As of December 31, 2015, the finance lease payables of HK$35,000, HK$22,000, HK$2,892,000 and HK$770,000 were denominated in HKD, EUR, AUD and USD, respectively. As of December 31, 2015, the finance lease payables of approximately HK$3,719,000 was at fixed interest rates.

Cash and cash equivalents

The amount and currencies in which cash and cash equivalents were held are set out in the section headed "Liquidity and Financial Resources — Cash Flows" on page 16 of this Annual Report.

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) was approximately -9%, reflecting that the Group's financial position was at a sound level.

Hedging

The Group entered into two forward foreign exchange contracts for hedging purposes in November 2015, which were in effect as of December 31, 2015. The table below sets forth the key terms of the two forward foreign exchange contracts entered into by us:

	Contract A	Contract B
Key terms:		
Currency pair	EUR/USD	AUD/USD
Monthly notional amount	EUR2.0 million	AUD1.0 million

Further details of the two forward foreign exchange contracts are set out in the Prospectus of the Company dated December 3, 2015 (the "**Prospectus**"). Save as disclosed above, we did not enter into any new forward foreign exchange contracts or other hedging instruments as of December 31, 2015. As of December 31, 2015, the Group had not made any hedge by currency borrowings or other hedging instruments.

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

In October 2015, Modern Dental Holding Limited, a subsidiary of the Company, entered into a facility agreement for a term loan amounting to USD75,000,000 with a term of five years and a revolving credit amounting to USD10,000,000, secured by certain assets of the Group including certain shares, receivables and accounts of subsidiaries of the Company.

Details of the charge on the Group's assets are set out in Note 23 to the consolidated financial statements.

Commitments

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

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

DETAILS OF MATERIAL ACQUISITION, 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 markets through established distribution channels and by means of establishing 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. During the year under review, the acquisition of the SCDL Group led to a remarkable increase in the revenue from the Australian market.

Long Term Development Plan

In light of the anticipated growth of dental prosthetics market in Greater China, we plan to relocate from our Shenzhen Facilities to a new location with ample room to accommodate the future expansion of our production capacity (the "**Long Term Development Plan**"). In line with our Long Term Development Plan, we entered into an investment agreement with Dongguan Songshan Lake High-tech Industrial Development Zone Management Committee, a governmental body, in April 2015. For details of the Long Term Development Plan, please refer to the Prospectus.

The public tender process is expected to commence in May 2016 and to be completed in June 2016. Upon success of our bid for the acquisition of the site pursuant to the Long Term Development Plan, we will commence construction, which is expected to be completed at the end of 2017 or at the beginning of 2018.

Going forward, the Group intends to continue to invest in strategic acquisition and expand its production capacity in order to enhance competitiveness.

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 have encountered a relatively larger exposure to the AUD since our acquisition of the 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. The Group had entered into foreign exchange contracts to hedge against the foreign currency risk. Details of the foreign exchange contracts are set out in the section headed “Capital Structure — Hedging” on page 19 of this Annual Report.

Credit Risk

The credit risk of our other financial assets, which comprises 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 the 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 the 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). Employees of the Group are the eligible participants of the Share Option Scheme (as defined below) and may be selected to be granted with the restricted share units under the Pre-IPO RSU Scheme (as defined below). 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.

FUTURE PROSPECTS AND STRATEGIES

According to Roland Berger, an independent industry consultant commissioned by us, the demand for dental prosthetic devices 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 prosthetic devices 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 through further integration of 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.

Directors and Senior Management

Chan Kwun Fung, Michael

Chan Kwun Pan, Ben

Ngai Shing Kin, Godfrey

BOARD OF DIRECTORS

As at December 31, 2015, the board (the "**Board**") of directors (the "**Directors**", each a "**Director**") consisted of 12 Directors comprising 8 executive Directors and 4 independent non-executive Directors. The biographical details of the Directors are set out below.

DIRECTORS

Executive Directors

Mr. CHAN Kwun Fung (陳冠峰先生)

Mr. CHAN Kwun Fung (陳冠峰先生), aged 61, is the chairman of the Board and an executive Director. He is also a director of Modern Dental Holding Limited, Modern Dental Technology Holding Limited, Modern Dental Macau Holding Limited, Modern Dental America Holding Limited, Modern Dental Laboratory Company Limited, Top Vast (Hong Kong) Limited, Modern Dental Europe Limited, Modern Dental Europe Holding Limited, Modern Dental Pacific Holding Limited and Modern Dental International (Macao Commercial Offshore) Limited, all of which being the Company's subsidiaries. Mr. Chan is also the chairman, a director and the legal representative of Yangzhijin Dental Laboratory (Shenzhen) Co., Ltd, the chairman and a director of Yangzhijin Dental Laboratory (Beijing) Co., Ltd, and the supervisor of Modern Dental Laboratory (Shenzhen) Company Limited, Modern Dental and Medical Instruments (Dong Guan) Company Limited, Modern Dental Technology (Dong Guan) Company Limited and Dong Guan Yangzhijin Dental Laboratory Company Limited, all of which are the Company's subsidiaries. He is primarily responsible for the overall strategic planning and management of the Group.

Mr. Chan joined Modern Dental Laboratory, which was the predecessor of Modern Dental Laboratory Company Limited, the first operating subsidiary, as a partner, to develop the Company's business in November 1991. He has been a Director since July 5, 2012 and has been designated as an executive Director and the chairman of the Board since June 19, 2015.

Mr. Chan is a dental technician and has over 30 years of experience in the field of dental prosthesis. His experience includes research, design and development of dental prosthesis-related production techniques and management.

Mr. Chan is the brother of Mr. Chan Kwun Pan (vice chairman of the Board, executive Director and substantial shareholder of the Company), father of Mr. Chan Chi Yuen (executive Director), and uncle of Dr. Chan Ronald Yik Long (executive Director) and Ms. Chan Yik Yu (executive Director).

Directors and Senior Management

Ngai Chi Ho, Alwin

Cheung Ting Pong, Barry

Chan Chi Yuen, Alex

Mr. CHAN Kwun Pan (陳冠斌先生)

Mr. CHAN Kwun Pan (陳冠斌先生), aged 58, is the founder of the Group, the vice chairman of the Board and an executive Director. He is also a director of Modern Dental Holding Limited, Modern Dental Technology Holding Limited, Modern Dental Macau Holding Limited, Modern Dental America Holding Limited, Modern Dental Laboratory Company Limited, Top Vast (Hong Kong) Limited, Modern Dental Europe Limited, Modern Dental Europe Holding Limited, Modern Dental Pacific Holding Limited and Modern Dental International (Macao Commercial Offshore) Limited, and the supervisor of Modern Dental Laboratory (Shenzhen) Company Limited, all of which being the Company's subsidiaries. He is primarily responsible for the overall strategic planning and management of the Group.

As the founder of the Group, Mr. Chan established Modern Dental Laboratory, which was the predecessor of Modern Dental Laboratory Company Limited, the first operating subsidiary, to develop the Company's business in August 1986. He has been a Director since July 5, 2012 and has been designated as an executive Director and the vice chairman of the Board since June 19, 2015.

Mr. Chan is a dental technician and has over 30 years of experience in the dental prosthesis field. He obtained a craft certificate in dental mechanics from The Hong Kong Polytechnic University (formerly known as The Hong Kong Polytechnic) in November 1975. His experience includes research, design and development of dental prosthesis-related production techniques and management. Mr. Chan has been a vice chairman of the Shenzhen Nanshan Foreign Enterprise's Chamber of Commerce since May 2001 and a member of the Political Consultative Committee of Nanshan District, Shenzhen in the PRC since October 2006.

Mr. Chan is the brother of Mr. Chan Kwun Fung (chairman of the Board, executive Director and substantial shareholder of the Company), father of Dr. Chan Ronald Yik Long (executive Director) and Ms. Chan Yik Yu (executive Director) and uncle of Mr. Chan Chi Yuen (executive Director).

Dr. Chan Ronald Yik Long

Chan Yik Yu, Edith

Mr. NGAI Shing Kin (魏聖堅先生)

Mr. NGAI Shing Kin (魏聖堅先生), aged 67, is an executive Director, the chief executive officer and a member of the remuneration committee of the Company. He is also a director of Modern Dental Holding Limited, Modern Dental Technology Holding Limited, Modern Dental Macau Holding Limited, Modern Dental America Holding Limited, Modern Dental Laboratory Company Limited, Top Vast (Hong Kong) Limited, TVCO, Inc., Modern Dental Europe Limited, Modern Dental Europe Holding Limited, Modern Dental Europe B.V., Modern Dental Pacific Holding Limited, Modern Dental International (Macao Commercial Offshore) Limited, Quantum Dental Laboratory Inc., Sundance Dental Laboratory, LLC, Modern Dental Laboratory-Savannah, LLC, Modern Dental Laboratory Australia Pty Ltd, Gold & Ceramics Dental Laboratory Pty Ltd, Labo OI (Mauritius) Ltd, Permadental China Limited, SCDL Holdings Pty Ltd, SCDL Finance Pty Ltd, SCDL Pty Ltd, Andent Pty Ltd, Proform Australia Pty Ltd, Dentmill Australia Pty Ltd, BU Factory Ptd Ltd, Pavona Pty Ltd, Southern Cross Dental Laboratories (NZ) Limited, manager of Modern Dental Laboratory USA, LLC, the president of the board of Labocast SAS, and the supervisor of Modern Dental Laboratory (Shenzhen) Company Limited and Yangzhijin Dental Laboratory (Shenzhen) Co., Ltd, all of which being the Company's subsidiaries. He is primarily responsible for the overall strategic planning and the corporate policy for the operations of the Group.

Mr. Ngai joined the Group in April 1996. He has been a Director since July 5, 2012 and has been designated as an executive Director since June 19, 2015.

Mr. Ngai obtained a master's degree in management (technology) from the University of Melbourne in Australia in December 1994 and a bachelor's degree in education from the University of Melbourne (Hawthorn Institute of Education) in Australia in May 1995. Mr. Ngai also obtained a Fellowship (dental) from The British Institute of Surgical Technologists (now known as The British Institute of Dental and Surgical Technologists) in the United Kingdom in May 1982, the dental technician's certificate from the City and Guilds of London Institute in the United Kingdom in June 1977, the dental technician's advanced certificate in orthodontic technology from the City and Guilds of London Institute in the United Kingdom in June 1980, the dental technician's advanced certificate in prosthodontic technology in June 1980, the dental technician's advanced certificate in crown and bridge technology from the City and Guilds of London Institute in the United Kingdom in June 1983, and the licentiateship of the City and Guilds for dental technology from the City and Guilds of London Institute in the United Kingdom in May 1990, respectively.

August Wilhelm Torsten Schwafert

Gregory Scialom

Christopher Aughton

Mr. Ngai has over 48 years of experience in the dental prosthesis field. Prior to joining the Group, Mr. Ngai was a student dental technician and a dental technician in Department of Health, the Government of the Hong Kong Special Administrative Region (formerly known as Medical and Health Department, the Government of Hong Kong) from 1967 to 1970 and from 1970 to 1979, respectively. From 1979 to 1981, he was a lecturer at The Hong Kong Polytechnic University (formerly known as The Hong Kong Polytechnic) and was primarily responsible for teaching dental technology. From 1981 to 1998, he was an instructor dental technologist at the Faculty of Dentistry, The University of Hong Kong and was primarily responsible for teaching dental technology. Mr. Ngai is the co-author of "A Colour Atlas of Resin Bond Retained Prostheses – A practical guide", a book published in 1989.

Mr. Ngai is the father of Mr. Ngai Chi Ho, Alwin (the executive Director).

Mr. NGAI Chi Ho, Alwin (魏志豪先生)

Mr. NGAI Chi Ho, Alwin (魏志豪先生), aged 38, is an executive Director, the chief operating officer and a member of the nomination committee of the Company. He is also a director of Modern Dental Holding Limited, Modern Dental Technology Holding Limited, Modern Dental Macau Holding Limited, Modern Dental America Holding Limited, Modern Dental Europe Holding Limited, Modern Dental Europe B.V., Modern Dental Pacific Holding Limited, Digitek Dental Solutions Limited, SCDL Holdings Pty Ltd, SCDL Finance Pty Ltd, SCDL Pty Ltd, Andent Pty Ltd, Proform Australia Pty Ltd, Dentmill Australia Pty Ltd, BU Factory Pty Ltd, Pavona Pty Ltd, Southern Cross Dental Laboratories (NZ) Limited, the board member of Labocast SAS, a director and the legal representative of Modern Dental Laboratory (Shenzhen) Company Limited, a director of Yangzhijin Dental Laboratory (Shenzhen) Co., Ltd, and a director of Modern Dental and Medical Instruments (Dong Guan) Company Limited, all of which being the Company's subsidiaries. He is primarily responsible for the general operations and devising business strategies of the Group.

Mr. Ngai joined the Group in 2006. He has been a Director since September 22, 2014 and has been designated as an executive Director since June 19, 2015.

Mr. Ngai obtained a master's degree in applied commerce (marketing) from the University of Melbourne in Australia in March 2006 and a bachelor's degree in laws and a bachelor's degree in science (with honors) from the University of Melbourne in Australia in April 2002. He was admitted as a barrister and solicitor of the Supreme Court of Victoria in Australia in November 2002.

Mr. Ngai has over nine years of experience in the dental prosthesis field. Prior to joining the Group, he was a solicitor of Ian Polak Barristers & Solicitors, being a law firm, from January 2003 to December 2005. He has also been a member of The Academy of Dental Materials, a consortium of dental professionals founded in 1941 in the United States, since June 2014.

Mr. Ngai is the son of Mr. Ngai Shing Kin (executive Director).

Mr. CHEUNG Ting Pong (張霆邦先生)

Mr. CHEUNG Ting Pong (張霆邦先生), aged 36, is an executive Director, the chief financial officer and the company secretary of the Company. He is also a director of Modern Dental Holding Limited, Modern Dental Technology Holding Limited, Modern Dental Macau Holding Limited, Modern Dental America Holding Limited, Modern Dental Europe Limited, Modern Dental Europe Holding Limited, Modern Dental Europe B.V., Modern Dental Pacific Holding Limited, Modern Dental Laboratory Company Limited, Quantum Dental Laboratory Inc., Modern Dental 3dsolutions GmbH, Modern Dental Laboratory Australia Pty Ltd, Gold & Ceramics Dental Laboratory Pty Ltd, Permadental China Limited, SCDL Holdings Pty Ltd, SCDL Finance Pty Ltd, SCDL Pty Ltd, Andent Pty Ltd, Proform Australia Pty Ltd, Dentmill Australia Pty Ltd, BU Factory Pty Ltd, Pavona Pty Ltd, Southern Cross Dental Laboratories (NZ) Limited, manager of Modern Dental Laboratory-Savannah, LLC and the board member of Labocast SAS, all of which being the Company's subsidiaries. Mr. Cheung is primarily responsible for the financial operations, financial reporting, internal control enhancement, merger and acquisitions, treasury management, bank relationship management and tax planning as well as devising business strategies for the Group.

Mr. Cheung joined the Group in 2011. He has been a Director and the company secretary of the Company since September 22, 2014 and has been designated as an executive Director since June 19, 2015.

Mr. Cheung obtained a bachelor's degree in business administration (accountancy) from City University of Hong Kong in November 2002 and a master's degree in business administration from Manchester Business School in the United Kingdom in November 2014. Mr. Cheung has been a registered member of the Institute of Chartered Accountants in England and Wales since February 2010 and a registered member of Hong Kong Institute of Certified Public Accountants since November 2009.

Mr. Cheung has over 13 years of experience in financial operations. Prior to joining the Group, Mr. Cheung served as an auditor in the provision of assurance and advisory services in Deloitte Touche Tohmatsu, being an accountancy services firm, from September 2002 to March 2004, from October 2004 to January 2006 and from October 2006 to September 2009 and was primarily responsible for assuring internal controls, reviewing financial reporting standards of listed companies and advising clients on accounting issues. In this capacity, he supervised several audit and initial public offering engagements involving reputable and large-cap listed companies. He possesses knowledge in both International Financial Reporting Standards and cross-border merger and acquisition activities, through his 5 years of experience as a chartered accountant.

Mr. CHAN Chi Yuen (陳志遠先生)

Mr. CHAN Chi Yuen (陳志遠先生), aged 31, is an executive Director. He is the chairman, the general manager and the legal representative of Modern Dental and Medical Instruments (Dong Guan) Company Limited, a director, the manager and legal representative of Modern Dental Technology (Dong Guan) Company Limited and Dong Guan Yangzhijin Dental Laboratory Company Limited and the general manager and a director of Yangzhijin Dental Laboratory (Shenzhen) Co., Ltd, all of which are the Company's subsidiaries. He is also a director, the vice chairman and vice general manager of Modern Dental Laboratory (Shenzhen) Company Limited, and a director of Yangzhijin Dental Laboratory (Beijing) Co., Ltd, being the Company's subsidiaries. Mr. Chan is primarily responsible for the business development, customer services and daily operations of Yangzhijin Dental Laboratory (Shenzhen) Co., Ltd.

Mr. Chan joined the Group in 2011. He has been a Director since September 22, 2014 and has been designated as an executive Director since June 19, 2015.

Mr. Chan obtained a diploma in business administration (majoring in accountancy) from the Southern Alberta Institute Technology in Canada in June 2009.

Mr. Chan is the son of Mr. Chan Kwun Fung (chairman of the Board, executive Director and substantial shareholder of the Company), nephew of Mr. Chan Kwun Pan (vice chairman of the Board, executive Director and substantial shareholder of the Company), and cousin of Dr. Chan Ronald Yik Long (executive Director) and Ms. Chan Yik Yu (executive Director).

Dr. CHAN Ronald Yik Long (陳奕朗醫生)

Dr. CHAN Ronald Yik Long (陳奕朗醫生), aged 29, is an executive Director and a member of the nomination committee of the Company. He is a vice chairman of Modern Dental and Medical Instruments (Dong Guan) Company Limited and the general manager of Modern Dental Laboratory Company Limited, both of which being the Company's subsidiaries. Dr. Chan is primarily responsible for the strategic planning, sales and marketing of Modern Dental Laboratory Company Limited and the development of corporate strategic plans and implementation of policies in the Group.

Dr. Chan joined the Group in 2014. He has been a Director since October 17, 2014 and has been designated as an executive Director since June 19, 2015.

Dr. Chan obtained a bachelor's degree in sciences (majoring in biological science) with distinction from the University of Calgary in Canada in June 2008, a bachelor's degree in dental surgery from The University of Hong Kong in December 2014 and a master's degree in business administration with distinction from Edinburgh Business School, Heriot-Watt University in the United Kingdom in June 2015.

Dr. Chan has been a member of The Hong Kong Dental Association as well as a registered dentist in Hong Kong, under the general register, with The Dental Council of Hong Kong since 2014. He is currently practising as a dentist on a part-time basis in Hong Kong.

Dr. Chan is the son of Mr. Chan Kwun Pan (vice chairman of the Board, executive Director and substantial shareholder of the Company) and brother of Ms. Chan Yik Yu (executive Director), nephew of Mr. Chan Kwun Fung (chairman of the Board, executive Director and substantial shareholder of the Company), and cousin of Mr. Chan Chi Yuen (executive Director).

Ms. CHAN Yik Yu (陳奕茹女士)

Ms. CHAN Yik Yu (陳奕茹女士), aged 28, is an executive Director, the chief marketing officer and a member of the remuneration committee of the Company. She also serves as a director in Modern Dental Laboratory (Shenzhen) Company Limited, the Company's subsidiary. Ms. Chan is primarily responsible for the overall marketing of the Group.

Ms. Chan joined the Group in 2014. She has been a Director since September 22, 2014 and has been designated as an executive Director since June 19, 2015.

Ms. Chan obtained a bachelor's degree in commerce from the Haskayne School of Business, University of Calgary in Canada in June 2010.

Ms. Chan possesses over 5 years of experience in the marketing field. Ms. Chan was a marketing specialist of Goodwin Procter LLP, being a solicitor firm, from May 2013 to June 2014. Ms. Chan was also a marketing executive of the business corporate department of Fiducia (Hong Kong office), being a management consultancy firm from May 2012 to January 2013.

Ms. Chan is the daughter of Mr. Chan Kwun Pan (vice chairman of the Board, executive Director and substantial shareholder of the Company), sister of Dr. Chan Ronald Yik Long (executive Director), niece of Mr. Chan Kwun Fung (chairman of the Board, executive Director and substantial shareholder of the Company) and cousin of Mr. Chan Chi Yuen (executive Director).

Independent Non-Executive Directors

Dr. CHEUNG Wai Bun Charles, J.P. (張惠彬博士、太平紳士)

Dr. CHEUNG Wai Bun Charles, J.P. (張惠彬博士、太平紳士), aged 79, is an independent non-executive Director, the chairman of the audit committee, and a member of the remuneration committee and the nomination committee of the Company. He has been an independent non-executive Director since November 24, 2015.

Dr. Cheung has appropriate professional accounting or related financial management expertise. He is an independent non-executive director and has been the chairman of the audit committee since 2006 of Pioneer Global Group Limited (stock code: 224), an independent non-executive director and has been the chairman of the audit committee since 2007 of China Financial International Investments Limited (formerly known as Sunshine Capital Investments Group Limited) (stock code: 721), an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of Universal Technologies Holdings Limited (stock code: 1026), a non-executive director of Galaxy Entertainment Group Limited (Stock Code: 27), an independent non-executive director and the chairman of the remuneration committee of Jiayuan International Group Limited (Stock Code: 2768), which are listed on the Main Board of the Stock Exchange. He was formerly chairman of the board and an independent non-executive director of Grand T G Gold Holdings Limited (stock code: 8299) and he is also an independent non-executive director, the chairman of the nomination committee and a member of the audit committee of Yin He Holdings Limited (formerly known as Zebra Strategic Holdings Limited) (stock code: 8260), which are listed on the Growth Enterprise Market of the Stock Exchange. He was formerly an independent non-executive director and the chairman of the audit committee of Shanghai Electric Group Company Limited (stock code: 2727), which is listed on the Main Board of the Stock Exchange.

Dr. Cheung obtained an honorary doctorate degree in business administration from John Dewey University in the United States in December 1984, a master's degree in business administration and a bachelor of science degree in accounts and finance from New York University in the United States in June 1962 and February 1960 respectively.

Dr. Cheung is currently a director and the vice chairman of executive committee of Metropolitan Bank (China) Ltd., and he was formerly an independent non-executive director and the director general of the audit committee of China Resources Bank of Zhuhai Co. Ltd. Dr. Cheung is a member of the Hospital Governing Committee of Hong Kong Eye Hospital and Kowloon Hospital and a member of the Regional Advisory Committee of Kowloon of the Hospital Authority. Dr. Cheung is a council member of the Hong Kong Institute of Directors and is also the special advisor to the president of the University of Victoria in Canada.

Dr. CHAN Yue Kwong Michael (陳裕光博士)

Dr. CHAN Yue Kwong Michael (陳裕光博士), aged 64, is an independent non-executive Director, the chairman of the nomination committee and a member of the audit committee of the Company. He has been an independent non-executive Director since November 24, 2015.

Dr. Y.K. Chan was the former chairman and is currently a non-executive director of Café De Coral Holding Limited (stock code: 341), an independent non-executive director of Starlite Holdings Limited (stock code: 403), Pacific Textiles Holdings Limited (stock code: 1382) and Tse Sui Luen Jewellery (International) Limited (stock code: 417), and a non-executive director of Tao Heung Holdings Limited (stock code: 573). and was an independent non-executive director of Kingboard Laminates Holdings Limited (stock code: 1888) from November 2006 to July 2015. All of the above companies are listed on the Main Board of the Stock Exchange.

Dr. Y.K. Chan obtained an honorary fellow from Lingnan University in December 2009, a master's degree in city planning with distinction and a scholarship from the University of Manitoba in Canada in October 1977, and a double degree in sociology and political science from University of Manitoba in Canada in May 1974.

Dr. Y.K. Chan currently serves on the general committee of the Employers' Federation of Hong Kong and the council of the Hong Kong Management Association and as the adviser of the Quality Tourism Services Association. Dr Y.K. Chan is also a member of the advisory committee of the School of Business of the Hong Kong Baptist University and a member of the advisory committee of the department of management and marketing of the Hong Kong Polytechnic University. Besides being the honorary chairman of the Hong Kong Institute of Marketing and Legacy Academy, he is the chairman of the Business Enterprise Management Centre of the Hong Kong Management Association. Dr. Y.K. Chan is appointed by the HKSAR government as a member of the Business Facilitation Advisory Board and the Task Force on Promotion of Vocational Education. Dr. Y.K. Chan is also a member of the Political consultative Committee of Nanshan District, Shenzhen, in the PRC.

Dr. WONG Ho Ching (黃河清博士)

Dr. WONG Ho Ching (黃河清博士), aged 68, is an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee of the Company. He has been an independent non-executive Director since November 24, 2015.

Dr. H.C. Wong has been an independent non-executive director of United Pacific Industries Limited (stock code: 176), which is listed on the Main Board of the Stock Exchange, since March 1994.

Dr. H.C. Wong obtained a doctorate degree in management engineering from Xi'an Jiao Tung University in the PRC in April 1995, a master of science degree in engineering from The University of Hong Kong in Hong Kong in November 1988 and a higher diploma in electrical engineering from Hong Kong Technical College in Hong Kong in July 1969.

Dr. H.C. Wong became a fellow of the United Kingdom Institution of Production Engineers in June 1989, a fellow of Hong Kong Institution of Engineers in April 1989, a fellow of the United Kingdom Institution of Marine Engineers in May 1988, a fellow of the United Kingdom Institution of Electrical Engineers in November 1987, a senior member of the United States Institute of Industrial Engineers in March 1983, and a member of Chartered Institute of Building Services Engineers.

Dr. H.C. Wong was a member of the first Hong Kong Special Administrative Region Selection Committee as well as the subsequent Hong Kong Special Administrative Region Election Committee. Dr. H.C. Wong was also a member of the first and second sessions of Chinese People's Political Consultative Conference in Shenzhen Municipal Government of the PRC.

Dr. H.C. Wong was a member of the Council of China Institution of Mechanical Engineers from 2006 to 2011. Dr. H.C. Wong was the director of Industrial Centre of the Hong Kong Polytechnic University from 1991 to 2009. Dr. H.C. Wong served as the vice president of the Institute of Industrial Engineers in the USA from 1995 to 1996. Dr. H.C. Wong was the tenth president of the Hong Kong Association for the Advancement of Science and Technology from 1994 to 1995. Dr. H.C. Wong was the president of the Hong Kong Institute of Industrial Engineers from 1985 to 1987.

Dr. H.C. Wong was the recipient of the Hong Kong Outstanding Industrial Engineers Award for the Millennium in 1999, the Outstanding Alumni of the Hong Kong Polytechnic University in 1997 and the Ten Outstanding Young Persons Award in 1987. Dr. H.C. Wong was elected as a fellow of the United States Institute of Industrial Engineers in May 1997 in recognition of his professional leadership and outstanding contributions to industrial engineering.

Dr. CHEUNG Wai Man William (張偉民博士)

Dr. CHEUNG Wai Man William (張偉民博士), aged 61, is an independent non-executive Director and a member of the nomination committee and the remuneration committee of the Company respectively. He has been an independent non-executive Director since November 24, 2015.

Dr. W.M. Cheung has maintained a dental practice in Hong Kong since 1982. He has been the honorary professor of West China College of Stomatology, Sichuan University in the PRC since 2011, an adjunct associate professor of School of Dental Medicine in University of Pennsylvania since July 2012, and the honorary associate professor of the Faculty of Dentistry in The University of Hong Kong from January 2009 to December 2012 and since March 2014.

Dr. W.M. Cheung obtained a doctorate degree in dental medicine from University of Pennsylvania in the United States in May 1981.

Dr. W. M. Cheung has served as the chairman of humanitarian projects conducted by International College of Dentists Section XX Asia since March 2015, and as the continuing education programme director in Asia Pacific of the World Dental Federation since 2007.

SENIOR MANAGEMENT

The biographical details of the senior managers are set out below.

Mr. August Wilhelm Torsten Schwafert

Mr. August Wilhelm Torsten Schwafert, aged 51, is the chief executive officer of Modern Dental Europe B.V., which is a Company's subsidiary.

Mr. Schwafert is also a director of Modern Dental Solutions B.V., Labocast Holding B.V., Permadental Holding B.V., Permadental B.V., Semperdent Holding B.V., Semperdent B.V., Elysee Dental Holding B.V., Elysee Dental Solutions B.V., Elysee Dental Supplies & Services B.V., Tandtechnisch Laboratorium J. van Noort B.V., T.T.L. Oosterwijk B.V., Oralscan Nederland B.V., Unortho B.V., Elysee Dental Europe B.V., Elysee Dental Belgium BVBA, Uni-Dent N.V., Elysee Dental Aps, Elysee Dental Aktiebolag and Elysee Dental Oy, all being the Company's subsidiaries. Mr. Schwafert is mainly responsible for leading the business development of the Group in Europe. Mr. Schwafert joined the Group in March 2014.

Mr. Schwafert received his degree in business economics from Verwaltungs- und Wirtschaftsakademie (academy for business and public administration) in Düsseldorf, Germany in June 1991.

Mr. Schwafert has over 25 years of management experience in the dental field and has extensive relationships in the European dental industry. Prior to joining our Group, Mr. Schwafert was the chief executive officer in Wieland Dental + Technik GmbH, being a dental prosthetic company which focuses on CAD/CAM solutions, from August 2009 to February 2014 and was responsible for directing the overall business development, developing sustainable strategy and restructuring. Prior to that, he was the vice president of sales and marketing of DeguDent, Dentsply Group, being a dental prosthetic company that produces materials and devices for dental laboratories, from January 2001 to July 2009 and was responsible for the strategic control of the product portfolio and the management of the global sales team. Mr. Schwafert was the president of Elephant Dental B.V. in Hoorn Netherlands, being a dental prosthetic company that develops and sells advanced dental products, from August 1999 to December 2000. Elephant Dental B.V. was a wholly owned subsidiary of Degussa Dental, which was later acquired by the Dentsply group in 2001.

Mr. Gregory Scialom

Mr. Gregory Scialom, aged 41, is the president of Labocast SAS, which is a Company's subsidiary.

Mr. G. Scialom is also the managing director of Labocast Holding B.V., substitute director of Labo Ocean Indien SA, and a director and the legal representative of Labocast Technical Service (Shen Zhen) Limited (卡斯特技術服務(深圳)有限公司), all being the Company's subsidiaries. Mr. G. Scialom is responsible for the operation of the Group in France and Indian Ocean. He joined the Labocast Group, which was subsequently acquired by the Group in August 2011.

Mr. G. Scialom received his bachelor's degree in laws from Université Panthé on-Assas (Paris II) in France in October 1996.

Mr. G. Scialom possesses over 14 years of experience in the dental prosthetic field at Labocast SAS. Mr. G. Scialom was the general manager of Labocast SAS from July 2005 to May 2008 and was primarily an executive assistant of Labocast SAS from January 2001 to June 2005. His experience includes establishing Labo OI (Mauritius) Ltd, developing prosthetic device manufacturing business of Labo OI (Mauritius) Ltd, managing the daily operations of the laboratories, organizing and providing quality customer service, and maintaining relationship with Modern Dental Laboratory Company Limited.

Mr. Christopher Aughton

Mr. Christopher Aughton, aged 45, is the chief executive officer of the group of companies comprising SCDL Holdings Pty Ltd, SCDL Finance Pty Ltd, SCDL Pty Ltd, Southern Cross Dental Laboratories Ltd., Southern Cross Dental Laboratories (NZ) Limited, BU Factory Pty Ltd, Andent Pty Ltd, Proform Australia Pty Ltd, Dentmill Australia Pty Ltd, and Pavona Pty Ltd, ("**SCDL Group**"), all being the Company's subsidiaries.

Mr. C. Aughton is also a director of SCDL Holdings Pty Ltd, SCDL Finance Pty Ltd, SCDL Pty Ltd, Andent Pty Ltd, Proform Australia Pty Ltd, Dentmill Australia Pty Ltd, BU Factory Pty Ltd, Pavona Pty Ltd, Southern Cross Dental Laboratories (NZ) Limited and SCDL Holdings, all of which being the Company's subsidiaries. Mr. C. Aughton is responsible for leading the business development and operations of the Group in Australia, New Zealand and Ireland. He joined the SCDL Group, which was subsequently acquired by the Group, in November 2012.

Mr. C. Aughton received his Bachelor of Science degree and Bachelor of Commerce (Honors-first class) degree from the University of Auckland in Auckland, New Zealand, in May 1994 and May 2003, respectively.

Mr. C. Aughton has over 15 years of management experience in finance and information technology. Prior to joining our Group, Mr. C. Aughton was a director at Ironbridge Capital Holdings Pty Ltd, being a provider of institutional financial services, from March 2007 to November 2012 and was responsible for deal origination, leadership of investment analysis, execution of transactions and management of the investment as a board director with a strong focus on healthcare businesses.

Prior to that, Mr. C. Aughton was an executive of the merger and acquisition team of the investment banking division of ABN AMRO Craigs, now known as Craigs Investment Partners, being an investment advisory company, from August 2005 to March 2007 and was responsible for leadership of merger and acquisition transactions including deal origination, financial analysis, valuations, modeling, and market trend research and monitoring. Mr. C. Aughton was a manager in the corporate finance team of PricewaterhouseCoopers in Auckland, New Zealand, being a business advisory organization from February 2003 to August 2005 and was responsible for advisory on merger and acquisition transactions, corporate restructuring and strategies across a number of industries. Mr. C. Aughton was employed with BHP Petroleum, being a petroleum exploration and production company, from January 1997 to August 1999 and was responsible for information technology support to project management and team leadership. Mr. C. Aughton was the field support engineer of Financial Systems Limited, being an information technology consulting company, from May 1994 to December 1995 and was responsible for engineering services.

COMPANY SECRETARY

Mr. CHEUNG Ting Pong (張霆邦先生)

Mr. CHEUNG Ting Pong (張霆邦先生), aged 36, is the company secretary of the Company. Biographical details of Mr. Cheung are set out under the paragraph headed "Executive Directors" in this section.

Directors' Report

The board (the "**Board**") of directors (the "**Directors**") of Modern Dental Group Limited (the "**Company**") is pleased to present this Directors' report together with the consolidated financial statements of the Group for the year ended December 31, 2015.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on July 5, 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's ordinary shares (the "**Shares**") were listed (the "**Listing**") on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on December 15, 2015 (the "**Listing Date**").

PRINCIPAL ACTIVITIES

The Group is principally engaged in the production and distribution of three product lines: fixed prosthetic devices, removable prosthetic devices and other devices, such as orthodontic devices, sports guards and anti-snoring devices. The Company is an investment holding company. The principal activities of the subsidiaries of the Company are set out in Note 1 to the consolidated financial statements. The operating segment information of the Group for the year ended December 31, 2015 is set out in Note 5 to the consolidated financial statements.

GROUP REORGANIZATION

In preparation of the Listing, the Group underwent the reorganization pursuant to which the Company became the holding company of the companies now comprising the Group on December 17, 2012. Details of the group reorganization are set out in the section headed "History, Reorganization and Corporate Structure" in the Prospectus.

USE OF NET PROCEEDS FROM LISTING

The Shares were listed on the Main Board of the Stock Exchange on December 15, 2015. The net proceeds from the Listing amounted to approximately HK$647,483,000, which had not been utilized as of December 31, 2015.

RESULTS

The results of the Group for the year ended December 31, 2015 are set out in the consolidated statement of comprehensive income on page 60 of this Annual Report.

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 of the Company to be held on Monday, June 20, 2016 ("**AGM**"), 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 Centre, 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.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets, liabilities and non-controlling interest of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 158 of this Annual Report.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 1 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The relationship between the Group and our suppliers has been stable. For the year ended December 31, 2015, the purchase amounts placed with the Group's five largest suppliers accounted for 31.5% (2014: 35.7%) of the Group's total purchases and the purchase amount placed with our single largest supplier accounted for 17.2% (2014: 15.0%) of the Group's total purchases.

The relationship between the Group and our customers has been stable. For the year ended December 31, 2015, the revenue amounts from the Group's five largest customers accounted for 3.6% (2014: 9.8%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 1.0% (2014: 5.7%) of the Group's total revenue.

None of the Directors or any of their close associates or any shareholders of the Company ("**Shareholders**") which, to the best knowledge of the Directors, own more than 5% of the Company's issued shares had any interest in the Group's five largest suppliers and five largest customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2015 are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2015 and details of the Shares issued during the year ended December 31, 2015 are set out in Note 27 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year ended December 31, 2015 are set out in the consolidated statement of changes in equity and in Note 38 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at December 31, 2015, the Company had distributable reserves of approximately HK$733,360,000 (2014: HK$166,973,000) calculated in accordance with the Companies Law. This includes the Company's share premium account of approximately HK$719,407,000 (2014: HK$60,692,000).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2015 are set out in the section headed "Management Discussion and Analysis" in this Annual Report and Note 23 to the consolidated financial statements.

DIRECTORS

The Directors who held office during the year ended December 31, 2015 and up to the date of this Annual Report are:

Executive Directors:
Mr. Chan Kwun Fung *(Chairman)*
Mr. Chan Kwun Pan *(Vice-Chairman)*
Mr. Ngai Shing Kin *(Chief Executive Officer)*
Mr. Ngai Chi Ho Alwin
Mr. Cheung Ting Pong
Mr. Chan Chi Yuen
Dr. Chan Ronald Yik Long
Ms. Chan Yik Yu

Independent Non-executive Directors:
Dr. Cheung Wai Bun Charles J.P. (Appointed on November 24, 2015)
Dr. Chan Yue Kwong Michael (Appointed on November 24, 2015)
Dr. Wong Ho Ching (Appointed on November 24, 2015)
Dr. Cheung Wai Man William (Appointed on November 24, 2015)

Pursuant to Article 84 of the articles of association of the Company (the "**Articles of Association**"), one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company and will be eligible for re-election at that meeting. The Directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment and as between persons who became or were last re-elected Directors on the same day shall (unless they otherwise agree among themselves) be determined by lot. Accordingly, Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Mr. Ngai Shing Kin and Mr. Cheung Ting Pong shall retire by rotation at the AGM and, being eligible, offer themselves for re-election.

Details of the Directors standing for re-election at the AGM are set out in the circular to the Shareholders together with this Annual Report.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and considers each of the independent non-executive Directors are independent.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 23 to 34 of this Annual Report.

CHANGE OF DIRECTORS' INFORMATION

During the year ended December 31, 2015 and up to the date of this Annual Report, change in information of Directors are as follows:

- Mr. Chan Kwun Fung has been appointed as the supervisor of Modern Dental Technology (Dong Guan) Company Limited and Dong Guan Yangzhijin Dental Laboratory Company Limited, the Company's subsidiaries.

- Mr. Chan Chi Yuen has been appointed as a director, the manager and the legal representative of both Modern Dental Technology (Dong Guan) Company Limited and Dong Guan Yangzhijin Dental Laboratory Company Limited, the Company's subsidiaries.

- Dr. Cheung Wai Bun Charles J.P. has been appointed as an independent non-executive director of Galaxy Entertainment Group Limited (stock code: 27) and Jiayuan International Group Limited (stock code: 2768) and has ceased as the chairman of the board and an independent non-executive director of Grand T G Gold Holdings Limited (stock code: 8299), all of which are listed on the Stock Exchange.

- Dr. Chan Yue Kwong Michael has ceased as the chairman of Café De Coral Holdings Limited (stock code: 341), which is listed on the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years commencing from the Listing Date.

None of the Directors proposed for re-election at the AGM has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section "Continuing Connected Transactions" below, neither the Director nor any entity connected with the Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2015.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2015.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established the remuneration committee of the Company (the "**Remuneration Committee**") to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Share Option Scheme and the Pre-IPO RSU Scheme (both as defined below). Details of the remuneration of the Directors and the five highest paid individuals are set out in Note 9 and Note 10 to the consolidated financial statements.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended December 31, 2015. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to the written resolutions of the Shareholders 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 Director, supplier, customer and advisor of the Group and invested entity of the Group as the Directors determine, as an incentive or a reward for their contribution to the Group.

The maximum number of Shares which may be alloted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group must not exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme or any other share option schemes adopted by the Group if the grant of such option exceeds the limit.

The total number of Shares which may be alloted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes adopted by the Group as from the Share Option Scheme Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all issued share capital of the Company upon the Listing Date (i.e. 100,000,000 Shares, representing 10% of the issued share capital of the Company as at the date of this Annual Report). The limit of 10% may be refreshed at any time by approval of the Shareholders in a general meeting provided that the total number of the Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other option schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of our Group) previously granted under the Share Option Scheme and any other share option schemes of our Group will not be counted.

Unless approved by Shareholders in a general meeting, the maximum number of Shares underlying the options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

A consideration of HK$1.0 is payable on acceptance of the grant of an option.

Pursuant to the Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option at the price determined by the Board provided that it shall be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is offered to a participant, which must be a business date (the "**Offer Date**"); (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (c) the nominal value of a Share.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine, which may not expire later than 10 years from the Offer Date of the option subject to the provisions of early termination thereof. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Share Option Scheme Adoption Date.

As at December 31, 2015, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme and therefore the total number of Shares available for grant under the Share Option Scheme was 100,000,000 Shares, representing 10% of the issued share capital of the Company as of the date of this Annual Report.

PRE-IPO RESTRICTED SHARE UNIT SCHEME

A restricted share unit scheme (the "**Pre-IPO RSU Scheme**") was adopted pursuant to the written resolutions of the Shareholders passed on June 19, 2015 (the "**Pre-IPO RSU Scheme Adoption Date**"). The purpose of the Pre-IPO RSU Scheme is to give incentives thereto in order to retain key employees for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Pre-IPO RSU Scheme shall be valid and effective for a period of 10 years commencing on the Pre-IPO RSU Scheme Adoption Date, under the administration of the Board and the trustee. Details of the Pre-IPO RSU Scheme are set out in Note 28 to the consolidated financial statements.

As at December 31, 2015, an aggregate of 8,149,038 restricted share units ("**RSUs**") were granted to eligible participants pursuant to the Pre-IPO RSU Scheme.

MANDATORY PROVIDENT FUND RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution mandatory provident fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500. The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at December 31, 2015, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

Name of Director	Capacity	Number of ordinary Shares (Note 1)	Approximate percentage of shareholding
Mr. Chan Kwun Fung	Interest of controlled corporation	**469,248,263 (L)** *(Note 2)*	46.92%
Mr. Chan Kwun Pan	Interest of controlled corporation	**469,248,263 (L)** *(Note 2)*	46.92%
Mr. Ngai Shing Kin	Beneficiary of a trust	**2,779,345 (L)** *(Note 3)*	0.28%
	Interest of controlled corporation	**93,849,653 (L)** *(Note 4)*	9.39%
	Lending under a securities borrowing and lending agreement	**37,500,000 (S)** *(Note 4)*	3.75%
Mr. Ngai Chi Ho Alwin	Beneficiary of a trust	**555,869 (L)** *(Note 5)*	0.06%
	Interest of controlled corporation	**62,566,435 (L)** *(Note 6)*	6.25%
Mr. Cheung Ting Pong	Beneficiary of a trust	**635,279 (L)** *(Note 7)*	0.06%

Notes:

1. The letter "L" denotes a Director's "long position" in such shares and the letter "S" denotes a Director's short position.

2. Mr. Chan Kwun Fung and Mr. Chan Kwun Pan signed a confirmation letter on August 10, 2015 confirming their acting-in-concert arrangement whereby they operate the Group collectively, through discussions, and reach consensus among themselves before making any commercial decisions for the Group on an unanimous basis. As such, each of Mr. Chan Kwun Fung and Mr. Chan Kwun Pan is deemed to be interested in the 469,248,263 Shares owned by Triera Holdings Limited by virtue of the SFO.

3. Mr. Ngai Shing Kin is interested in 2,779,345 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 2,779,345 Shares subject to vesting. These Shares were held by MDG Management Corporation as the nominee under the Pre-IPO RSU Scheme.

4. These Shares were held by Prosperity Worldwide Investment Holdings Limited, which is wholly-owned by Mr. Ngai Shing Kin.

5. Mr. Ngai Chi Ho Alwin is interested in 555,869 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 555,869 Shares subject to vesting. These Shares were held by MDG Management Corporation as the nominee under the Pre-IPO RSU Scheme.

6. These Shares were held by NCHA Holdings Limited, which is wholly-owned by Mr. Ngai Chi Ho Alwin.

7. Mr. Cheung Ting Pong is interested in 635,279 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 635,279 Shares subject to vesting. These Shares were held by MDG Management Corporation as the nominee under the Pre-IPO RSU Scheme.

Save as disclosed above, as at December 31, 2015, none of the Directors and chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' interests and short positions in shares and underlying shares and debentures of the Company or any of its associated corporations" in this Annual Report, at no time during the year ended December 31, 2015 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2015, the persons other than the Directors, whose interests have been disclosed in the above section headed "Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or any of its Associated Corporations", had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO, were as follows:

Name of Shareholder	Capacity	Number of ordinary shares *(Note 1)*	Approximate percentage of shareholding
Triera Holdings Limited *(Note 2)*	Beneficial owner	**469,248,263(L)**	46.92%
Prosperity Worldwide Investment Holdings Limited *(Note 3)*	Beneficial owner	**93,849,653(L)**	9.39%
	Lending under a securities borrowing and lending agreement	**37,500,000(S)**	3.75%
NCHA Holdings Limited *(Note 4)*	Beneficial owner	**62,566,435(L)**	6.26%

Notes:

1. The letter "L" denotes the entity's "long position" in such shares and the letter "S" denotes the entity's short position.

2. Triera Holdings Limited is a company incorporated in the British Virgin Islands and is owned as to 50%, 20%, 16% and 14% by Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Dr. Chan Ronald Yik Long and Ms. Chan Yik Yu, respectively.

3. Prosperity Worldwide Investment Holdings Limited is a company incorporated in the British Virgin Islands and is owned as to 100% by Mr. Ngai Shing Kin.

4. NCHA Holdings Limited is a company incorporated in the British Virgin Islands and is owned as to 100% by Mr. Ngai Chi Ho Alwin.

Save as disclosed herein, as at December 31, 2015, no person, other than the Directors whose interests are set out in the section headed "Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or any of its Associated Corporation" above, had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

During the period from 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at December 31, 2015, none of the Directors or their respective associates (as defined in the Listing Rules) had engaged in or had any interest in any business which competes or may compete with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

NON-COMPETITION UNDERTAKING

The Controlling Shareholders (as defined in the Listing Rules) of the Company, namely, Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Triera Holdings Limited and the Company entered into a deed of non-competition (the "**Deed of Non-competition**") in favour of the Company dated November 25, 2015, pursuant to which the Controlling Shareholders have undertaken to the Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (other than any member of the Group) would not, directly or indirectly, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the current business of the Group during the restricted period.

An annual confirmation has been received from each of the Controlling Shareholders on compliance with each of their respective undertaking and enforcement of the Deed of Non-competition in accordance with the Listing Rules.

The independent non-executive Directors have reviewed the status of compliance with the Deed of Non-competition by the Controlling Shareholders and confirmed that the Deed of Non-competition is fully complied with and duly enforced since the Listing Date and up to the date of this Annual Report.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions (the "**Continuing Connected Transactions**") for the Group for the year ended December 31, 2015. All of the Continuing Connected Transactions are exempt from reporting, annual review, announcement and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Tenancy agreements

(i) For the purpose of operating the Company's business in Hong Kong, Modern Dental Laboratory Company Limited ("**MDLCL**"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement (the "**MDLCL Tenancy Agreement**") with Most Wealth International Limited, which is held as to 37.5%, 37.5% and 25% by Mr. Chan Kwun Fung and Mr. Chan Kwun Pan, executive Directors and substantial shareholders of the Company, and by Mr. Ngai Shing Kin, an executive Director of the Company, respectively. Pursuant to the MDLCL Tenancy Agreement, Most Wealth International Limited shall lease premises to MDLCL for a term of two years from September 1, 2014 to August 31, 2016 at a monthly rent of HK$171,080.

(ii) For the purpose of operating the Company's business in Australia, Andent Pty Ltd ("**Andent**"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement (the "**Andent Tenancy Agreement 1**") with Australasian Ceramics Pty Ltd ("**Australasian Ceramics**"). Australasian Ceramics is a trustee acting in its capacity as trustee of the Barry Rowland Smith Family Trust, of which Mr. Barry Rowland Smith, a former director of Andent. Pursuant to the Andent Tenancy Agreement 1, Australasian Ceramics shall lease premises to Andent for a term of two years from March 1, 2013 to February 28, 2015 at an annual rent of AUD28,756. The lease has been renewed to February 28, 2017 with the same terms.

(iii) For the purpose of operating the Company's business in Australia, Andent entered into a tenancy agreement (the "**Andent Tenancy Agreement 2**") with Mr. Barry Rowland Smith, a former director of Andent. Pursuant to the Andent Tenancy Agreement 2, Mr. Barry Rowland Smith shall lease premises to Andent for a term of two years from March 1, 2013 to February 28, 2015 at an annual rent of AUD34,918. The lease has been renewed to February 28, 2017 with the same terms.

(iv) For the purpose of operating the Company's business in Australia, Andent entered into a tenancy agreement (the "**Andent Tenancy Agreement 3**") with Barry Smith Holdings Pty Ltd ("**Barry Smith Holdings**") is a company wholly-owned by Mr. Barry Rowland Smith, a former director of Andent and his spouse Ms. Anna Catherine Smith in equal shares. Pursuant to the Andent Tenancy Agreement 3, Barry Smith Holdings shall lease premises to Andent for a term of two years from March 1, 2013 to February 28, 2015 at an annual rent of AUD28,756. The lease has been renewed to February 28, 2017 with the same terms.

(v) For the purpose of operating the Company's business in Australia, Dentmill Australia Pty Ltd, a wholly-owned subsidiary of the Company, entered into a tenancy agreement (the "**Dentmill Tenancy Agreement**") with Australasian Ceramics, Kurt Smith Ceramics Pty Ltd and Matt Smith Ceramics Pty Ltd (the "**Landlords**"). Australasian Ceramics is a trustee acting in its capacity as trustee of the Barry Rowland Smith Family Trust, of which Mr. Barry Rowland Smith, a former director of Dentmill. Pursuant to the Dentmill Tenancy Agreement, the Landlords shall lease premises to Dentmill for a term of two years from March 1, 2013 to February 28, 2015 at an annual rent of AUD83,649.15. The lease has been renewed to February 28, 2017 with the same terms.

Master purchase agreement

MDLCL, a wholly-owned subsidiary of the Company, entered into a master purchase agreement (the "**Master Purchase Agreement**") with Trident Dental Group Limited ("**Trident**"). Trident, a company incorporated in Hong Kong, is a wholly-owned subsidiary of Tresodont Holdings Limited ("**Tresodont**"). Tresodont is held as to 33.3%, 33.3% and 33.3% by Dr. Chan Ronald Yik Long, Amazing Home Limited and J&N Consultants Limited respectively. Dr. Chan Ronald Yik Long is an executive Director of the Company.

Pursuant to the Master Purchase Agreement, Trident shall purchase dental prosthetic devices from MDLCL for a term of three years from August 10, 2015 to December 31, 2017 with the proposed annual caps of HK$450,000, HK$1,080,000 and HK$1,080,000 in 2015, 2016 and 2017 respectively.

A summary of all related party transactions entered into by the Group during the year ended December 31, 2015 is contained in Note 34 to the consolidated financial statements. The transactions referred to in item (1)(a)(i) and item (1)(a)(vi) of Note 34 all fall under the definitions of "continuing connected transactions" under the Listing Rules, and are either disclosed previously in the Prospectus pursuant to the Listing Rules or exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

Save as disclosed in the Prospectus, the Group has complied with the relevant laws and regulations that have a significant impact on the Group.

AUDITOR

The consolidated financial statements of the Group have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

IMPORTANT EVENTS AFTER REPORTING DATE

No important events affecting the Company occurred after December 31, 2015 up to the date of this Annual Report

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme and the Pre-IPO RSU Scheme of the Group as set out in this section, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2015.

DEBENTURE ISSUED

The Group has not issued any debenture during the year ended December 31, 2015.

BUSINESS REVIEW

A fair review of the business of the Group, a discussion and analysis of principal risks and uncertainties facing the Group during the year ended December 31, 2015 and an indication of likely development of the Group are set out on pages 5 to 11, page 21, and page 22 under the section headed "Management Discussion and Analysis", respectively.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

MODERN DENTAL AND THE COMMUNITY

As a global company, Modern Dental Group Limited is committed to being a company that cares for the community, through engaging in sponsorships, donations, voluntary dental consultation and social services. We aim to provide services to the public and make positive contribution to the society. We will continue to be actively involved in community activities and dedicate our efforts to the future generation with a view to taking up our social responsibility with proactive efforts.

SPONSORSHIP AND DONATIONS

In recent years, we have continuously sponsored Young Oral and Maxillofacial Surgeon Group of Hong Kong Limited in organizing their monthly dental seminar. During the Nepal earthquake in 2015, the Company has made donations of USD10,000 to support the humanitarian work under the "Help Nepal 2015" initiation. With the community's interests in mind, in 2015, we have donated HK$1 million to the Community Chest of Hong Kong.

Charitable and other donations (the "**Donations**") made by the Group during the year ended December 31, 2015 amounted to approximately HK$1,212,000. Part of the Donations, which amounted to approximately HK$32,000, was made by donating free dental products to charitable organizations*(Note)*.

Note: The amount of the Donations is calculated on the basis of the market price of dental products donated, excluding any value-added tax.

By order of the Board

Mr. Chan Kwun Fung
Chairman

Hong Kong,
March 23, 2016

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

The shares of the Company have been listed on the Main Board of the Stock Exchange since December 15, 2015 (the "**Listing Date**"). The Company has complied with all the applicable principles and code provisions as set out in the CG Code during the period from the Listing Date to December 31, 2015 (the "**Reporting Period**").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "**Code of Conduct**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Code of Conduct throughout the Reporting Period.

The Company has also established written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

Board Composition

As at the date of this Annual Report, the Board comprises twelve members consisting of eight Executive Directors and four Independent Non-executive Directors. The details of the Board composition are as follows:

Name of Director	Membership of Board Committee(s)
Executive Directors:	
Mr. Chan Kwun Fung *(Chairman)*	—
Mr. Chan Kwun Pan *(Vice-Chairman)*	—
Mr. Ngai Shing Kin *(Chief Executive Officer)*	Member of Remuneration Committee
Mr. Ngai Chi Ho Alwin *(Chief Operating Officer)*	Member of Nomination Committee
Mr. Cheung Ting Pong *(Chief Financial Officer)*	—
Mr. Chan Chi Yuen	—
Dr. Chan Ronald Yik Long	Member of Nomination Committee
Ms. Chan Yik Yu *(Chief Marketing Officer)*	Member of Remuneration Committee
Independent Non-executive Directors:	
Dr. Cheung Wai Bun Charles	Chairman of Audit Committee Member of Remuneration Committee Member of Nomination Committee
Dr. Chan Yue Kwong Michael	Chairman of Nomination Committee Member of Audit Committee
Dr. Wong Ho Ching	Chairman of Remuneration Committee Member of Audit Committee
Dr. Cheung Wai Man William	Member of Remuneration Committee Member of Nomination Committee

The biographical information of the directors and the relationships between the members of the Board are disclosed under the section headed "Directors and Senior Management" on pages 23 to 34 of this Annual Report.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Chan Kwun Fung and Mr. Ngai Shing Kin respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the Reporting Period and up to the date of this Annual Report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors, representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Company's articles of association, all the directors are subject to retirement by rotation at least once every three years. Any new director appointed by the Board (i) to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company following his appointment and shall be subject to re-election at such meeting; and (ii) as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

Each of the Independent Non-executive Directors has signed a letter of appointment with the Company for an initial term of three years commencing on the Listing Date and is subject to retirement by rotation at an annual general meeting at least once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Board reserves its decisions for all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board and directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Board did not hold any meetings during the Reporting Period. A Board meeting was held on March 23, 2016 to consider and approve the final results announcement and annual report for the year ended December 31, 2015 of the Group and to convene the Annual General Meeting of the Company. The Company expects to convene at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

Continuous Professional Development of Directors

Directors keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Company acknowledges the importance of directors participating in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors have been arranged and reading material on relevant topics would be issued to directors where appropriate. They are encouraged to attend relevant training courses at the Company's expenses.

All the directors received an introduction regarding their responsibilities and obligations under the Listing Rules and relevant statutory requirements. Moreover, Dr Chan Yue Kwong, Michael has attended seminars on "Company Business Related — Big Business and Big Marketing powered by Big Data", "Regulated — Inside Information Disclosure Regime and Related Matters Review" and "Accounting Standards and Key Regulating Developments" conducted by Chinese University of Hong Kong, Mayer Brown, JSM and Pricewaterhouse Coppers respectively.

BOARD COMMITTEES

The Board has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing specific aspects of the Company's affairs. All Board Committees of the Company are established with defined written terms of reference. The terms of reference of the Board Committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Audit Committee

The Company set up the Audit Committee on November 25, 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and of the CG Code. The primary duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plans and relationship with external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee did not hold any meetings during the Reporting Period. A meeting of the Audit Committee was held on March 23, 2016 to review the final results announcement and annual report for the year ended December 31, 2015 of the Group, internal control and risk management systems etc.

Remuneration Committee

The Company set up the Remuneration Committee on November 25, 2015 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and of the CG Code. The primary duties of the Remuneration Committee are to assist the Board in reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee did not hold any meetings during the Reporting Period.

Details of the fees and other emoluments paid or payable to the Directors and the details of the remuneration by band of the members of the senior management (excluding Directors) for the year ended December 31, 2015 are set out in details in Notes 9 and 10 to the audited consolidated financial statements contained in this Annual Report.

Nomination Committee

The Company set up the Nomination Committee on November 25, 2015 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills and knowledge as well as industry and regional experience.

In identifying and selecting suitable candidates to serve as a director of the Company, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

The Nomination Committee did not hold any meetings during the Reporting Period. A meeting of the Nomination Committee was held on March 23, 2016 to review composition of the Board, assess the independence of Independent Non-executive Directors and recommend the Board on the re-election of directors.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the directors and the senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Code of Conduct and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2015.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company, Ernst & Young, about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 57 to 58 of this Annual Report.

AUDITOR'S REMUNERATION

A breakdown of the remuneration payable to the external auditor of the Company, Ernst & Young, in respect of the audit services and the non-audit services for the year ended December 31, 2015 is set out below:

Service Category	Fees Paid/ Payable HK$
Audit Services (including services in connection with the Listing)	15,221,000
Non-audit Services	—
	15,221,000

INTERNAL CONTROLS

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions and the findings are satisfactory.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Under Article 58 of the Articles of Association, any one or more shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may at all times have the right, by a written requisition to the Board or the company secretary of the Company, to require the convening of an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

The Board is not aware of any provisions allowing the shareholders of the Company to put forward proposals at general meetings of the Company under the Articles of Association and the Companies Law of the Cayman Islands Law. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

Detailed procedures for shareholders to propose a person for election as a director of the Company are published on the Company's website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Suite 1706, 17/F CEO Tower, 77 Wing Hong Street Cheung Sha Wan Kowloon, Hong Kong (For the attention of the Board of Directors/Company Secretary)
Fax:	+852 3766 0700
Email:	info@moderndentallab.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the shareholder(s) may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At annual general meetings, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

Information disclosure

The Company discloses information and publishes periodic reports and announcements to the public in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public to make rational and informed decisions.

The Company's Articles of Association were adopted on November 25, 2015 and were effective on the Listing Date. They are available for viewing on the websites of the Company and the Stock Exchange. There have been no changes to the Articles of Association since the Listing Date.

Independent Auditor's Report

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the members of Modern Dental Group Limited

(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Modern Dental Group Limited (the "Company") and its subsidiaries set out on pages 59 to 157, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at December 31, 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

March 23, 2016

Consolidated Statement of Profit or Loss

Year ended December 31, 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	6	**1,415,620**	1,192,166
Cost of sales		**(654,252)**	(550,097)
Gross profit		**761,368**	642,069
Other income and gains	6	**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	8	**(42,337)**	(30,477)
PROFIT BEFORE TAX	7	**134,556**	175,436
Income tax expense	11	**(51,550)**	(44,191)
PROFIT FOR THE YEAR		**83,006**	131,245
ATTRIBUTABLE TO:			
Owners of the parent		**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 PARENT			
Basic and diluted			
— For profit for the year	13	**HK9.93 cents**	HK15.12 cents

Consolidated Statement of Comprehensive Income

Year ended December 31, 2015

	2015 HK$'000	2014 HK$'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 parent	**(30,486)**	41,709
Non-controlling interests	**2,110**	9,972
	(28,376)	51,681

Consolidated Statement of Financial Position

December 31, 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**138,486**	138,085
Goodwill	15	**857,592**	596,480
Intangible assets	16	**338,599**	267,508
Derivative financial instruments	25	**3,635**	3,067
Deferred tax assets	26	**5,264**	630
Total non-current assets		**1,343,576**	1,005,770
CURRENT ASSETS			
Inventories	17	**58,288**	57,588
Trade receivables	18	**288,228**	252,605
Prepayments, deposits and other receivables	19	**31,370**	25,368
Due from related parties	34	**2**	38,437
Due from shareholders	34	**—**	65,950
Current tax assets		**8,939**	8,166
Pledged deposits	20	**3,360**	10,353
Cash and cash equivalents	20	**945,689**	167,545
Total current assets		**1,335,876**	626,012
CURRENT LIABILITIES			
Trade payables	21	**33,542**	41,313
Other payables and accruals	22	**120,773**	164,690
Interest-bearing bank loans and other borrowings	23	**102,182**	135,906
Derivative financial instruments	25	**5,030**	—
Dividend payables	34	**—**	25,000
Due to related parties	34	**1,050**	15,019
Due to shareholders	34	**—**	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

December 31, 2015

	Notes	2015 HK$'000	2014 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,379,267**	1,208,012
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	23	**543,589**	220,789
Derivative financial instruments	25	**9,108**	9,496
Due to shareholders	34	**—**	406,332
Deferred tax liabilities	26	**33,256**	14,459
Other non-current liabilities	22	**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 parent			
Share capital	27	**77,500**	39,860
Treasury shares	27	**(632)**	—
Reserves	29	**1,702,670**	504,263
		1,779,538	544,123
Non-controlling interests		**8,298**	7,034
Total equity		**1,787,836**	551,157

NGAI Shing Kin
Director

CHEUNG Ting Pong
Director

Consolidated Statement of Changes in Equity

Year ended December 31, 2015

	Attributable to owners of the parent									
	Share capital HK$'000 (note 27)	Share premium HK$'000 (note 27)	Statutory reserve HK$'000 (note 29 (i))	Capital reserve HK$'000 (note 29 (ii))	Put option reserve HK$'000 (note 29 (iii))	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At January 1, 2014	38,750	–	997	27,840	(49,240)	12,548	410,376	441,271	42,731	484,002
Profit for the year	–	–	–	–	–	–	120,186	120,186	11,059	131,245
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(78,477)	–	(78,477)	(1,087)	(79,564)
Total comprehensive income for the year	–	–	–	–	–	(78,477)	120,186	41,709	9,972	51,681
Issue of shares (note 27)	1,110	60,692	–	–	–	–	–	61,802	–	61,802
Transfer from retained profits	–	–	546	–	–	–	(546)	–	–	–
Imputed interest on shareholders' loans	–	–	–	32,579	–	–	–	32,579	–	32,579
Put option granted to non-controlling interests (note 25(a))	–	–	–	–	(8,797)	–	–	(8,797)	–	(8,797)
Acquisition of non-controlling interests	–	–	306	(14,644)	–	–	–	(14,338)	(45,669)	(60,007)
Derecognition of put options	–	–	–	–	29,897	–	–	29,897	–	29,897
Dividends appropriation (note 12)	–	–	–	–	–	–	(40,000)	(40,000)	–	(40,000)
At December 31, 2014	39,860	60,692#	1,849#	45,775#	(28,140)#	(65,929)#	490,016#	544,123	7,034	551,157

Consolidated Statement of Changes in Equity

Year ended December 31, 2015

	Attributable to owners of the parent										
	Share capital HK$'000 (note 27)	Share premium HK$'000 (note 27)	Treasury shares HK$'000 (note 27)	Statutory reserve HK$'000 (note 29 (i))	Capital reserve HK$'000 (note 28, 29 (ii))	Put option reserve HK$'000 (note 29 (iii))	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At January 1, 2015	39,860	60,692	–	1,849	45,775	(28,140)	(65,929)	490,016	544,123	7,034	551,157
Profit for the year	–	–	–	–	–	–	–	81,963	81,963	1,043	83,006
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(112,449)	–	(112,449)	1,067	(111,382)
Total comprehensive loss for the year	–	–	–	–	–	–	(112,449)	81,963	(30,486)	2,110	(28,376)
Issue of shares (note 27)	398	–	(398)	–	–	–	–	–	–	–	–
Capitalization issue (note 27)	23,680	(23,446)	(234)	–	–	–	–	–	–	–	–
Global offering (note 27)	13,562	721,438	–	–	–	–	–	–	735,000	–	735,000
Share issue expenses (note 27)	–	(39,277)	–	–	–	–	–	–	(39,277)	–	(39,277)
Transfer from retained profits	–	–	–	83	–	–	–	(83)	–	–	–
Equity-settled share option expense (note 28)	–	–	–	–	14,538	–	–	–	14,538	–	14,538
Imputed interest on shareholders' loans	–	–	–	–	9,325	–	–	–	9,325	–	9,325
Waiver of the shareholders' loans	–	–	–	–	546,315	–	–	–	546,315	–	546,315
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	120	120
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(966)	(966)
At December 31, 2015	77,500	719,407#	(632)	1,932#	615,953#	(28,140)#	(178,378)#	571,896#	1,779,538	8,298	1,787,836

These reserve accounts comprise the consolidated reserves of HK$1,702,670,000 (2014: HK$504,263,000) in the consolidated statements of financial position.

Consolidated Statement of Cash Flows

Year ended December 31, 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		134,556	175,436
Adjustments for:			
Finance costs	8	42,337	30,477
Bank interest income	6,7	(453)	(599)
Loss on disposal of items of property, plant and equipment, net	7	346	86
Remeasurement gain of an available-for-sale investment	6,7	—	(15,209)
Fair value loss/(gain) on forward foreign exchange contracts	6,7	4,337	(1,880)
Remeasurement gain on contingent consideration	6,7	(787)	—
Fair value gain on call options and put options measured at fair value through profit or loss, net	6,7	(256)	(179)
Loss on de-recognition of call options	7	—	801
Write-off of property, plant and equipment	7	235	573
Allowance for impairment of trade receivables	7	3,600	1,849
Reversal of allowance for doubtful debts	7	(670)	(314)
Depreciation and amortization	7	64,714	52,370
Equity-settled share option expense	28	14,538	—
		262,497	243,411
Decrease in inventories		753	893
(Increase)/decrease in trade receivables		(19,825)	10,389
(Increase)/decrease in prepayments, deposits and other receivables		(4,238)	11,268
Decrease in amounts due from related parties		38,435	1,797
Decrease in trade payables		(20,080)	(27,893)
Decrease in other payables and accruals		(19,294)	(5,195)
(Decrease)/increase in amounts due to related parties		(13,969)	1,645
Decrease in amounts due to non-controlling shareholders		—	(8,083)
Decrease in amounts due to shareholders		(56,484)	(7,647)
Decrease/(increase) in amounts due from shareholders		4,148	(3,034)
Cash generated from operations		171,943	217,551
Interest received		453	599
Income tax paid		(50,831)	(36,664)
Net cash flows from operating activities		121,565	181,486

Consolidated Statement of Cash Flows

Year ended December 31, 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and other intangible assets		(29,747)	(18,446)
Proceeds from forward foreign exchange contracts		—	2,588
Proceeds from disposal of items of property, plant and equipment		2,052	1,186
Acquisition of subsidiaries	30	(245,100)	(335,970)
Decrease in pledged deposits		6,993	—
Net cash flows used in investing activities		(265,802)	(350,642)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27 (a) (e)	796,802	—
Share issue expenses	27	(37,930)	(1,347)
New bank loans and other borrowings		844,263	525,496
Shareholders' loans		182,944	383,918
Repayment of bank loans and other borrowings		(716,642)	(690,279)
Dividend paid		(25,966)	(15,000)
Interest paid		(28,480)	(23,058)
Acquisition of non-controlling interests		(59,420)	(342)
Net cash flows from financing activities		955,571	179,388
NET INCREASE IN CASH AND CASH EQUIVALENTS		811,334	10,232
Effect of foreign exchange rate changes, net		5,633	1,333
Cash and cash equivalents at beginning of year		128,722	117,157
CASH AND CASH EQUIVALENTS AT END OF YEAR		945,689	128,722
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	940,439	151,671
Non-pledged time deposits with original maturity of less than three months when acquired	20	5,250	15,874
Cash and cash equivalents as stated in the statement of financial position	20	945,689	167,545
Bank overdrafts	23	—	(38,823)
Cash and cash equivalents as stated in the statement of cash flows		945,689	128,722

1. CORPORATE AND GROUP INFORMATION

Modern Dental Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on July 5, 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 principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the production and distribution of prosthetic devices.

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Modern Dental Holding Limited	The British Virgin Islands August 1, 2012	USD50,000	100%	–	Investment holding
Modern Dental Laboratory Company Limited	Hong Kong March 18, 1988	HK$10,000	–	100%	Trading of dental prosthetic devices in Hong Kong; sourcing arm for PRC manufactures
Yangzhijin Dental Laboratory (Shenzhen) Co., Ltd.*	PRC/Mainland China July 20, 1998	USD190,000	–	100%	Manufacturing and trading of dental prosthetic devices
Modern Dental Laboratory (Shenzhen) Company Limited*	PRC/Mainland China May 17, 2012	RMB40,000,000	–	100%	Manufacturing of dental prosthetic devices
Yangzhijin Dental Laboratory (Beijing) Co., Ltd.*	PRC/Mainland China December 14, 2009	RMB1,000,000	–	100%	Manufacturing and trading of dental prosthetic devices
Modern Dental and Medical Instruments (DongGuan) Company Limited*	PRC/Mainland China August 12, 2015	RMB75,000,000	–	100%	Manufacturing and trading of dental prosthetic devices

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Digitek Dental Solutions Limited	Hong Kong August 3, 2012	HK$10,000	–	100%	Manufacturing and trading parts for dental prosthetic devices
Modern Dental International (Macao Commercial Offshore) Limited	Macau August 12, 2012	MOP100,000	–	100%	Trading of dental prosthetic devices to overseas markets
Modern Dental Laboratory USA, LLC	United States August 17, 2009	USD3,728,570	–	100%	Manufacturing and trading of dental prosthetic devices in United States markets (other than Arizona and Georgia) and managing five service centers located at Seattle, Los Angeles, Boston, Chicago and Wilmington, and a digital center in Troy, the United States
Quantum Dental Laboratory Inc.	Canada July 1, 2013	CAD100	–	70%	Manufacturing and trading of dental prosthetic devices
Sundance Dental Laboratory, LLC (Formerly known as Sundance Arizona Acquisition, LLC)	United States April 21, 2014	USD2,571,714	–	70%	Manufacturing and trading of dental prosthetic devices
Modern Dental Laboratory-Savannah, LLC	United States October 29, 2014	USD150,000	–	70%	Manufacturing and trading of dental prosthetic devices
Modern Dental Europe B.V.	The Netherlands October 1, 2013	EUR1	–	100%	Investment holding
Permadental Holding B.V.	The Netherlands April 3, 2009	EUR322,100	–	100%	Investment holding
Permadental B.V.	The Netherlands December 23, 1985	EUR15,890	–	100%	Trading of dental prosthetic devices with intra-group companies

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Permadental China Limited	Hong Kong November 1, 2007	HK$10,000	–	100%	No business operation
Permadental GmbH	Germany March 2, 2010	EUR25,000	–	100%	Trading of dental prosthetic devices
Semperdent Holding B.V.	The Netherlands December 29, 1994	EUR18,160	–	100%	Investment holding
Semperdent B.V.	The Netherlands February 11, 1991	EUR18,151	–	100%	Trading of dental prosthetic devices with intra-group companies
Semperdent GmbH	Germany October 4, 1989	EUR25,565	–	100%	Trading of dental prosthetic devices
Modern Dental Solutions B.V.	The Netherlands August 20, 2014	EUR100	–	100%	Investment holding
Modern Dental 3dsolutions GmbH (Formerly known as Modern Dental Europe 3dsolutions GmbH)	Germany September 2, 2014	EUR25,000	–	100%	Manufacturing and trading of dental prosthetic devices (digital products) with intra-group companies
Elysee Dental Europe B.V.	The Netherlands December 11, 2003	EUR18,800	–	100%	Investment holding
Tandtechnisch Laboratorium J. van Noort B.V.	The Netherlands May 8, 2000	EUR18,151	–	100%	Manufacturing facility and trading of dental prosthetics
T.T.L. Oosterwijk B.V.	The Netherlands August 14, 1980	EUR15,925	–	100%	Manufacturing facility and trading of dental prosthetics
Oralscan Nederland B.V.	The Netherlands July 20, 2009	EUR18,000	–	100%	Manufacturing facility and trading of dental prosthetics
Elysee Dental Belgium BVBA	Belgium June 9, 2008	EUR18,550	–	100%	Manufacturing facility and trading of dental prosthetics

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Uni-Dent N.V.	Belgium July 8, 1994	EUR495,787	–	100%	Manufacturing facility and trading of dental prosthetics
Elysee Dental Iberica S.L.	Spain March 29, 2007	EUR20,000	–	100%	Trading of dental prosthetics
Elysee Dental Solutions B.V.	The Netherlands October 10, 2001	EUR18,000	–	100%	Manufacturing facility and trading of dental prosthetic devices
Elysee Dental Supplies & Services B.V.	The Netherlands October 31, 2006	EUR18,000	–	100%	Trading of raw materials
Elysee Dental ApS	Denmark March 4, 2004	DKK125,000	–	100%	Manufacturing facility and trading of dental prosthetics
Elysee Dental Aktiebolag	Sweden September 2, 2014	SEK50,000	–	100%	Trading of dental prosthetic devices
Elysee Dental Holding B.V.	The Netherlands May 28, 2009	EUR21,000	–	100%	Investment holding
Elysee Dental Oy	Finland December 23, 2014	EUR2,500	–	100%	Trading of dental prosthetic devices
Unortho B.V.	The Netherlands August 26, 2004	EUR18,000	–	100%	No business operation
Labo Ocean Indien SA	Madagascar May 17, 1996	MGA10,000,000	–	100%	Manufacturing and trading of dental prosthetic devices
Labo OI (Mauritius) Ltd. (Formerly known as Labocast (Mauritius) Ltd.)	Mauritius December 26, 2013	MUR1,000	–	100%	Trading of dental prosthetic devices
Labocast Holding B.V.	The Netherlands December 15, 2014	EUR100	–	100%	Investment holding
Labocast SAS	France December 31, 1986	EUR100,000	–	100%	Trading of dental prosthetic devices

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Labocast Technical Service (Shen Zhen) Limited*	PRC/Mainland China May 4, 2008	USD80,000	–	100%	Quality assurance and technical consultancy for the production of dental prosthetic devices
Modern Dental Europe Limited	Hong Kong July 14, 2011	HK$10,000	–	100%	Investment holding
Top Vast (Hong Kong) Limited	Hong Kong August 3, 2009	HK$10,000	–	100%	Investment holding
TVCO, Inc.	United States March 22, 2013	USD100	–	100%	Investment holding
Modern Dental Laboratory Australia Pty Ltd. (Formerly known as Modern Dental Australia Pty Ltd.)	Australia May 30, 2013	AUD100	–	100%	Trading of dental prosthetic devices
Gold & Ceramics Dental Laboratory Pty Ltd.	Australia July 26, 1994	AUD10	–	100%	Manufacturing and trading of dental prosthetic devices
Modern Dental Europe Holding Limited	The British Virgin Islands September 10, 2012	USD50,000	–	100%	Investment holding
Modern Dental America Holding Limited	The British Virgin Islands September 10, 2012	USD50,000	–	100%	Investment holding
Modern Dental Macau Holding Limited	The British Virgin Islands August 2, 2012	USD50,000	–	100%	Investment holding
Modern Dental Technology Holding Limited	The British Virgin Islands August 2, 2012	USD50,000	–	100%	Investment holding
Modern Dental Pacific Holding Limited	The British Virgin Islands January 18, 2013	USD50,000	–	100%	Investment holding
SCDL Holdings Pty Limited	Australia May 1, 2012	AUD41,681,754	–	100%	Investment holding
SCDL Finance Pty Limited	Australia May 1, 2012	AUD1	–	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
SCDL Pty Limited	Australia May 1, 2012	AUD1	–	100%	Investment holding
BU Factory Pty Limited	Australia December 10, 2003	AUD1	–	100%	Investment holding
Pavona Pty Limited	Australia January 20, 1984	AUD2	–	100%	Trading of dental prosthetic devices
Southern Cross Dental Laboratories (NZ) Limited	New Zealand April 20, 2012	NZD1,080,010	–	100%	Trading of dental prosthetic devices
Southern Cross Dental Laboratories Ltd.	Ireland February 17, 2003	GBP205	–	78.05%	Trading of dental prosthetic devices
Dentmill Australia Pty Ltd.	Australia October 10, 2011	AUD120	–	100%	Manufacturing and trading of dental prosthetic devices
Andent Pty Ltd.	Australia June 22, 1984	AUD600	–	100%	Manufacturing and trading of dental prosthetic devices
Proform Australia Pty Ltd.	Australia February 14, 2005	AUD150	–	100%	Manufacturing and trading of dental prosthetic devices

* The subsidiaries are registered as a wholly-foreign-owned enterprise under PRC law.

During the year, the Group acquired SCDL Holdings Pty Limited and its subsidiaries (collectively referred to as the "SCDL Group") from independent third parties. Further details of this acquisition are included in note 30 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 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 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. These Financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 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 arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the 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 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised IFRSs, that 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]
IAS12 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.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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 January 1, 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.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(b) Impairment (continued)

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.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(b) Impairment (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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value either recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%–10%
Leasehold improvements	2.56%–25%
Plant and machinery	10%–33.33%
Motor vehicles	10%–30%
Furniture and equipment	10%–33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at end of each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Software is amortised on the straight-line basis over the estimated useful life of 10 years.

Customer relationship

Customer relationship is amortised on the sum-of-the-years' digits basis over its estimated useful life of 5 to 10 years.

Trademark

Trademark is an intangible with an indefinite useful life and is not amortised. It is tested for impairment annually. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the indefinite useful life assessment continues to be supportable.

Non-compete agreement

Non-compete agreement is amortised on the straight-line basis over the estimated useful life of 5 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include interesting-bearing bank loans, trade payables, other payables and accruals and an amount due to related parties and derivative financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Initial recognition and subsequent measurement (continued)

The derivative instruments entered into by the Group do not qualify for hedge accounting, and changes in the fair value of these derivative instruments are recognised in the consolidated statements of comprehensive income.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows). Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after November 7, 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is based on the business enterprise value of the Group, further details of which are given in note 28 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's subsidiaries which operate in Australia are required settle the liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date. And for the liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to be expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

The employees of the Group's subsidiaries which operate in Europe operate dental technicians (CAOT and tandtechniek) defined contribution pension plans, all of which require contributions to be made to separately administered funds. All annual pension costs are charged to the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill at December 31, 2014 and 2015 were HK$596,480,000 and HK$857,592,000. Further details are given in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for impairment of trade and other receivables

The Group estimates the provision for impairment of trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each year. At December 31, 2014 and 2015, provisions for impairment of trade receivables were HK$9,009,000 and HK$12,812,000.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives of intangible assets

The Group determines the estimated useful lives and related amortisation charges for its intangible assets. This estimate is based on the historical experience of the actual useful life of intangible assets of similar functions. It could change significantly as a result of technical innovations. Management reassesses the useful lives at each reporting date.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 26 to the financial statements.

Recognition of a deferred tax liability for withholding taxes

The Group relies principally on dividends paid by the non-PRC subsidiaries for financing requirements. The Group determines that no dividends to be distributed from the PRC subsidiaries to the Company or to any subsidiary outside Mainland China in the foreseeable future could give rise to the recognition of withholding taxes. Therefore, no deferred tax liability for withholding taxes was recognised in these financial statements.

5. 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.

	2015			2014		
	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	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

5. OPERATING SEGMENT INFORMATION (continued)

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.

6. 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 HK$'000	2014 HK$'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

7. PROFIT BEFORE TAX

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

	Notes	2015 HK$'000	2014 HK$'000
Cost of inventories sold		205,643	176,215
Depreciation	14	30,303	25,361
Amortisation of intangible assets	16	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 (note 9)):			
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	6	(453)	(599)
Loss on disposal of items of property, plant and equipment, net*		346	86
Loss on derecognition of call options		—	801
Fair value (gains)/loss, net:			
Call options and put options	6	(256)	(179)
Forward foreign exchange contracts		4,337	(1,880)
Remeasurement gain on contingent consideration	6	(787)	—
Remeasurement gain of an available-for-sale investment	6	—	(15,209)
Write-off of property, plant and equipment*	14	235	573
Allowance for impairment of trade receivables	18	3,600	1,849
Reversal of impairment of trade receivables	18	(670)	(314)
Foreign exchange differences, net*		(619)	3,970

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

8. FINANCE COSTS

	2015 HK$'000	2014 HK$'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 (note 34(1)(b)(ii))	13,857	7,419
Interest on finance leases	397	287
	42,337	30,477

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a),(b),(c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2015 HK$'000	2014 HK$'000
Fees	96	—
Other emoluments:		
Salaries, allowances and benefits in kind	12,532	5,000
Equity-settled share option expense	7,057	—
Pension scheme contributions	90	17
	19,679	5,017
	19,775	5,017

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015 HK$'000	2014 HK$'000
Mr. Cheung Wai Man, William****	24	—
Mr. Cheung Wai Bun, Charles J.P.****	24	—
Mr. Wong Ho Ching****	24	—
Mr. Chan Yue Kwong, Michael****	24	—
	96	—

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive

	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2015				
Executive directors:				
Mr. Chan Kwun Fung	**2,226**	**—**	**—**	**2,226**
Mr. Chan Kwun Pan	**2,226**	**—**	**—**	**2,226**
Mr. Ngai Shing Kin	**2,106**	**4,940**	**—**	**7,046**
Mr. Chan Chi Yuen*	**507**	**—**	**18**	**525**
Mr. Chan Ronald Yik Long**	**894**	**—**	**18**	**912**
Ms. Chan Yik Yu*	**655**	**—**	**18**	**673**
Mr. Cheung Ting Pong*	**2,058**	**1,129**	**18**	**3,205**
Mr. Ngai Chi Ho Alwin*	**1,860**	**988**	**18**	**2,866**
	12,532	**7,057**	**90**	**19,679**
2014				
Executive directors:				
Mr. Chan Kwun Fung	871	—	—	871
Mr. Chan Kwun Pan	871	—	—	871
Mr. Ngai Shing Kin	2,106	—	—	2,106
Mr. Chan Chi Yuen*	—	—	—	—
Mr. Chan Ronald Yik Long**	50	—	2	52
Ms. Chan Yik Yu*	152	—	5	157
Mr. Cheung Ting Pong*	460	—	5	465
Mr. Ngai Chi Ho Alwin*	490	—	5	495
Ms. Ma Yue Yam***	—	—	—	—
	5,000	—	17	5,017

* The directors were appointed on September 22, 2014.

** The director was appointed on October 17, 2014.

*** The director was appointed and resigned on September 22, 2014 and May 21, 2015, respectively.

**** The directors were appointed on November 24, 2015.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2014: three) directors (including the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2014: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	6,254	4,904
Performance-related bonuses	2,684	1,915
Pension scheme contributions	1,666	2,559
	10,604	9,378

The number of non-director, non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2015	2014
HK$3,000,001 to HK$3,500,000	—	1
HK$4,000,001 to HK$4,500,000	1	—
HK$6,000,001 to HK$6,500,000	—	1
HK$6,500,001 to HK$7,000,000	1	—
	2	2

During the year, pre-IPO restricted share were granted to three directors in respect of their services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. 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 ("BVI"), 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 ("CIT") at the rate of 25% on the taxable income for the years ended December 31, 2014 and 2015.

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 (note 26)	**(2,616)**	1,569
Total tax charge for the year	**51,550**	44,191

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

11. INCOME TAX EXPENSE (continued)

2015	Cayman & BVI HK$'000	%	Hong Kong HK$'000	%	Mainland China HK$'000	%	Elsewhere HK$'000	%	Total HK$'000	%
Profit/(losses) before tax	(88,927)		22,838		91,994		108,651		134,556	
Tax at the statutory tax rate	–	–	3,768	16.5	22,999	25.0	23,293	21.4	50,060	37.2
Income not subject to tax	–	–	(810)	(3.5)	(654)	(0.7)	–	–	(1,464)	(1.1)
Expenses not deductible for tax	–	–	1,499	6.6	556	0.6	953	0.9	3,008	2.2
Tax losses utilised from previous periods	–	–	–	–	–	–	(54)	(0.1)	(54)	(0.1)
Tax charge at the Group's effective rate	–	–	4,457	19.6	22,901	24.9	24,192	22.2	51,550	38.2

2014	Cayman & BVI HK$'000	%	Hong Kong HK$'000	%	Mainland China HK$'000	%	Elsewhere HK$'000	%	Total HK$'000	%
Profit before tax	4,593		30,807		65,988		74,048		175,436	
Tax at the statutory tax rate	–	–	5,082	16.5	16,497	25.0	19,879	26.8	41,458	23.6
Income not subject to tax	–	–	(1,126)	(3.7)	(31)	–	(317)	(0.4)	(1,474)	(0.8)
Expenses not deductible for tax	–	–	1,851	6.0	2,759	4.1	194	0.3	4,804	2.7
Tax losses not recognised	–	–	146	0.5	–	–	347	0.5	493	0.3
Tax losses utilised from previous periods	–	–	(1,090)	(3.5)	–	–	–	–	(1,090)	(0.6)
Tax charge at the Group's effective rate	–	–	4,863	15.8	19,225	29.1	20,103	27.2	44,191	25.2

12. DIVIDENDS

	Note	2015 HK$'000	2014 HK$'000
Interim dividend by:			
The Company	(a)	–	40,000

(a) The interim dividend of HK$40,000,000 has been approved by the board of directors of the Company on June 30, 2014.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, 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 amount is based on the profit for the year attributable to ordinary equity holders of the parent. 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.

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

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

	Number of shares	
	2015	2014
Shares		Restated
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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
December 31, 2015							
At January 1, 2015:							
Cost	71,534	31,061	28,425	92,474	6,130	187	229,811
Accumulated depreciation	(19,313)	(9,724)	(10,844)	(48,723)	(3,122)	–	(91,726)
Net carrying amount	52,221	21,337	17,581	43,751	3,008	187	138,085
At January 1, 2015, net of accumulated depreciation	52,221	21,337	17,581	43,751	3,008	187	138,085
Additions	32	4,438	8,808	13,592	1,604	782	29,256
Acquisition of subsidiaries (note 30)	–	2,895	8,230	–	–	–	11,125
Disposals	–	–	(465)	(1,765)	(168)	–	(2,398)
Write-off	–	–	(62)	(156)	(17)	–	(235)
Reclassification	–	738	(2,246)	1,545	(37)	–	–
Depreciation provided during the year	(2,283)	(4,899)	(8,412)	(13,508)	(1,201)	–	(30,303)
Transfers	14	–	–	89	–	(103)	–
Exchange realignment	(1,885)	(1,051)	(1,413)	(2,543)	(92)	(60)	(7,044)
At December 31, 2015, net of accumulated depreciation	48,099	23,458	22,021	41,005	3,097	806	138,486
At December 31, 2015:							
Cost	69,423	37,932	35,193	101,094	6,791	806	251,239
Accumulated depreciation	(21,324)	(14,474)	(13,172)	(60,089)	(3,694)	–	(112,753)
Net carrying amount	48,099	23,458	22,021	41,005	3,097	806	138,486

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
December 31, 2014							
At January 1, 2014:							
Cost	61,312	10,409	17,195	78,749	4,939	7	172,611
Accumulated depreciation	(17,086)	(6,705)	(7,332)	(37,127)	(2,807)	–	(71,057)
Net carrying amount	44,226	3,704	9,863	41,622	2,132	7	101,554
At January 1, 2014, net of accumulated depreciation	44,226	3,704	9,863	41,622	2,132	7	101,554
Additions	2,118	14,397	11,017	14,703	1,094	190	43,519
Acquisition of subsidiaries	10,104	9,445	3,877	1,848	662	–	25,936
Disposals	–	(953)	(643)	6	89	–	(1,501)
Write-off	–	–	(129)	(444)	–	–	(573)
Reclassification	–	–	251	(251)	–	–	–
Depreciation provided during the year	(2,316)	(3,826)	(5,468)	(12,941)	(810)	–	(25,361)
Exchange realignment	(1,911)	(1,430)	(1,187)	(792)	(159)	(10)	(5,489)
At December 31, 2014, net of accumulated depreciation	52,221	21,337	17,581	43,751	3,008	187	138,085
At December 31, 2014:							
Cost	71,534	31,061	28,425	92,474	6,130	187	229,811
Accumulated depreciation	(19,313)	(9,724)	(10,844)	(48,723)	(3,122)	–	(91,726)
Net carrying amount	52,221	21,337	17,581	43,751	3,008	187	138,085

At December 31, 2015, the net carrying amount of the Group's fixed assets held under finance leases included in the total amount of motor vehicles was HK$129,000 (2014: HK$349,000).

At December 31, 2015, the net carrying amount of the Group's fixed assets held under finance leases included in the total amounts of plant and machinery was nil (2014: HK$2,559,000).

At December 31, 2015, the net carrying amount of the Group's fixed assets held under finance leases included in the total amount of furniture and equipment was HK$4,036,000 (2014: HK$20,000).

At December 31, 2015, certain of the Group's equipment with a net carrying amount of approximately HK$6,311,000 (2014: HK$9,956,000) were pledged to secure general banking facilities granted to the Group (note 23).

15. GOODWILL

	HK$'000
At January 1, 2014:	
Cost	417,683
Accumulated impairment	—
Net carrying amount	417,683
Cost at January 1, 2014, net of accumulated impairment	417,683
Acquisition of subsidiaries	255,455
Exchange realignment	(76,658)
At December 31, 2014	596,480
At December 31, 2014:	
Cost	596,480
Accumulated impairment	—
Net carrying amount	596,480
Cost at January 1, 2015, net of accumulated impairment	**596,480**
Acquisition of subsidiaries (note 30)	**325,227**
Exchange realignment	**(64,115)**
At December 31, 2015	**857,592**
At December 31, 2015:	
Cost	**857,592**
Accumulated impairment	**—**
Net carrying amount	**857,592**

15. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

	2015 HK$'000	2014 HK$'000
Labocast SAS and Labo Ocean Indien SA	58,743	64,166
Modern Dental Laboratory USA, LLC	10,400	10,400
Modern Dental International (Macao Commercial Offshore) Limited	2,447	2,447
Quantum Dental Laboratory Inc.	10,278	12,267
Permadental Holding B.V.	253,860	277,294
Gold & Ceramics Dental Laboratory Pty Ltd.	4,017	4,488
Elysee Dental Holding B.V.	196,362	214,489
Sundance Dental Laboratory, LLC*	10,929	10,929
SCDL Holdings Pty Ltd.	310,556	—
	857,592	596,480

15. GOODWILL (continued)

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections and the growth rate used to extrapolate the cash flows of each unit beyond the five-year period are as follows:

		2015	2014
Labocast SAS and Labo Ocean Indien SA	discount rates	24%	19%
	growth rates	1%	1%
Modern Dental Laboratory USA, LLC	discount rates	16%	20%
	growth rates	2%	2%
Modern Dental International (Macao Commercial Offshore) Limited	discount rates	18%	17%
	growth rates	3%	3%
Quantum Dental Laboratory Inc.	discount rates	19%	19%
	growth rates	2%	2%
Permadental Holding B.V.	discount rates	22%	21%
	growth rates	2%	1%
Gold & Ceramics Dental Laboratory Pty Ltd.	discount rates	23%	26%
	growth rates	2%	2%
Elysee Dental Holding B.V.	discount rates	22%	24%
	growth rates	2%	1%
Sundance Dental Laboratory, LLC*	discount rates	17%	20%
	growth rates	2%	2%
SCDL Holdings Pty Ltd.	discount rates	20%	—
	growth rates	2%	—

* The company is formerly known as Sundance Arizona Acquisition, LLC.

15. GOODWILL (continued)

Assumptions were used in the value in use calculation of each cash-generating unit for the years ended December 31, 2014 and 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Growth rates – The long term average growth rates of prosthetic devices industry.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are pre-tax rates based on weighted average cost of capital ("WACC") determined using the capital asset pricing model ("CAPM"), which reflect specific current market assessments of the time value of money and the risks relating to the relevant units.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for local markets from where the raw materials are sourced.

The values assigned to the key assumptions on market development of prosthetic devices industry, discount rates and raw materials price inflation are consistent with external information sources.

The management performed impairment testing of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. No impairment loss was noted as at December 31, 2014 and 2015.

16. INTANGIBLE ASSETS

December 31, 2015	Customer relationship HK$'000	Software HK$'000	Trademark HK$'000	Non-compete agreement HK$'000	Total HK$'000
Cost at January 1, 2015, net of accumulated amortisation	215,140	1,645	49,713	1,010	267,508
Addition	—	491	—	—	491
Acquisition of subsidiaries (note 30)	73,505	—	68,994	—	142,499
Disposal	—	(7)	—	—	(7)
Amortisation provided during the year	(33,667)	(523)	—	(221)	(34,411)
Exchange realignment	(26,142)	(137)	(11,202)	—	(37,481)
Net carrying amount	228,836	1,469	107,505	789	338,599
At December 31, 2015:					
Cost	302,187	3,534	107,505	1,107	414,333
Accumulated amortisation	(73,351)	(2,065)	—	(318)	(75,734)
Net carrying amount	228,836	1,469	107,505	789	338,599

December 31, 2014	Customer relationship HK$'000	Software HK$'000	Trademark HK$'000	Non-compete agreement HK$'000	Total HK$'000
Cost at January 1, 2014, net of accumulated amortisation	216,449	1,810	—	—	218,259
Addition	—	645	—	—	645
Acquisition of subsidiaries	48,479	—	51,833	1,107	101,419
Disposal	—	(12)	—	—	(12)
Amortisation provided during the year	(26,331)	(581)	—	(97)	(27,009)
Exchange realignment	(23,457)	(217)	(2,120)	—	(25,794)
Net carrying amount	215,140	1,645	49,713	1,010	267,508
At December 31, 2014:					
Cost	253,147	3,340	49,713	1,107	307,307
Accumulated amortisation	(38,007)	(1,695)	—	(97)	(39,799)
Net carrying amount	215,140	1,645	49,713	1,010	267,508

17. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw material	46,212	50,753
Work in progress	9,512	4,599
Finished goods	2,564	2,236
	58,288	57,588

18. TRADE RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	301,040	261,614
Impairment	(12,812)	(9,009)
	288,228	252,605

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.

18. TRADE RECEIVABLES (continued)

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 HK$'000	2014 HK$'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 movements in provision for impairment of trade receivables are as follows:

	2015 HK$'000	2014 HK$'000
At January 1	**9,009**	5,440
Acquisition of subsidiaries	**1,600**	3,815
Impairment losses recognised (note 7)	**3,600**	1,849
Impairment losses reversed (note 7)	**(670)**	(314)
Amount written off as uncollectible	**(14)**	(868)
Exchange difference	**(713)**	(913)
At December 31	**12,812**	9,009

18. TRADE RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$12,812,000 (2014: HK$9,009,000) with a carry amount before provision of HK$164,917,000 (2014: HK$129,859,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable.

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**196,753**	145,520
Less than 1 month past due	**34,282**	34,175
1 to 3 months past due	**30,210**	45,372
3 months to 1 year past due	**20,576**	22,746
Over 1 year past due	**6,407**	4,792
	288,228	252,605

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable.

Certain of the Group's trade receivables of approximately HK$72,409,000 (2014: HK$99,938,000) were pledged to secure general banking facilities granted to the Group (note 23).

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	6,739	6,999
Deposits and other receivables	24,631	18,369
	31,370	25,368

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015 HK$'000	2014 HK$'000
Cash and bank balances	940,439	151,671
Time deposits	8,610	26,227
	949,049	177,898
Less: Pledged deposits	(3,360)	(10,353)
Cash and cash equivalents	945,689	167,545

The cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$34,112,000 and HK$53,247,000 as at December 31, 2014 and 2015, respectively. The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

21. 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 HK$'000	2014 HK$'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.

22. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Current		
Deferred rent	150	239
Deferred income	662	167
Consideration payable	4,226	63,648
Deposits received from customers	943	372
Accruals	89,879	75,434
Other payables	24,913	24,830
	120,773	164,690
Non-current (Other non-current liabilities)		
Deferred rent	2,687	2,028
Deferred income	1,429	1,602
Contingent consideration	1,362	2,149
	5,478	5,779

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

23. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	2015 Effective/ contractual interest rate (%)	2015 HK$'000	2014 Effective/ contractual interest rate (%)	2014 HK$'000
Current				
Finance lease payables (note 24)	4.53-8.50	1,146	2.75-11.46	866
Bank overdrafts — secured	—	—	3 month EURIBOR+1.75	38,823
Bank loan – secured	LIBOR+(2.60-2.85)	77,500	HIBOR+2.5	9,000
Current portion of long term bank loans – secured	LIBOR+(2.60-2.85)	23,536	3 month EURIBOR+ (2.15-3.30)/2.25-4.50	87,217
		102,182		135,906
Non-current				
Finance lease payables (note 24)	4.53-8.50	2,573	2.75-11.46	160
Long term bank loans — secured	LIBOR+(2.60-2.85)	541,016	3 month EURIBOR+ (2.15-3.30)/2.25-4.50	220,629
		543,589		220,789
		645,771		356,695

23. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (continued)

	2015 HK$'000	2014 HK$'000
Analysed into:		
Bank loans and bank overdrafts repayable:		
Within one year or on demand	**101,036**	135,040
In the second year	**111,446**	46,980
In the third to fifth years, inclusive	**429,570**	173,649
	642,052	355,669
Finance lease payables (note 24):		
Within one year	**1,146**	866
In the second year	**1,727**	69
In the third to fifth years, inclusive	**846**	91
	3,719	1,026
	645,771	356,695

Notes:

(a) On November 6, 2015, the Group has drawn down a USD75 million 5 year term loan and a USD10 million revolving credit facility, and has repaid the majority of its existing bank loan facilities in the same month. The principal and interest payments for exiting loan facilities will be repaid according to the loan agreements. As at December 31, 2015, 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.

As at December 31, 2014, certain of the Group's bank and other borrowings were secured by:

(i) guarantees provided by the Company's directors, Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin;

23. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (continued)

(ii) charge over the properties situated in Hong Kong in the name of Most Wealth International Limited;

(iii) corporate guarantee executed by Most Wealth International Limited, Modern Dental Laboratory Company Limited and Modern Dental Group Limited;

(iv) the Group's pledged bank deposits;

(v) a promissory note at a maximum amount of HK$300,000,000 issued by Modern Dental International (Macao Commercial Offshore) Limited in favour of the bank, the promissory note was pledged by trade receivables of Modern Dental International (Macao Commercial Offshore) Limited;

(vi) pledge of movables, trade receivables, bank accounts, insurance receivables, intercompany loans and intellectual property rights of all Dutch Obligors of Modern Dental Europe B.V.;

(vii) pledge of the shares in the capital of Labocast Holding B.V.; and

(viii) security over receivables, movables assets, bank accounts and other assets of all German Obligors of Modern Dental Europe B.V.

(b) The Group's bank borrowings of HK$641,828,000 and HK$224,000 are denominated in USD and CAD as at December 31, 2015, the Group's bank borrowings of HK$73,183,000, HK$281,908,000 and HK$578,000 are denominated in HK$, EUR and CAD as at December 31, 2014. The Group's finance lease payables of HK$35,000, HK$22,000, HK$2,892,000 and HK$770,000 were denominated in HK$, EUR, AUD, and USD as at December 31, 2015, and the Group's finance lease payables of HK$747,000, HK$113,000 and HK$166,000 were denominated in HK$, EUR and AUD as at December 31, 2014.

24. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery and motor vehicles for its denture business. These leases are classified as finance leases and have remaining lease terms within five years.

At December 31, 2015, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**1,304**	899	**1,146**	866
In the second year	**1,819**	87	**1,727**	69
In the third to fifth years, inclusive	**886**	98	**846**	91
Total minimum finance lease payments	**4,009**	1,084	**3,719**	1,026
Future finance charges	**(290)**	(58)		
Total net finance lease payables	**3,719**	1,026		
Portion classified as current liabilities (note 23)	**(1,146)**	(866)		
Non-current portion (note 23)	**2,573**	160		

25. DERIVATIVE FINANCIAL INSTRUMENTS

		Assets		Liabilities	
		2015	2014	**2015**	2014
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Call option	(a)	**3,635**	3,067	**—**	—
Put option	(a)	**—**	—	**9,108**	8,797
Forward foreign exchange contract	(b)	**—**	—	**5,030**	699
		3,635	3,067	**14,138**	9,496

(a) On May 20, 2014, Modern Dental Laboratory USA, LLC ("MDL USA") entered into a sale and purchase agreement with Sundance Dental Laboratory, LLC (the "Seller") to acquire 70% equity interest is Sundance Arizona Acquisition, LLC ("Sundance"). Pursuant to the sale and purchase agreement, MDL USA was granted by the Seller a call option to purchase the remaining 30% interest in Sundance held by the Seller. Meanwhile, MDL USA agreed to grant the Seller a put option in respect of the right to request MDL USA to acquire the remaining 30% interest in Sundance held by the Seller. The call option was measured at fair value of HK$3,635,000, (2014: HK$3,067,000) and the put option was measured at fair value of HK$9,108,000, (2014: HK$8,797,000) as at December 31, 2015.

(b) Forward foreign exchange contract should be recognised as financial assets or liabilities at fair value through profit or loss. The unrealised/realised gain or loss will be accounted as fair value changes in profit or loss account.

26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At January 1, 2014	1,243	16,165	17,408
Deferred tax credited to the statement of profit or loss during the year (note 11)	(759)	(2,144)	(2,903)
Acquisition of subsidiaries	635	—	635
Exchange realignment	(18)	(663)	(681)
At December 31, 2014 and January 1, 2015	**1,101**	**13,358**	**14,459**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	**639**	**(3,287)**	**(2,648)**
Acquisition of subsidiaries (note 30)	**—**	**22,052**	**22,052**
Exchange realignment	**(130)**	**(477)**	**(607)**
At December 31, 2015	**1,610**	**31,646**	**33,256**

26. DEFERRED TAX (continued)

Deferred tax assets

	Losses available for offsetting against future taxable profits HK$'000
At January 1, 2014	4,617
Acquisition of subsidiaries	608
Deferred tax charged to the statement of profit or loss during the year (note 11)	(4,472)
Exchange realignment	(123)
At December 31, 2014 and January 1, 2015	**630**
Acquisition of subsidiaries (note 30)	**4,705**
Deferred tax charged to the statement of profit or loss during the year (note 11)	**(32)**
Exchange realignment	**(39)**
At December 31, 2015	**5,264**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. At December 31, 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$104,367,000 at December 31, 2015 (2014: HK$49,330,000).

27. SHARE CAPITAL

	2015 USD'000	2014 USD'000
Shares		
Issued and fully paid:		
5,143,260 ordinary shares of USD1.00 each as at December 31, 2014, and 1,000,000,000 ordinary shares of USD0.01 each as at December 31, 2015	**10,000**	5,143
Equivalent to HK$'000	**77,500**	39,860

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital HK$'000	Treasury shares HK$'000	Share premium HK$'000	Total HK$'000
At January 1, 2014		5,000,000	38,750	—	—	38,750
Issue of shares	(a)	143,260	1,110	—	60,692	61,802
At December 31, 2014 and January 1, 2015		5,143,260	39,860	—	60,692	100,552
Share sub-division	(b)	509,182,740	—	—	—	—
Issue of shares	(c)	5,131,000	398	(398)	—	—
Capitalization issue	(d)	305,543,000	23,680	(234)	(23,446)	—
Global offering	(e)	175,000,000	13,562	—	721,438	735,000
Share issue expenses		—	—	—	(39,277)	(39,277)
At December 31, 2015		1,000,000,000	77,500	(632)	719,407	796,275

27. SHARE CAPITAL (continued)

Notes:

(a) On December 22, 2014, 143,260 new ordinary shares of USD1.00 each of the Company were issued at HK$431.40 per share, resulting in share premium of HK$60,692,000. The cash subscription has been fully settled in 2015.

(b) On May 11, 2015, the Company underwent a share sub-division such that every issued and unissued share of a par value of USD1.00 in the capital of the Company was sub-divided into 1,000,000,000 shares of a par value of USD0.01 each. After such share sub-division, the authorised share capital of the Company became USD10,000,000 divided into 1,000,000,000 shares of a par value of USD0.01 each, the 5,143,260 issued ordinary shares was subdivided into 514,326,000 shares of a par value of USD0.01 each.

(c) On June 19, 2015, the Company allotted and issued 5,131,000 shares of a nominal value of USD0.01 each at no consideration under the pre-IPO restricted share unit scheme (the "Pre-IPO RSU Scheme"). Details of the Pre-IPO RSU Scheme are set out in note 28 to the financial statements.

(d) On November 25, 2015,the Company authorised to allot and issue a total of 305,543,000 shares, credited as fully paid at par, to the shareholder of the Company by way of capitalization of a sum of USD3,055,430 (equivalent to HK$23,680,000) standing to the credit of the share premium account of the Company. Following the capitalization issue, the total number of shares underlying restricted share units has adjusted to 8,149,038 and an amount of USD30,000 (equivalent to HK$234,000) is credited to the share premium account.

(e) On December 15, 2015, the Company issued 175,000,000 ordinary shares of USD0.01 each of the Company pursuant to the global offering with offer price of HK$4.20 per share, resulting in share premium of HK$721,438,000.

28. PRE-IPO RESTRICTED SHARE UNIT SCHEME

The Company operates a pre-IPO restricted share unit scheme (the "Pre-IPO RSU Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Pre-IPO RSU Scheme shall be subject to the administration of the board of directors (the "Board") and the Board may delegate the authority to an award committee (the "Award Committee"). Eligible participants of the Pre-IPO RSU Scheme include the Company's directors, other employees of the Group and any other person selected by the Board or the Award Committee from time to time. The Pre-IPO RSU Scheme became effective on June 19, 2015 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Unless otherwise duly approved by the shareholders, the total number of shares underlying restricted share units (the "RSUs") under the Pre-IPO RSU Scheme shall not exceed 5,131,000, and following the capitalization issue, has adjusted to 8,149,038 and representing approximately 0.81% of the enlarged issue share capital of the Company immediately following the completion of the capitalization issue and the global offering.

The offer of a grant of RSUs may be accepted within the time period and in a manner prescribed in the grant letter. The Board or the Award Committee (if authority is delegated) has the sole discretion to determine the vesting schedule and vesting criteria (if any) for any grant of award(s) to any grantee, which may also be adjusted and re-determined by the Board or the Award Committee from time to time.

RSUs do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following RSUs were outstanding under the Pre-IPO RSU Scheme during the year ended December 31, 2015:

	Exercise price	Number of RSUs
At January 1, 2015	–	–
Granted during the year	–	**5,131,000**
Capitalization issue	–	**3,018,038**
At December 31, 2015	–	**8,149,038**

The 5,131,000 RSUs which were granted on June 19, 2015 to the grantees shall vest as follows:

(i) 50% of the RSUs awarded shall vest on the first anniversary of the date of the Listing; and

(ii) 50% of the RSUs awarded shall vest on the second anniversary of the date of the Listing.

28. PRE-IPO RESTRICTED SHARE UNIT SCHEME (continued)

All awards granted above will be forfeited if the Listing has not proceeded on or prior to December 31, 2017.

The fair value of the RSUs granted during the year was HK$45,931,000 (HK$8.95 each), of which the Group recognised an employee benefit expense (credited to capital reserve) of HK$14,538,000 during the year ended December 31, 2015.

The fair value of equity-settled RSUs granted on June 19, 2015 was estimated as at the date of grant, based on business enterprise value of the Group, taking into account the terms and conditions upon which the RSUs were granted. The business enterprise value of the Group was determined using market approach, measured by earnings per share times appropriate market multiple.

No other feature of the RSUs granted was incorporated into the measurement of fair value.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 63 to 64 of the financial statements.

(i) Statutory reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalization is not less than 25% of the registered capital.

(ii) Capital reserve

As disclosed in note 34(1)(b)(ii) to the financial statements, on March 28, 2014, May 15, 2014 and March 20, 2015, Triera Holdings Limited, Prosperity Worldwide Investment Holdings Limited and NCHA Holdings Limited (the "Shareholders") provided interest-free shareholders' loans to the Company in amounts of HK$287,918,000, HK$96,000,000 and HK$182,944,000, respectively. The shareholders' loans are measured at present value by discounting the nominal value of the loans at an effective interest rate. The differences of HK$32,579,000 and HK$9,325,000 between the nominal value and the present value of the loans represented the deemed contribution by the shareholders and were credited to capital reserve as at December 31, 2014 and 2015, respectively.

On December 15, 2015, the Company was granted by the Shareholders the waiver of the shareholders' loans of HK$566,862,000. The present value of the loans as at December 15, 2015 amounting to HK$546,315,000 was credited to capital reserve.

(iii) Put option reserve

The put options were financial liabilities as defined in IAS 39. At December 31, 2015, the fair value for the put options of HK$28,140,000 was carried as put option reserves in the consolidated statement of financial position.

30. BUSINESS COMBINATION

Acquisition of SCDL Holdings Pty Ltd. ("SCDL")

On March 20, 2015, Modern Dental Pacific Holding Limited, a wholly-owned subsidiary of the Group, entered into a share sale and purchase agreement with Ironbridge Capital II A Pty Limited, Ironbridge Capital II B Pty Limited, Ironbridge Fund II LP, Wisdom Holdings NV, FII FP Vehicles Limited, Buzi Bear Pty Limited, Australasian Ceramics Pty Ltd, Kurt Smith Ceramics Pty Ltd, Matt Smith Ceramics Pty Ltd, Ms. Eriko Sharp, Mr. Chris Aughton and Mr. James Squirrell (the "Sellers") to acquire 100% equity interest in SCDL Holdings Pty Ltd. ("SCDL") at cash consideration of AUD43,387,000. SCDL and its subsidiaries are principally engaged in sale of prosthetic devices in Australia. The acquisition was completed on March 20, 2015. The acquisition was made as part of the Group's strategy to expand its market share of prosthetic devices in Australia.

The fair values of the identifiable assets and liabilities of SCDL as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	14	11,125
Deferred tax assets	26	4,705
Inventories		1,453
Trade receivables		27,236
Prepayments, deposits and other receivables		3,111
Customer relationship	16	73,505
Trademark	16	68,994
Cash and bank balances		12,183
Trade payables		(12,309)
Interest bearing loans and other borrowings		(199,696)
Other payables and accruals		(34,797)
Deferred tax liabilities	26	(22,052)
Other non-current liabilities		(1,402)
Total identifiable net assets at fair value		(67,944)
Goodwill on acquisition	15	325,227
		257,283
Satisfied by:		
Cash		257,283

30. BUSINESS COMBINATION (continued)

Acquisition of SCDL Holdings Pty Ltd. ("SCDL") (continued)

The Group incurred transaction costs of HK$5,760,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Included in the goodwill of HK$325,227,000 recognised above are mainly distribution channel, assembled workforce, know-how, which are not recognised separately. They are not separable and therefore they do not meet the criteria for recognition as intangible assets under *IAS 38 Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(257,283)
Cash and bank balances acquired	12,183
Net outflow of cash and cash equivalents included in cash flow from investing activities in 2015	(245,100)
Transaction costs of the acquisition included in cash flow from operating activities in 2015	(5,760)
	(250,860)

Since the acquisition, SCDL contributed HK$183,203,000 to the Group's revenue and HK$11,455,000 to the consolidated profit for the year ended December 31, 2015.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended December 31, 2015 would have been HK$1,447,429,000 and HK$62,696,000, respectively.

31. CONTINGENT LIABILITIES

The Group had no significant contingent liability as at December 31, 2014 and 2015.

32. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 10 years.

At December 31, 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	20,463	17,478
In the second to fifth years, inclusive	34,680	20,735
After five years	15,773	10,098
	70,916	48,311

33. COMMITMENTS

An investment agreement dated April 28, 2015 has been entered into between Modern Dental Laboratory Company Limited and Dongguan Songshan Lake High-tech Industrial Development Zone Management Committee regarding an investment of 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. Except for such agreement, the Group did not have any other significant commitments as at December 31, 2014 and 2015.

34. RELATED PARTY TRANSACTIONS

(1) Transactions with related parties

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		2015 HK$'000	2014 HK$'000
(i)	Rental fee paid to Most Wealth International Limited	2,053	1,564
(ii)	Purchase raw materials from Yangzhijin Dental Laboratory Company	2,718	6,744
(iii)	Sales of raw materials to Yangzhijin Dental Laboratory Company	29	580
(iv)	Sales of finished goods to Yangzhijin Dental Laboratory Company	375	1,475
(v)	Training fee paid to ShenZhen Nanshan District Modern Denture Technology Training Centre	4,332	5,135
(vi)	Sales of finished goods to Trident Dental Group Limited	19	—

Most Wealth International Limited and Yangzhijin Dental Laboratory Company are controlled by Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin; ShenZhen Nanshan District Modern Denture Technology Training Centre (the "Centre") is controlled by Mr. Ngai Shing Kin; Trident Dental Group Limited is ultimately 33.3% — owned by Mr. Chan Ronald Yik Long. The transactions with Most Wealth International Limited, Yangzhijin Dental Laboratory Company, the Centre and Trident Dental Group Limited were made on prices and conditions as mutually agreed.

34. RELATED PARTY TRANSACTIONS (continued)

(1) Transactions with related parties (continued)

(b) Other transactions with related parties

(i) Certain bank facility made to the Group up to HK$507,364,000, for the year ended December 31, 2014 was secured by properties owned by Most Wealth International Limited and Top Team (China) Limited whose shareholders are Mr. Chan Kwun Pan and Ms. Man Foon Chun, and was guaranteed by Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin. The facility was utilised to the extent of HK$317,536,000 and nil as at December 31, 2014 and 2015.

(ii) On March 28, 2014, May 15, 2014 and March 20, 2015, Triera Holdings Limited, Prosperity Worldwide Investment Holdings Limited and NCHA Holdings Limited provided interest-free shareholders' loans to the Company in amounts of HK$287,918,000, HK$96,000,000 and HK$182,944,000, respectively. The long term loans are unsecured, interest-free and repayable by March 27, 2017, May 12, 2017 and December 31, 2016, respectively. The shareholders' loans are measured at present value by discounting the nominal values of the loans at an effective interest rate. The imputed interest on the shareholders' loans of HK$7,419,000 and HK$13,857,000 was charged to profit or loss for the years ended December 31, 2014 and 2015. On December 15, 2015, the Company was granted by the shareholders the waiver of the shareholders' loans of HK$566,862,000. The present value of the loans as at December 15, 2015 amounting to HK$546,315,000 was credited to capital reserve.

34. RELATED PARTY TRANSACTIONS (continued)

(2) Balances with related parties

At December 31, 2015, the Group's balances due from/to related parties were as follows:

	Notes	2015 HK$'000	2014 HK$'000
Due from related parties:			
Trident Dental Group Limited	(i)	2	—
Most Wealth International Limited	(i)	—	38,437
		2	38,437
Due from shareholders:			
Mr. Ngai Shing Kin	(iv)	—	4,186
Mr. Ngai Chi Ho Alwin		—	28
Mr. Gregory Scialom	(v)	—	34,938
Mr. Tang Wing Kwong	(v)	—	12,350
Mr. Wong Kam Ka	(v)	—	9,260
Mr. Chung Wai Chau	(v)	—	5,188
		—	65,950
Due to related parties:			
Yangzhijin Dental Laboratory Company	(i)	—	15,019
Shenzhen Nanshan District Modern Denture Technology Training Centre	(i)	151	—
Most Wealth International Limited	(i)	899	—
		1,050	15,019
Due to shareholders:			
Current portion:			
Mr. Chan Kwun Fung	(iv)	—	8,177
Mr. Chan Kwun Pan	(iv)	—	733
		—	8,910

34. RELATED PARTY TRANSACTIONS (continued)

(2) Balances with related parties (continued)

	Notes	2015 HK$'000	2014 HK$'000
Due to shareholders:			
Non-current portion:			
Triera Holdings Limited	(ii)/(iii)	–	269,069
Mr. Chan Kwun Fung	(iv)	–	17,042
Mr. Chan Kwun Pan	(iv)	–	17,042
Mr. Ngai Shing Kin	(iv)	–	11,362
Prosperity Worldwide Investment Holdings Limited	(ii)/(iii)	–	53,814
NCHA Holdings Limited	(ii)/(iii)	–	35,876
Mr. Chung Wai Chau	(v)	–	2,127
		–	406,332
Dividend payables:			
Mr. Chan Kwun Fung	(iv)	–	9,375
Mr. Chan Kwun Pan	(iv)	–	2,344
Mr. Ngai Shing Kin	(iv)	–	7,031
Ms. Man Foon Chun	(iv)	–	6,250
		–	25,000

Notes:

(i) Yangzhijin Dental Laboratory Company and Most Wealth International Limited are controlled by Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin; the Centre is controlled by Mr. Ngai Shing Kin; Trident Dental Group Limited is ultimately 33.3% — owned by Mr. Chan Ronald Yik Long.

(ii) The outstanding balances represented the interest-free shareholders' loans further explained in note 34(1)(b)(ii) to the financial statements.

(iii) Triera Holdings Limited is owned by Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Mr. Chan Ronald Yik Long and Ms. Chan Yik Yu; Prosperity Worldwide Investment Holdings Limited is owned by Mr. Ngai Shing Kin and NCHA Holdings Limited is owned by Mr. Ngai Chi Ho Alwin.

(iv) Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Mr. Ngai Shing Kin were shareholders and directors of the Company. Ms. Man Foon Chun, mother of Mr. Chan Kwun Fung and Mr. Chan Kwun Pan, was the former shareholder and director of the Company.

(v) Mr. Gregory Scialom is the president of Labocast SAS and substitute director of Labo Ocean Indien SA; Mr. Tang Wing Kwong is the director of Yangzhijin Dental Laboratory (Shenzhen) Co., Ltd. (up to June 15, 2015); Mr. Chung Wai Chau is the director of Yangzhijin Dental Laboratory (Beijing) Co., Ltd. Mr. Gregory Scialom, Mr. Tang Wing Kwong, Mr. Wong Kam Ka and Mr. Chung Wai Chau became the shareholders of the Company since December 22, 2014.

34. RELATED PARTY TRANSACTIONS (continued)

(3) Compensation of key management personnel of the Group

	2015 HK$'000	2014 HK$'000
Short term employee benefits	23,510	14,365
Equity-settled share option expense	7,057	—
Post-employment benefits	1,842	2,606
Total compensation paid to key management personnel	32,409	16,971

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

Save as disclosed above and elsewhere in the consolidated financial statements, the Group did not have other related party transactions during the year.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

December 31, 2015	Financial assets at fair value through profit or loss Designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Total HK$'000
Derivative financial instruments	3,635	—	3,635
Trade receivables	—	288,228	288,228
Financial assets included in deposits and other receivables	—	24,632	24,632
Due from a related party	—	2	2
Pledged deposits	—	3,360	3,360
Cash and cash equivalents	—	945,689	945,689
Total	3,635	1,261,911	1,265,546

Financial liabilities

December 31, 2015	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition HK$'000	Held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Derivative financial instruments	14,138	—	—	14,138
Trade payables	—	—	33,542	33,542
Financial liabilities included in other payables and accruals	—	—	120,380	120,380
Interest-bearing bank and other borrowings	—	—	645,771	645,771
Due to related parties	—	—	1,050	1,050
Total	14,138	—	800,743	814,881

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: (continued)

Financial assets

December 31, 2014	Financial assets at fair value through profit or loss Designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Total HK$'000
Derivative financial instruments	3,067	—	3,067
Trade receivables	—	252,605	252,605
Financial assets included in deposits and other receivables	—	18,369	18,369
Due from a related party	—	38,437	38,437
Due from shareholders	—	65,950	65,950
Pledged deposits	—	10,353	10,353
Cash and cash equivalents	—	167,545	167,545
Total	3,067	553,259	556,326

Financial liabilities

December 31, 2014	Financial liabilities at fair value through profit or loss: Designated as such upon initial recognition HK$'000	Financial liabilities at fair value through profit or loss: Held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Derivative financial instruments	8,797	699	—	9,496
Trade payables	—	—	41,313	41,313
Financial liabilities included in other payables and accruals	—	—	158,865	158,865
Interest-bearing bank and other borrowings	—	—	356,695	356,695
Due to a related party	—	—	15,019	15,019
Dividend payables	—	—	25,000	25,000
Due to shareholders	—	—	415,242	415,242
Total	8,797	699	1,012,134	1,021,630

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Derivative financial instruments	**3,635**	3,067	**3,635**	3,067
Financial liabilities				
Derivative financial instruments	**14,138**	9,496	**14,138**	9,496
Contingent consideration	**1,362**	2,149	**1,362**	2,149
Interest-bearing bank and other borrowings	**645,771**	356,695	**645,771**	356,695
	661,271	368,340	**661,271**	368,340

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in deposits and other receivables, amounts due from related parties, financial liabilities included in other payables and accruals and amounts due to shareholders approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of finance lease payables, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables, interest-bearing bank and other borrowings as at December 31, 2015 was assessed to be insignificant.

The Group enters into forward foreign currency contracts with financial institutions with AAA credit ratings. Forward currency contracts are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts are the same as their fair values.

The fair value of contingent consideration in relation to acquisition of Sundance has been calculated by discounting the expected values of future payments. Monte-Carlo simulation method is used to determine the expected values of the future payments. The valuation requires the directors to make estimates about the annual growth rates of revenues of Sundance, volatility of revenue and discount rate.

The fair value of call options and put options is determined based on a binomial option pricing model. The model is based on a discrete-time framework to trace the evolution of the option's key underlying variable via a binomial lattice (tree), for a given number of time steps between the appraisal date and the maturity date. Significant estimate on assumptions, such as underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the directors in applying the binomial option pricing model. The underlying equity value is estimated using discounted cash flow method.

Below is a summary of significant unobservable inputs to the valuation of call options and put options as at December 31, 2015 and 2014:

	2015	2014
Dividend yield (%)	**0.00**	0.00
Expected volatility (%)	**29.19–29.64**	31.21–31.63
Risk-free interest rate (%)	**1.467–1.506**	1.460–1.534
Expected life of options (year)	**3.39–3.63**	4.39–4.63

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair values:

As at December 31, 2015	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	—	—	3,635	3,635

As at December 31, 2014	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	—	—	3,067	3,067

The movements in fair value measurements within Level 3 during the year are as follows:

	2015 HK$'000	2014 HK$'000
Derivative financial instruments – call options:		
At January 1	3,067	812
Call option granted by non-controlling interests	—	3,241
Total gain/(loss) recognised in profit or loss included in other income and gain	568	(97)
Loss on derecognition of call options	—	(801)
Exchange realignment	—	(88)
At December 31	3,635	3,067

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair values

As at December 31, 2015	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	—	5,030	9,108	14,138
Contingent consideration	—	—	1,362	1,362
	—	5,030	10,470	15,500

As at December 31, 2014	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	—	699	8,797	9,496
Contingent consideration	—	—	2,149	2,149
	—	699	10,946	11,645

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2015 HK$'000	2014 HK$'000
Derivative financial instruments – put options		
At January 1	8,797	33,671
Put option granted to non-controlling interests	—	8,797
Total loss/(gain) recognised in profit or loss included in other income and gain	312	(975)
Derecognition of put options	—	(29,897)
Exchange realignment	(1)	(2,799)
Derivative financial instruments – put options at December 31	9,108	8,797
Contingent consideration		
At January 1	2,149	—
Acquisition of a subsidiary	—	2,149
Total gain recognised in profit or loss included in other income and gain	(787)	—
At December 31	1,362	2,149

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed:

As at December 31, 2015	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	—	645,771	—	645,771

As at December 31, 2014	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	—	356,695	—	356,695

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets of the Group include derivative financial instruments, trade receivables, deposits and other receivables, amount due from related parties, pledged deposit and cash and cash equivalents. Financial liabilities of the Group include trade payables, other payables and accruals, interest-bearing bank and other borrowings, amount due to related parties and derivative financial instruments.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 3 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. Management continues to monitor the cash flows of the operations and the debt markets, where the Group would expect to refinance these borrowings with a lower cost of debt, when considered appropriate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in interest rate %	Increase/ (decrease) in profit/(loss) before tax HK$'000	Increase/ (decrease) in equity HK$'000
Year ended December 31, 2015			
United States dollar	**1**	**(6,418)**	**(6,418)**
United States dollar	**(1)**	**6,418**	**6,418**
Year ended December 31, 2014			
Hong Kong dollar	1	(2,542)	(2,122)
Hong Kong dollar	(1)	2,542	2,122

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 11% and 3% of the Group's sales for the years ended December 31, 2014 and 2015 were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 11% and 8% of costs for the years ended December 31, 2014 and 2015 were denominated in the units' functional currencies other than the units' functional currencies, respectively.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the EUR and USD exchange rates, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in EUR/ USD exchange rate %	Increase/ (decrease) in profit before tax HK$'000
As at December 31, 2015		
If HK$ weakens against EUR	**5**	**(69)**
If HK$ strengthens against EUR	**(5)**	**69**
If HK$ weakens against USD	**5**	**(130)**
If HK$ strengthens against USD	**(5)**	**130**
As at December 31, 2014		
If HK$ weakens against EUR	5	67
If HK$ strengthens against EUR	(5)	(67)
If HK$ weakens against USD	5	(208)
If HK$ strengthens against USD	(5)	208

Credit risk

The Group trades only with recognised and creditworthy third parties. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 90 days extending up to 180 days for major customers. The Group seeks to maintain control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group's trade receivables relate to a large number of diversified customers and are non-interest-bearing.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through capital contribution, bank borrowings and the cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	December 31, 2015				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Derivative financial instruments	—	—	—	14,138	14,138
Trade payables	33,542	—	—	—	33,542
Other payables and accruals	119,018	—	—	1,362	120,380
Interest-bearing bank loans and other borrowings	77,500	365	49,734	598,341	725,940
Due to related parties	1,050	—	—	—	1,050
	231,110	365	49,734	613,841	895,050

	December 31, 2014				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Derivative financial instruments	—	—	—	9,496	9,496
Trade payables	41,313	—	—	—	41,313
Other payables and accruals	164,690	—	—	5,779	170,469
Interest-bearing bank loans and other borrowings	87,823	11,897	36,115	231,984	367,819
Due to a related party	15,019	—	—	—	15,019
Dividend payables	25,000	—	—	—	25,000
Due to shareholders	8,910	—	—	406,332	415,242
	342,755	11,897	36,115	653,591	1,044,358

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital (Equity attributable to owners of the parent) plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables and accruals, amounts due to related parties and shareholders, other non-current liabilities,less cash and cash equivalents and pledged deposits. The gearing ratios as at the end of the reporting period were as follows:

	2015 HK$'000	2014 HK$'000
Interest-bearing bank loans and other borrowings	645,771	356,695
Trade payables	33,542	41,313
Other payables and accruals	120,773	164,690
Due to related parties	1,050	15,019
Due to shareholders	—	415,242
Other non-current liabilities	5,478	5,779
Less:		
Pledged deposits	3,360	10,353
Cash and cash equivalents	945,689	167,545
Net debt	(142,435)	820,840
Equity attributable to owners of the parent	1,779,538	544,123
Capital and net debt	1,637,103	1,364,963
Gearing ratio	(9%)	60%

38. STATEMENT OF FINANCIAL POSITION

Information about the statements of financial position of the Company at the end of the reporting period is as follow:

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	39	29
Investments in subsidiaries	388	388
Total non-current assets	427	417
CURRENT ASSETS		
Due from subsidiaries	1,167,942	842,980
Prepayments, deposits and other receivables	40	2,909
Due from shareholders	—	66,027
Cash and cash equivalents	702,154	8,373
Total current assets	1,870,136	920,289
CURRENT LIABILITIES		
Other payables and accruals	17,126	5,167
Dividend payables	—	25,000
Due to subsidiaries	444,728	282,429
Due to shareholders	—	8,940
Due to a related party	—	1,000
Total current liabilities	461,854	322,536
NET CURRENT ASSETS	1,408,282	597,753
TOTAL ASSETS LESS CURRENT LIABILITIES	1,408,709	598,170
NON-CURRENT LIABILITIES		
Due to shareholders	—	358,758
Total non-current liabilities	—	358,758
Net assets	1,408,709	239,412
EQUITY		
Equity attributable to owners of the Company		
Share capital	77,500	39,860
Treasury shares	(632)	—
Reserves	1,331,841	199,552
Total equity	1,408,709	239,412

38. STATEMENT OF FINANCIAL POSITION (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At January 1, 2014	—	—	—	35,803	35,803
Issue of shares	60,692	—	—	—	60,692
Dividend paid	—	—	—	(40,000)	(40,000)
Imputed interest on shareholders' loans	—	32,579	—	—	32,579
Profit for the year	—	—	—	110,478	110,478
At December 31, 2014 and January 1, 2015	**60,692**	**32,579**	**—**	**106,281**	**199,552**
Capitalization issue	**(23,446)**	**—**	**—**	**—**	**(23,446)**
Global offering	**721,438**	**—**	**—**	**—**	**721,438**
Share issue expenses	**(39,277)**	**—**	**—**	**—**	**(39,277)**
Imputed interest on shareholders' loans	**—**	**9,325**	**—**	**—**	**9,325**
Waiver of shareholders' loans	**—**	**546,315**	**—**	**—**	**546,315**
Equity-settled share option expense	**—**	**14,538**	**—**	**—**	**14,538**
Exchange reserve	**—**	**—**	**(4,276)**	**—**	**(4,276)**
Loss for the year	**—**	**—**	**—**	**(92,328)**	**(92,328)**
At December 31, 2015	**719,407**	**602,757**	**(4,276)**	**13,953**	**1,331,841**

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 23, 2016.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

	Year ended December 31,			
	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS				
CONTINUING OPERATIONS				
REVENUE	**1,415,620**	1,192,166	777,737	721,949
Cost of sales	**(654,252)**	(550,097)	(364,644)	(389,867)
Gross profit	**761,368**	642,069	413,093	332,082
Other income and gains	**2,827**	19,689	3,507	3,953
Selling and distribution expenses	**(147,822)**	(137,742)	(79,435)	(64,841)
Administrative expenses	**(434,402)**	(312,597)	(157,673)	(111,111)
Other operating expenses	**(5,078)**	(5,506)	(12,110)	(1,286)
Finance costs	**(42,337)**	(30,477)	(15,775)	(256)
PROFIT BEFORE TAX	**134,556**	175,436	151,607	158,541
Tax	**(51,550)**	(44,191)	(28,073)	(19,536)
PROFIT FOR THE YEAR	**83,006**	131,245	123,534	139,005
Attributable to:				
Owners of the parent	**81,963**	120,186	114,087	101,543
Non-controlling interests	**1,043**	11,059	9,447	37,462
	83,006	131,245	123,534	139,005

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at December 31,			
	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,679,452**	1,631,782	1,195,186	623,990
TOTAL LIABILITIES	**(891,616)**	(1,080,625)	(711,184)	(296,076)
NON-CONTROLLING INTERESTS	**(8,298)**	(7,034)	(42,731)	(28,535)
	1,779,538	544,123	441,271	299,379

Corporate Information

PLACE OF INCORPORATION

Cayman Islands

BOARD OF DIRECTORS

Executive Directors

Mr. CHAN Kwun Fung *(Chairman)*

Mr. CHAN Kwun Pan *(Vice-Chairman)*

Mr. NGAI Shing Kin *(Chief Executive Officer)*

Mr. NGAI Chi Ho Alwin *(Chief Operating Officer)*

Mr. CHEUNG Ting Pong *(Chief Financial Officer)*

Ms. CHAN Yik Yu *(Chief Marketing Officer)*

Mr. CHAN Chi Yuen

Dr. CHAN Ronald Yik Long

Independent Non-Executive Directors

Dr. CHEUNG Wai Bun Charles, J.P.

Dr. CHAN Yue Kwong Michael

Dr. WONG Ho Ching

Dr. CHEUNG Wai Man William

BOARD COMMITTEES

Audit Committee

Dr. CHEUNG Wai Bun Charles, J.P. *(Chairman)*

Dr. CHAN Yue Kwong Michael

Dr. WONG Ho Ching

Remuneration Committee

Dr. WONG Ho Ching *(Chairman)*

Dr. CHEUNG Wai Man William

Dr. CHEUNG Wai Bun Charles, J.P.

Mr. NGAI Shing Kin

Ms. CHAN Yik Yu

Nomination Committee

Dr. CHAN Yue Kwong Michael *(Chairman)*

Dr. CHEUNG Wai Bun Charles, J.P.

Dr. CHEUNG Wai Man William

Mr. NGAI Chi Ho Alwin

Dr. CHAN Ronald Yik Long

COMPANY SECRETARY

Mr. CHEUNG Ting Pong, *CPA*

AUTHORISED REPRESENTATIVES

Mr. NGAI Shing Kin

Mr. CHEUNG Ting Pong

AUDITOR

Ernst & Young

COMPLIANCE ADVISER

VBG Capital Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1716

17/F., CEO Tower

77 Wing Hong Street

Cheung Sha Wan

Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

ING Bank N.V., Singapore Branch
ING Bank N.V.
Standard Chartered Bank, Hong Kong
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISER

Pang & Co. in association with Loeb & Loeb LLP

COMPANY WEBSITE

www.moderndentalgp.com

STOCK CODE

3600

MODERN
Dental Group