THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Modern Dental Group Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

MODERN DENTAL GROUP LIMITED
現代牙科集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3600)

(1) MAJOR TRANSACTION— ACQUISITION OF THE ENTIRE OUTSTANDING SHARES OF RTFP DENTAL INC.

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

A notice convening the EGM to be held at 10:00 a.m. on 19 October 2016 at Suite 1702, 17/F., CEO Tower, 77 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong is set out on pages N-1 to N-2 of this circular. A form of proxy for use at the EGM is enclosed herewith.

Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

This circular is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and of the Company (http://www.moderndentalgp.com).

30 September 2016

CONTENTS

		Page
Definitions		1
Letter from the Board		4
Appendix I	**— Financial Information of the Group**	I-1
Appendix II	**— Financial Information of the Target Group**	II-1
Appendix III	**— Unaudited Pro Forma Financial Information of the Enlarged Group**	III-1
Appendix IV	**— General Information**	IV-1
Notice of EGM		N-1

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

"Acquisition"	the acquisition of the 100% of the outstanding shares of the Target Company by the Purchaser from the Vendor as contemplated in the Stock Purchase Agreement;
"America Holding BVI"	Modern Dental America Holding Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by the Company;
"associates"	has the meaning ascribed to it in the Listing Rules;
"AU$"	Australian dollars, the lawful currency of Australia;
"Base Consideration"	US$65,000,000 (equivalent to approximately HK$507,000,000), including the Deposit, the First Milestone Payment and the Second Milestone Payment paid to the Vendor on or prior to the Closing Date applied to reduce the Base Consideration, as may be adjusted pursuant to the Stock Purchase Agreement;
"B.C."	British Columbia;
"Board"	the board of Directors;
"Business Day"	any day other than a Saturday, a Sunday or a federal holiday, or a day on which commercial banks in New York are authorized or required to be closed;
"CA$"	Canadian dollars, the lawful currency of Canada;
"CAD"	computer-aided design;
"CADCAM"	computer-aided design and computer aided manufacturing;
"Closing"	the closing of the Acquisition;
"Closing Date"	the date that is the closing occurs, which shall be the second Business Day after the satisfaction or waiver (subject to applicable law) of the last to be satisfied or waived of the conditions set forth in the Stock Purchase Agreement (excluding conditions that, by their terms, are to be satisfied at the Closing), unless another time or date is agreed to in writing by the parties;
"Company"	Modern Dental Group Limited (stock code: 3600), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consideration Terms and Conditions"	the terms and conditions in respect of the Base Consideration set out under the paragraphs headed "Consideration Terms and Conditions" in the Letter from the Board of this circular;
"Deposit"	US$3,500,000 (equivalent to approximately HK$27,300,000);
"Director(s)"	director(s) of the Company;

"EGM"	an extraordinary general meeting of the Company to be convened at 10:00 a.m. on 19 October 2016 at Suite 1702, 17/F., CEO Tower, 77 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong and held to approve the Stock Purchase Agreement and the transactions contemplated thereunder;
"Enlarged Group"	the Group as enlarged by the Acquisition;
"Escrow Agreement"	an escrow agreement to be entered into at the Closing by the Purchaser, the Vendor and an escrow agent;
"Escrow Amount"	US$900,000 (equivalent to approximately HK$7,020,000), including the Working Capital Escrow Amount and the deductible under an insurance policy to be issued to the Purchaser, to be deposited by the Purchaser in accordance with the Stock Purchase Agreement and the Escrow Agreement;
"Excluded Asset Transfer"	a series of transactions which shall take place prior to the Closing Date, pursuant to which, (i) a company of the Target Group will contribute the Excluded Assets to the Excluded Co., (ii) Excluded Co. will assume the Excluded Liabilities; and (iii) the Vendor will acquire all of the outstanding capital stock of Excluded Co.;
"Excluded Assets"	all of the assets, properties (including but not limited to intellectual property and trade secrets) comprising the Excluded Business;
"Excluded Business"	the sleep division under Micro Dental Laboratories, one of the subsidiaries of the Target Company;
"Excluded Co."	Prosomnus Sleep Technologies, Inc., a corporation incorporated in the United States, for the purpose of the Excluded Asset Transfer, which is not and will not be acquired in the Acquisition;
"Excluded Liabilities"	all indebtedness and liabilities related to the Excluded Assets and the Excluded Business;
"First Milestone Payment"	US$48,750,000 (equivalent to approximately HK$380,250,000);
"Group"	the Company and its subsidiaries;
"Guarantee Provision"	the provision set out under the paragraph headed "Guarantee Provision" in the Letter from the Board of this circular;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"IFRS"	International Financial Reporting Standards;
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and any of its connected persons or their respective associates;
"Latest Practicable Date"	27 September 2016 (Hong Kong time), being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
"Letter of Intent"	the letter of intent entered into between the Vendor and the Company in relation to the Acquisition on 31 March 2016;
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date;
"Listing Date"	15 December 2015, the date on which the listing of the Shares on the Main Board of the Stock Exchange took place;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;

"NZD"	New Zealand dollars, the lawful currency of New Zealand;
"PRC"	The People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
"Pre-IPO RSU Scheme"	the pre-IPO restricted share unit scheme of the Company approved and adopted by the Shareholders on 19 June 2015;
"Prospectus"	the prospectus of the Company dated 3 December 2015;
"Purchaser"	MDI Acquisitions Inc., a corporation incorporated under the laws of the State of Delaware, in the United States, which is wholly-owned by America Holding BVI;
"RMB"	Renminbi, the lawful currency of the PRC;
"RSU"	restricted share units granted pursuant to the Pre-IPO RSU Scheme;
"Second Milestone Payment"	US$6,500,000 (equivalent to approximately HK$50,700,000);
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Stock Purchase Agreement"	the stock purchase agreement entered into by and among the Vendor, the Purchaser and America Holding BVI (solely with respect to the Guarantee Provision) in relation to the Acquisition on 6 June 2016;
"Target Company"	RTFP Dental Inc., a corporation incorporated in Delaware in the United States, which is wholly-owned by the Vendor;
"Target Group"	the Target Company and its subsidiaries;
"Termination Date"	31 October 2016;
"US$"	the United States dollars, the lawful currency of the United States;
"U.S.", "United States" or "USA"	the United States of America;
"Vendor"	RTFP Dental Holdings Inc., a corporation incorporated in the United States, an Independent Third Party, being the vendor of the 100% of the outstanding shares of the Target Company;
"Working Capital Escrow Amount"	US$250,000 (equivalent to approximately HK$1,950,000);
"€" or "EUR"	the Euro, the lawful currency of the Eurozone; and
"%"	per cent.

This circular contains conversion between US$ and HK$ at HK$7.80 to US$1.00. The conversion shall not be taken as a representation that US$ could actually be converted into HK$ at that rate, or at all.

MODERN DENTAL GROUP LIMITED
現代牙科集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3600)

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

Registered office:
Cricket Square, Hutchins Drive
P.O. Box 2681
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Cayman Islands

Head office and principal place of business in Hong Kong:
Suite 1716
17/F., CEO Tower
77 Wing Hong Street
Cheung Sha Wan
Kowloon, Hong Kong

30 September 2016

To the Shareholders,

Dear Sir or Madam,

**MAJOR TRANSACTION –
ACQUISITION OF THE ENTIRE OUTSTANDING SHARES OF
RTFP DENTAL INC.**

INTRODUCTION

Reference is made to the announcement of the Company dated 7 June 2016 in which the Company announced that the Purchaser and America Holding BVI (solely with respect to the Guarantee Provision) entered into the Stock Purchase Agreement with the Vendor (an Independent Third Party) pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 100% of the outstanding shares of the Target Company.

THE STOCK PURCHASE AGREEMENT

The major terms of the Stock Purchase Agreement are as follows:

Date

6 June 2016 (after trading hours)

Parties

(i) RTFP Dental Holdings Inc. (as the Vendor)

(ii) MDI Acquisitions Inc. (as the Purchaser)

(iii) America Holding BVI (solely with respect to the Guarantee Provision)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The Vendor shall sell and the Purchaser shall acquire 100% of the outstanding shares of the Target Company, which is a wholly-owned subsidiary of the Vendor. As a result, the Purchaser will directly or indirectly own 100% of the outstanding shares (or equity interests) of the companies of the Target Group, which excludes the Excluded Co., the Excluded Assets and the Excluded Liabilities.

Consideration

The Base Consideration is US$65,000,000 (equivalent to approximately HK$507,000,000) as may be adjusted pursuant to the Stock Purchase Agreement. Subject to the Consideration Terms and Conditions, the Base Consideration has been and shall be remitted as follows:

(i) the Deposit in the amount of US$3,500,000 (equivalent to approximately HK$27,300,000) paid in cash by the Purchaser to the Vendor upon signing of the Letter of Intent;

(ii) the First Milestone Payment in the amount of US$48,750,000 (equivalent to approximately HK$380,250,000), which was paid to the Vendor on the signing date of the Stock Purchase Agreement;

(iii) the Second Milestone Payment in the amount of US$6,500,000 (equivalent to approximately HK$50,700,000), which shall be paid on the earliest date (but not later than the Termination Date) on which the Company is permitted under the Listing Rules to despatch a circular relating to the Acquisition to the Shareholders;

(iv) on the Closing Date, (a) the Escrow Amount in the amount of US$900,000 (equivalent to approximately HK$7,020,000), which shall be deposited into an escrow account to be used for the purposes described in the Stock Purchase Agreement, and to be released after the Closing pursuant to the terms of the Stock Purchase Agreement and the Escrow Agreement, details of which are set out in the paragraphs headed "Condition Terms and Conditions" in the Letter from the Board in this circular; and (b) the balance of the Base Consideration, which shall be paid to the Vendor at the Closing, as adjusted pursuant to the terms of the Stock Purchase Agreement, including for certain contingent payments, details of which are set out in the paragraphs headed "Material acquisitions of subsidiaries of the Target Group" in the Letter from the Board in this circular; and

(v) after the Closing, the Base Consideration may be further adjusted upward or downward pursuant to the terms of the Stock Purchase Agreement, details of which are set out in the paragraphs headed "Condition Terms and Conditions" in the Letter from the Board in this circular.

Consideration Terms and Conditions

If the Closing does not occur on or before the Termination Date, so long as the Vendor has not breached any of its representations and warranties in the Stock Purchase Agreement, that individually or in the aggregate, constitute a material adverse consequence, or covenants contained in the Stock Purchase Agreement in any material respect, the Deposit and a portion of the First Milestone Payment

in the amount of US$16,250,000 (equivalent to approximately HK$126,750,000) will be non-refundable and remain with the Vendor.

If the Closing Date does not occur on or before the Termination Date, or the Stock Purchase Agreement is terminated due to a breach of any of the Vendor's representations and warranties in the Stock Purchase Agreement that individually or in the aggregate, constitute a material adverse consequence, or covenants contained in the Stock Purchase Agreement in any material respect, by the Vendor, a portion of First Milestone Payment in the amount of US$32,500,000 (equivalent to approximately HK$253,500,000) and the Second Milestone Payment will be refunded to the Purchaser.

For the avoidance of doubt, (i) all money paid or to be paid by the Purchaser to the Vendor (including the Deposit, the First Milestone Payment and the Second Milestone Payment), if not applied to reduce the Base Consideration, shall be refundable to the Purchaser, at the Purchaser's option, if the Vendor breaches any of its representations and warranties that individually or in the aggregate, constitute a material adverse consequence, or covenants contained in the Stock Purchase Agreement in any material respect and (ii) for the purpose of the Consideration Terms and Conditions, subject to Purchaser's obligation to reimburse certain expenses, the Vendor's failure to reasonably cooperate with and assist the Purchaser in the preparation and delivery of the Vendor's and the Target Company's interim financials shall constitute a material breach of the covenants contained in the Stock Purchase Agreement.

At the Closing, the Base Consideration will be adjusted downward to take into account the offset of the Vendor Contingent Payment (as defined below), details of which is set out under the paragraphs headed "Material acquisitions of subsidiaries of the Target Group" in the Letter from the Board in this circular.

After the Closing, the Base Consideration may be further adjusted upward or downward according to the adjustment mechanism (the "**Post-Closing Adjustment**") as set out below:

Prior to the Closing, the Vendor will (i) deliver a statement (the "**Pre-Closing Statement**") setting forth the Vendor's calculation of the Target Group's working capital minus indebtedness plus cash and cash equivalents (the "**Pre-Closing Amount**") which is binding on the Vendor; and (ii) deposit an amount equal to indebtedness incurred prior to the Closing that will remain due and payable after the Closing excluding the Contingent Payment (as defined below) (the "**Vendor Deposited Amount**") to an escrow account in accordance with the Escrow Agreement. At the Closing, the Purchaser will deposit an amount equal to the Escrow Amount to an escrow account in accordance with the Escrow Agreement (the Escrow Amount, together with the Vendor Deposited Amount, the "**Escrow Fund**").

Within 90 days following the Closing, the Purchaser will deliver to the Vendor a statement (the "**Closing Statement**") setting forth the Purchaser's calculation of the Target Group's working capital minus indebtedness plus cash and cash equivalents (the "**Closing Amount**") as of the Closing Date. If, within 30 days following the delivery of the Closing Statement, the Vendor has not given the Purchaser notice of its objection to any of the calculations in the Closing Statement ("**Objection Notice**"), then the Closing Statement will be deemed final and binding on the Purchaser and the Vendor. If the Vendor delivers an Objection Notice, then Purchaser and the Vendor will consult to resolve the disputed items. If any disputed items have not been resolved within 30 days following delivery of the Objection Notice, the disputed items will be submitted to a nationally recognized independent public accountant that is mutually agreed (the "**Accountant**") for resolution. The Accountant shall render a determination within 45 days after its retention, which shall be binding on the Purchaser and Vendor.

On the third Business Day following (i) if no Objection Notice is delivered by the Vendor, 30 days following the delivery of the Closing Statement, or (ii) if an Objection Notice is delivered by the Vendor, then the date on which all disputed amounts are finally determined, whether by mutual agreement or by the Accountant:

(i) if the Closing Amount (as may be adjusted after delivery of an Objection Notice) exceeds the Pre-Closing Amount, the Escrow Agent will pay to the Vendor the surplus out of the Working Capital Escrow Amount portion of the Escrow Fund; if the surplus is greater than the Working Capital Escrow Amount, the Purchaser shall remit to the Vendor the amount of such excess; and

(ii) if the Pre-Closing Amount exceeds the Closing Amount (as may be adjusted after delivery of an Objection Notice), the Escrow Agent will pay to the Purchaser the shortfall out of the Working Capital Escrow Amount portion of the Escrow Fund; if the shortfall is greater than the Working Capital Escrow Amount, the Vendor will remit to the Purchaser the amount of such excess.

If the Purchaser is entitled to payment for the Post-Closing Adjustment as described in sub-paragraph (ii) above, the Purchaser may enforce the terms of the Stock Purchase Agreement with respect to the Post-Closing Adjustment to the Base Consideration by filing an action for specific performance in any court of competent jurisdiction pursuant to the Stock Purchase Agreement (the "**Specific Enforcement Provision**"), in which the Purchaser seeks an order from such court directing the Vendor to fully comply with its obligations under the Stock Purchase Agreement. Pursuant to the Specific Enforcement Provision, the Vendor waived its rights to certain defenses in actions brought under the Specific Enforcement Provision to the extent allowed by applicable laws. Further, the Specific Enforcement Provision does not preclude the Purchaser from seeking any other remedies which the Purchaser may have under the Stock Purchase Agreement or as provided under the applicable laws, including bringing an action against the Vendor for damages for breach of contract for non-performance of its obligations with respect to the Post-Closing Adjustment as described in sub-paragraph (ii) above.

Prior to the Closing, if the Vendor breaches one or more of its representations and warranties and such breach constitutes a material adverse consequence as contained in the Stock Purchase Agreement and the Purchaser terminates the Stock Purchase Agreement for such breach, pursuant to the Stock Purchase Agreement, the Deposit, the First Milestone Payment and the Second Milestone Payment shall be fully refunded to the Purchaser, at its option. Further, (i) termination will not relieve any party from liability, whether at law or equity, in contract, in tort or otherwise, for its material breach of the Stock Purchase Agreement prior to the effective date of termination, and (ii) after termination, the Specific Enforcement Provision will continue in full force and effect. Therefore, the Specific Enforcement Provision and claims for breach of contract are available to the Purchaser after termination of the Stock Purchase Agreement to enforce the Vendor's obligation to refund the Deposit, First Milestone Payment, and Second Milestone Payment upon the Vendor's breach of one or more of its representations and warranties, that individually or in the aggregate, constitute a material adverse consequence.

The Deposit and the First Milestone Payment which amounted to US$52.25 million, of which approximately US$47.09 million (equivalent to approximately HK$367.3 million) was paid by net proceeds from the Listing and approximately US$5.16 million (equivalent to approximately HK$40.25 million) was paid by the internal resources of the Group. The balance of the Base Consideration will be

funded by the internal resources of the Group. The Base Consideration provisions and payment provisions were arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms principally with reference to the prospects of the Target Group's businesses and the potential synergies between the business of the Group and that of the Target Group.

Conditions precedent

Conditions to each party's obligation

The respective obligations of the parties to effect the Acquisition are subject to the satisfaction, at or prior to the Closing, of the following conditions, unless waived, in whole or in part, by the Purchaser and the Vendor:

(i) no order of any court or governmental authority or other law preventing the consummation of the Acquisition will be in effect;

(ii) an insurance policy shall have been issued to the Purchaser and shall be in full force and effect; and

(iii) the Excluded Asset Transfer shall have been consummated.

Conditions to the Purchaser's obligation

The obligation of the Purchaser to effect the Acquisition is subject to the satisfaction, at or prior to the Closing, of the following conditions, unless waived, in whole or in part, by the Purchaser:

(i) the representations and warranties of the Vendor contained in the Stock Purchase Agreement will be true and correct on the Closing Date as though made on the Closing Date (without regard to any materiality or material adverse effect qualifiers) except to the extent that such representations and warranties, by their terms, speak as of an earlier date (without regard to any materiality or material adverse effect qualifiers), except, other than in the case certain identified fundamental representations (which shall be true and correct in all respects), to the extent that the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, constitute a material adverse effect;

(ii) the Vendor will have performed or complied in all material respects with the obligations and covenants required to have been performed or complied with by it under the Stock Purchase Agreement at or prior to the Closing;

(iii) since the date of the Stock Purchase Agreement, there will have been no change or event affecting the Vendor that constitutes a material adverse effect;

(iv) the Vendor shall have confirmed that certain letter agreement entered into by a company of the Target Group will remain in place after the Closing; and

(v) the inter-company indebtedness between any one or more companies of the Target Group or between the Vendor (or the Vendor's majority stockholder and its affiliate investment funds) and any of the companies of the Target Group shall be eliminated.

Conditions to the Vendor's obligation

The obligation of the Vendor to effect the Acquisition is subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived, in whole or in part, by the Vendor:

(i) the representations and warranties of the Purchaser contained in the Stock Purchase Agreement (a) that are not qualified by materiality or material adverse effect will be true and correct in all material respects on the Closing Date as though made on the Closing Date and (b) that are qualified by materiality or material adverse effect will be true and correct in all respects on the Closing Date as though made on the Closing Date, in each case, except to the extent that such representations and warranties will be true and correct as of the earlier date; and

(ii) the Purchaser will have performed or complied in all material respects with the obligations and covenants required to have been performed or complied by it under the Stock Purchase Agreement at or prior to the Closing.

All aforementioned conditions precedent to the Purchaser's obligation are waivable by the Purchaser. As at the Latest Practicable Date, none of the conditions precedent has been fulfilled, except the Vendor confirmed that paragraph (iv) of conditions to the Purchaser's obligation has been fulfilled, and the Purchaser has no intention to waive any conditions precedent to the Purchaser's obligations.

Guarantee Provision

Pursuant to the Stock Purchase Agreement, America Holding BVI guarantees the punctual payment when due to the Vendor of all amounts due and payable by the Purchaser pursuant to the terms of the Stock Purchase Agreement.

Closing

The Closing shall take place at 11:59 p.m., New York, New York, United States time, on the Closing Date.

Determination of Consideration

In determining the consideration of the Acquisition, the Company took into account the following factors:

(i) ***Brand name:*** "MicroDental" is a renowned brand in the United States dental laboratory industry and is synonymous with high quality, locally produced restorations and dental prosthetics. The brand name has been built through over 40 years of strong marketing and association with key opinion leaders in the dental industry and constitutes a scarce resource that cannot easily be replicated.

(ii) ***Customer network:*** The Target Group is able to provide a solid platform for the Company to further introduce its products to and further penetrate into the US market. As of the Latest Practicable Date, the Target Group, through its main location in Dublin, California and its network of 21 dental laboratories in the United States and Canada, offers dentists a full service lineup of dental restorations and prosthetics, with multiple customer network associated with the local dentists in each city. Given the experience of the management team of the Company, the Company is able to integrate the laboratory operation of the Target Group with its existing North American business and further provides full products and services to the customers in

this region including selling imported prosthetic products and also distributing the US locally-made products manufactured by the Target Group.

(iii) ***Laboratory EBITDA:*** The laboratory earnings before interest, taxes, depreciation and amortization (the "**Laboratory EBITDA**") of the Target Group for the three years ended 31 December 2013, 2014 and 2015, and for the six months ended 30 June 2016 were US$1.1 million, US$5.6 million, US$5.9 million and US$3.7 million, represented 1.8%, 8.7%, 8.7% and 10.4% of the Target Group's revenue, and the Company has identified a number of long term and shorter term opportunities to improve results of the Target Group through synergies with the Company and in operations, including offshore product lines, elimination of unnecessary corporate expenses, reductions in rent and operating expenses for the facility in Dublin and streamlining measures.

(iv) ***Tax benefits:*** The Target Company has permitted treatment of the stock purchase as an asset purchase for U.S. federal income tax purposes utilizing Section 338(h)(10) of the United States Internal Revenue Code. This favorable tax treatment allows for increased depreciation and amortization deductions for the portion of the purchase price allocable to goodwill and other intangible assets, which deductions would not otherwise be available in a traditional stock purchase. The Company has been advised by its external adviser that the estimated net present value of these tax benefits resulting from the stepped up tax cost basis of the Target Company ranges between US$7 million and US$9 million, using discount rates ranging between 12% and 15%.

(v) ***Finance costs:*** The Target Group is a portfolio company of a private equity group, accordingly, the balance sheet is more highly leveraged than a listed company. While the Target Group has generated a loss of US$14.0 million, US$11.2 million, US$9.3 million and US$5.6 million before taxes, for the three years ended 31 December 2013, 2014 and 2015, and for the six months ended 30 June 2016, respectively, US$1.2 million, US$1.4 million, US$2.4 million and US$1.3 million of the loss were attributable to finance costs for the corresponding periods, which is higher than usual as a result of higher debt levels and interest rates. Upon the Closing, the Board intends to provide adequate funds for the Target Group to meet its financial needs by the internal resources of the Group and intra-Group financing.

(vi) ***Estimated Contingent Payment:*** The Estimated Contingent Payment (as defined below), details of which is set out in the paragraph headed "Material acquisitions of subsidiaries of the Target Group" in the Letter from the Board of this circular.

The Directors believe that the Laboratory EBITDA of the Target Group forms one of the bases in determining the consideration of the Acquisition. The Laboratory EBITDA is a common internal measure when evaluating businesses of the dental laboratory industry. A dental laboratory may either be family owned, publicly-traded or owned by private equity funds or other financial investors. Valuing a dental laboratory business on the basis of the Laboratory EBITDA allows the business to be compared against the operating results of other dental laboratories and removes the distortion resulting from differences in the ownership model in which the acquisition target may be highly leveraged or have a corporate function that is overburdened with costs, as is the case of the Target Company as set out in the sub-paragraph (v) above.

A detailed statement extracted from the unaudited management account of the Target Group reconciling the Laboratory EBITDA and the revenue of the Target Group for the three years ended 31 December 2013, 2014 and 2015, and for the six months ended 30 June 2016 is set out below:

	As at 31 December			As at 30 June
	2013 US $000	2014 US $000	2015 US $000	2016 US $000
Revenue	60,126	64,004	67,416	35,957
Total Direct Costs	(37,939)	(39,382)	(42,185)	(21,975)
Gross Profit	22,187	24,622	25,231	13,982
Total Lab Overhead Costs	(21,090)	(19,031)	(19,348)	(10,246)
Laboratory EBITDA	1,097	5,591	5,883	3,736
Corporate and Administrative Expenses	(11,373)	(11,021)	(9,845)	(5,139)
Depreciation	(1,526)	(1,507)	(1,342)	(725)
Amortization	(1,277)	(1,630)	(1,442)	(689)
Finance Costs	(1,171)	(1,379)	(2,355)	(1,305)
Other Income/ (Expenses), net	127	(1,210)	(206)	(1,430)
LOSS BEFORE TAX	(14,123)	(11,156)	(9,307)	(5,552)
Income Taxes	387	884	(90)	(46)
LOSS FOR THE YEAR	(13,736)	(10,272)	(9,397)	(5,598)

Furthermore, a breakdown of corporate and administrative expenses of the Target Group for the three years ended 31 December 2013, 2014 and 2015, and for the six months ended 30 June 2016 is set out below:

	As at 31 December			As at 30 June
	2013 US$'000	2014 US$'000	2015 US$'000	2016 US$'000
Recurring:				
Corporate Executives and Staff	2,039	2,039	1,985	1,047
Advertising and Promotion	250	250	250	125
Office and Miscellaneous	124	192	171	108
Professional and Consulting Fees	284	249	135	61
Sub-Total Recurring	**2,696**	**2,730**	**2,541**	**1,341**
Non-Recurring:				
Corporate Executives and Staff	4,984	5,356	3,819	2,299
Rent and Facilities Expense	998	939	1,587	611
Professional and Consulting Fees	1,617	978	762	320
Office and Miscellaneous	670	680	573	218
Advertising and Promotion	408	337	564	349
Sub-Total Non-Recurring	**8,677**	**8,291**	**7,304**	**3,798**
TOTAL	**11,373**	**11,021**	**9,845**	**5,139**

The Directors believe that there will be a positive prospect of the Target Group upon the Closing, as the following cost or expenses incurred by the Target Group for the three years ended 31 December 2013, 2014 and 2015, and for the six months ended 30 June 2016 will decrease significantly upon the Closing (the "**Non-Recurring Expenses**"):

(i) ***Corporate executives and staff expenses:*** Directors, senior management and other major corporate employees of the Target Group except one senior management member of the Target Group will not be retained in the Target Group upon the Closing. Upon the Closing, the Company will leverage with its existing management team and resource of its headquarters in

North America to manage and integrate the business of the Target Group. In particular, the Group's North American senior management team will be responsible for the management of the Target Group. Thus, the amount of corporate executives and staff expenses of the Target Group is expected to decrease significantly upon the Closing.

(ii) ***Rent and facilities expenses:*** This item of expenses are mainly generated from the rent and operating expenses for the production facilities of the Target Group in Dublin. The Group, with a proven track record in integrating acquisition targets with itself, will integrate the production facilities of the Target Group in Dublin into those of the Group upon the Closing, to equip the Group with the advantages of greater economies of scale. Thus, the amount of rent and facilities expenses is expected to decrease significantly upon the Closing.

(iii) ***Professional and consulting fees:*** This item of expenses are mainly related to (a) the consultant fees paid to the Vendor's majority stockholder and its affiliate investment funds for the three years ended 2013, 2014 and 2015, and the six months ended 30 June 2016; and (b) professional fees and expenses incurred due to the Acquisition, which is an one-off expense incurred during the six months ended 30 June 2016. Such amount of professional and consulting fees will not recur upon the Closing and thus, the amount of professional and consulting fees is expected to decrease significantly upon the Closing.

(iv) ***Finance costs:*** As set out in the sub-paragraph (v) under the paragraph headed "Determination of Consideration" in the Letter from the Board of this circular, upon the Closing, the Board intends to provide adequate funds for the Target Group to meet its financial needs by the internal resources of the Group and intra-Group financing. Thus, the amount of interest expenses incurred due to the shareholder's loan is expected to decrease significantly upon the Closing.

The operation of the Excluded Business started in July 2014. For the two years ended 31 December 2014 and 2015, and the six months ended 30 June 2016, net revenue generated from the Excluded Business was US$184,000, US$1,079,000 and US$975,000, representing approximately 0.29%, 1.60% and 2.71% of the revenue of the Target Group, respectively. For the years ended 31 December 2013, 2014 and 2015, and for the six months ended 30 June 2016, the Target Group's revenue excluding the Excluded Business's revenue, was US$60,126,000, US$63,820,000, US$66,337,000 and US$34,982,000, respectively. As the financial results of the Excluded Business are immaterial to the Target Group, the Target Group's revenue excluding the Excluded Business's revenue was not taken into account by the Directors in determining the consideration of the Acquisition.

To conclude, the Directors believe that (i) the Base Consideration is fair and reasonable taking into account the factors set out in the paragraphs headed "Determination of Consideration" in the Letter from the Board of this circular, and the fact that the Non-Recurring Expenses will decrease significantly upon the Closing; and (ii) determining the Base Consideration with reference to the Laboratory EBITDA is in line with normal market practice.

INFORMATION OF THE COMPANY

The Company is a company incorporated in the Cayman Islands and is an investment holding company. 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. The Group is principally

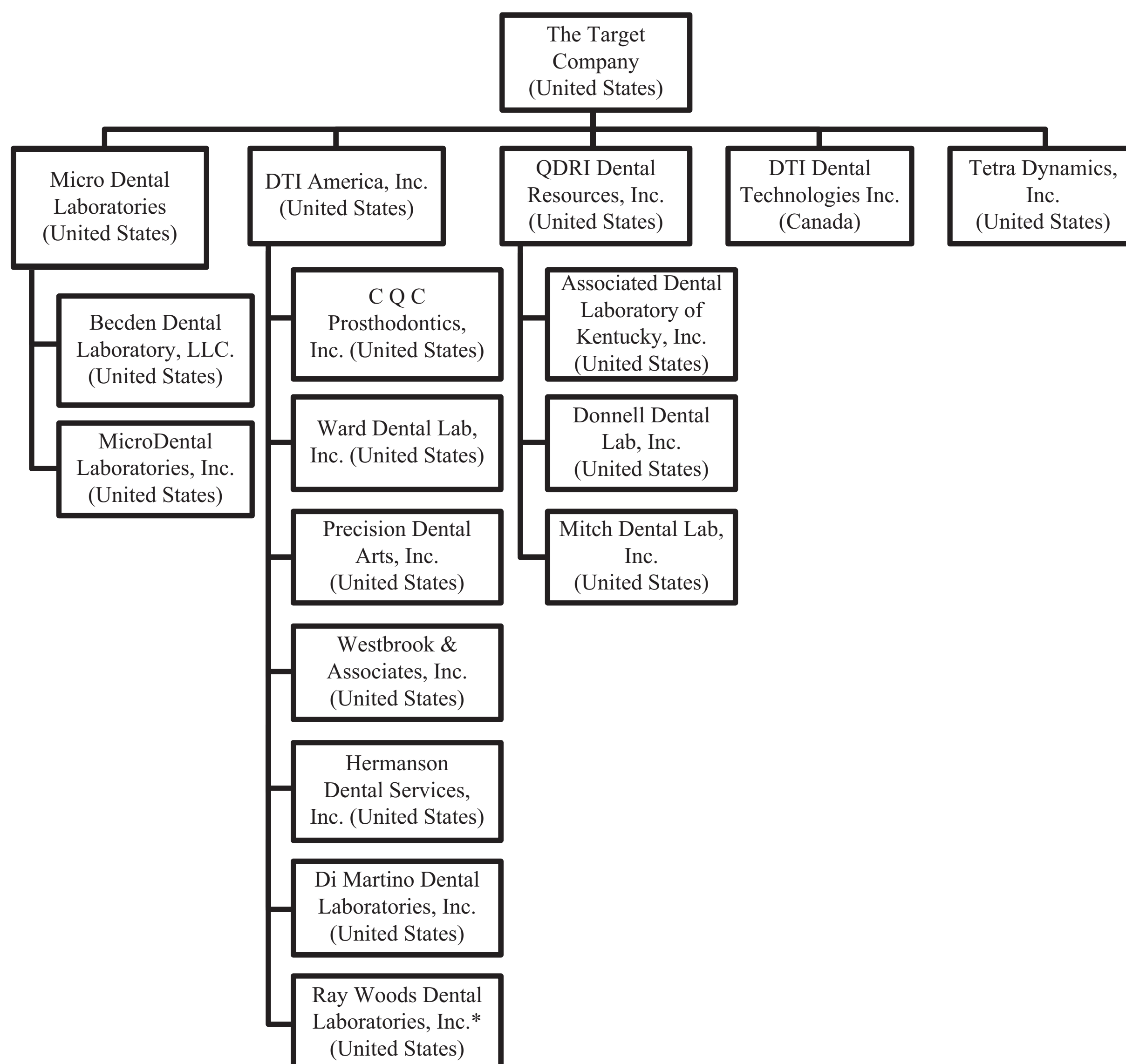
engaged in providing dental prosthetic devices, including fixed prosthetic devices, such as crowns and bridges, removable prosthetic devices, such as removable dentures, and other devices, such as orthodontic devices, sports guards and anti-snoring devices.

INFORMATION OF THE TARGET GROUP

Background information of the Target Group

The Target Company is a company incorporated in Delaware, the United States and is wholly owned by the Vendor. As at the Latest Practicable Date, the Target Company, directly and indirectly, wholly owns 17 subsidiaries, of which 16 subsidiaries were incorporated in the United States and one subsidiary incorporated in Canada.

Assuming the restructuring as set out in the Stock Purchase Agreement is completed, the following chart depicts the shareholding structure of the Target Group at the Closing:



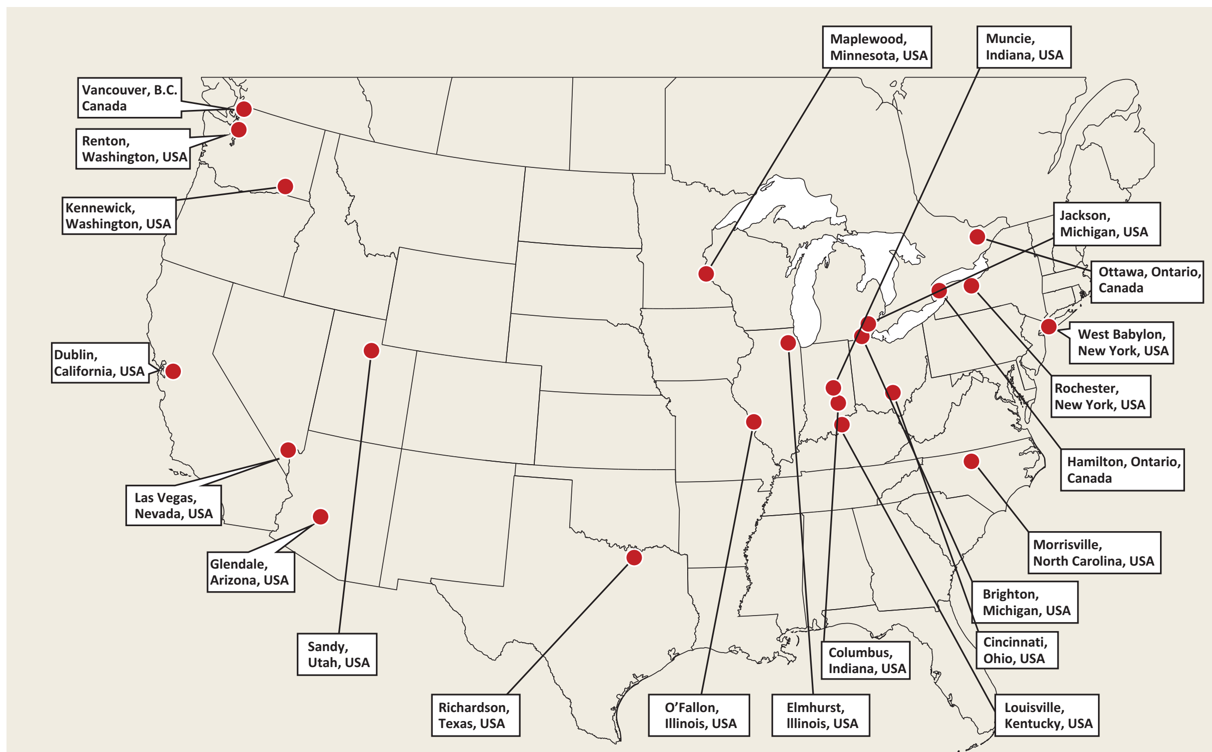
* *As at the Latest Practicable Date, Ray Woods Dental Laboratories, Inc. had no business operation.*

Business of the Target Group

The Target Company is a corporation incorporated in the United States and is wholly owned by the Vendor. The Target Group is principally engaged in dental laboratory services which provides customized dental restorations and prosthetics in North America.

The Target Group, known as "MicroDental" to its customers, strives to consistently fabricate high-quality restorations and dental prosthetics, providing customers with dependable service, predictable quality and practice support. As of the Latest Practicable Date, the Target Group, through its main location in Dublin, California and its network of 21 dental laboratories in the United States and Canada, offer dentists a full service lineup of dental restorations and prosthetics. "MicroDental" is a renowned brand in the United States dental laboratory industry and is synonymous with high quality, locally produced restorations and dental prosthetics. Initially founded primarily as a mail order dental laboratory servicing only the quality-minded clinicians in dentistry, "MicroDental" later acquired additional dental laboratories to expand its geographic reach and local service offerings and has completed the process of rebranding or partially rebranding all locations to carry the name of "MicroDental". Over the last two years, the Target Group has made additional strategic acquisitions to improve geographic reach as well as increase customer penetration and broaden product offerings at existing locations. For further information of the additional strategic acquisitions, please refer to the paragraphs headed "Material acquisitions of subsidiaries of the Target Group" in the Letter from the Board, and "Revenue" and "Material acquisitions and disposals of subsidiaries" in Appendix II to this circular.

The map below depicts the physical locations of the laboratories of the Target Group as at the Latest Practicable Date.



Products

The Target Group provides dental restorations and prosthetics of a wide range of product types and materials. The products it provides can treat a single tooth or provide a full-mouth solution, and can be categorized into the following three types:

(i) fixed restorations, including restorations of crowns, bridges and veneers*(Note 1)*;

(ii) implant retained restorations*(Note 2)*, including fixed implant restorations, and removable implant supported dentures*(Note 3)*; and

(iii) removable prosthetics including dentures*(Note 3)* and mouthguards.

Notes:

1. Crowns, bridges and veneers are tooth-shaped caps that cover a tooth, restores its shape and size, and strengthens and improves its appearance. A bridge fills in the gap created by one or more missing teeth and is made up of two crowns. These products may be manufactured traditionally or through the use of CADCAM technologies.

2. An implant retained restoration is attached to an artificial tooth root that is placed into the jaw by the dentist. It can support a number of dental prosthetic restorations.

3. Dentures can be complete or partial. They consist of replacement teeth attached to a pink-or gum-colored acrylic base.

Branded restoration lines include but are not limited to:

(i) The "Macstudio" restoration line, which was developed for patients requiring a high level of function and aesthetics. Through this product line, all aspects of the patient's smile, not just teeth, are considered to achieve optimal results.

(ii) The "MicroDental Classic" restoration line is designed for patients who require dental restoration of function and aesthetics but are sensitive to price, offering better pricing by adjusting technique, articulating system and material selection.

(iii) The "MicroDental Essentials" restoration line was developed for patients who need an economical solution to restore function and can only afford to take care of basic needs. To address the needs of those clients seeking lower cost dental restorations, the Target Group developed their own branded zirconia-based restoration, ZEUS™, and centralized digital manufacturing to improve product consistency and reduce manufacturing costs.

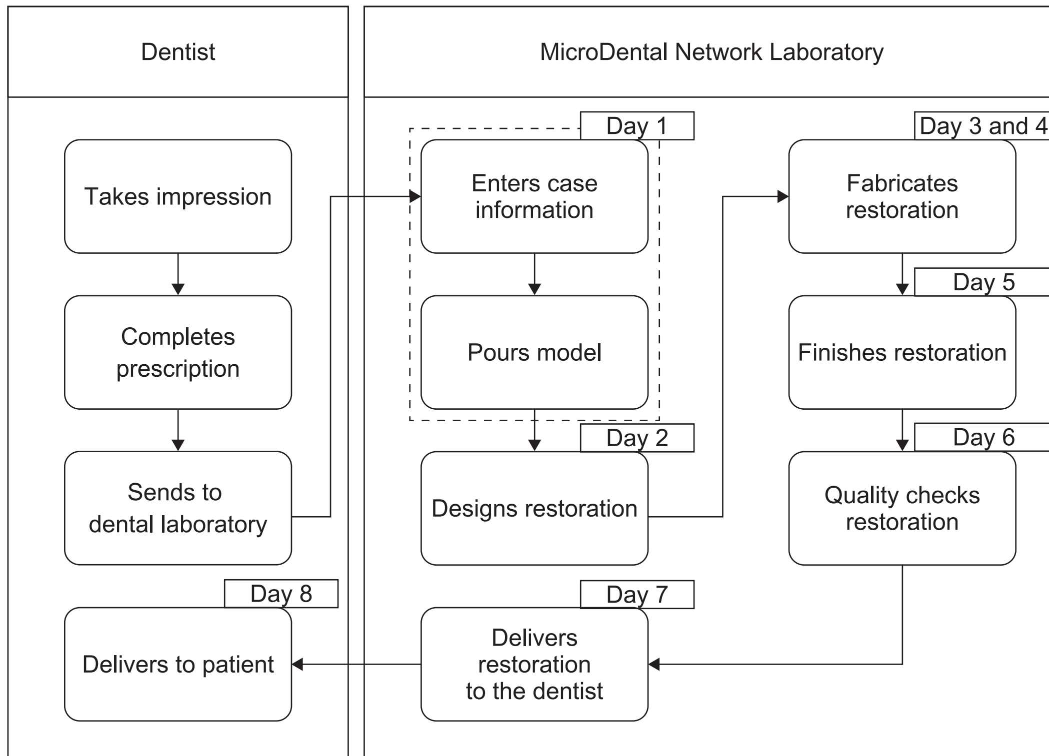
Business Flow

The Target Group generates revenue by offering dental laboratory services which provide customized dental prosthetics and restorations for (i) general dentists, (ii) specialist dentists who are general dentists with post-graduate training, prosthodontists, dentists specializing in implants, restorations and cosmetics; and (iii) dental practice management companies. The Target Group's customers take an impression of their patients' dentition and either complete handwritten prescriptions or utilize the Target Group's digital prescription channel. Upon receiving a prescription, technicians in the laboratory of the Target Group either enter the case information according to the dentist's instructions for the prescription or import the electronic prescription.

Fixed dental restorations may be manufactured using traditional methods, including pouring models, hand waxing, casting using the "lost wax" technique, porcelain buildup by hand or by

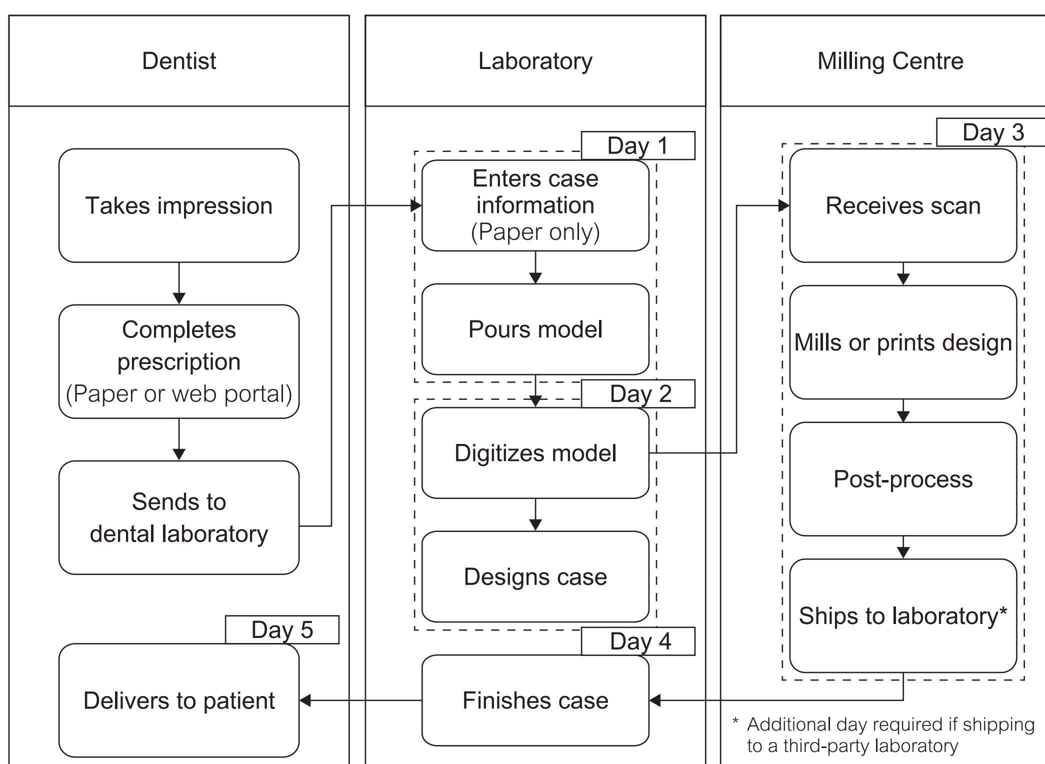
pressing, hand contouring, and finishing using stains and glazes applied manually with a brush. The flow chart below sets out the workflow of the Target Group for traditionally manufactured restorations:

Traditional Workflow



Alternatively, restorations may be produced using CADCAM technology to eliminate many of the labor-intensive tasks. Digital impressions may be imported or poured models of the patient's dentition may be scanned and digitalized. Laboratory technicians design certain restorations or prosthetics using computer assisted design, or CAD technology. The centralized milling centre of the Target Group then receives the laboratory's design file and manufactures partially completed restorations using milling or three-dimensional printing technology. After the manufacturing process, the products are transported to the laboratory for finishing, quality control and delivery to the customers. The flow chart below sets out the digital workflow of the Target Group for CADCAM fixed restorations:

Digital Workflow



With the ability to provide locally produced dental restorations and prosthetics with a wide range of product types and materials, as well as over 40 years of branding history and experience accumulated, the Target Group has established strong customer relationships and generates revenue from repeated sales to its well established customer base by catering to the customers' specific needs.

Financial information of the Target Group

Excluded Business

For the three years ended 31 December 2013, 2014 and 2015, and for the six months ended 30 June 2016, the revenue of the Target Group was US$60.1 million, US$64.0 million, US$67.4 million and US$36.0 million, respectively. For the three years ended 31 December 2013, 2014 and 2015, and for the six months ended 30 June 2016, the gross profit of the Target Group was US$14.0 million, US$17.6 million, US$18.9 million and US$10.9 million, respectively. The above financial information of the Target Group was made with the inclusion of the Excluded Assets and the Excluded

Liabilities. Pursuant to the Stock Purchase Agreement, the Vendor undertakes that, immediate prior to the Closing Date, the Excluded Assets and the Excluded Liabilities will be transferred to the Excluded Co. from the Target Group. The operation of the Excluded Business started in July 2014. For the two years ended 31 December 2014 and 2015, and the six months ended 30 June 2016, revenues generated from the Excluded Business were approximately US$235,000, US$1,256,000 and US$1,174,000, representing approximately 0.36%, 1.86% and 3.27% of the revenue of the Target Group, respectively; and generated a net loss of US$628,000, US$299,000 and US$444,000 respectively. Total assets for the Excluded Business for the two years ended 31 December 2014 and 2015, and the six months ended 30 June 2016 were approximately US$260,000, US$437,000 and US$643,000. The Company values the Target Group based on the Laboratory EBITDA of the Target Group, which excludes the expense of the Target Group's corporate headquarters (which generally overlaps with that of the Group's existing operations), interest expense (which will be sharply reduced following the Closing) and one-time Acquisition-related professional fees. Pursuant to the unaudited management accounts of the Target Group, the Laboratory EBITDA of the Target Group for the years ended 31 December 2013, 2014 and 2015, and the six months ended 30 June 2016 were US$1,097,000, US$5,591,000, US$5,883,000 and US$3,736,000, respectively. The Company also considers the opportunities to improve the operating results of the Target Company through its global resources and experienced management team and expects to realize significant post-Closing synergies. The financial information of the Target Group and the management discussion and analysis of the Target Group are set out in Appendix II to this circular.

The financial information of the Excluded Business has not been excluded from the financial information of the Target Group and pro forma financial information, as the financial results from operations were immaterial to the overall results of the Target Group. No adjustment has been made in this regard.

A reconciliation of the revenue and the "net revenue" of the Excluded Business for the years ended 31 December 2014 and 2015, and for the six months ended 30 June 2016 is set out below:

	As at 31 December		**As at 30 June**
	2014	**2015**	**2016**
REVENUE	234,582	1,256,028	1,174,053
Gross Revenue	234,582	1,256,028	1,174,053
Other Income	477	4,782	10,002
Returns and Remakes	(11,740)	(91,791)	(123,548)
Discounts and Rebates	(38,891)	(90,440)	(23,525)
Less I/C Elimination			(62,001)
Net Revenue	**184,428**	**1,078,579**	**974,981**

The Excluded Business is the sleep division under Micro Dental Laboratories, one of the subsidiaries of the Target Group. The Target Group has developed a proprietary medical device, and related digital manufacturing capabilities, used to treat the medical condition known as sleep apnea. The Excluded Business was excluded from the Acquisition as (i) it generated a net operating losses of US$628,000 and US$299,000 and US$444,000 for the two years ended 31 December 2014 and 2015, and the six months ended 30 June 2016; (ii) and the Excluded Business was offered for sale at a value that the Purchaser was unwilling to pay as the Company has other products in its portfolio to develop the business of sleep apnea. Furthermore, the Group manufactures other devices within the same product family as that of the Excluded Business and believes the Group's existing product offerings will provide the Target Group's customers with suitable products of similar form and function. The

Company intends to focus on its core business, which is, manufacturing prosthetic products and enhancing the customer relationship, instead of developing the business of sleep apnea.

Material acquisitions of subsidiaries of the Target Group

For the years ended 31 December 2013, 2014 and 2015, the Target Group acquired seven companies which are also principally engaged in the operation of dental laboratories. In respect of the acquisitions of six companies (the "**Six Sub-Acquisitions**"), the Target Group requires to pay annual milestone payments with reference to the performance and/or financial milestones of the acquired companies. Milestone payments for one of the Six Sub-Acquisitions has been completely settled prior to entering into of the Stock Purchase Agreement while milestone payments for the remaining acquisitions (the "**Five Sub-Acquisitions**") of the five companies (the "**Five-Companies**"), payable to the sellers, shareholders or members (the "**Sub-Sellers and Members**") of the Five Companies, have not been completely settled prior to entering into of the Stock Purchase Agreement and become contingent payment (the "**Contingent Payment**") of the Target Group. The Contingent Payment is determined with reference to the performance and/or financial milestones (the "**Financial Milestones**") of the Five Companies. Set out below is the background, payment terms, calculation basis of the milestone payments of the Six Sub-Acquisitions:

Acquisition I

On 17 December 2013, the Vendor, DTI Dental Technologies Inc. ("**DTI**") and David J. Wilson, Daniel Burns and David Blake Murchison (collectively, "**Sellers I**") entered into a stock purchase agreement (the "**Stock Purchase Agreement I**") pursuant to which Sellers I agreed to sell and DTI agreed to purchase all issued and outstanding shares of capital stock of Cosmo Dental Laboratory Incorporated ("**Cosmo**") (which was subsequently merged with DTI), for (i) a cash consideration of CA$1,100,000 (which was settled in December 2013), (ii) milestone payments of CA$25,643 after adjustment (which was settled in April 2015), (iii) 105,618 shares of Series A Common Stock of the Vendor and (iv) the payoff by DTI of a line of credit and loan.

Further, pursuant to the Stock Purchase Agreement I, the milestone payments were payable in two annual installments. At 31 December 2014 and 31 December 2015, DTI is required to calculate gross revenue of Cosmo according to the formula set out in the Stock Purchase Agreement I during the milestone year (i.e. the immediately preceding one-year period). The amount of the milestone payment, if any, for each of the milestone years was determined according to the gross revenue of Cosmo during the respective milestone year, up to a maximum of CA$150,000 per milestone year. The consideration was fully settled in April 2015.

A table of the gross revenue of Cosmo and the amount of milestone payment paid for the respective year is set out below.

	For the milestone year ended 31 December 2014	For the milestone year ended 31 December 2015
Gross revenue of Cosmo	CA$2,736,051	CA$1,829,524
Milestone payment paid	CA$25,643 (fully settled)	Nil

As shown in the table above, the target of gross revenue of Cosmo for the milestone year ended 31 December 2014 has been fulfilled while that for the milestone year ended 31 December 2015 has not.

Acquisition II

On 3 February 2014, the Vendor, Hermanson Dental Services, Inc. ("**Hermanson**"), Dennis Lemke and Barbara Lemke (collectively, "**Sellers II**") entered into a stock purchase agreement (the "**Stock Purchase Agreement II**"), pursuant to which Sellers II agreed to sell and Hermanson agreed to purchase all issued and outstanding shares of capital stock of Lemke Dental Laboratories, Inc. ("**Lemke**") (which was subsequently merged with Hermanson), for (i) a cash consideration of US$2,481,000, including the debt, (which was settled in February 2014) and (ii) milestone payments of no more than US$1,200,000 and no less than US$840,000 (of which US$649,075 was settled as of the Latest Practicable Date).

Further, pursuant to the Stock Purchase Agreement II, the milestone payments are payable in three annual installments. For a period of three years after the closing, at the end of each one year anniversary of the closing date (i.e. 3 February 2015, 3 February 2016, 3 February 2017), Hermanson is required to calculate the gross revenue of Lemke during the milestone year (i.e. the immediately preceding one-year period). The amount of milestone payment for each of the milestone years will be adjusted according to the gross revenue of Lemke and no more than US$400,000 per milestone year.

A table of the gross revenue of Lemke and the amount of milestone payment payable for the respective year is set out below.

	For the milestone year ended 3 February 2015	**For the milestone year ended 3 February 2016**	**For the milestone year ending 3 February 2017**
Gross revenue of Lemke	US$3,340,518	US$3,260,324	Not applicable
Milestone payment paid or payable	US$324,015 (fully settled)	US$325,060 (fully settled)	Not applicable

As shown in the table above, the target of gross revenue of Lemke for the each of milestone years ended 3 February 2015 and 3 February 2016 has been fulfilled.

Acquisition III

On 1 December 2014, Larry Borman, Robert Borman, Connie Moran (collectively, "**Sellers III**") and the Vendor entered into a stock purchase agreement (the "**Stock Purchase Agreement III**"), pursuant to which Sellers III agrees to sell and the Vendor agrees to purchase all outstanding shares of Tetra Dynamics, Inc. ("**Tetra**") for (i) a cash consideration of US$1,450,000 (which was settled in December 2014), (ii) cash milestone payments in an aggregate amount of up to US$650,000 (of which US$163,413 was settled as of the Latest Practicable Date) and (iii) an aggregate of 156,089 shares of the Vendor's Series A Common Stock. In addition, the Vendor agreed to satisfy in full (up to US$70,000) the existing commercial line of credit of Tetra. Further, each of the Sellers III received an option agreement permitting each of the Sellers III to elect to convert the Vendor's Class A Common Stock into a subordinated promissory note, in principal amount of US$324,000 each, upon the earlier to occur of the third anniversary of the closing of such acquisition and any merger, consolidation or similar transaction resulting in a change in control of the Vendor.

Further, pursuant to the Stock Purchase Agreement III, the milestone payments are payable in two annual installments. For a period of two years after the closing, at the end of the one-year anniversary and the two-year anniversary of the closing date (i.e. 1 December 2015 and 1 December 2016), Tetra is required to calculate EBITDA of Tetra*(Note)* during the milestone year (i.e. the immediately preceding one-year period). The amount of milestone payment for each of the milestone

years will be adjusted according to EBITDA of Tetra*(Note)* and no more than the amount calculated according to the formula set out below per milestone year:

US$300,000 + (EBITDA of Tetra *(Note)* - US$400,000) x 50%

The cash milestone payments in respect of Acquisition III were determined on the basis of (i) a fair value assessment of the audited accounts of Tetra as at 31 December 2015 and 31 December 2016; and (ii) a review of the EBITDA performance of Tetra for the relevant periods.

A table of EBITDA of Tetra*(Note)* and the amount of milestone payment payable for the respective year is set out below.

	For the milestone year ended 30 November 2015	For the milestone year ending 30 November 2016
EBITDA of Tetra*(Note)*	US$263,413	Not applicable
Milestone payment paid or payable	US$163,413 (fully settled)	Not applicable

As shown in the table above, the target of EBITDA of Tetra*(Note)* for the milestone year ended 30 November 2015 has been fulfilled.

Note: EBITDA of Tetra means earnings before interest, taxes, depreciation and amortization of Tetra.

Acquisition IV

On 8 June 2015, Donnell Dental Lab, Inc. (the "**Acquirer IV**") and the Vendor, Rock Creek Dental Ceramics Ltd. and Jeffrey Null entered into an agreement and plan of merger (the "**Merger Agreement IV**"), pursuant to which Rock Creek Dental Ceramics Ltd. ("**Rock Creek**") shall merge with and into the Acquirer IV for (i) an aggregate cash consideration of US$203,004 (which was settled in June 2015) and (ii) cash milestone payments in an aggregate amount of up to US$325,800 (of which US$162,900 was settled as of the Latest Practicable Date).

Further, pursuant to the Merger Agreement IV, the milestone payments are payable in two annual installments. For a period of two years after the closing, at the end of the one-year anniversary and the two-year anniversary of the closing date, the Acquirer IV is required to calculate net revenue of Rock Creek during the milestone year (the immediately preceding one-year period). The amount of milestone payment for each of the milestone years will be adjusted according to the net revenue of Rock Creek and no more than US$162,900 per milestone year.

The net revenue of Rock Creek will be derived by the total amount of sales invoices to the former customers of Rock Creek as recognized in the billing systems of the Target Group.

A table of the net revenue of Rock Creek and the amount of milestone payment payable for the respective year is set out below.

	For the milestone year ended 7 June 2016	For the milestone year ending 7 June 2017
Net revenue of Rock Creek	US$564,990	Not applicable
Milestone payment paid or payable	US$162,900 (fully settled)	Not applicable

As shown in the table above, the target of net revenue of Rock Creek for the milestone year ended 7 June 2016 has been fulfilled.

Acquisition V

On 26 June 2015, Davide Dissegna and Paula Dissegna (collectively, "**Sellers V**") and DTI entered into a share purchase agreement (the "**Share Purchase Agreement V**"), pursuant to which Sellers V agree to sell and DTI agrees to purchase 20 Class A Common Shares of Phoenix Dental Laboratories, Inc. ("**Phoenix**") (which was subsequently merged with DTI) for (i) a cash consideration of CA$250,000 (which was settled in June 2015) plus an excess working capital adjustment of CA$114,820 (which was settled in May 2016) and (ii) a milestone payment of CA$180,332 (which was settled in August 2016).

Further, pursuant to the Share Purchase Agreement V, at the end of the one-year anniversary of the closing date, DTI is required to calculate the retained revenue of Phoenix according to the formula set out in the Share Purchase Agreement V during the milestone year (i.e. the immediately preceding one-year period). The amount of the milestone payment for the milestone year is determined according to the retained revenue of Phoenix during the respective milestone year, up to a maximum of CA$200,000 per milestone year. The consideration was fully settled in August 2016.

A table of the retained revenue of Phoenix and the amount of milestone payment payable for the respective year is set out below.

	For the milestone year ended 25 June 2016
Retained revenue of Phoenix	CA$510,497
Milestone payment paid or payable	CA$180,332 (fully settled)

As shown in the table above, the target of net revenue of Phoenix for the milestone year ended 25 June 2016 has been fulfilled.

Acquisition VI

On 1 July 2015, Micro Dental Laboratories (the "**Acquirer VI**") and Blue Crown Dental Arts, LLC entered into an agreement and plan of merger (the "**Merger Agreement VI**"), pursuant to which Blue Crown Dental Arts, LLC ("**Blue Crown**") shall merge with and into the Acquirer VI for (i) a cash consideration of US$250,000 (which was settled in July 2015) and (ii) cash milestone payments in an aggregate amount of up to US$280,000 payable to the members of Blue Crown which will be settled pursuant to the terms therein.

Further, pursuant to the Merger Agreement VI, the milestone payment shall be payable in two annual installments. For a period of two years after the closing, at the end of the one-year anniversary and the two-year anniversary of the closing date, the Acquirer VI is required to calculate revenue of Blue Crown during the milestone year (the immediately preceding one-year period). The amount of milestone payment for each of the milestone years will be adjusted according to the revenue of Blue Crown and no more than US$140,000 per milestone year.

A table of the revenue of Blue Crown and the amount of milestone payment payable for the respective year are set out below.

	For the milestone year ended 30 June 2016	**For the milestone year ending 30 June 2017**
Revenue of Blue Crown	US$833,030	Not applicable
Milestone payment paid or payable	US$125,000 (to be settled)	Not applicable

As shown in the table above, the target of revenue of Blue Crown for the milestone year ended 30 June 2016 has been fulfilled.

The Contingent Payment is recorded in the financial statements presented. With reference to the performance and/or Financial Milestones of the Five Companies, the estimated amount of the milestone payments of the Five Sub-Acquisitions are US$1,300,000 (the "**Estimated Contingent Payment**").

Further, the amount of the Contingent Payment is based on the Financial Milestones which will bring a financial benefit to the Company greater than the additional financial cost of Contingent Payment when the Financial Milestones are achieved or exceeded. Increased revenues generated from the Five Companies lead to greater long term cash flows and increased operating profits. The Board is of view that the mechanism under which the Contingent Payment is determined with reference to the Financial Milestones serves as incentive to encourage sales and profit growth, rather than mere financial liabilities to the Group upon the Closing. Therefore, the Board agreed that each of the Vendor and the Purchaser is responsible for 50% of the Estimated Contingent Payment and the Vendor does not provided any warranties and indemnity in respect of the Contingent Payment. The Group's obligation of Contingent Payment will be limited by (i) the productive capability of the Five Companies, (ii) the possible breach of agreements of the Five Sub-Acquisitions by the counterparties and (iii) the maximum limit of milestone payments as set out in the Stock Purchase Agreement II, the Merger Agreement IV, the Share Purchase Agreement V and the Merger Agreement VI.

As agreed by the Vendor and the Purchaser, each of the Vendor and the Purchaser is responsible for 50% of the Estimated Contingent Payment (i.e. US$650,000 each) if the Acquisition is completed. Since the Closing Date has not been fixed yet, some of the Estimated Contingent Payment may be paid by the Vendor to the Sub-Sellers and Members according to the terms of the Five Sub-Acquisitions between the date of signing of the Stock Purchase Agreement and the Closing. As such US$650,000 contingent payment less 50% of the Estimated Contingent Payment made or to be made by the Vendor to the Sub-Sellers and Members between the date of signing of the Stock Purchase Agreement and the Closing (the "**Vendor Contingent Payment**") will be offset against the Base Consideration to be paid by the Purchaser to the Vendor at the Closing.

The amount of Estimated Contingent Payment was determined as of the signing date of the Stock Purchase Agreement. The Purchaser and the Vendor agreed that each would be responsible for 50% of the Estimated Contingent Payment (i.e., US$650,000 each), if the Acquisition is completed. This was to be accomplished by a reduction in the Base Consideration payable by the Purchaser at the Closing for the Vendor's share of the Estimated Contingent Payment amount (or US$650,000). However, since the obligation to pay all Contingent Payment remains an obligation of the Target Group (and thus the Vendor) unless the Acquisition is completed and until the Closing, the Vendor is obligated to pay 100% of all Contingent Payment due and payable prior to the Closing. As a result, in order to effectuate the arrangement that the Vendor should only be responsible for 50% of such payments, the Purchaser's share of such payments (i.e. 50% of such payments) reduce the Vendor's share of the Estimated Contingent Payment amount and thus, the amount of the reduction in the Base Consideration payable by the Purchaser at the Closing. For example, if the Vendor (or the Target Group) paid US$500,000 in the Contingent Payment prior to the Closing, 50% of such payments (or US$250,000) would reduce the Vendor's initial share of the Estimated Contingent Payment amount (or US$650,000), so that the amount of the reduction in the Base Consideration that would be payable by

the Purchaser at Closing would be US$400,000 (i.e. US$650,000 less US$250,000), instead of the original US$650,000.)

The table below sets out the Estimated Contingent Payment assigned to each of the Five Sub-Acquisitions:

	Estimated contingent payment
Acquisition II	US$ 280,000
Acquisition III	US$ 271,000
Acquisition IV	US$ 326,000
Acquisition V *(Note)*	US$ 160,000
Acquisition VI	US$ 250,000
Rounding	US$ 13,000
Total	US$1,300,000

Note: The milestone payment for Acquisition V was fully settled in August 2016.

For the three years ended 31 December 2013, 2014 and 2015, and for the six months ended 30 June 2016, the amount of the shareholders' loan of the Target Group was US$10.1 million, US$14.2 million, US$25.1 million and US$19.9 million, respectively. The interest rate of the shareholder's loan was 8.5% during the three years ended 31 December 2013, 2014 and 2015, and for the six months ended 30 June 2016. Pursuant to the Stock Purchase Agreement, the shareholders' loan shall be eliminated at the Closing. Upon the Closing, the shareholders' loan will not be an obligation of the Target Group or the Enlarged Group.

As set out in the paragraphs headed "A. Accountant's Report on the Target Group" in Appendix II to this circular, the Target Group relies on its principal shareholder's loan for its financing needs for the three years ended 31 December 2013, 2014 and 2015 and up to the date of the accountant's report. Based on the due diligence conducted by the Purchaser on the Target Group, the principal shareholders of the Target Group utilised banking facilities to support the financial needs of the Target Group during the three years ended 2013, 2014 and 2015. Further, as set out in Note 3.2 of the paragraphs headed "B. Notes to the Financial Information in Appendix II to this circular, at 30 June 2016, the Target Group had net current liabilities and accumulated deficiency of approximately US$32.5 million and US$186 million, respectively. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern. To address these conditions, the Board intends to provide adequate funds for the Target Group to meet its financial needs by the internal resources of the Group and intra-Group financing after the Closing.

Customers of the Target Group

The following tables set forth the profile of the top five customers (in terms of sales) of, and their respective significance to, the Target Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016:

Top five customers for the year ended 31 December 2013

Rank	Customer	Nature of principal business	Years of relationship	Revenue contributed (US$' 000)	Approximate percentage of the total revenue of the Target Group
1	Customer A	Dental clinics	16	790	1.3%
2	Customer B	Dental clinics	9	340	0.6%
3	Customer C	Dental clinics	8	222	0.4%
4	Customer D	Dental clinics	7	217	0.4%
5	Customer E	Dental clinics	14	193	0.3%

Top five customers for the year ended 31 December 2014

Rank	Customer	Nature of principal business	Years of relationship	Revenue contributed (US$' 000)	Approximate percentage of the total revenue of the Target Group
1	Customer A	Dental clinics	16	602	0.9%
2	Customer B	Dental clinics	9	328	0.5%
3	Customer F	Dental clinics	3	291	0.5%
4	Customer D	Dental clinics	7	217	0.3%
5	Customer G	Dental clinics	8	197	0.3%

Top five customers for the year ended 31 December 2015

Rank	Customer	Nature of principal business	Years of relationship	Revenue contributed (US$' 000)	Approximate percentage of the total revenue of the Target Group
1	Customer A	Dental clinics	16	545	0.9%
2	Customer H	Dental clinics	11	535	0.8%
3	Customer I	Dental clinics	3	487	0.8%
4	Customer B	Dental clinics	9	324	0.5%
5	Customer J	Dental clinics	5	293	0.5%

Top five customers for the six months ended 30 June 2016

Rank	Customer	Nature of principal business	Years of relationship	Revenue contributed (US$' 000)	Approximate percentage of the total revenue of the Target Group
1	Customer I	Dental clinics	3	338	1.1%
2	Customer H	Dental clinics	11	302	0.8%
3	Customer J	Dental clinics	5	272	0.8%
4	Customer A	Dental clinics	16	264	0.3%
5	Customer D	Dental clinics	7	135	0.4%

The Target Group has not established any business networks or similar relationships through joint ventures with its customers and has not entered into long-terms contracts with its customers. The Target Group has agreed to pricing agreements with certain key customers that do not create a binding obligation on the part of the customers.

The Target Group utilizes a three-pronged marketing and development plan (the "**Plan**"), to strengthen its branding, expand its customer base and improve its overall profitability. The first component of the Plan is to expand its customer base through its marketing department and field sales force. The second component of the Plan is to cross-sell a wide range of restorative and prosthetic solutions including the Group's core products into the Target Group's existing customers. The third component of the Plan is to further enhance retention of its existing customers.

Suppliers of the Target Group

The following table set forth the profile of the top five suppliers (in terms of purchases) of, and their respective significance, to the Target Group for the three years ended 31 December 2013, 2014 and 2015, and the six months ended 30 June 2016:

Top five suppliers for the year ended 31 December 2013

Rank	Supplier	Materials supplied	Cost of sales (US$' 000)	Approximate percentage of the cost of sales of the Target Group
1	Supplier A	Dental metal alloys, implant components, other outsourced ceramic, and metal restorative production	3,853	8.3%
2	Supplier B	Laboratory supplies, milling burs and parts, and equipment	2,316	5.0%
3	Supplier C	Ceramic milling materials, laboratory supplies, and equipment	1,723	3.7%
4	Supplier D	Denture/partial teeth, implant kits and parts, and miscellaneous materials and supplies	729	1.6%
5	Supplier E	Implant kits and parts	604	1.3%

Top five suppliers for the year ended 31 December 2014

Rank	Supplier	Materials supplied	Cost of sales (US$' 000)	Approximate percentage of the cost of sales of the Target Group
1	Supplier A	Dental metal alloys, implant components, other outsourced ceramic, and metal restorative production	3,418	7.5%
2	Supplier B	Laboratory supplies, milling burs and parts, and equipment	2,621	5.8%
3	Supplier C	Ceramic milling materials, laboratory supplies, and equipment	1,953	4.3%
4	Supplier E	Implant kits and parts	832	1.8%
5	Supplier D	Denture/partial teeth, implant kits and parts, and miscellaneous materials and supplies	790	1.7%

Top five suppliers for the year ended 31 December 2015

Rank	Supplier	Materials supplied	Cost of sales (US$' 000)	Approximate percentage of the cost of sales of the Target Group
1	Supplier A	Dental metal alloys, implant components, other outsourced ceramic, and metal restorative production	2,968	6.5%
2	Supplier B	Laboratory supplies, milling burs and parts, and equipment	2,391	5.3%
3	Supplier C	Ceramic milling materials, laboratory supplies, and equipment	1,779	3.9%
4	Supplier E	Implant kits and parts	1,023	2.3%
5	Supplier D	Denture/partial teeth, implant kits and parts, and miscellaneous materials and supplies	811	1.8%

Top five suppliers for the six months ended 30 June 2016

Rank	Supplier	Materials supplied	Cost of sales (US$' 000)	Approximate percentage of the cost of sales of the Target Group
1	Supplier A	Dental metal alloys, implant components, other outsourced ceramic, and metal restorative production	1,381	5.5%
2	Supplier C	Ceramic milling materials, laboratory supplies, and equipment	973	3.9%
3	Supplier B	Laboratory supplies, milling burs and parts, and equipment	863	3.4%
4	Supplier E	Implant kits and parts	563	2.2%
5	Supplier D	Denture/partial teeth, implant kits and parts, and miscellaneous materials and supplies	377	1.5%

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the United States and, through its subsidiaries, is principally engaged in dental laboratory services which provide customized dental prosthetic restorations in North America.

REASONS FOR AND BENEFITS OF ENTERING INTO THE STOCK PURCHASE AGREEMENT

As set out in the Prospectus, one of the Group's business strategies is to further penetrate into the Group's existing geographic markets. The Board is of the view that the Acquisition is able to accelerate the Group's revenue and profit growth in North America and provide a strategic platform for the Group to further build on its established brand, its existing nationwide sales and distribution network throughout North America. Furthermore, the Board is of view that the Group has a proven track record in identifying rewarding market opportunities and successfully managing and integrating acquisition targets by streamlining their management, finance and operations functions with the Group's experienced and seasoned management team, existing business model, marketing strategies and other synergies.

The Board recognizes the strengths and value of the Target Group, which, following the Closing, is expected to be integrated into the Group's existing business to further improve the performance of the Group in North America. Upon the Closing, the Group is expected to establish itself as one of the leading dental prosthetic device providers in North America and further underlines and consolidates its status as a leading global dental prosthetic device provider.

The production facilities of the Target Group, once integrated with those of the Group, are expected to equip the Group with the advantages of greater economies of scale, faster turnaround time and superior proximity to customers to provide better post-sale services. As such, such factors are expected to allow the Group to outpace its competitors in the fast-growing but fragmented dental prosthetics market.

The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

It is expected that there will be a positive future prospect of the Target Group and the Enlarged Group in terms of profitability. As set out in the Prospectus, the Group have a global portfolio of respected brands, including Modern Dental Laboratory USA, LLC in the United States. Modern Dental Laboratory USA, LLC has established close relationships with the customers and positioned itself as a successful brand in the dental prosthetics industry in North America. The Group has eight service centers located in Boston, Chicago, Los Angeles, Seattle, Troy, Wilmington, Savannah and Scottsdale in the United States, among which the center in Scottsdale also serves as a local laboratory. Each service center is a local resource for education, technical expertise, and provides quick turnaround support to the needs of customers. The Group also have one local laboratory located in Windsor in Canada operated by Quantum Dental Laboratory Inc., which has been servicing prosthetic devices in Canada for more than 15 years. With the Acquisition, the Group is able to expand its nationwide sales and distribution network from nine local service centers/local laboratories to 31 local laboratories in North America.

EXPECTED FINANCIAL EFFECTS

Upon the Closing, the Target Company will become an indirect wholly-owned subsidiary of the Company. The financial results, assets and liabilities will be consolidated with those of the Group. Set out in Appendix III to this circular is the unaudited pro forma statement of assets and liabilities of the Enlarged Group, which illustrates the possible financial effects of the Acquisition.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition as calculated under Rule 14.07 of the Listing Rules is greater than 25% and all the applicable percentage ratios are less than 100%, the entering into of the Stock Purchase Agreement and the transactions contemplated thereunder constitute a major transaction for the Company under the Listing Rules and is subject to the announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The EGM will be convened at which the resolution will be proposed to seek the approval of the Shareholders for, among other things, the transactions contemplated under the Stock Purchase

Agreement by way of a poll. Shareholders and their associates with a material interest in the Stock Purchase Agreement and the transactions contemplated thereunder shall abstain from voting on the resolution approving the Stock Purchase Agreement and the transactions contemplated thereunder.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons, and do not hold any Shares.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting for the resolution to be proposed at the EGM to approve the Stock Purchase Agreement.

A notice convening the EGM to be held at 10:00 a.m. on 19 October 2016 at Suite 1702, 17/F., CEO Tower, 77 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong is set out on pages N-1 to N-2 of this circular. A proxy form for the EGM is also enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournments thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournments thereof should you so wish. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed revoked.

The Company's register of members will be closed from 18 October 2016 to 19 October 2016 (both days inclusive), during which period no transfer of the Shares will be effected. In order to be eligible to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office 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 17 October 2016.

RECOMMENDATION

Having considered the above, the Directors consider the terms of the Stock Purchase Agreement to be fair and reasonable and the entering into of the Stock Purchase Agreement is in the interests of the Shareholders as a whole, and recommend the Shareholders to vote in favour of all resolution to be proposed at the EGM to approve the Stock Purchase Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the further information set out in the appendices of this circular.

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

1. FINANCIAL SUMMARY

The published audited consolidated financial statements of the Group (i) for the years ended 31 December 2013 and 2014 are disclosed on pages IA-1 to IA-112 of the Prospectus; and (ii) for the year ended 31 December 2015 are disclosed on pages 57 to 157 of the 2015 annual report of the Company dated 23 March 2016. The published unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016 are disclosed on pages 32 to 74 of the 2016 interim report of the Company dated 24 August 2016. All these financial statements have been published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.moderndentalgp.com.

2. WORKING CAPITAL

After taking into account the financial resources presently available to the Enlarged Group, and in the absence of unforeseen circumstances, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular.

3. STATEMENT OF INDEBTEDNESS

The Group

At the close of business on 31 July 2016, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank loans of approximately HK$649 million. Details of the total indebtedness as summarized below:

	HK$ million
Current	
Interest-bearing bank loans and other borrowings	161
Non-current	
Interest-bearing bank loans and other borrowings	488
Total	649

At the close of business on 31 July 2016, bank and other borrowings amounting to HK$645 million are secured by the shares of certain subsidiaries of the Company and certain trade receivables, bank deposits and equipment of the subsidiaries. The aggregate carrying value of the pledged asset, including pledged bank deposit, was HK$95 million.

Save as aforesaid, all indebtedness of the Group was unsecured and unguaranteed.

At the close of business on 31 July 2016, the Group had operating lease arrangements amounting to HK$63 million. In addition, the Group had a contingent liability of NZD0.6 million, (approximately equivalent to HK$3.4 million), due to contingent consideration arising from an acquisition which is payable upon the acquired entity meeting certain performance target.

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

Apart from the above, the Group did not have any material contingent liabilities or capital commitments.

The Target Group

At the close of business on 31 July 2016, being the latest practicable date prior to the printing of this circular and for the purpose of the indebtedness statement, the Target Group had outstanding shareholders' loan and notes payables, and notes payable to a related party of approximately US$19,803,000. Assuming the Acquisition is completed, this shareholders' loan, notes payable to a related party shall be eliminated at the Closing. Accordingly, such liabilities will not be transferred to our Group upon Closing.

As of 31 July 2016, the Target Group also had contingent consideration payables of approximately US$1,230,000 arising from certain past acquisitions. Pursuant to the Stock Purchase Agreement, Vendor or the Target Group will pay amounts that become due and payable prior to the Closing of the Acquisition. At the Closing, the Group will assume the payment obligation of these liabilities, which is estimated to be an aggregate US$1,300,000 with reference to the performance and/ or time based milestones of the acquired entities as of the Latest Practicable Date. However, pursuant to the Stock Purchase Agreement, US$650,000 less 50% of any payments made by Vendor or Target Group between the date of the signing of the Stock Purchase Agreement and the Closing, will be deducted from the Base Consideration as Vendor's contribution to the post Closing liabilities.

	US$'000
Current	
Loans from a shareholder	19,630
Notes payable to a related party	16
Notes payables	157
Contingent consideration payables	250
Non-current	
Contingent consideration payables	980
Total	21,033

The Target Group's shareholder's loan are unguaranteed and secured by a portion of the Target Group's restricted cash and trade receivables.

The Target Group's other indebtedness of above are unguaranteed and unsecured.

As of 31 July 2016, the Target Group had a finance lease of certain equipment amounting to US$474,000. In addition, the Target Group had an operating lease of certain office and laboratory facilities amounting to US$5,741,000.

Apart from the above, the Target Group did not have any material contingent liabilities or capital commitments.

Save as aforesaid or as otherwise disclosed herein, and normal trade and other payables in the ordinary course of business, the Enlarged Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 31 July 2016, being the latest practicable date for the purpose of this indebtedness statement.

4. EFFECTS ON EARNINGS, ASSETS AND LIABILITIES OF THE COMPANY

Upon the Closing, the Purchaser, being a wholly-owned subsidiary of the Company, will hold 100% of the outstanding shares of the Target Company. Accordingly, the Target Company will become an indirect wholly-owned subsidiary of the Company upon the Closing.

Earnings

According to the unaudited profit and loss statements on the identifiable net income stream in relation to the Target Group, set out in Appendix II to this circular, the Target Group recorded a net loss before tax of approximately US$9.3 million and US$5.6 million for the year ended 31 December 2015 and the six months ended 30 June 2016, respectively. Pursuant to the unaudited management accounts of the Target Company, the Laboratory EBITDA of the Target Group for the years ended 31 December 2014 and 31 December 2015, and the six months ended 30 June 2016, was US$5,591,000 (equivalent to approximately HK$43,609,800), US$5,883,000 (equivalent to approximately HK$45,887,400), US$3,736,000 (equivalent to approximately HK$29,140,800), respectively. The Directors are of the view that the Acquisition will lead to an increase in the Group's earnings, with the profitability to improve in future years as the Enlarged Group realizes the benefits from the synergies created as well as the improved operation efficiencies.

Assets and liabilities

As at 31 December 2015, the audited consolidated total assets and liabilities of the Group amounted to approximately HK$2,679 million and HK$892 million, respectively. As at 30 June 2016, the unaudited consolidated total assets and liabilities of the Group amounted to approximately HK$2,763 million and HK$883 million, respectively. Based on the unaudited pro forma financial information of the Enlarged Group as shown in Appendix III to this circular, the unaudited pro forma consolidated total assets of the Enlarged Group would be increased to approximately HK$2,887 million and the unaudited pro forma consolidated total liabilities of the Enlarged Group would be increased to approximately HK$1,021 million, as if the Closing could have taken place on 30 June 2016.

5. FINANCIAL AND TRADING PROSPECTS

The Acquisition is in line with the Group's strategy of further penetrating the existing geographic markets by means of strategic acquisitions of local dental laboratories. By leveraging existing production facilities and extensive sales and distribution network in the United States, The Group has sufficient resources to consolidate the Target Group into our operations. The Group's objective is to build a nationwide sales and distribution network, providing not only premium products, but also efficient and satisfactory customer services to accommodate the varying needs of The Group's customers throughout the United States. As at 31 December 2015 and 30 June 2016, the Group's net current assets were HK$1,035,691,000 and HK$625,999,000 with a cash balance of HK$945,689,000 and HK$510,667,000, respectively. After the Closing, the Directors expect that the Group's financial position shall remain solid for at least the current financial year ending 31 December 2016.

The Company will continue to (a) further penetrate existing geographic markets; (b) further realize the synergy effects and operating leverage achieved through further integration of the acquired targets; (c) optimize the production process and increase the productivity and efficiency; and (d) broaden product offering with a focus on high-value products to increase the profitability.

(1) ACCOUNTANT'S REPORT ON THE TARGET GROUP

The following is the text of the accountant's report on the Target Group prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Jonten Hopkins CPA Limited, Certified Public Accountants, Hong Kong.

Jonten Hopkins CPA Limited
中天運浩勤會計師事務所有限公司

30 September 2016

The Board of Directors
Modern Dental Group Limited

Dear Sirs,

We set out below our report on the financial information relating to RTFP Dental Inc. (formerly known as MDI Intermediate Holdings, Inc.) (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity, the combined statements of cash flows for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 (the "Relevant Periods"), and the combined statements of financial position of the Target Group as at 31 December 2013, 2014 and 2015 and 30 June 2016, together with the notes thereto (the "Financial Information"), and the combined statements of profit or loss and other comprehensive income, combined statement of changes in equity, combined statement of cash flows of the Target Group for the six months ended 30 June 2015 (the "Interim Comparative Information"), for inclusion in the circular of Modern Dental Group Limited (the "Company") dated 30 September 2016 (the "Circular") in connection with the proposed acquisition of 100% equity interests in the Target Company (the "Proposed Transaction").

The Target Company is a corporation incorporated in the State of Delaware, the United States of America on 6 May 2016. Pursuant to a group reorganisation (the "Reorganisation") as set out in Note 1.1 of Section B, which was completed on 26 May 2016, the Target Company became the holding company of the subsidiaries now comprising the Target Group, details of which are set out in Note 1.2 of Section B. Apart from the Reorganisation, the Target Company has not commenced any business or operation since its incorporation.

All companies now comprising the Target Group have adopted 31 December as their financial year end date. No statutory audited financial statements have been prepared for the Target Company since the date of its incorporation as it was incorporated in jurisdictions where there are no statutory audit requirements and it was incorporated after the Relevant Periods. We have, however, reviewed all relevant transactions of the Target Company since the date of incorporation and up to the date of this report and carried out such procedures as we considered necessary for inclusion of its financial information in the Circular. Details of the companies comprising the Target Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 1.2 of Section B.

For the purpose of this report, the directors of the Target Company have prepared the combined financial statements of the Target Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

The Financial Information for the Relevant Periods set out in this report has been prepared by the directors of the Target Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the basis as set out in Section B below and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Financial Information for each of the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Financial Information set out in this report has been prepared from the unaudited financial statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Financial Information that give a true and fair view in accordance with IFRSs issued by the IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, based on our procedures and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Financial Information of the Target Group and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the Target Group in respect of any period subsequent to 30 June 2016.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists principally of making enquires of management and applying analytical procedures to the financial information and, bases thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of preparation set out in Section B below, the Financial Information gives a true and fair view of the combined financial position of the Target Group as at 31 December 2013, 2014 and 2015 and 30 June 2016 and of the combined financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

EMPHASIS OF MATTER

The Target Group relies on its principal stockholder's support for its financing needs for the Relevant Periods and up to the date of this report. These conditions, along with other matters as set forth in Note 3.2 of Section B, indicate the existence of material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

A. FINANCIAL INFORMATION OF TARGET GROUP

COMBINED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
		US$'000	US$'000 (Unaudited)	US$'000	US$'000	US$'000
REVENUE	8	35,957	33,581	67,416	64,004	60,126
Cost of sales		(25,102)	(23,660)	(48,537)	(46,415)	(46,159)
Gross profit		10,855	9,921	18,879	17,589	13,967
Other income and gains	8	—	231	851	25	250
Selling, general and administrative expenses		(14,887)	(13,261)	(26,682)	(27,114)	(27,156)
Other operating expenses		(215)	—	—	(277)	(13)
Finance costs	10	(1,305)	(1,122)	(2,355)	(1,379)	(1,171)
LOSS BEFORE TAX	9	(5,552)	(4,231)	(9,307)	(11,156)	(14,004)
Income tax	13	(46)	(40)	(90)	884	387
LOSS FOR THE YEAR		**(5,598)**	**(4,271)**	**(9,397)**	**(10,272)**	**(13,736)**
ATTRIBUTABLE TO:						
Owners of the Target Company		**(5,598)**	**(4,271)**	**(9,397)**	**(10,272)**	**(13,736)**

COMBINED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
	US$'000	US$'000 (Unaudited)	US$'000	US$'000	US$'000
Loss for the year	(5,598)	(4,271)	(9,397)	(10,272)	(13,736)
OTHER COMPREHENSIVE LOSS					
Other comprehensive loss may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations	950	(1,032)	(2,618)	(1,465)	(1,228)
Other comprehensive loss for the year, net of nil tax	950	(1,032)	(2,618)	(1,465)	(1,228)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(4,648)**	**(5,303)**	**(12,015)**	**(11,737)**	**(14,964)**
ATTRIBUTABLE TO:					
Owners of the target Company	**(4,648)**	**(5,303)**	**(12,015)**	**(11,737)**	**(14,964)**

COMBINED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2016	As at 31 December 2015	2014	2013
		US$'000	US$'000	US$'000	US$'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	4,188	4,389	4,347	4,670
Goodwill	15	23,842	23,010	24,265	21,742
Intangible assets	16	7,863	8,375	9,709	8,833
Other non-current assets		281	314	440	434
Total non-current assets		**36,174**	**36,088**	**38,761**	**35,679**
CURRENT ASSETS					
Inventories	17	1,653	1,627	1,549	1,419
Trade receivables	18	6,548	6,363	5,538	5,498
Prepayments and deposits	19	616	927	969	584
Other current assets	19	1,999	2,608	1,745	604
Restricted cash	20	5,723	1,488	1,246	1,706
Cash and cash equivalents	20	37,921	67	493	48
Total current assets		**54,460**	**13,080**	**11,540**	**9,859**
CURRENT LIABILITIES					
Trade payables	21	6,388	7,420	5,277	3,572
Accruals and other payables	22	59,291	6,512	7,173	6,822
Contingent consideration payables		943	810	1,207	225
Finance lease payables	24	179	238	350	421
Loans from a shareholder	23	19,943	25,054	14,227	10,124
Notes payables	23	152	154	646	90
Notes payable to related parties	23	23	16	25	279
Total current liabilities		**86,919**	**40,204**	**28,905**	**21,533**
NET CURRENT LIABILITIES		(32,459)	(27,124)	(17,365)	(11,674)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,715**	**8,964**	**21,396**	**24,005**
NON-CURRENT LIABILITIES					
Finance lease payables	24	183	272	328	524
Deferred tax liabilities	25	247	246	128	31
Contingent consideration payables		288	678	810	96
Other non-current liabilities		562	685	926	1,179
Total non-current liabilities		1,280	1,881	2,192	1,830
Net assets		**2,435**	**7,083**	**19,204**	**22,175**
EQUITY					
Equity attributable to owners of the Target Company:					
Share capital	26	—	2	2	2
Reserves	28	2,435	7,081	19,202	22,173
Total equity		**2,435**	**7,083**	**19,204**	**22,175**

COMBINED STATEMENT OF CHANGES IN EQUITY

	Attributable to owner of the Target Company				
	Share capital	Exchange reserve	Merger reserve	Accumulated losses	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2013	2	(437)	159,337	(147,119)	11,783
Loss for the year	—	—	—	(13,736)	(13,736)
Other comprehensive loss for the year:					
Exchange difference on translation of foreign operations	—	(1,228)	—	—	(1,228)
Total comprehensive loss for the year	—	(1,228)	—	(13,736)	(14,964)
Restructuring	—	—	25,356	—	25,356
At 31 December 2013	**2**	**(1,665)**	**184,693**	**(160,855)**	**22,175**
At 1 January 2014	2	(1,665)	184,693	(160,855)	22,175
Loss for the year	—	—	—	(10,272)	(10,272)
Other comprehensive loss for the year:					
Exchange difference on translation of foreign operations	—	(1,465)	—	—	(1,465)
Total comprehensive loss for the year	—	(1,465)	—	(10,272)	(11,737)
Restructuring	—	—	8,766	—	8,766
At 31 December 2014	**2**	**(3,130)**	**193,459**	**(171,127)**	**19,204**
At 1 January 2015	2	(3,130)	193,459	(171,127)	19,204
Loss for the year	—	—	—	(9,397)	(9,397)
Other comprehensive loss for the year:					
Exchange difference on translation of foreign operations	—	(2,618)	—	—	(2,618)
Total comprehensive loss for the year	—	(2,618)	—	(9,397)	(12,015)
Restructuring	—	—	(106)	—	(106)
At 31 December 2015	**2**	**(5,748)**	**193,353**	**(180,524)**	**7,083**
At 1 January 2016	2	(5,748)	193,353	(180,524)	7,083
Loss for the period	—	—	—	(5,598)	(5,598)
Other comprehensive loss for the period:					
Exchange difference on translation of foreign operations	—	950	—	—	950
Total comprehensive loss for the period	—	950	—	(5,598)	(4,648)
Restructuring	(2)	—	2	—	—
At 30 June 2016	**—**	**(4,798)**	**193,355**	**(186,122)**	**2,435**
At 1 January 2015	2	(3,130)	193,459	(171,127)	19,204
Loss for the period (unaudited)	—	—	—	(4,271)	(4,271)
Other comprehensive loss for the period:					
Exchange difference on translation of foreign operations	—	(1,032)	—	—	(1,032)
Total comprehensive loss for the period	—	(1,032)	—	(4,271)	(5,303)
Restructuring	—	—	52	—	52
At 30 June 2015 (unaudited)	**2**	**(4,162)**	**193,511**	**(175,398)**	**13,953**

COMBINED STATEMENT OF CASH FLOW

	Six months ended 30 June		As at 31 December		
	2016	2015	2015	2014	2013
	US$'000	US$'000 (Unaudited)	US$'000	US$'000	US$'000
CASH FLOWS FROM OPERATING ACTIVITIES:-					
Loss before taxation	(5,552)	(4,231)	(9,307)	(11,156)	(14,123)
Adjustments for :-					
Depreciation and amortization	1,414	1,398	2,784	3,137	2,803
Interest expenses	1,305	1,122	2,355	1,379	1,171
Written off of property, plant and equipment	—	—	—	18	10
Provision for impairment of trade receivable	—	—	—	47	115
Written down of inventories	—	—	—	110	—
Fair value adjustment of contingent consideration	231	171	(352)	255	(119)
Loss on disposal of property, plant and equipment			6	52	3
Exchange difference	(42)	(473)	(252)	(344)	247
Operating loss before working capital changes	(2,644)	(2,013)	(4,766)	(6,502)	(9,893)
Movements in :-					
Inventories	(26)	15	(25)	193	87
Trade receivables and other receivables	735	(1,278)	(1,646)	(1,083)	295
Other non-current assets	33	(131)	126	(6)	(17)
Trade payables	(1,032)	2,160	2,143	1,153	(898)
Accruals, other payables and consideration payables	(127)	(2,120)	(1,663)	(960)	437
Due to shareholders	47,093	6,141	10,222	11,883	13,788
Cash generated from operations	44,032	2,774	4,391	4,678	3,799
Interest paid	(1,259)	(1,078)	(1,669)	(942)	(1,124)
Net cash generated from operating activities	42,773	1,696	2,722	3,736	2,675
CASH FLOW FROM INVESTING ACTIVITIES:-					
Purchases of property and equipment	(513)	(696)	(1,374)	(735)	(1,125)
Purchases of intangible assets	(58)	(29)	(30)	(25)	(52)
Proceeds from the sale of property and equipment	—	—	—	18	10
Acquisition of labs, net of cash acquired	—	(405)	(655)	(3,388)	(1,202)
Net cash used in investing activities	(571)	(1,130)	(2,059)	(4,130)	(2,369)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds on debt obligations	7	—	—	702	9
Payments on debt obligations	(2)	(445)	(492)	(43)	(90)
(Increase) / decrease in restricted cash	(4,235)	225	(242)	460	153
Principal payments on finance lease obligations	(148)	(145)	(168)	(267)	(325)
Net cash (used in) / generated from financing activities	(4,378)	(365)	(902)	852	(253)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENT	37,824	201	(239)	458	53
Effect of change in foreign exchange rates	30	(295)	(187)	(13)	(23)
CASH AND CASH EQUIVALENTS AT:-					
Beginning of Year	67	493	493	48	18
End of Year	37,921	399	67	493	48
Balance of cash and cash equivalents	37,921	399	67	493	48

B. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

1.1 Organization and operations

RTFP Dental Inc. (formerly known as MDI Intermediate Holdings, Inc.) (the "Target Company") was incorporated as a company on 6 May 2016 in the State of Delaware, United States of America ("USA"). The registered office of the Target Company is in Wilmington, Delaware, USA and the principal of business of the Target Company is in Dublin, California, USA. In order to rationalise the Target Group structure, the following Reorganisation was implemented:

(a) On 6 May 2016, the Target Company was incorporated in the USA and RTFP Dental Holdings Inc. (formerly known as MicroDental Inc.) directly held the entire issued share capital in the Target Company; and

(b) On 26 May 2016, the Target Company acquired the entire issued share capital of MicroDental Laboratories, Inc., QDRI Dental Resources, Inc., Tetra Dynamics, Inc., DTI Dental Technologies Inc., and DTI America, Inc. from RTFP Dental Holdings Inc. for a consideration of US$100.

Upon completion of the aforesaid Reorganisation, the Target Company became the holding company of the subsidiaries and business entities now comprising the Target Group.

The Target Company is an investment holding company. During the Relevant Periods, the Target Company's subsidiaries were primarily engaged in the acquisition and operation of dental laboratories in the United States and Canada which design and fabricate dentures, crowns, fixed bridges, and other dental prosthetic appliances.

1.2 Information about subsidiaries

Particulars of the subsidiaries comprising the Target Group are as follows:

			Percentage of equity attributable to the Target Company				
			As at 30 June	As at 31 December			
Company name	Place and date of incorporation/registration and place of operations	Registered/Issued and paid-up capital	2016	2015	2014	2013	Principal activities
Directly owned:							
Micro Dental Laboratories	United States 25 November 1974	100 shares, No Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices
QDRI Dental Resources, Inc.	United States 30 August 2007	100 shares, US$0.0001 Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices
Tetra Dynamics, Inc.	United States 1 March 1999	500 shares, No Par Value	100%	100%	100%	—	Trading of dental prosthetic devices
DTI Dental Technologies Inc.	Canada 27 December 2006	1 share, No Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices
DTI America, Inc.	United States 28 June 2000	100 shares, No Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices

Company name	Place and date of incorporation/registration and place of operations	Registered/Issued and paid-up capital	Percentage of equity attributable to the Target Company As at 30 June 2016	As at 31 December 2015	2014	2013	Principal activities
Indirectly owned:							
C Q C Prosthodontics, Inc.	United States 24 February 1986	100 shares, No Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices
Ward Dental Lab, Inc.	United States 21 January 1999	100 shares, US$1.00 Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices
Precision Dental Arts, Inc.	United States 26 April 1971	100 shares, US$1.00 Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices
Westbrook & Associates, Inc.	United States 22 January 1981	100 shares, US$10.00 Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices
Hermanson Dental Services, Inc.	United States 31 December 1964	100 shares, US$10.00 Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices
Di Martino Dental Laboratories, Inc.	United States 10 September 1970	100 shares, No Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices
Ray Woods Dental Laboratories, Inc.	United States 29 March 1990	750 shares, No Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices
Becden Dental Laboratory, LLC	United States 6 April 1999	Not applicable	100%	100%	100%	100%	Trading of dental prosthetic devices
MicroDental Laboratories, Inc.	United States 18 October 1982	100 shares, No Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices
Donnell Dental Lab, Inc.	United States 1 April 1982	100 shares, US$1.00 Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices
Associated Dental Laboratory of Kentucky, Inc.	United States 15 November 1979	100 shares, No Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices
Mitch Dental Lab, Inc.	United States 30 September 1987	100 shares, No Par Value	100%	100%	100%	100%	Trading of dental prosthetic devices

No statutory financial statements have been prepared for all of the above companies under the Target Group as they are not subject to statutory requirements under the relevant rules and regulations in the jurisdiction of incorporation. However, the consolidated financial statements of RTFP Dental Holdings Inc. (Formerly known as MicroDental Inc.), the holding company of all of the above companies under the Target Group before the completion of the Reorganisation for the year ended 31 December 2013 were audited by BDO USA, LLP ("BDO") and for the years ended 31 December 2014 and 2015 were audited by SingerLewak LLP ("Singer Lewak") in accordance with auditing standards generally accepted in the United States of America. The consolidated financial statements for the three years ended 31 December, 2013, 2014 and 2015 were prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). BDO issued its audit opinion on 14 August 2014 and Singer Lewak issued its audit opinion on 30 June 2015 and 31 May 2016 that all included an emphasis of matter paragraph regarding the RTFP Dental Holdings Inc.'s reliance on its principal shareholder for its financing needs respectively.

BDO has not been engaged with RTFP Dental Holdings, Inc. to provide any services since the date of issuance of its audit opinion. Both BDO and Singer Lewak have not audited the conversion of US GAAP financial statements into IFRS compliant financial statements or any related transactions since the date of issuance of their audit opinions respectively. Further, BDO and Singer Lewak have not performed any procedures with respect to this Circular and thus they have not audited, reviewed, or compiled and provide no assurances with respect to any historical or prospective financial information presented herein.

2. BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in Note 1 to this report, the Target Company became the holding company of the companies now comprising the Target Group since 26 May 2016. The companies now comprising the Target Group were under the common control of the RTFP Dental Holdings Inc. throughout the Relevant Periods or since their respective dates of incorporation after the Reorganisation. The control is not transitionary and, consequently, there was a continuation of the risks and benefits to the ultimate controlling party. Therefore, the Reorganisation is considered as a business combination of entities under common control. Accordingly, for the purpose of this report, the Financial Information of the Target Group has been prepared on a combined basis as if the Target Company had been the holding company of the Target Group throughout the Relevant Periods, using the principles of the pooling of interests accounting principles (otherwise known as "carry over accounting" or "predecessor accounting").

The combined statement of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows include the results and cash flows of the companies comprising the Target Group have been prepared as if the current group structure had been in existence throughout the Relevant Periods or since their respective date of incorporation after the Reorganisation. The combined statements of financial position of the Target Group as at 31 December 2013, 2014 and 2015 and 30 June 2016 have been prepared to present the assets and liabilities of the companies comprising the Target Group as if the current group structure had been in existence as at those dates.

3. BASIS OF PREPARATION

3.1 Statement of Compliance

The Financial Information set out in this report has been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. The Financial Information complies with IFRS as issued by the International Accounting Standards Board (IASB).

The IASB has issued a number of new and revised IFRS. For the purpose of preparing this Financial Information, the Target Group has adopted all applicable new and revised IFRS to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting year beginning 1 July 2016. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 July 2016 are set out in note 4.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

3.2 Going Concern

At 30 June 2016, the Target Group had net current liabilities and accumulated deficiency of approximately US$32 million and US$186 million, respectively. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern. The Financial Information has been prepared on a going concern basis, the validity of which depends upon the support of its shareholder whereas the shareholder has agreed to provide financial support to the Target Group to maintain as a going concern and not to demand for any repayment of the amount due to the sole shareholder of approximately US$72 million as at 30 June 2016 until the Target Group is in a financial position to do so. Upon completion of the Acquisition, the validity of going concern basis will depend upon the financial support of the Company, at a level sufficient to finance the working capital requirements of the Target Group. The Company has agreed to provide adequate funds for the Target Group to meet its liabilities as they fall due. The directors of the Target Company is therefore of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. The Financial Information does not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Target Group be unable to continue as a going concern.

3.3 Historical cost convention

The Financial Information has been prepared on a historical cost basis, except for certain financial liabilities (contingent consideration) measured at fair value.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Group has not early applied the following new and revised IFRSs, that have been issued but are not yet effective.

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IAS 7 Amendments	*Disclosure Initiative*[2]
IAS12 Amendments	*Recognition of Deferred Tax Assets for Unrealized Losses*[2]
IFRS 16	*Leases*[3]
IFRS 2 Amendments	*Clarification of the classification and measurement of share-based payment transactions*[1]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2017

3 Effective for annual periods beginning on or after 1 January 2019

The Target Group does not anticipate that the adoption of these new/revised IFRSs in future periods will have any material impact on the results and financial position of the Target Group.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of Consolidation

The Financial Information comprises the Target Company and its subsidiaries and has been prepared using the pooling of interest accounting principles as if the Target Group had always been in

existence. The Target Company was incorporated in USA on 6 May 2016. Pursuant to the Reorganisation which was completed on 26 May 2016, the Target Company became the holding company of the companies now comprising the Target Group. The companies that took part in the reorganisation were controlled by Healthpoint Capital Partner II, LP. (the ''Ultimate Parent Company'') prior to and after the Reorganisation. The control is not transitionary and, consequently, there was a continuation of the risks and benefits to the ultimate controlling party. Therefore, the Reorganisation is considered as a business combination of entities under common control.

(a) Combination of business under common control

A business combination in which the combining entities are ultimately controlled by the same individual both before and after the combination and the control is not transitory is accounted for using the pooling of interests accounting principles (otherwise known as ''carry over accounting'' or ''predecessor accounting''). The principles of predecessor accounting are:

- The Target Group does not restate assets and liabilities to their fair values. Instead the Target Group incorporates the assets and liabilities at the amounts recorded in the books of the acquired company (the predecessor carrying values) adjusted only to achieve harmonisation of accounting policies.
- No goodwill arises in predecessor accounting. Differences between the consideration given and the aggregate book value of the assets and liabilities are included in equity in retained earnings.
- The Financial Information incorporates the acquired entity's results as if both entities (acquirer and acquiree) had always been combined from the date that common control was achieved. Consequently, the Financial Information reflects both entities' full year's results, even though the business combination may have occurred part of the way through the period. In addition, the corresponding amounts for the previous years also reflect the combined results of both entities, even though the transaction did not occur until the current period.

(b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Target Company has control. The Target Company controls an entity when the Target Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Target Company. They are deconsolidated from the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Target Group.

(c) Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between members of the Target Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

5.2 Business Combinations

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 Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target 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 Target 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.

When the consideration the Target Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from acquisition date) about facts and circumstances that existed as of the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments that is deemed to be an asset or liability is recognised in accordance with IAS 39 Financial Instruments: Recognition and Measurement either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

5.3 Goodwill

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 Target Group's previously held equity interests in the acquisition 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.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target

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 Target Group are assigned to those units or groups of units.

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.

5.4 Fair Value of Financial Instruments

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 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 Target 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 Information is 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:

Level 1— Quoted prices in active markets for identical assets or liabilities.

Level 2— Quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. These inputs are valued using market-based approaches.

Level 3— Inputs are unobservable inputs based on the Target Group's assumptions. These inputs, if any, are valued using internal financial models.

For assets and liabilities that are recognised in the financial information on a recurring basis, the Target 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.

The Target Group measures its contingent consideration liability at fair value at the end of each reporting period. The fair value of contingent consideration in relation to acquisitions is calculated by discounting the expected values of future cash flows. Future cash flows expected to be paid are based upon the Target Group's best estimate of the achievement of the underlying milestones in the purchase

agreements. The valuation requires the management to make estimates about the annual growth rates of revenues of the companies acquired, volatility of revenue and discount rate.

5.5 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 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 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.

5.6 Related Parties

A party is considered to be related to the Target 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 Target Group;

  (ii) has significant influence over the Target Group; or

  (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

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

  (i) the entity and the Target 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 Target 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 Target Group or an entity related to the Target 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 Target Group or to the parent of the Target Group.

5.7 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the 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 Target 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:

Leasehold improvements:	14% or at a percentage that equals to the reciprocal of the unexpired lease period, whichever is larger
Plant and machinery:	14%–50%
Motor vehicles:	14%–33.33%
Furniture and equipment:	14%–20%

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 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.

5.8 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.

(a) Software

Software is amortised on the straight-line basis over the estimated useful life of 3 to 5 years.

(b) Customer relationship

Customer relationship is amortised on the straight-line basis over its estimated useful life of 5 to 15 years.

(c) Trade name

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

(d) Non-compete agreement

Non-compete agreement is amortised on the straight-line basis over the estimated useful life of 5 to 7 years.

5.9 Leases

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

5.10 Financial assets

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. 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.

The classification depends on the purpose for which the investments were acquired.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

(b) Derecognition

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 Target Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target 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 Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough 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 Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target 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 Target 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 Target Group could be required to repay.

(c) Impairment

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

5.11 Financial liabilities

(a) 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 Target Group's financial liabilities include trade payables, notes payables, finance lease payables, contingent consideration related to acquisition, other payables and accruals, and amounts due to shareholders and related parties.

(b) Subsequent measurement

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

(i) 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 Company 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 profit or loss. The net fair value gain or loss recognised in the 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.

(ii) 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 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 profit or loss.

(c) 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 profit or loss.

(d) 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.

5.12 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 profit or loss.

Provisions for product warranties granted by the Target 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.

5.13 Inventories

Inventories are generally recorded at the lower of cost or net realizable value under the first-in, first-out method of accounting. Costs of purchased inventory are determined after deducting rebates

and discounts. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories primarily consist of purchased raw materials.

5.14 Cash and cash equivalent and Restricted Cash

For the purpose of the combined statement of cash flows, all demand deposits and investments with an original maturity to the Target Group of 90 days or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, as cash and cash equivalents. The Target Group had approximately US$5,723,000 of restricted cash as at 30 June 2016 and US$1,488,000 of restricted cash as at 31 December 2015, (2014: US$1,246,000; 2013: US$1,706,000), which were pending cash payments to MidCap Financial, LLC for the Revolving Line of Credit. In connection with RTFP Dental Holding Inc.'s MidCap Revolving Line of Credit, the Target Group is required to maintain a lockbox control and custody account. The cash held in the lockbox account is restricted as to withdrawal or use and serves as repayment of the revolving line of credit.

For the purpose of the combined 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.

5.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when title to the product transfers (which is generally on delivery or transferred to the third-party carrier), the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and no significant vendor obligation remains. Revenue is recorded net of returns, discounts, and allowances. The Target Group does not require collateral or any other form of security from customers. Shipping and handling costs are included in cost of goods sold. Taxes collected from customers and remitted to governmental authorities are excluded from revenue.

5.16 Post-retirement benefits

The Target Group offers a 401K plan to employees and has historically matched employee contributions to the plan up to 3% of the employee's salary. In February 2014, the Target Group suspended the employer match contribution related to the plan.

5.17 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 capitalisation 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.

5.18 Income Taxes

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 Target 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.

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 carrying forward 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 carry forward 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.

5.19 Foreign Currency Translation and Transactions

The Financial Information are presented in United States dollars, which is the Target Company's functional currency. Each entity in the Target Group determines its own functional currency and items included in the Financial Information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target 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 profit or loss.

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 United States dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into United States dollars at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into United States 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 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 combined statement of cash flows, the cash flows of overseas subsidiaries are translated into United States 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 United States dollars at the weighted average exchange rates for the year.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's Financial Information 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.

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 Target 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 Target 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 amount of goodwill was approximately US$24 million as at 30 June 2016 and US23 million as at December 31 2015 (2014: US$24 million, 2013: US$22 million). Further details are given in note 15 to the Financial Information.

Impairment of non-financial assets (other than goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. 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.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Further disclosures are given in note 34 to the Financial Information.

Contingent consideration payables

The Target Group has accounted for the contingent consideration payables in the acquisition of subsidiaries as detailed in Note 29 in accordance with the provisions of IFRS 3 — Business Combinations. The amount of future cash flows which would be paid as consideration of the acquisition is subject to the results of the acquired subsidiaries. The Target Group determines the provision to be made in respect of the contingent consideration based on the directors' best estimate and weighted probability analysis of the achievement of performance requirements in future by the subsidiaries. As the process requires input of subjective assumptions, any changes to the assumptions can materially affect the provision made. Subsequent gain or loss in fair value is recognised in profit or

loss. Total provision made in respect of contingent consideration by the Target Group amounted to approximately US$1,231,000 as at 30 June 2016 and US$1,488,000 as at December 31 2015 (2014: US$2,018,000; 2013: US$321,000) and was included in contingent consideration payables.

Provision for impairment of trade and other receivables

The Target Group reports trade receivables at net realizable value. Allowances for doubtful accounts and sales returns are estimated based on historical write-off percentages and management's assessment of specific past due or delinquent customer accounts. The delinquency status of customers is determined by reference to contractual terms. Doubtful accounts are written off against the allowance for doubtful accounts after collection efforts have been exhausted, and are recorded as recoveries of bad debts if subsequently collected. The allowance for doubtful accounts was approximately US$643,000 as at 30 June 2016 and US$644,000 as at 31 December 2015 (2014: US$675,000; 2013: US$702,000). All accounts receivables are from customers located in North America.

Useful lives of property, plant and equipment

The Target 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 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 Target 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 25 to the Financial Information.

7. OPERATING SEGMENT INFORMATION

In the opinion of the directors of the Target Company, all revenue and operating results of the Target Group are all derived from the dental laboratories which provide customized dental restorations and prosthetics services from North America. Therefore, no analysis by operating segment and geographical segment is presented.

All the non-current assets excluding financial instruments and deferred tax assets of the Target Group are located in North America.

No one single external customer has contributed over 10% of the total revenue of the Target Group for the Relevant Periods.

Geographical information

The Target Group operates in one geographic segment, North America. Therefore, the revenue information above is based on one location of customers in North America. All the non-current assets excluding financial instruments and deferred tax assets of the Target Group are located in North America.

8. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

	Six months ended 30 June		Year ended 31 December		
	2016	2015	2015	2014	2013
	US$'000	US$'000 (Unaudited)	US$'000	US$'000	US$'000
Revenue					
Sales of goods	**35,957**	**33,581**	**67,416**	**64,004**	**60,126**
Other income					
Insurance claim	—	72	321	—	—
Others	—	159	159	25	131
	—	231	480	25	131
Gains					
Remeasurement gain on contingent consideration	—	—	371	—	119
Other income and gains	**—**	**231**	**851**	**25**	**250**

9. LOSS BEFORE TAX

The Target Group's loss before tax is arrived at after charging/(crediting) the following items:

	Six months ended 30 June		Year ended 31 December		
	2016	2015	2015	2014	2013
	US$'000	US$'000 (Unaudited)	US$'000	US$'000	US$'000
Cost of inventories sold	10,162	9,344	14,438	13,131	12,517
Depreciation	725	695	1,342	1,507	1,526
Amortisation of intangible assets	689	703	1,442	1,630	1,277
Rent and other occupancy costs	2,782	3,015	6,454	6,473	6,508
Auditors' remuneration	—	—	154	324	447
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 11)):					
Wages and salaries	20,915	19,411	37,717	37,470	37,826
Pension scheme contributions	—	—	—	11	153
	35,273	33,168	37,717	37,481	37,979
Loss on disposal of items of property and equipment, net	—	—	6	52	3
Business combination related expenses	—	577	810	964	—
Remeasurement (gain)/loss on contingent consideration	231	171	(371)	255	(119)
Write-off of property, plant and equipment	—	—	—	18	10
Provision for impairment of trade receivables	—	—	—	47	115
Written down of inventories	—	—	—	110	—
Foreign exchange differences, net	(30)	295	187	13	23

10. FINANCE COSTS

	Six months ended 30 June		Year ended 31 December		
	2016	2015	2015	2014	2013
	US$'000	US$'000 (Unaudited)	US$'000	US$'000	US$'000
Interest on bank loans, overdrafts and other loans	264	271	568	527	508
Finance charges on bank loans	468	567	1,129	501	380
Interest on shareholders' loan	428	131	418	190	132
Interest on finance leases	99	109	177	161	151
Others	46	44	63	—	—
	1,305	**1,122**	**2,355**	**1,379**	**1,171**

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total
	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2015				
Kimberly Sickenger	397	—	—	**397**
William Johnson	329	—	—	**329**
Leonard Liptak	294	—	—	**294**
	1,020	—	—	**1,020**
Year ended 31 December 2014				
Kimberly Sickenger	422	—	—	**422**
Leonard Liptak	250	—	—	**250**
	672	—	—	**672**
Year ended 31 December 2013				
Kimberly Sickenger	401	—	—	**401**
	401	—	—	**401**
Six months ended June 2016				
William Johnson	260	—	—	**260**
Leonard Liptak	220	—	—	**220**
	480	—	—	**480**
Six months ended June 2015 (Unaudited)				
Kimberly Sickenger	397	—	—	**397**
William Johnson	165	—	—	**165**
Leonard Liptak	147	—	—	**147**
	709	—	—	**709**

12. FIVE HIGHEST PAID EMPLOYEES

Of the five highest paid employees, one, two, three, three and two, for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively, is/are director(s) whose emoluments are set out in note 11 above. The aggregate emoluments of the other key management personnel that are neither a director nor the chief executive are as follows:

	Six months ended 30 June		Year ended 31 December		
	2016	2015	2015	2014	2013
	US$'000	US$'000 (Unaudited)	US$'000	US$'000	US$'000
Salaries, allowances and benefits in kind	337	209	418	718	989
Performance related bonuses	193	153	307	230	337
Pension scheme contributions	—	—	—	—	3
	530	**362**	**725**	**948**	**1,329**

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

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

	Six months ended 30 June		Year ended 31 December		
	2016	2015	2015	2014	2013
		(unaudited)			
HK$1,000,001 to HK$1,500,000 (equivalent to approximately US$129,000 to US$193,000)	3	2	—	—	—
HK$2,000,001 to HK$2,500,000 (equivalent to approximately US$284,000 to US$316,000)	—	—	—	2	1
HK$2,500,001 to HK$3,000,000 (equivalent to approximately US$332,000 to US$372,000)	—	—	2	1	3
	3	2	2	3	4

13. INCOME TAX EXPENSES

The Target Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Target Group are domiciled and operate.

	Six months ended 30 June		Year ended 31 December		
	2016	2015	2015	2014	2013
	US$'000	US$'000 (unaudited)	US$'000	US$'000	US$'000
Current taxation charge / (credit):					
USA profits tax and other income tax	44	15	30	27	(30)
Foreign corporation tax	—	3	7	15	(274)
	44	18	37	42	(304)
Deferred taxation arising from origination and reversal of temporary differences					
(Increase) / decrease in deferred tax	2	22	53	(926)	(83)
	46	40	90	(884)	(387)

The tax charge on the Target Group's profit before taxation differs from the theoretical amount that would arise using the United States of America profits tax rate for the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2015 and 2016 were 37.04%, 37.38%, 38.09%, 38.09% and 35.98%, respectively.

	Six months ended 30 June		Year ended 31 December		
	2016	2015	2015	2014	2013
	US$'000	US$'000 (unaudited)	US$'000	US$'000	US$'000
Loss before tax	(5,552)	(4,231)	(9,307)	(11,156)	(14,123)
Calculated at the applicable domestic tax rates	(1,998)	(1,612)	(3,545)	(4,170)	(5,282)
Expenses not deductible for tax purposes	25	14	31	102	75
Unused tax losses not recognized	2,255	1,433	3,152	3,951	5,252
Unrecognised temporary differences	(236)	220	484	(842)	(819)
Net effect of profit taxed overseas	—	61	135	156	195
Others	—	(76)	(167)	(81)	192
Tax charge / (credit)	**46**	**40**	**90**	**(884)**	**(387)**

14. PROPERTY, PLANT AND EQUIPMENT

	Lease hold improvements	Furniture and equipment	Plant and machinery	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
30 June 2016					
At 1 January 2016					
Cost	2,210	5,273	9,527	818	17,828
Accumulated depreciation	(1,923)	(3,855)	(7,046)	(615)	(13,439)
Net carrying amount	287	1,418	2,481	203	4,389
At 1 January 2016, net of accumulated depreciation	287	1,418	2,481	203	4,389
Additions	24	333	156	—	513
Depreciation provided during the period	(62)	(124)	(493)	(46)	(725)
Exchange realignment	—	1	8	2	11
At 30 June 2016, net of accumulated depreciation	**249**	**1,628**	**2,152**	**159**	**4,188**
At 30 June 2016					
Cost	2,234	5,607	9,691	820	18,352
Accumulated depreciation	(1,985)	(3,979)	(7,539)	(661)	(14,164)
Net carrying amount	**249**	**1,628**	**2,152**	**159**	**4,188**

	Lease hold improvements	Furniture and equipment	Plant and machinery	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
31 December 2015					
At 1 January 2015					
Cost	2,163	4,324	9,232	790	16,509
Accumulated depreciation	(1,801)	(3,423)	(6,322)	(616)	(12,162)
Net carrying amount	362	901	2,910	174	4,347
At 1 January 2015, net of accumulated depreciation	362	901	2,910	174	4,347
Additions	73	776	408	117	1,374
Acquisition of subsidiaries (note 29)	—	7	56	—	63
Disposals	—	(2)	(3)	(2)	(7)
Reclassification	(1)	3	(7)	5	—
Depreciation provided during the year	(146)	(260)	(852)	(84)	(1,342)
Exchange realignment	(1)	(7)	(31)	(7)	(46)
At 31 December 2015, net of accumulated depreciation	**287**	**1,418**	**2,481**	**203**	**4,389**
At 31 December 2015					
Cost	2,210	5,273	9,527	818	17,828
Accumulated depreciation	(1,923)	(3,855)	(7,046)	(615)	(13,439)
Net carrying amount	**287**	**1,418**	**2,481**	**203**	**4,389**

	Lease hold improvements	Furniture and equipment	Plant and machinery	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
31 December 2014					
At 1 January 2014					
Cost	1,990	4,043	8,805	827	15,665
Accumulated depreciation	(1,663)	(3,049)	(5,706)	(577)	(10,995)
Net carrying amount	327	994	3,099	250	4,670
At 1 January 2014, net of accumulated depreciation	327	994	3,099	250	4,670
Additions	108	196	392	39	735
Acquisition of subsidiaries (note 29)	80	37	382	67	566
Disposals	—	(10)	(20)	(22)	(52)
Reclassification	(4)	20	(8)	(20)	(12)
Depreciation provided during the year	(150)	(302)	(921)	(134)	(1,507)
Exchange realignment	1	(34)	(14)	(6)	(53)
At 31 December 2014, net of accumulated depreciation	**362**	**901**	**2,910**	**174**	**4,347**
At 31 December 2014					
Cost	2,163	4,324	9,232	790	16,509
Accumulated depreciation	(1,801)	(3,423)	(6,322)	(616)	(12,162)
Net carrying amount	**362**	**901**	**2,910**	**174**	**4,347**

	Lease hold improvements	Furniture and equipment	Plant and machinery	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
31 December 2013					
At 1 January 2013					
Cost	1,837	3,629	8,124	836	14,426
Accumulated depreciation	(1,491)	(2,541)	(4,981)	(524)	(9,537)
Net carrying amount	346	1,088	3,143	312	4,889
At 1 January 2013, net of accumulated depreciation	346	1,088	3,143	312	4,889
Additions	150	289	633	53	1,125
Acquisition of Subsidiaries (note 29)	14	52	156	6	228
Disposals	—	—	(12)	—	(12)
Depreciation provided during the year	(184)	(421)	(804)	(117)	(1,526)
Exchange realignment	1	(14)	(17)	(4)	(34)
At 31 December 2013, net accumulated depreciation	**327**	**994**	**3,099**	**250**	**4,670**
At 31 December 2013					
Cost	1,990	4,043	8,805	827	15,665
Accumulated depreciation	(1,663)	(3,049)	(5,706)	(577)	(10,995)
Net carrying amount	**327**	**994**	**3,099**	**250**	**4,670**

The net carrying amount of the Target Group's property, plant and equipment held under finance leases included in the tables above consist of the following items:

Category	As at 30 June 2016	As at 31 December 2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Furniture and equipment	69	183	143	266
Motor vehicles	104	137	83	75
Plant and machinery	299	564	514	669
	472	**884**	**740**	**1,010**

15. GOODWILL

	As at 30 June 2016	As at 31 December 2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
At beginning of the year	23,010	24,265	21,742	21,666
Additions	—	737	3,402	1,116
Exchange differences	832	(1,992)	(879)	(1,040)
At end of the year	**23,842**	**23,010**	**24,265**	**21,742**

The Target Group considered all operations as one cash generating unit ("CGU") as this represents the lowest level within the Target group at which goodwill is monitored for internal management purposes.

The recoverable amount of the CGU 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 the CGU beyond the five-year period are as follows:

	2016	2015	2014	2013
Discount rate	18.2%	19.8%	18.4%	19.0%
Growth rate	2.1%	2.1%	2.1%	1.9%

Key assumptions were used in the value in use calculation of each cash-generating unit for the Relevant Periods. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate—The discount rates used are pre-tax rates based on weighted average cost of capital determined using the capital asset pricing model, which reflect specific current market assessments of the time value of money and the risks relating to the CGU.

Growth rate—The long term average growth rate of the industry of the Target Group.

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.

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

The management performed impairment testing 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 31 December 2013, 2014 and 2015 and as at 30 June 2016.

16. INTANGIBLE ASSETS

	Trade name	Customer base	Non-compete Agreements	Software	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost at 1 June 2016, net of accumulated amortisation	3,618	4,461	238	58	8,375
Addition	45	—	—	13	58
Amortisation provided during the period	(300)	(332)	(36)	(21)	(689)
Exchange realignment	60	51	8	—	119
Net carrying amount	**3,423**	**4,180**	**210**	**50**	**7,863**
At 30 June 2016					
Cost	10,300	21,341	1,538	1,745	34,924
Accumulated amortisation	(6,877)	(17,161)	(1,328)	(1,695)	(27,061)
Net carrying amount	**3,423**	**4,180**	**210**	**50**	**7,863**

	Trade name	Customer base	Non-compete Agreements	Software	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost at 1 January 2015, net of accumulated amortisation	4,375	4,914	355	65	9,709
Addition	—	—	—	30	30
Acquisition of subsidiaries (note 29)	27	403	9	—	439
Amortisation provided during the year	(596)	(703)	(106)	(37)	(1,442)
Exchange realignment	(188)	(153)	(20)	—	(361)
Net carrying amount	**3,618**	**4,461**	**238**	**58**	**8,375**
At 31 December 2015					
Cost	10,107	21,085	1,510	1,724	34,426
Accumulated amortisation	(6,489)	(16,624)	(1,272)	(1,666)	(26,051)
Net carrying amount	**3,618**	**4,461**	**238**	**58**	**8,375**

	Trade name	Customer base	Non-compete Agreements	Software	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost at 1 January 2014, net of accumulated amortisation	5,059	3,228	400	146	8,833
Addition	—	—	—	25	25
Acquisition of subsidiaries (note 29)	122	2,280	304	—	2,706
Amortisation provided during the year	(691)	(504)	(329)	(106)	(1,630)
Exchange realignment	(115)	(90)	(20)	—	(225)
Net carrying amount	**4,375**	**4,914**	**355**	**65**	**9,709**
At 31 December 2014					
Cost	10,533	21,378	1,526	1,694	35,131
Accumulated amortisation	(6,158)	(16,464)	(1,171)	(1,629)	(25,422)
Net carrying amount	**4,375**	**4,914**	**355**	**65**	**9,709**

	Trade name	Customer base	Non-compete Agreements	Software	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost at 1 January 2013, net of accumulated amortisation	5,851	2,319	317	235	8,722
Addition	—	—	—	52	52
Acquisition of subsidiaries (note 29)	—	1,262	159	—	1,421
Amortisation provided during the year	(682)	(378)	(76)	(141)	(1,277)
Exchange realignment	(110)	25	—	—	(85)
Net carrying amount	**5,059**	**3,228**	**400**	**146**	**8,833**
At 31 December 2013					
Cost	9,618	21,348	585	1,669	33,220
Accumulated amortisation	(4,559)	(18,120)	(185)	(1,523)	(24,387)
Net carrying amount	**5,059**	**3,228**	**400**	**146**	**8,833**

There were no impairment loss recognised on the Target Group's intangible assets during the Relevant Periods.

17. INVENTORIES

	As at 30 June 2016	As at 31 December		
		2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Raw material	1,112	1,116	1,066	1,032
Work in progress	315	326	295	257
Finished goods	226	185	188	130
	1,653	**1,627**	**1,549**	**1,419**

18. TRADE RECEIVABLES

	As at 30 June 2016	As at 31 December		
		2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Trade receivables	7,191	7,007	6,213	6,200
Provision for impairment	(643)	(644)	(675)	(702)
	6,548	**6,363**	**5,538**	**5,498**

The Target Group normally allows credit terms of 30 to 90 days to established customers. The Target 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 Target Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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:

	As at 30 June 2016	As at 31 December 2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Within 1 month past due	5,097	4,628	4,167	4,012
1 to 2 months past due	952	1,003	873	918
2 to 3 months past due	385	446	371	312
3 months to 1 year past due	114	283	89	230
Over 1 year past due	—	3	38	26
	6,548	**6,363**	**5,538**	**5,498**

The carrying mounts of trade receivables were primarily denominated in USD and the fair values of trade receivables approximate their carrying amounts as at 31 December 2013, 2014 and 2015 and as at 30 June 2016, respectively.

The movements in provision for impairment of trade receivables are as follows:

	As at 30 June 2016	As at 31 December 2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
At 1 January	644	675	702	817
Impairments losses recognised (note 9)		—	47	115
Amount written off as uncollectible	(3)	(31)	(74)	(225)
Exchange difference	2	—	—	(5)
	643	**644**	**675**	**702**

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately US$643,000 as at 30 June 2016 and $644,000 as at 31 December 2015, (2014: US$675,000, 2013: US$702,000) with a carrying amount before provision of approximately US$1,142,000 as at 30 June 2016 and US$1,363,000 as at 31 December 2015 (2014: US$1,173,000, 2013: US$1,270,000). 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:

	As at 30 June 2016	As at 31 December 2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Neither past due nor impaired	5,097	4,628	4,167	4,012
1 to 3 months past due	1,337	1,449	1,244	1,230
3 months to 1 year past due	114	283	89	230
Over 1 year past due	—	3	38	26
	6,548	6,363	5,538	5,498

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 Target Group. Based on past experience, the directors of the Target Group 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 Target Group's trade receivables of approximately US$6,875,000 as at 30 June 2016 and US$6,615,000 as at 31 December 2015 (2014: US$5,570,000 2013: US$5,341,000) were pledged to secure credit facilities granted to the Target Group.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2016	As at 31 December		
		2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Other accounts receivable (a)	1,990	2,236	1,575	496
Other current assets	9	372	170	108
Prepayments and deposits	616	927	969	584
	2,615	**3,535**	**2,714**	**1,188**

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. The carrying amounts of other receivables were primarily denominated in USD and the fair values of other receivables approximate their carrying amounts as at 31 December 2013, 2014 and 2015 and as at 30 June 2016, respectively.

Note:

(a) The balances mainly represented the other receivables from sale of subsidiaries, rebate receivables from suppliers, utilities and insurance refunds from landlords and other small customers. Significantly increased of other accounts receivable was mainly due to the newly acquired subsidiaries during the Relevant Periods.

20. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 30 June 2016	As at 31 December		
		2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Bank and cash balances	43,644	1,555	1,739	1,754
Less: Restricted cash	(5,723)	(1,488)	(1,246)	(1,706)
Cash and cash equivalents	**37,921**	**67**	**493**	**48**

The carrying amounts of cash and cash equivalents approximate to their fair values and represent maximum exposure to credit risk at each of the reporting dates. Cash and cash equivalents are primarily denominated in USD.

Restricted cash were cash payments to MidCap Financial, LLC for the Revolving Line of Credit. In connection with RTFP Dental Holding Inc.'s MidCap Revolving Line of Credit, the Target Group is required to maintain a lockbox control and custody account. The cash held in the lockbox account is restricted as to withdrawal or use and serves as repayment of the revolving line of credit.

21. TRADE PAYABLES

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

	As at 30 June	As at 31 December		
	2016	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Within 1 month	2,238	2,193	1,718	1,472
1 to 2 months	950	1,365	811	914
2 to 3 months	780	1,231	804	531
Over 3 months	2,420	2,631	1,944	655
	6,388	**7,420**	**5,277**	**3,572**

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 are primarily denominated in USD and approximate to their fair values due to their relatively short maturity terms.

22. ACCRUALS AND OTHER PAYABLES

	As at 30 June	As at 31 December		
	2016	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Accruals and other provisions	6,185	5,748	6,263	5,993
Other payables	856	764	611	744
Amounts due to related parties	—	—	299	85
Amounts due to a shareholder	52,250	—	—	—
	59,291	**6,512**	**7,173**	**6,822**

The above balances are unsecured and non-interest-bearing. The carrying amounts of above balances are primarily denominated in USD and approximate to their fair values.

The amounts due to a shareholder represent the First Milestone Payment received on behalf of a shareholder, which are repayable on demand.

Included in the components of accruals and other provisions, the Target Group provides a limited warranty for specific products and makes allowances for estimated future warranty costs in the period in which the revenue is recorded. Warranty is limited to materials and workmanship on products, and generally covers one year from the date of shipment. The warranty reserve is estimated based on the Target Group's historical experience.

The following is a summary of the Target Group's accrued warranty activity during the Relevant Periods:

	As at 30 June	As at 31 December		
	2016	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Balance at beginning of year	238	196	158	123
Provision made	1,369	2,497	2,430	2,000
Amount utilised	(1,368)	(2,455)	(2,392)	(1,965)
Balance at end of year	239	238	196	158

23. BORROWINGS

Borrowings consisted of the following items:

	As at 30 June		As at 31 December					
	2016		2015		2014		2013	
	Effective/ contractual interest rate	Amount	Effective/ contractual interest rate	Amount	Effective/ contractual interest rate	Amount	Effective/ contractual interest rate	Amount
	(%)	US$'000	(%)	US$'000	(%)	US$'000	(%)	US$'000
Notes payables	2.5%	152	2.5%	154	2.5% to 8.5%	646	6% to 8.5%	90
Notes payables to related parties	2.5%	23	2.5%	16	2.5%	25	2.5%	279
Loans from a shareholder	8.5%	19,943	8.5%	25,054	8.5%	14,227	8.5%	10,124
Finance lease payables (note 24)	8.5%	362	8.5%	510	8.5%	678	8.5%	945
		20,480		25,734		15,576		11,438
Represented by:								
Current portion		20,297		25,462		15,248		10,914
Non-current portion		183		272		328		524
		20,480		25,734		15,576		11,438

Loans from a shareholder are secured by a portion of the Target Group's restricted cash and trade receivables and are repayable on demand.

All other borrowings are unsecured and repayable as follow:

	As at 30 June	As at 31 December		
	2016	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Analysed into:				
Notes payables				
Within one year	23	16	468	304
In the second year	24	22	26	28
In the third to fifth years, inclusive	128	132	177	37
	175	170	671	369
Finance lease payables (note 24)				
Within one year	186	285	381	478
In the second year	96	125	241	325
In the third to fifth years, inclusive	80	100	56	142
	362	510	678	945
	537	**680**	**1,349**	**1,314**

24. FINANCE LEASE PAYABLES

The Target Group leases vehicles and equipment under finance leases and these leases have the remaining lease terms through 2020.

The total future minimum lease payments under finance leases and their present values were as follows:

	Minimum leases payments: As at 30 June	Minimum leases payments: As at 31 December			Present value of minimum leases payments: As at 30 June	Present value of minimum leases payments: As at 31 December		
	2016	2015	2014	2013	2016	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Amounts payable:								
Within one year	194	285	381	489	186	272	364	439
In the second year	97	125	241	329	96	120	230	306
In the third to fifth years, inclusive	92	134	103	232	80	118	84	200
Total minimum finances lease payments	**383**	**544**	**725**	**1,050**	**362**	**510**	**678**	**945**
Future finance charges	(21)	(34)	(47)	(105)				
Total net finance lease payables (note 23)	362	510	678	945				
Portion classified as current liabilities	(179)	(238)	(350)	(421)				
Non-current portion	**183**	**272**	**328**	**524**				

25. DEFERRED TAX

Significant components of the Target Company's deferred tax liabilities and assets are as follows:

	As at 30 June	As at 31 December		
	2016	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Deferred tax liabilities:				
Property and equipment	(58)	(51)	(332)	(158)
Intangible assets	(1,863)	(2,089)	(2,452)	(1,946)
Goodwill	(225)	(223)	(181)	(139)
Total deferred tax liabilities	(2,146)	(2,363)	(2,965)	(2,243)
Deferred tax assets:				
Accrued liabilities and others	1,899	2,117	2,837	2,212
Total deferred tax assets	1,899	2,117	2,837	2,212
Net deferred tax liabilities	(247)	(246)	(128)	(31)
As reported on the Balance Sheet:				
Net deferred tax liabilities	**(247)**	**(246)**	**(128)**	**(31)**

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

	Accrued liabilities and others	Property and equipment	Intangibles	Goodwill	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2013	2,582	(215)	(1,954)	(191)	222
Acquired in business combination (note 29)	18	—	(377)	23	(336)
Recognised in profit and loss	(388)	57	385	29	83
At 31 December 2013 and 1 January 2014	**2,212**	**(158)**	**(1,946)**	**(139)**	**(31)**
Acquired in business combination	45	(73)	(996)	—	(1,024)
Recognised in profit and loss	580	(101)	490	(42)	927
At 31 December 2013 and 1 January 2014	**2,837**	**(332)**	**(2,452)**	**(181)**	**(128)**
Acquired in business combination	**—**	**—**	**(70)**	**6**	**(64)**
Recognised in profit and loss	**(720)**	**281**	**433**	**(48)**	**(54)**
At 31 December 2015	**2,117**	**(51)**	**(2,089)**	**(223)**	**(246)**
Recognised in profit and loss	(218)	(7)	226	(2)	(1)
At 30 June 2016	**1,899**	**(58)**	**(1,863)**	**(225)**	**(247)**

Deferred tax is calculated in full on temporary differences under the liability method. The tax rate used in respect of combined US Federal and State deferred tax for the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2015 and 2016 were 37.04%, 37.38%, 38.09%, 38.09% and 35.98%, respectively.

The Target Group has not recognised deferred tax assets of approximately US$34 million as at June 2016 and US$34 million as at 31 December 2015 (2014: US$31 million; 2013: US$27 million) in respect of tax losses amounting to approximately US$151 million as at 30 June 2016 and US$140 million as at 31 December 2015 (2014: US$130 million; 2013: US$114 million) as it is not certain that the benefit could be realised in the foreseeable future. These tax losses expire on various dates from 2016 through 2035 under the current tax legislation.

26. SHARE CAPITAL

	As at 30 June	As at 31 December		
	2016	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Combined capital	—	2	2	2

In May 2016 the Target Company issued 100 shares of its common stock with par value of US$1 each to RTFP Dental Holdings Inc. in exchange for acquiring 100% outstanding shares in all the Target Company's subsidiaries as detailed in Note 1.

Since the Reorganisation was not completed on 31 December 2015, the share capital in the combined statements of financial position as at 31 December 2013, 2014 and 2015 represented an aggregate amount of the paid-in capital of the companies comprising the Target Group.

27. EXECUTIVE, DIRECTOR AND CONSULTANT STOCK PLAN

The shareholder of the Target Group, RTFP Dental Holdings Inc. (the "Shareholder") operates an executive, director and consultant stock plan (the "Stock Plan") for the purpose of attracting and

retaining eligible participants to induce them to work for the benefit of the Shareholder or its parent or subsidiaries (including the Target Group) (an "Affiliate) and to provide additional incentive for them to promote the success of the Shareholder or of an Affiliate. The Stock Plan shall be subject to the administration of the board of directors (the "Board") and the Board may delegate the authority to a Committee (the "Committee"). Eligible participants of the Stock Plan include the Company's directors, other employees or consultant of the Group and any other person selected by the Board or the Committee from time to time. The Stock Plan became effective on 29 March 2010 and, unless otherwise cancelled or amended, will remain in force until 16 April 2017.

The number of shares which may be issued from time to time pursuant to the Stock Plan shall be 2,000,000 shares of Class B Common Stock, or the equivalent of such number of shares after the Board or the Committee (if authority is delegated), in its sole discretion, has interpreted the effect of any stock split, stock dividend, combination, recapitalization or similar transactions of adjustment events.

The offer of a grant of shares may be accepted within the time period and in a manner prescribed in the grant letter. The Board or the 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 Committee from time to time.

The following shares were outstanding under the Stock Plan during the Relevant Periods:

	Exercise price	Number of Grants
At 1 January 2013	—	933,000
Granted during the year	—	328,000
Forfeited during the year	—	(56,250)
At 31 December 2013	—	1,204,750
At 1 January 2014	—	1,204,750
Granted during the year	—	65,000
Forfeited during the year	—	(302,500)
At 31 December 2014	—	967,250
At 1 January 2015	—	967,250
Granted during the year	—	80,000
Forfeited during the year	—	(40,750)
At 31 December 2015	—	1,006,500
At 1 January 2016	—	1,006,500
Granted during the period	—	—
Forfeited during the period	—	—
At 30 June 2016	—	1,006,500

The estimated fair value of the shares granted during the years of 2013, 2014 and 2015 and the six months ended of 2016 were US$843, US$0, US$0 and US$0 respectively, of which the Target Group didn't recognise as employee benefit expense due to minimum amount during the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively. There were no shares granted during the six months ended 30 June 2016.

The fair value of equity-settled shares granted on respective grant date was estimated as at the date of grant, based on business enterprise value of the Shareholder and its subsidiaries, taking into account the terms and conditions upon which the shares were granted. The business enterprise value of the Shareholder and its subsidiaries was determined using the Black-Scholes option pricing model to estimate the fair value of the shares at the date of the grant.

The following assumptions used in the Black Scholes valuation model were as followings:

	As at 30 June	As at 31 December		
	2016	2015	2014	2013
Expected term in years	0.3	0.3	1.2	2.3
Risk-free interest rate	0.7%	0.6%	0.6%	0.6%
Expected volatility	23.6%	25.8%	28.3%	34.0%
Dividend yield	Nil	Nil	Nil	Nil
Estimated fair value at grant date	Nil	Nil	Nil	US$0.0007

Expected term of 0.3 – 2.3 years is based on the assumption that the Shares will be vested halfway between the average vesting date and the contractual term of each Share granted since The Shareholder does not have sufficient historical data upon which to estimate an expected term. Given that the Shareholder's stock has not been publicly traded, the Target Group believes above is an applicable methodology to estimate the expected term of the Share as of the grant date.

The risk free interest rates are based on U.S. treasury instruments whose terms are consistent with the expected lives of the Share.

Expected volatility is based on a weighing of the historical and implied volatilities of the Target Group and for a set of public guideline companies deemed comparable to it. The guideline companies selected operate in a similar industry, pursue similar market opportunities, and are subject to similar risk of operation.

The target group has no dividend policy and paid in past.

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

28. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the combined statement of changes in equity.

Merger reserve

Merger reserve arising from the Reorganisation is described in Note 1.

29. BUSINESS COMBINATIONS, ACQUISITIONS AND DISPOSALS

Sale of Otter Creek

On 5 January 2015, DTI Dental Technologies Inc., operating as Cosmo Dental Laboratory agreed to sell back the orthodontics business operating as a division known as Otter Creek Orthodontics in exchange for US$145,000. Certain assets and liabilities including accounts receivable

as well as accounts payable were excluded from these combined financial information for the year ended 31 December 2015.

Blue Crown Dental Arts, LLC

On 1 July 2015, the Target Group purchased 100% shares of Blue Crown Dental Arts, LLC. (Blue Crown) in exchange for US$436,000 of purchase consideration. Blue Crown's principal business activity is trading of dental prosthetics devices. The purpose of this acquisition was to expand the Target Group's customer base in the region and increase its portfolio of network labs. The Target Group recorded the purchase of Blue Crown using the acquisition method of accounting, and recognized the assets and liabilities at their fair values at the date of acquisition. The results of operations were included in the Target Group's combined results of operations beginning at the date of acquisition.

	Fair value recognised on acquisition
	US$'000
Inventories	50
Property and equipment	50
Intangible assets	242
Accounts payable	(46)
Total identifiable net assets at fair value	296
Goodwill on acquisition	94
	390
Satisfied by:	
Cash payment to sellers	250
Debt settlement upon acquisition	(46)
FV of contingent consideration	186
	390

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

	US$'000
Cash consideration	(250)
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents included in cash flow from investing activities	(250)
Transaction costs of the acquisition included in cash flow from operating activities	(19)
	(269)

The acquired intangible assets consist of customer relationships, trade names, and covenants not to compete and are being amortized over 14, 4, and 3 years, respectively. The Target Group recorded US$94,000 of goodwill related to the acquisition, of which the full amount is expected to be deducted for tax purposes. The goodwill represents the expected synergies to be gained through expanding the Target Group's geographic reach in the Northwest America. Included in the goodwill 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.

Total acquisition-related costs of US$18,900 were expensed in 2015 and are included in selling, general and administrative expenses in the combined statement of profit and loss.

Contingent consideration

Previous owners of Blue Crown are eligible for annual milestone payments for two years based on retained revenue, the range of payments are US$0 – US$140,000 per year.

From the date of acquisition, Blue Crown contributed approximately US$421,000 of revenue and approximately US$94,000 profit from operations before income taxes of the Target Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been approximately US$67,828,000 and loss from operations before income taxes for the Target Group would have been approximately US$9,229,000.

Rock Creek Dental Lab, Inc.

On 8 June 2015, the Target Group purchased 100% shares of Rock CreekDental Lab, Inc. (Rock Creek) in exchange for US$510,000 of purchase consideration. Rock Creek's principal business activity is trading of dental prosthetic devices. The purpose of this acquisition was to expand the Target Group's customer base in the region and increase its portfolio of network labs. The Target Group recorded the purchase of Rock Creek using the acquisition method of accounting, and recognized the assets and liabilities at their fair values at the date of acquisition. The results of operations were included in the Target Group's combined results of operations beginning at the date of acquisition.

	Fair value recognised on acquisition
	US$'000
Inventories	3
Property and equipment	2
Intangible assets	118
Other payables	(14)
Shareholder's loan	(37)
Deferred tax liability	(64)
Total identifiable net assets at fair value	8
Goodwill on acquisition	400
	408
Satisfied by:	
Cash payment to sellers	203
Debt settlement upon acquisition	(14)
Waiver of debt from previous shareholder	(37)
FV of contingent consideration	256
	408

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

	US$'000
Cash consideration	(203)
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents included in cash flow from investing activities	(203)
Transaction costs of the acquisition included in cash flow from operating activities	(6)
	(209)

The Target Group recorded approximately US$400,000 of goodwill related to the acquisition, of which the full amount is expected to be deducted for tax purposes. The goodwill represents the expected synergies to be gained through expanding the Target Group's geographic reach in the region. Included in the goodwill 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.

Total acquisition-related costs of US$5,800 were expensed in 2015 and are included in selling, general and administrative expenses in the combined statement of profit and loss.

Contingent consideration

Previous owners of Rock Creek are eligible for annual milestone payments for two years based on retained revenue, the range of payments are US$0 – US$163,000 per year.

From the date of acquisition, Rock Creek contributed approximately US$315,000 of revenue and approximately US$32,000 to profit from operations before income taxes of the Target Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been approximately US$67,714,000 and loss from operations before income taxes for the Target Group would have been approximately US$9,253,000.

Phoenix Dental Laboratory, Inc.

On 26 June 2015, the Target Group purchased 100% shares of Phoenix Dental Laboratory, Inc. (Phoenix) in exchange for US$325,000 of purchase consideration. Phoenix's principal business activity is trading of dental prosthetic devices. The purpose of this acquisition was to expand the Target Group's customer base in the region and increase its portfolio of network labs. The Target Group recorded the purchase of Phoenix using the acquisition method of accounting, and recognized the assets and liabilities at their fair values at the date of acquisition. The results of operations were included in the Target Group's combined results of operations beginning at the date of acquisition.

	Fair value recognised on acquisition
	US$'000
Property and equipment	11
Intangible assets	81
Total identifiable net assets at fair value	92
Goodwill on acquisition	243
	335
Satisfied by:	
Cash payment to sellers	202
FV of contingent consideration	133
	335

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

	US$'000
Cash consideration	(202)
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents included in cash flow from investing activities	(202)
Transaction costs of the acquisition included in cash flow from operating activities	(5)
	(207)

The acquired intangible assets consist of customer relationships, trade names, and covenants not to compete and are being amortized over 14, 4, and 5 years, respectively. The Target Group recorded approximately US$243,000 of goodwill related to the acquisition, of which the full amount is expected to be deducted for tax purposes. The goodwill represents the expected synergies to be gained through expanding the Target Group's geographic reach in Ontario, Canada. Included in the goodwill 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.

Total acquisition-related costs of US$5,200 were expensed in 2015 and are included in selling, general and administrative expenses in the combined statement of profit and loss.

Contingent consideration

Previous owners of Phoenix are eligible for an annual milestone payment based on retained revenue, the range of the payment is US$0 – US$144,000.

From the date of acquisition, Phoenix contributed approximately US$194,000 of revenue and approximately US$18,000 to profit from operations before income taxes of the Target Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been approximately US$67,624,000 and loss from operations before income taxes for the Target Group would have been approximately US$9,279,000.

Tetra Dynamics, Inc.

On 1 December 2014, the Target Group purchased 100% shares of Tetra Dynamics, Inc. (Tetra) in exchange for US$3,143,000 of purchase consideration. Tetra's principal business activity is trading of dental prosthetic devices. The purpose of this acquisition was to expand the Target Group's customer base in the region and increase its portfolio of network labs. The terms of the acquisition included 156,089 Series A common shares of MicroDental valued at approximately $549,000 at the acquisition date. In addition the Target Group entered into a written put option which gave each of the sellers of Tetra an option to convert Series A common shares of MicroDental issued to them into a convertible note, at a value of $6.23 per share, on 1 December 2017 and is recorded as a liability. The value of these put options, calculated using present value of the redemption amount, was approximately US$423,000 and was carved out of the value fair value of Series A common shares of MicroDental. The Target Group recorded the purchase of Tetra using the acquisition method of accounting, and recognized the assets and liabilities at their fair values at the date of acquisition. The results of operations were included in the Target Group's combined results of operations beginning at the date of acquisition.

The purchase price allocation based on the fair value of the assets acquired and liabilities assumed is as follows:

	Fair value recognised on acquisition
	US$'000
Cash	120
Accounts receivable	727
Inventories	170
Prepaid expenses	77
Property and equipment	166
Intangible assets	570
Accounts payable	(312)
Accrued payables	(11)
Deferred tax liabilities	(210)
Total identifiable net assets at fair value	1,297
Goodwill on acquisition	1,846
	3,143
Satisfied by:	
Cash payment to sellers	1,575
Cash payment to pay off existing line of credit	68
Series A common stock of MicroDental, Inc. issued on closing	549
Liability for Put Option on Series A common stock of MicroDental	423
FV of contingent consideration	528
	3,143

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

	US$'000
Cash consideration	(1,643)
Cash and bank balances acquired	120
Net outflow of cash and cash equivalents included in cash flow from investing activities	(1,523)
Transaction costs of the acquisition included in cash flow from operating activities	(10)
	(1,533)

The acquired intangible assets consist of customer relationships, trade names, and covenants not to compete and are being amortized over 10, 4, and 5 years, respectively. The Target Group recorded approximately US$1,846,000 of goodwill related to the acquisition, of which the full amount is expected to be deducted for tax purposes. The goodwill represents the expected synergies to be gained through expanding the Target Group's geographic reach in the Northeast. Included in the goodwill 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.

Total acquisition-related costs of US$53,000 were expensed in 2014 and are included in selling, general and administrative expenses in the combined statement of profit and loss.

Contingent consideration

Previous owners of Tetra are eligible for annual milestone payments for two years based on subsidiary's earnings before interest, tax, depreciation and amortisation ("EBITDA"). The range of payments are US$0 – US$300,000 per year, plus 50% of EBITDA in excess of US$400,000.

From the date of acquisition, Tetra contributed approximately US$357,000 of revenue and approximately US$23,000 to loss from operations before income taxes of the Target Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been approximately US$68,134,000 and loss from operations before income taxes for the Target Group would have been approximately US$11,034,000.

Lemke Dental Laboratories, Inc.

On 3 February 2014, the Target Group purchased 100% shares of Lemke Dental Laboratories, Inc. (Lemke) in exchange for US$3,394,000 of purchase consideration. Lemke's principal business activity is trading of dental prosthetic devices. The purpose of this acquisition was to expand the Target Group's market share in the region and obtain cost savings by combining operations with an existing lab. The Target Group recorded the purchase of Lemke using the acquisition method of accounting, and recognized the assets and liabilities at their fair values at the date of acquisition. The results of operations were included in the Target Group's combined results of operations beginning at the date of acquisition.

The purchase price allocation based on the fair value of the assets acquired and liabilities assumed is as follows:

	Fair value recognised on acquisition
	US$'000
Cash	67
Accounts receivable	255
Inventories	263
Related party notes receivables	103
Property and equipment	400
Deposits	20
Intangible assets	2,136
Accounts payable	(240)
Accrued payables	(147)
Finance lease payables	(205)
Deferred tax liabilities	(814)
Total identifiable net assets at fair value	1,838
Goodwill on acquisition	1,556
	3,394
Satisfied by:	
Cash payment to sellers	2,000
Cash payment to pay off existing line of credit	481
FV of contingent consideration	913
	3,394

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

	US$'000
Cash consideration	(2,481)
Cash and bank balances acquired	67
Net outflow of cash and cash equivalents included in cash flow from investing activities	(2,414)
Transaction costs of the acquisition included in cash flow from operating activities	(568)
	(2,982)

The acquired intangible assets consist of customer relationships and covenants not to compete and are being amortized over 15 and 10 years, respectively. The Target Group recorded approximately US$1,556,000 of goodwill related to the acquisition, of which the full amount is expected to be deducted for tax purposes. The goodwill represents the expected synergies to be gained through expanding the Target Group's geographic reach in the Midwest. Included in the goodwill recognised above are mainly distribution channels, 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.

Total acquisition-related costs of US$131,000 and US$504,000 were expensed in 2013 and 2014, respectively and are included in selling, general and administrative expenses in the combined statement of profit or loss.

Contingent consideration

Previous owners of Lemke are eligible for annual milestone payments for three years based on retained revenue, the range of payments are US$280,000 – US$400,000 per year.

From the date of acquisition, Lemke contributed approximately US$3,045,000 of revenue and approximately US$447,000 to profit from operations before income taxes of the Target Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been approximately US$64,340,000 and loss from operations before income taxes for the Target Group would have been approximately US$11,200,000.

Cosmo Dental Laboratory

On 17 December 2013 the Target Group completed the acquisition of 100% of the outstanding shares of Cosmo Dental Laboratory (Cosmo Dental) in Ottawa, Ontario Canada in exchange for US$2,214,000 of purchase consideration. Cosmo Dental's principal business activity is trading of dental prosthetic devices. The purpose of the acquisition was to expand the Target Group's customer base in the region. The terms of the acquisition included 105,618 Class A common shares of MicroDental valued at approximately US$557,000 at the acquisition date. The Target Group recorded the purchase of Cosmo Dental Laboratories using the acquisition method of accounting, and recognized the assets and liabilities at their fair values at the date of acquisition. The results of operations were included in the Target Group's combined result of operations beginning at the date of acquisition.

The purchase price allocation based on the fair value of the assets acquired and liabilities assumed is as follows:

	Fair value recognised on acquisition
	US$'000
Accounts receivable	323
Inventories	62
Prepaid expenses and other receivables	20
Property and equipment	223
Intangible assets	1,421
Accounts payable	(102)
Accrued payables	(310)
Finance lease payables	(203)
Deferred tax liabilities	(336)
Total identifiable net assets at fair value	1,098
Goodwill on acquisition	1,116
	2,214
Satisfied by:	
Cash payment to sellers	1,028
Cash payment to pay off existing line of credit	154
Series A common stock of MicroDental Inc. issued on closing	557
Assumption of Related Party Debt	279
FV of contingent consideration	196
	2,214

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

	US$'000
Cash consideration	(1,182)
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents included in cash flow from investing activities	(1,182)
Transaction costs of the acquisition included in cash flow from operating activities	(124)
	(1,306)

The acquired intangible assets consist of customer relationships and covenants not to compete and are being amortized over 15 and 5 years respectively. The Target Group recorded approximately US$1,116,000 of goodwill related to the acquisition, of which the full amount is expected to be deducted for tax purposes. Included in the goodwill 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.

Total acquisition-related costs of US$124,000 were expensed in 2013 and included in selling, general and administrative expenses in the combined statement of profit or loss.

Contingent consideration

In accordance with the acquisition agreement, the previous owners of Cosmo are eligible for cash milestone payments totaling CAD$300,000 in two annual installments of up to CAD$150,000

each provided gross revenue targets are achieved, of which approximately US$26,000 was subsequently paid.

From the date of acquisition, Cosmo contributed approximately US$16,000 of revenue and approximately US$2,000 to profit from operations before income taxes of the Target Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been approximately US$64,075,000 and loss from operations before income taxes for the Target Group would have been approximately US$13,902,000.

Ceramic Arts

In October 2013, the Target Group purchased the net assets of Ceramic Dental Arts for US$30,000. The purpose of the acquisition was to expand the customer base of the Target Group's network labs with the customers being integrated into an existing lab (Associated Dental Lab of Kentucky). The Target Group recorded the purchase of Ceramic Arts Laboratories using the acquisition method of accounting, and recognized the assets and liabilities at their fair values at the date of acquisition. The results of operations were included in the Target Group's combined statement of profit or loss beginning at the date of acquisition. Per the terms of the agreement, US$10,000 of cash consideration was paid as of the acquisition date, with an additional amount of US$10,000 to be paid in January 2014. The remaining consideration of US$10,000 is to be paid in ten monthly installments of US$1,000 commencing in February 2014.

The purchase price allocation based on the fair value of the assets acquired and liabilities assumed is as follows:

	Fair value recognised on acquisition
	US$'000
Property and equipment	5
Customer relationships	25
Total identifiable net assets at fair value	30
Satisfied by:	
Cash payment to sellers	20
Contingent consideration to be paid in monthly installments	10
	30

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

	US$'000
Cash consideration	(20)
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents included in cash flow from investing activities	(20)
Transaction costs of the acquisition included in cash flow from operating activities	—
	(20)

30. CONTINGENT LIABILITIES

The Target Group had no significant contingent liability as at 31 December 2013, 2014 and 2015 and as at 30 June 2016.

Legal Proceedings

In the ordinary course of business, the Target Group is engaged in routine legal proceedings. Management believes that any ultimate liability arising from these actions will not have a material effect on the Target Group's combined financial position, operating results, or cash flows.

31. OPERATING LEASE ARRANGEMENTS

As lessee

The Target Group leases office and lab space in the United States and Canada under non-cancelable operating leases. Rent expense is recorded on a straight-line basis over the term of the respective leases. The operating leases expire at various times through 31 December 2022, with renewal options at fair market value for additional periods of up to five years.

The Target Group had total future minimum lease payments in respect of office and lab space required under non-cancellable operating leases falling due as follows:

	As at 30 June	As at 31 December		
	2016	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Within one year	3,273	3,295	4,139	4,074
In the second to fifth years, inclusive	2,627	2,602	5,887	8,969
After five years	122	163	278	382
	6,022	6,060	10,304	13,425

Total rent expense for the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2015 and 2016, were approximately, US$$4,053,000, US$3,932,000, US$3,937,000, US$1,653,000 and US$1,535,000, respectively. The rent expense associated with these leases from related parties for the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2015 and 2016, were approximately, US$2,741,000, US$2,975,000, US$3,055,000, US$1,155,000, and US$1,023,000, respectively.

In addition, the Target Group leases equipment classified as operating leases. Rent expense for these equipment leases for the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2015 and 2016 were approximately, US$24,000, US$22,000, US$30,000, US$15,000 and US$12,000 respectively.

The Target Group had total future minimum lease payments in respect of equipment required under non-cancellable operating leases falling due as follows:

	As at 30 June	As at 31 December		
	2016	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Within one year	23	24	31	27
In the second to fifth years, inclusive	6	12	37	52
	29	36	68	79

32. RELATED PARTY TRANSACTIONS

(1) Transactions with related parties

(a) In addition to the transactions detailed elsewhere in these Financial Information, the Target Group had the following transactions with related parties during the Relevant Periods:

	Six months ended 30 June		Year ended 31 December		
	2016	2015	2015	2014	2013
	US$'000	US$'000 (unaudited)	US$'000	US$'000	US$'000
(i) Purchase from related companies	60	99	90	86	55
(ii) Fees from shareholder	—	—	—	5	83
(iii) Rent expenses paid to related parties	1,584	1,184	3,055	2,980	2,741
(iv) Interest expense paid to shareholder	437	132	418	17	132

(2) Compensation of key management personnel of the Target Group

	Six months ended 30 June		Year ended 31 December		
	2016	2015	2015	2014	2013
	US$'000	US$'000 (unaudited)	US$'000	US$'000	US$'000
Short term employee benefits	654	709	1,020	672	401
Post-employment benefits	—	—	—	—	—
Total compensation paid to key management personnel	654	709	1,020	672	401

33. 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

30 June 2016	Loans and Receivable
	US$'000
Financial assets included in other long-term assets	281
Trade receivables	6,548
Other current assets	1,999
Restricted cash	5,723
Cash	37,921
Total	52,472

Financial liabilities

30 June 2016	Financial liabilities at amortised cost
	US$'000
Financial liabilities included in other long-term liabilities	562
Notes payable	152
Finance lease payables	362
Related party notes payables	23
Amounts due to a shareholder	52,250
Loans from a shareholder	19,943
Trade payables	6,388
Accruals and other payables	7,041
Total	86,721

Financial assets

31 December 2015	Loans and Receivable
	US$'000
Financial assets included in other long-term assets	314
Trade receivables	6,363
Other current assets	2,608
Restricted cash	1,488
Cash	67
Total	10,840

Financial liabilities

31 December 2015	Financial liabilities at amortised cost
	US$'000
Financial liabilities included in other long-term liabilities	685
Notes payable	154
Finance lease payables	510
Related party notes payables	16
Loans from a shareholder	25,054
Trade payables	7,420
Accruals and other payables	6,512
Total	40,351

Financial assets

31 December 2014	Loans and Receivable
	US$'000
Financial assets included in other long-term assets	440
Trade receivables	5,538
Other current assets	1,745
Restricted cash	1,246
Cash	493
Total	9,462

Financial liabilities

31 December 2014	Financial liabilities at amortised cost
	US$'000
Financial liabilities included in other long-term liabilities	925
Notes payables	646
Finance lease payables	678
Related party notes payables	25
Loans from a shareholder	14,227
Trade payables	5,277
Accruals and other payables	7,173
Total	28,951

Financial assets

31 December 2013	Loans and Receivable
	US$'000
Financial assets included in other long-term assets	434
Trade receivables	5,498
Other current assets	604
Restricted cash	1,706
Cash	48
Total	8,290

Financial liabilities

31 December 2013	Financial liabilities at amortised cost
	US$'000
Financial liabilities included in other long-term liabilities	1,179
Notes payables	90
Finance lease payables	945
Related party notes payables	279
Loans from a shareholder	10,124
Trade payables	3,572
Accruals and other payables	6,822
Total	23,011

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following table presents the Target Group's fair value measurements that are measured at the estimated fair value, on a recurring basis, categorized in accordance with the fair value hierarchy:

	Level 3
	US$'000
Fair value at 1 January 2013—Contingent Consideration	**580**
Change due to settlement of contingent consideration related to acquisitions of Tassi and Aesthetics	(336)
Addition for contingent consideration related to acquisition of COSMO Dental Lab	196
Change in fair value included in earnings	(119)
Fair value at 31 December 2013—Contingent Consideration	**321**
Addition for contingent consideration related to acquisition of Lemke Dental Lab and Tetra Dynamics	1,441
Change in fair value included in earnings	255
Fair value at 31 December 2014—Contingent Consideration	**2,017**
Addition for contingent consideration related to acquisition of Blue Crown Dental Arts, Rock Creek Dental Lab, and Phoenix Dental Laboratory	575
Change in fair value included in earnings	(371)
Less payment of contingent consideration	(733)
Fair value at 31 December 2015—Contingent Consideration	**1,488**
Addition for contingent consideration related to acquisition of Blue Crown Dental Arts, Rock Creek Dental Lab, and Phoenix Dental Laboratory	—
Change in fair value included in earnings	231
Less payment of contingent consideration	(488)
Fair value at 30 June 2016—Contingent Consideration	**1,231**

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the contingent consideration payable in cash was stated at its fair value.

Management has assessed that the fair values of cash, restricted cash, other current assets, trade receivables, trade payables, financial assets included in other long-term assets, trade payables, accrued expenses, related party accrued expense and related party notes payable and accrued interest approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Target 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:

The fair values of finance lease payables and interest-bearing 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 Target Group's own non-performance risk for

finance lease payables and interest-bearing borrowings as at 31 December 2013, 2014 and 2015 and 30 June 2016 were assessed to be insignificant.

The fair value of contingent consideration in relation to acquisitions has been calculated by discounting the expected values of future cash flows. Future cash flows expected to be paid are based upon the Target Group's best estimate of the achievement of the underlying milestones in the purchase agreements. The valuation requires the directors to make estimates about the annual growth rates of revenues of the companies acquired, volatility of revenue and discount rate.

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the management of the Target Group re-assessed the probability of fulfilling the performance requirements. The management of the Target Group determined that the acquired subsidiaries were unable to achieve the expected gross revenue targets/EBITDA/retained revenue under the guaranteed periods with respect to performance requirements as set out in note 29. As a result, the fair value of contingent consideration payable was reduced as at 31 December 2013 and 2015, respectively.

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 for the Relevant Periods.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets of the Target Group include trade receivables, deposits and other receivables, and cash and cash equivalents. Financial liabilities of the Target Group include trade payables, other payables and accruals, interest-bearing bank and other borrowings, and amount due to related parties. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Target Group has operations in the US and Canada, and due to the limited volume of cross-border transactions between these locations, no foreign currency contracts or hedging are utilized.

Interest rate risk

The Target Group's results are not materially affected by changes in interest rates since the parent loan is at a fixed interest rate that is passed through to the Target Group. The parent assesses its various debt instruments periodically to determine if refinancing alternatives exist, and the appropriate actions taken to either amend current loan agreements or seek other options, such as equity infusions.

The exposure in bank balances is minimal to the Target Group for the Relevant Periods as the bank balances are all short-term in nature.

Foreign currency risk

The Target Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Target Group in US dollars. The Target Group currently does not have a foreign currency hedging policy in

respect of foreign currency transactions, assets and liabilities. The Target Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

Credit risk is the risk of financial loss to the Target Group if a counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Target Group's receivables from customers.

The Target Group trades only with recognized and credit worthy third parties, primarily dentists and related dental specialists, along with certain corporate dental groups, universities, and government agencies. The trading terms are mainly on credit, but in some cases payment is made in advance or with credit cards. The credit period is generally 30 to 90 days, extending up to 180 days for major and government/institutional customers. The Target Group seeks to maintain control over its outstanding receivables. Overdue balances are reviewed regularly by senior and location management. The Target Group has no significant concentrations of credit risk. The Target Group's trade receivables relate to a large number of diversified customers and are non-interest-bearing.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Target Group's exposure to credit risk arising from trade receivables are set out in note 18 to the Financial Information.

Liquidity risk

The Target Group's liquidity position is monitored closely by the management of the Target Group. In management of liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and to meet its liquidity requirements in short and longer term.

During the reporting periods, the Target Group financed its working capital requirements principally by funds generated from operations and funds advanced from a shareholder (formerly known as MicroDental Inc.).

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay.

30 June 2016	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Notes payables(Note)	152	—	—	—	152
Related party notes payables(Note)	23	—	—	—	23
Amounts due to a shareholder	52,250	—	—	—	52,250
Loans from a shareholder(Note)	19,943	—	—	—	19,943
Finance lease payable	—	49	146	167	362
	72,368	49	146	167	72,730

31 December 2015	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Notes payables(Note)	154	—	—	—	154
Related party notes payables(Note)	16	—	—	—	16
Loans from a shareholder(Note)	25,054	—	—	—	25,054
Finance lease payables	—	71	214	225	510
	25,224	71	214	225	25,734

31 December 2014	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Notes payables(Note)	646	—	—	—	646
Related party notes payables(Note)	25	—	—	—	25
Loans from a shareholder(Note)	14,227	—	—	—	14,227
Finance lease payables	—	95	286	297	678
	14,898	95	286	297	15,576

31 December 2013	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Notes payables(Note)	90	—	—	—	90
Related party notes payables(Note)	279	—	—	—	279
Loans from a shareholder(Note)	10,124	—	—	—	10,124
Finance lease payables	—	120	359	466	945
	10,493	120	359	466	11,438

Note: Included in notes payable, related party notes payables and loans from a shareholder contain a repayment on demand clause giving the lender has unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Capital management

The operating subsidiaries of the Target Group are dependent on the parent of the Target Company for capital management decisions and policies to support its business and maximize the shareholders' value.

36. SUBSEQUENT EVENTS

Pursuant to the Stock Purchase Agreement, the Vendor undertakes that, immediate prior to the Closing Date, the Excluded Assets and the Excluded Liabilities will be transferred to the Excluded Co. from the Target Group.

Except the above and save as disclosed elsewhere in the report, no other significant events took place after 30 June 2016.

37. HOLDING COMPANY AND ULTIMATE CONTROLLING PARTY

In the opinion of the directors, the immediate holding company of the Target Group is RTFP Dental Holdings Inc. which was incorporated in USA, and the ultimate holding company and the ultimate controlling party is HealthPoint Capital Partners II, LP, which was incorporated in USA.

C. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 30 June 2016 up to the date of this report. No dividend or distribution has been declared or made by the Target Company or any of its subsidiaries in respect of any period subsequent to 30 June 2016.

Yours faithfully,

Jonten Hopkins CPA Limited
Certified Public Accountants
Gary Y.L. Chan
Practising certificate number: P04145
Hong Kong

(2) MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group, which is based on the financial information of the Target Group as set out in this Appendix II:

General nature of the business

The Target Group is principally engaged in dental laboratory services which provide customized dental restorations and prosthetics in North America, mainly under the brand name, "MicroDental". The Target Group has over 40 years of branding history and experience in dental laboratory industry. Micro Dental Laboratories was established in California, the United States on 25 November 1974. As at the Latest Practicable Date, the Target Group owns 22 dental laboratories in North America. For further information of the general nature of the business, please refer to the paragraphs headed "Business of the Target Group" in the Letter from the Board in this circular.

Revenue

The Target Group currently generates revenue primarily from the manufacture and sale of dental restorations and prosthetics, including crowns and bridges, complete and partials dentures, implants-retained restorations.

Period to period comparisons

(i) Comparison for the six months ended 30 June 2016 to the six months ended 30 June 2015

For the six months ended 30 June 2016, the Target Company recorded a revenue of approximately US$36.0 million, representing an increase of 7.1% as compared with that of approximately US$33.6 million for the six months ended 30 June 2015. Such increase was primarily due to: sales generated from acquired dental laboratories, partially offset by decline of non-acquisitive sales due to one-time restructuring efforts at two business units, and declined average selling prices as a result of the customer's inclination towards less expensive and metal-free products.

The gross profit increased from approximately US$9.9 million for the six months ended 30 June 2015 to approximately US$10.9 million for the six months ended 30 June 2016 due to sales generated from acquired dental laboratories. The increase in gross margin as a percentage of sales from 29.5% for the six months ended 30 June 2015 to 30.2% for 2016 results from a decrease in overhead expenses, partially offset by an increase in materials expense.

The Laboratory EBITDA of the Target Group that excludes the expense of the Target Group corporate headquarters (which generally overlaps with that of the Group's existing operations), interest expenses (which will be substantially reduced following the Closing) and one-time Acquisition-related professional fee was US$3.7 million for the six months ended 30 June 2016, increasing from US$3.6 million against the six months ended 30 June 2015 principally due to an expansion in gross profit combined with a reduction in operating expenses, including a decrease in occupancy expenses, partially offset by an increase in labor, benefits, sales and marketing costs and other costs.

The increase in interest expense from US$1.1 million for the six months ended 30 June 2015 to US$1.3 million for the six months ended 30 June 2016 was principally the result of an increase of shareholders' loan. Pursuant to the Stock Purchase Agreement, the shareholders' loan shall be eliminated at the Closing.

The net loss of the Target Company for the six months ended 30 June 2016 was approximately US$5.6 million, as compared with the net loss after taxation of approximately US$4.3 million for the six months ended 30 June 2015. The increased loss was principally due to increased interest expense, discretionary corporate bonuses, as well as professional fees attributed to the sale of the Target Company.

(ii) Comparison for the year ended 31 December 2015 to the year ended 31 December 2014

For the year ended 31 December 2015, the Target Company recorded a revenue of approximately US$67.4 million, representing an increase of 5.3% as compared with that of approximately US$64.0 million for the year ended 31 December 2014. Such increase was primarily due to: sales generated from acquired dental laboratories, partially offset by decline of non-acquisitive sales due to one-time restructuring efforts at two business units, unfavorable Canadian currency exchange rates, and declined average selling prices as a result of the customer's inclination towards less expensive and metal-free products.

The gross profit increased from approximately US$17.6 million for the year ended 31 December 2014 to approximately US$18.9 million for the year ended 31 December 2015 due to sales generated from acquired dental laboratories. The increase in gross margin as a percentage of sales from 27.5% for the year ended 31 December 2014 to 28.0% for 2015 results from a decrease in overhead expenses, partially offset by an increase in materials expense.

The Laboratory EBITDA of the Target Group that excludes the expense of the Target Group corporate headquarters (which generally overlaps with that of the Group's existing operations), interest expenses (which will be substantially reduced following the Closing) and one-time Acquisition-related professional fee was US$5.9 million for the year ended 31 December 2015, increasing from US$5.6 million against 2014 principally due to an expansion in gross profit combined with a reduction in operating expenses, including a decrease in occupancy expenses, partially offset by an increase in labor, benefits and costs.

The increase in interest expense from US$1.4 million for the year ended 31 December 2014 to US$2.4 million for 2015 was principally the result of an increase of shareholders' loan. Pursuant to the Stock Purchase Agreement, the shareholders' loan shall be eliminated at the Closing.

The net loss of the Target Company for the year ended 31 December 2015 was approximately US$9.4 million, as compared with the net loss after taxation of approximately US$10.3 million for the year ended 31 December 2014. The reduction was principally due to improved Laboratory EBITDA as discussed above.

(iii) Comparison for the year ended 31 December 2014 to the year ended 31 December 2013

For the year ended 31 December 2014, the Target Company recorded a revenue of approximately US$64.0 million, representing an increase of 6.5% as compared with that of approximately US$60.1 million for the year ended 31 December 2013. Such increase was primarily due to: sales generated from acquired dental laboratories with positive growth of non-acquisitive sales supported by sales network expansion and marketing programs.

The gross profit increased from approximately US$14.0 million for the year ended 31 December 2013 to approximately US$17.6 million for the year ended 31 December 2014 due to sales generated from acquired dental laboratories as well as one-time restructuring efforts at two business units. The increase in gross margin as a percentage of sales from 23.2% for the year ended 31 December 2013 to 27.5% for 2014 results from a decrease in overhead expenses and a decrease in labor expenses.

The Laboratory EBITDA of the Target Group was US$5.6 million for the year ended 31 December 2014, increasing from US$1.1 million against 2013 principally due to the increase in gross profit, as discussed above, along with a reduction of operating expenses, principally labor and benefits costs.

The interest expense increases from US$1.2 million for the year ended 31 December 2013 to US$1.4 million for 2014, primarily in relation to the Target Group's shareholders' loan.

The net loss of the Target Company for the year ended 31 December 2014 was approximately US$10.3 million, as compared with the net loss after taxation of approximately US$13.7 million for the year ended 31 December 2013. The reduction was principally due to improved Laboratory EBITDA as discussed above.

(iv) For the year ended 31 December 2013

For the year ended 31 December 2013, the Target Company recorded a revenue of approximately US$60.1 million, which was derived from the manufacture and sale of dental restorations and prosthetics, including crowns and bridges, complete and partials dentures, implants-retained restorations. The gross profit was approximately US$14.0 million and the gross profit margin was 23.2%. The Target Company generated the Laboratory EBITDA of approximately US$1.1 million as a result of its shareholders' loan. The Target Company incurred interest expenses of US$1.2 million and net loss of approximately US$13.7 million.

Borrowing, Financing and Gearing Ratio

The Target Group's sources of funding is comprised primarily by the shareholder's loan.

As of 31 December 2013, the Target Group had a net debt (being its debts less cash and restricted cash) of US$9.7 million and the net debt-to-equity ratio (being net debt as of a percentage of total equity) of 44.9%. The amount of debts consisted of shareholder's loan, finance lease and notes payable of US$11.4 million. The cash and restricted cash amounted to US$1.8 million.

As of 31 December 2014, the Target Group had a net debt (being its debts less cash and restricted cash) of US$13.5 million and the net debt-to-equity ratio (being net debt as of a percentage of total equity) of 72.7%. The amount of debts consisted of shareholder's loan, finance lease and notes payable of US$15.3 million. The cash and restricted cash amounted to US$1.7 million.

As of 31 December 2015, the Target Group had a net debt (being its debts less cash and cash equivalents) of US$24.2 million and the net debt-to-equity ratio (being net debt as of a percentage of

total equity) of 374.2%. The amount of debts consisted of shareholder's loan, finance lease and notes payable of US$25.7 million. The cash and restricted cash amounted to US$1.6 million.

As of 30 June 2016, the Target Group had a net debt (being its debts less cash and cash equivalents) of US$27.7 million and the net debt-to-equity ratio (being net debt as of a percentage of total equity) of 820.5%. The amount of debts consisted of shareholder's loan, finance lease and notes payable of US$71.3 million. The cash and restricted cash amounted to US$43.6 million.

The overall increase of the net debt during the above period was primarily due to the Target Group's entering into notes agreements with its shareholders in order to strengthen its balance sheet and assist acquisition strategies.

For the six months ended 30 June 2015 and 2016 and for the three years ended 31 December 2013, 2014 and 2015, the range of effective interest rate per annum on the Target Group's notes payable were 2.5% – 8.5%, 2.5% – 8.5%, 6.0% – 8.5%, 2.5% – 8.5%, 2.5%, respectively. The effective interest rates per annum on the Target Group's finance lease were 8.5%, 8.5%, 8.5%, 8.5% and 8.5%, respectively. The effective interest rates per annum on the Target Group's shareholders' loan were 8.5%, 8.5%, 8.5%, 8.5% and 8.5%, respectively.

Pursuant to the Stock Purchase Agreement, the Shareholders' loan shall be eliminated at the Closing. The details of elimination of the Shareholders' loan and notes payable due to a related party are set out in this Appendix II.

Financial Position

The combined total assets of the Target Group were US$45.4 million as at 31 December 2013, US$50.3 million as at 31 December 2014, US$49.2 million as at 31 December 2015 and US$90.6 million as at 30 June 2016. The increase in consolidated total assets from 2013 to 2014 was primarily due to acquisition. The slight decrease of consolidated total assets from 2014 to 2015 was primarily due to the effect of unfavourable exchange rates on certain balance sheet items, including goodwill and other intangible assets. The increase in consolidated total assets from 31 December 2015 to 30 June 2016 was primarily due to strengthened cash base as a result of shareholders' loan.

The combined total liabilities of the Target Group were US$23.3 million as at 31 December 2013, US$31.1 million as at 31 December 2014, US$42.1 million as at 31 December 2015 and US$88.2 million as at 30 June 2016. The increase of combined total liabilities from 2013 to 2014 was primarily due to the entering into notes agreements with its shareholders and the accrued interests associated. The increase of combined total liabilities from 2014 to 2015 was primarily due to further obtaining of shareholders' loan. The increase of consolidated total liabilities from 31 December 2015 to 30 June 2016 was primarily due to further obtaining of shareholders' loan, representing the First Milestone Payment received on behalf of the Vendor, which are repayable on demand. Upon the Closing, such amount of shareholders' loan will be settled and will not be an obligation of the Target Group or the Enlarged Group.

Capital structure

The Target Group's primary source of funding is shareholder's loan which is denominated in US$. The Target Group also obtains additional fundings from bank notes and finance lease. The interest rates on shareholders' loan and finance lease are fixed. The Target Group's cash and cash equivalent are mainly denominated in US$ and CA$.

Charges on assets

As at 31 December 2013, 2014, 2015 and 30 June 2016, the Target Group's finance lease were secured by pledge of the Target Group's equipment with an aggregate carrying value of US$1.0 million, US$0.7 million, US$0.9 million and US$0.4 million respectively.

Contingent liability

The Target Group had no significant contingent liabilities as at 31 December 2013, 2014 and 2015 and 30 June 2016.

Capital Commitments

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the Target Group had operating lease commitments of US$9,663, US$6,681, US$4,246 and US$3,952, respectively, apart from which the Target Group did not have capital commitments.

Foreign Exchange Risk

The Target Group conducted its business primarily in US$. For the three years ended 31 December 2013, 2014 and 2015, the Target Group recorded net loss on foreign exchange of US$23,000, US$13,000 and US$187,000 respectively as a result of unfavorable Canadian currency exchange rates. For the six months ended 30 June 2016, the Target Group recorded net gain on foreign exchange of US$30,000, compared with a net loss on foreign exchange of US$295,000 for the six months ended 30 June 2015, due to the improved currency exchange rates in favour of the Target Group. The Target Group did not employ any financial instruments for hedging purposes.

Significant investments held, their performance and their future prospects

There were no material financial investments held by the Target Group during the financial years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016.

Material acquisitions and disposals of subsidiaries

Please refer to the paragraph headed "Material acquisitions of subsidiaries of the Target Group" in the Letter from the Board in this circular.

Further, on 26 May 2016, the Vendor and the Target Company entered into a share contribution agreement, pursuant to which the Vendor contributed, assigned, transferred and conveyed to the Target Company all shares of capital stock of (i) DTI America, Inc.; (ii) Micro Dental Laboratories, (iii) QDRI Dental Resources, Inc., (iv) Tetra Dynamics, Inc. and (v) DTI Dental Technologies Inc. in consideration of which the Target Company issued 100 shares to the Vendor, representing all of the outstanding shares of the Target Company.

Remuneration and remuneration policies of the directors and employees of the Target Group

The Target Group had 630, 650, 655 and 658 employees as at 31 December 2013, 2014 and 2015, and 30 June 2016, respectively. The remuneration policy of the Target Group reflected prevailing market practice. There is a performance related bonus plan for employees of the Target Group.

The total staff costs of the Target Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 were US$38 million, US$37.5 million, US$37.7 million and US$20.8 million respectively.

Directors and senior management of the Target Group except one senior management member of the Target Group (the "**DSM**") will not be retained in the Target Group upon the Closing. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, the staff costs in relation to the DSM was US$0.8 million, US$1.1 million, US$1.4 million and US$0.7 million. Pursuant to the Stock Purchase Agreement, the Vendor is responsible for paying bonus, severance or other similar payments that incurred prior to the Closing or which become due as a result of the Stock Purchase Agreement to any of its present or former directors, employees or consultants, including pursuant to an employment agreement, plan or any other contract, including any applicable taxes payable or triggered by any such payment. The Group's North American senior management team will be responsible for the management of the Target Group upon the Closing.

The following is an illustrative and unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**"), comprising the unaudited pro forma statement of assets and liabilities of the Enlarged Group which have been prepared on the basis of the notes set out below for the purpose of illustrating the effects of the Acquisition.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published interim report of the Group for the period ended 30 June 2016.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2016, and the combined statement of financial position of the Target Group as at 30 June 2016, after taking into account the pro forma adjustments that are (i) directly attributable to the Acquisition and not relating to future events or decisions; and (ii) factually supportable, as explained in the accompanying notes, as if the Acquisition had been completed on 30 June 2016.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties, and other currently available financial information. Because of its hypothetical nature, it may not reflect the true picture of the financial position of the Group had the acquisition of 100% equity interest of the Target Group been completed as at 30 June 2016 or at any future date. The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2016

			Pro forma adjustments					
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2016	Combined statement of assets and liabilities of the Target Group as at 30 June 2016	Liabilities not transferred to the Group	Goodwill adjustments	Acquisition related costs	Elimination of deposit paid	Exclusion of Excluded Business	Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	HK$'000 Note 1	HK$'000 Note 2	HK$'000 Note 3	HK$'000 Note 4	HK$'000 Note 5	HK$'000 Note 6	HK$'000 Note 7	HK$'000
ASSETS								
Non-current assets								
Property, plant and equipment	136,590	32,666	—	—	—	—	(4,251)	165,005
Goodwill	874,378	185,968	—	334,620	—	—	—	1,394,966
Intangible assets	324,779	61,331	—	—	—	—	—	386,110
Deferred tax assets	5,353	—	—	—	—	—	—	5,353
Deposits for purchase of property, plant and equipment	31,591	—	—	—	—	—	—	31,591
Prepayments for acquisition of subsidiaries	405,981	—	—	—	—	(405,981)	—	—
Other non-current assets	—	2,192	—	—	—	—	—	2,192
	1,778,672	**282,157**	**—**	**334,620**	**—**	**(405,981)**	**(4,251)**	**1,985,217**

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2016	Combined statement of assets and liabilities of the Target Group as at 30 June 2016	Pro forma adjustments					Unaudited pro forma statement of assets and liabilities of the Enlarged Group
			Liabilities not transferred to the Group	Goodwill adjustments	Acquisition related costs	Elimination of deposit paid	Exclusion of Excluded Business	
	HK$'000 Note 1	HK$'000 Note 2	HK$'000 Note 3	HK$'000 Note 4	HK$'000 Note 5	HK$'000 Note 6	HK$'000 Note 7	HK$'000
Current assets								
Inventories	70,190	12,893	—	—	—	—	—	83,083
Trade receivables	329,928	51,074	—	—	—	—	(764)	380,238
Prepayments, deposits and other receivables	61,733	4,805	—	—	—	—	—	66,538
Derivative financial instruments	3,263	—	—	—	—	—	—	3,263
Other current assets	—	15,592	—	—	—	—	—	15,592
Current tax assets	5,439	—	—	—	—	—	—	5,439
Pledged deposits	3,541	44,639	—	—	—	—	—	48,180
Cash and cash equivalents	510,667	295,784	—	(507,000)	—	—	—	299,451
	984,761	**424,787**	**—**	**(507,000)**	**—**	**—**	**(764)**	**901,784**
Current liabilities								
Trade payables	32,280	49,826	—	—	—	—	—	82,106
Other payables and accruals	111,369	469,825	—	—	15,600	(407,550)	(421)	188,823
Interest-bearing bank loans and other borrowings	160,617	2,582	—	—	—	—	—	163,199
Derivative financial instruments	16,413	—	—	—	—	—	—	16,413
Due to related parties	—	155,735	(155,735)	—	—	—	—	—
Tax payable	38,083	—	—	—	—	—		38,083
	358,762	**677,968**	**(155,735)**	**—**	**15,600**	**(407,550)**	(421)	**488,624**
Net current assets/ (liabilities)	**625,999**	**(253,181)**	**155,735**	**(507,000)**	**(15,600)**	**407,550**	**(343)**	**413,160**
Total assets less current liabilities	**2,404,671**	**28,976**	**155,735**	**(172,380)**	**(15,600)**	**1,569**	**(4,594)**	**2,398,377**
Non-current liabilities								
Interest-bearing bank loans and other borrowings	487,548	1,427	—	—	—	—	—	488,975
Deferred tax liabilities	30,620	1,926	—	—	—	—	—	32,546
Other non-current liabilities	5,970	6,630	(2,246)	—	—	—	—	10,354
	524,138	**9,983**	**(2,246)**	**—**	**—**	**—**	**—**	**531,875**
NET ASSETS	**1,880,533**	**18,993**	**157,981**	**(172,380)**	**(15,600)**	**1,569**	**(4,594)**	**1,866,502**

NOTES TO UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2016

1. The unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2016 is extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2016 as incorporated by reference in Appendix I to this circular.

2. The combined statement of assets and liabilities of the Target Group as at 30 June 2016 is extracted from the accountant's report on the Target Group as set out in Appendix II to this circular. The exchange rate adopted for the purpose of the compilation of the Pro Forma Financial Information is HK$7.8 to US$1.0.

3. Pursuant to the Stock Purchase Agreement, certain liabilities (being the amounts due to related parties and certain non-current liabilities) will not be transferred from the Vendor to the Group upon Closing. These balances will then be eliminated in the unaudited pro forma statement of assets and liabilities of the Enlarged Group.

   Set out below are the breakdown and nature of liabilities that will not be transferred from the Vendor to the Group upon Closing:

	US$'000	Equivalent to HK$'000
Due to related parties		
—Notes payables to related parties	23	
—Loans from a shareholder	19,943	
	19,966	155,735
Other non-current liabilities		
—Contingent consideration payables	288	2,246
	20,254	157,981

   Further details of the above liabilities are set out in Note 23 of the accountant's report on the Target Group in Appendix II to this circular and in the section headed "Statement of Indebtedness" in Appendix I to this circular.

4. Upon Closing, the Company will own 100% equity interest in the Target Group. The identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value under the acquisition method of accounting in accordance with International Financial Reporting Standard ("IFRS") 3 "Business Combinations".

   This adjustment represents the recognition of the excess of the fair value of identifiable assets acquired, and the liabilities assumed over the book value of the assets and the liabilities in the Target Group. The fair value of identifiable assets acquired and liabilities assumed in the Target Group is determined in accordance with IFRS 3 "Business Combinations".

   For the purpose of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the Directors have assumed that (i) fair value of all identifiable assets and liabilities of the Target Group either approximate to their respective carrying values or that any fair value adjustments are immaterial; and (ii) no other identifiable assets or liabilities assumed should be accounted for under the business combination apart from those being recorded by the Target Group. Purchase Price Allocation will be performed upon Closing.

In accordance with the Stock Purchase Agreement, consideration for acquisition of 100% equity interest in the Target Group is US$65 million (equivalent to HK$507,000,000) (the "base consideration"), plus or minus certain adjustments including but not limited to the final working capital, indebtedness or escrow amount of the Target Group. For simplicity, the Directors have assumed that the final consideration is the base consideration only for the purpose of the Unaudited Pro Forma Financial Information.

Goodwill is determined as the excess of the consideration paid for the acquisition and exclusion of Excluded Business over the fair values of the identifiable assets acquired and liabilities assumed of the Target Group as at 30 June 2016 as follows:

	HK$'000	HK$'000
Consideration		507,000
Exclusion of Excluded Business		4,594
Less:		
Fair value of identifiable assets		
—Net assets of Target Group	(18,993)	
—Liabilities not transferred to the Group	(157,981)	(176,974)
Goodwill		334,620

The actual fair values of the consideration and the assets and liabilities of the Target Group at the actual completion date may substantially different from the fair values used in the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group. Hence, the actual allocation of purchase price will likely result in different amounts as shown in the Unaudited Pro Forma Financial Information.

For the purpose of the Unaudited Pro Forma Financial Information, the Directors have assessed whether the goodwill of Target Group may be impaired as at 30 June 2016 in accordance with the International Accounting Standard 36 "Impairment of Assets".

Impairment assessment on goodwill

The recoverable amount of the goodwill 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.

Key assumptions were used in the value in use calculation of each cash-generating unit for the year ended 30 June 2016. The following describes each key assumption on which the Directors have based its cash flow projections to undertake impairment testing of goodwill:

Discount rate—The discount rates used are pre-tax rates based on weighted average cost of capital determined using the capital asset pricing model, which reflect specific current market assessments of the time value of money and the risks relating to the goodwill.

Growth rate—The long term average growth rate of the industry of the Target Group.

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.

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

The Directors conclude that there is no impairment on goodwill arising from the Acquisition as at 30 June 2016 as also disclosed in the note 15 of Appendix II to this circular.

5. The amount represents the estimated amounts for legal and professional fees and other expenses payable by the Group related to the acquisition.

6. The amount represents the elimination of milestone payments of US$52.25 million paid by the Group to the Target Group.

7. The assets and liabilities of the Excluded Business were extracted from the unaudited management accounts of the Target Group.

8. No adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2016.

9. The Directors confirmed that the Company will adopt consistent accounting policies and principle assumptions as used in this Appendix III to assess the impairment of the Target Group's goodwill in the consolidated financial statements of the Group for the year ending 31 December 2016.

The following is the text of a report received from Jonten Hopkins CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

Jonten Hopkins CPA Limited
中天運浩勤會計師事務所有限公司

To the Directors of
Modern Dental Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Modern Dental Group Limited (the "Company") and its subsidiaries (collectively the "Group"), and RTFP Dental Inc. and its subsidiaries (the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2016 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-5 of the Company's circular dated 30 September 2016, in connection with the proposed acquisition of the Target Group (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page III-1.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2016 as if the Transaction had taken place at 30 June 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's interim condensed consolidated financial statements for the six months ended 30 June 2016, on which no auditor's report or review conclusion has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Jonten Hopkins CPA Limited
Certified Public Accountants

Gary Y.L. Chan
Practising Certificate Number: P04145
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, or in accordance with information received by the Company, were as follows:

Name of Director	Capacity	Number of Shares interested *(Note 1)*	Total number of Shares interested *(Note 1)*	Approximate percentage of shareholding
Mr. Chan Kwun Fung	Beneficial owner	208,000(L) *(Note 2)*	472,243,263(L)	47.22%
	Other	2,787,000(L) *(Note 2)*		
	Interest of controlled corporation	469,248,263(L) *(Note 2)*		
Mr. Chan Kwun Pan	Beneficial owner	2,787,000(L) *(Note 2)*	472,243,263(L)	47.22%
	Other	208,000(L) *(Note 2)*		
	Interest of controlled corporation	469,248,263(L) *(Note 2)*		
Mr. Ngai Shing Kin	Beneficiary of a trust	2,779,345(L) *(Note 3)*	96,628,998(L)	9.66%
	Interest of controlled corporation	93,849,653(L) *(Note 4)*		
Mr. Ngai Chi Ho Alwin	Beneficiary of a trust	555,869(L) *(Note 5)*	63,122,304(L)	6.31%
	Interest of controlled corporation	62,566,435(L) *(Note 6)*		
Mr. Cheung Ting Pong	Beneficiary of a trust	635,279(L) *(Note 7)*	635,279(L)	0.06%

Notes:

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

2. Mr. Chan Kwun Fung and Mr. Chan Kwun Pan signed a confirmation letter on 10 August 2015 confirming their acting-in-concert arrangement whereby they operate the Group collectively, through discussions, and reach consensus between themselves before making any commercial decisions for the Group on a unanimous basis. As such, (i) 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, (ii) Mr. Chan Kwun Fung is deemed to be interested in the 2,787,000 Shares held by Mr. Chan Kwun Pan, and (iii) Mr. Chan Kwun Pan is deemed to be interested in the 208,000 Shares held by Mr. Chan Kwun Fung.

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.

As at the Latest Practicable Date, save as disclosed above, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of party XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Save as disclosed herein, none of the Directors holds any directorship or employment in a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

Substantial shareholders' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of Shareholder	Capacity	Total number of Shares interested (Note 1)	Approximate percentage of shareholding
Triera Holdings Limited (Note 2)	Beneficial owner	469,248,263(L)	46.92%

Notes:

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

Save as disclosed herein, as at the Latest Practicable Date, there was no other person so far as was known to the Directors or chief executive of the Company, other than the Directors or chief executive of the Company as having an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective associates is considered by the Company to have interests in business which compete with, or might compete with, either directly or indirectly, the business of the Group.

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

On 7 January 2015, a tenancy agreement was made in connection with the leasing of a premises owned by Most Wealth International Limited, a company owned by Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin as to 37.5%, 37.5% and 25%, respectively, to Modern Dental Laboratory Company Limited, a subsidiary of the Company, for a term of two years commencing from 1 September 2014 to 31 August 2016 (both days inclusive). The monthly rent of HK$171,080 (inclusive of government rents and government rates and exclusive of management fees, electricity charges and other outgoings) shall be paid pursuant to the tenancy agreement. The total amount of rent paid by the Group since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up, to the Latest Practicable Date, is HK$1,026,480.

On 10 August 2015, a master purchase agreement was made in connection with the purchase of dental prosthetic devices from Trident Dental Group Limited, a company owned by Dr. Chan Ronald Yik Long as to 33.33% from Modern Dental Laboratory Company Limited, a subsidiary of the Company, for a term commencing from 10 August 2015 to 31 December 2017. The total amount paid to the Group since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up, to the Latest Practicable Date, is HK$42,439.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Enlarged Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

7. LITIGATION

As of the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, claim or arbitration of material importance to the Enlarged Group and no litigation or claim of material importance to the Enlarged Group is known to the Directors or the Company to be pending or threatened by or against any member of the Enlarged Group.

8. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Jonten Hopkins CPA Limited	Certified Public Accountants, Hong Kong

As at the Latest Practicable Date, the above expert was not interested beneficially or otherwise in any Shares or securities in any of the subsidiaries or associated corporations (within the meaning of Part XV of the SFO) of the Company and did not have any rights, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any Shares or securities in any of the subsidiaries or associated corporations of the Company nor did they have any interests, either direct or indirect, in any assets which have been, since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

The above expert has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and/or references to their name in the form and context in which it appears.

9. MATERIAL CONTRACTS

During the two years immediately preceding the date of this circular up to and including the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business of the Company) have been entered into by the Enlarged Group and are or may be material:

(a) the stock purchase agreement entered into as of 1 December 2014, by and among Larry Borman, Robert Borman, Connie Moran (collectively, "**Sellers III**") and the Vendor, pursuant to which Sellers III agreed to sell and the Vendor agreed to purchase all outstanding shares of Tetra Dynamics, Inc. for a cash consideration of US$1,450,000 and cash milestone payments in an aggregate amount of up to US$650,000 and an aggregate of 156,089 shares of the Vendor's Series A Common Stock. In addition, the Vendor agreed to satisfy in full (up to US$70,000) the existing commercial line of credit of Tetra Dynamics, Inc. In addition, each of the Sellers III received an option agreement permitting each of the Sellers III to elect to convert the Class A Common Stock received into a subordinated promissory note in principal amount of US$324,000 each, upon the earlier to occur of the third anniversary of the closing of such acquisition and any merger, consolidation or similar transaction resulting in a change in control of the Vendor;

(b) the equity transfer agreement dated 15 December 2014 entered into between Modern Dental Laboratory Company Limited, as purchaser, and Mr. Wong Kam Ka, as vendor, regarding the transfer of 8% of the equity interest in Yangzhijin Dental Laboratory (Shenzhen) Co., Ltd from Mr. Wong Kam Ka to Modern Dental Laboratory Company Limited for a cash consideration of RMB2,608,000;

(c) the equity transfer agreement dated 15 December 2014 entered into between Yangzhijin Dental Laboratory (Shenzhen) Co., Ltd, as purchaser, and Mr. Jiang Yongcheng, as

vendor, regarding the transfer of 25% of the equity interest in Yangzhijin Dental Laboratory (Beijing) Co., Ltd from Mr. Jiang Yongcheng to Yangzhijin Dental Laboratory (Shenzhen) Co., Ltd for a cash consideration of RMB675,000;

(d) the share transfer agreement dated 16 December 2014 entered into between Modern Dental Europe Limited, as transferor, and Labocast Holding B.V., as transferee, regarding the transfer of 70% of its issued and outstanding shares of Labocast SAS, by Modern Dental Europe Limited to Labocast Holding B.V. at nil consideration;

(e) the share purchase agreement dated 17 December 2014 entered into between Modern Dental Europe Limited, as purchaser, Spitznagel B.V., as seller, Mr. Klaus-Dieter Hugo Spitznagel, MK Participations B.V. and Modern Dental Europe B.V., regarding the sale of 132 ordinary shares B in MK Participations B.V., from Spitznagel B.V. to Modern Dental Europe Limited for a cash consideration of €175,000 but may vary depending on future circumstances and events pursuant to the agreement;

(f) the termination notice dated 17 December 2014 entered into between Modern Dental Europe Limited, Spitznagel B.V., MK Participations B.V., Mr. Klaus-Dieter Hugo Spitznagel and Modern Dental Europe B.V., regarding the termination of the participation and shareholders agreement dated 1 November 2013, entered into between the same parties;

(g) the request for approval to assignment of shares dated 18 December 2014 regarding the transfer of 69 shares in Labo Ocean Indien SA, from Modern Dental Europe Limited to Labocast Holding B.V.;

(h) the notarial deed of transfer dated 19 December 2014 executed before the notary in the Netherlands by Modern Dental Europe Limited, as purchaser, Spitznagel B.V., as seller and MK Participations B.V. regarding the transfer of 132 ordinary shares B in MK Participations B.V., representing 13.2% of its issued share capital, from Spitznagel B.V. to Modern Dental Europe Limited for a cash consideration of €1 and an additional amount to be determined and paid pursuant to the agreement under paragraph (d) above;

(i) the deed of assignment of loans dated 19 December 2014 executed by Mr. Chan Kwun Fung and Mr. Chan Kwun Pan, as assignors, Triera Holdings Limited, as assignee, and the Company, regarding the assignment of the loans in the aggregate amount of HK$288,000,000 owed by the Company to Mr. Chan Kwun Fung and Mr. Chan Kwun Pan;

(j) the deed of assignment of loans dated 19 December 2014 executed by Mr. Ngai Shing Kin, as assignor, Prosperity Worldwide Investment Holdings Limited, as assignee, and the Company, regarding the assignment of the loans in the amount of HK$57,600,000 owed by the Company to Mr. Ngai Shing Kin;

(k) the deed of assignment of loans dated 19 December 2014 executed by Mr. Ngai Chi Ho Alwin, as assignor, NCHA Holdings Limited, as assignee, and the Company, regarding the assignment of the loans in the amount of HK$38,400,000 owed by the Company to Mr. Ngai Chi Ho Alwin;

(l) the share purchase agreement dated 19 December 2014 entered into between Labocast Holding B.V., as purchaser, and Mr. Gregory Scialom, as seller, regarding the sale and purchase of (i) 1,500 shares in Labocast SAS, representing 30% of its issued share

capital for a cash consideration of €4,369,412 and (ii) 30 shares in Labo Ocean Indien SA, representing 30% of its issued share capital for a cash consideration of €615,588;

(m) the order to move (*orde de mouvement*) dated 19 December 2014 regarding the transfer of 1,500 shares in Labocast SAS, from Mr. Gregory Scialom to Labocast Holding B.V. in respect of the transaction under paragraph (m) above;

(n) the certificate of assignment of shares (*bordereau de transfer dáctions*) dated 19 December 2014 regarding the transfer of 30 shares in Labo Ocean Indien SA, from Mr. Gregory Scialom to Labocast Holding B.V. for a cash consideration of €615,588 in respect of the transaction under paragraph (k) above;

(o) the share purchase agreement dated 19 December 2014 entered into between Labocast Holding B.V., as purchaser, and Sky Allied Development Limited, as seller, regarding the sale and purchase of 300 shares in Labo OI (Mauritius) Ltd, representing 30% of its issued share capital for a cash consideration of €15,000;

(p) the share transfer form dated 19 December 2014 regarding the transfer of 300 shares in Labo OI (Mauritius) Ltd, from Sky Allied Development Limited to Labocast Holding B.V. for a cash consideration of €15,000 in respect of the transaction under paragraph (n) above;

(q) the order to move (*ordre de mouvement*) dated 19 December 2014 regarding the transfer of 3,500 shares in Labocast SAS from Modern Dental Europe Limited to Labocast Holding B.V. in respect of the transaction under paragraph (c) above;

(r) the share transfer form dated 19 December 2014 regarding the transfer of 700 shares in Labo OI (Mauritius) Ltd, from Modern Dental Europe Limited to Labocast Holding B.V. for a cash consideration of €1 by way of voluntary share premium contribution in kind;

(s) the share premium contribution agreement dated 19 December 2014 entered into between Modern Dental Europe Limited, as contributor, and Labocast Holding B.V., regarding the contribution and transfer of (i) 70% of its issued and outstanding shares of Labocast SAS in respect of the transaction under paragraphs (c) and (p) above, (ii) 69 shares in Labo Ocean Indien SA, representing 69% of its issued share capital in respect of the transaction under paragraph (f) above, and (iii) 700 shares in Labo OI (Mauritius) Ltd, representing 70% of its issued share capital in respect of the transaction under paragraph (q) above, to Labocast Holding B.V., by way of voluntary share premium contribution in kind on its shares held in Labocast Holding B.V.;

(t) the share premium contribution agreement dated 19 December 2014 entered into between Modern Dental Europe Limited, as contributor, MK Participations B.V. and Modern Dental Europe B.V., regarding Modern Dental Europe Limited's share premium contribution on all issued and outstanding class A shares held by Modern Dental Europe Limited in the capital of Modern Dental Europe B.V., comprising the shares held by Modern Dental Europe Limited in the share capital of Labocast Holding B.V., without any obligation for Modern Dental Europe B.V. to pay a consideration;

(u) the notarial deed of transfer dated 19 December 2014 executed before the notary by Modern Dental Europe Limited, as transferor, Modern Dental Europe B.V., as transferee, and Labocast Holding B.V. regarding the transfer of 100 shares in Labocast

Holding B.V., representing 100% of its issued share capital from Modern Dental Europe Limited to Modern Dental Europe B.V. by way of voluntary share premium contribution in kind on the shares Modern Dental Europe Limited held in Modern Dental Europe B.V. in respect of the transaction under paragraph (s) above;

(v) the share premium contribution agreement (cash contribution I) dated 19 December 2014 entered into between Modern Dental Europe Limited, as contributor, MK Participations B.V. and Modern Dental Europe B.V., regarding the cash contribution in the amount of €5,000,000 made by Modern Dental Europe Limited on the shares held by it in Modern Dental Europe B.V., for the purpose of a subsequent cash contribution of the same amount by Modern Dental Europe B.V. on the shares held by it in Labocast Holding B.V.;

(w) the share premium contribution agreement (cash contribution II) dated 19 December 2014 entered into between Modern Dental Europe B.V., as contributor, and Labocast Holding B.V., regarding the cash contribution in the amount of €5,000,000 made by Modern Dental Europe B.V. on the shares held by it in Labocast Holding B.V. (from cash contribution I as stated in paragraph (u) above), for the purchase of (i) 1,500 shares in Labocast SAS, representing 30% of its issued share capital, and 30 shares in Labo Ocean Indien SA, representing 30% of its issued share capital, from Mr. Gregory Scialom, and (ii) 300 shares in Labo OI (Mauritius) Ltd, representing 30% of its issued share capital, from Sky Allied Development Limited;

(x) the share purchase agreement dated 19 December 2014 entered into between Elysee Dental Europe B.V., as purchaser, Deodato Invest S.L. and Miraohio Inversiones S.L., as vendors, Mr. Theo van Berkel, Mr. Rene Hegeman and Elysee Dental Iberica S.L. regarding the sale and purchase of 4,900 shares and 2,450 shares in Elysee Dental Iberica S.L., for a cash consideration of €160,000;

(y) the notarization of pledge cancellation deed dated 19 December 2014 executed before the notary regarding the deed canceling the partnership share pledge entered into between Elysee Dental Iberica S.L., Deodato Invest S.L. and Miraohio Inversiones S.L., and Elysee Dental Solutions B.V.;

(z) the notarial deed dated 19 December 2014 executed before the notary regarding the transfer of 4,900 shares in Elysee Dental Iberica S.L., from Deodato Invest S.L. to Elysee Dental Europe B.V. in respect of the transaction under paragraph (w) above;

(aa) the notarial deed dated 19 December 2014 executed before the notary regarding the transfer of 2,450 shares in Elysee Dental Iberica S.L., from Miraohio Inversiones S.L. to Elysee Dental Europe B.V. in respect of the transaction under paragraph (w) above;

(bb) the share subscription agreement dated 22 December 2014 entered into between Mr. Gregory Scialom and the Company, regarding the subscription of 81,140 Shares for a cash consideration of HK$35,003,796;

(cc) the share subscription agreement dated 22 December 2014 entered into between Mr. Tang Wing Kwong and the Company, regarding the subscription of 28,627 Shares for a cash consideration of HK$12,349,687.80;

(dd) the share subscription agreement dated 22 December 2014 entered into between Mr. Wong Kam Ka and the Company, regarding the subscription of 21,468 Shares for a cash consideration of HK$9,261,295.20;

(ee) the share subscription agreement dated 22 December 2014 entered into between Mr. Chung Wai Chau and the Company, regarding the subscription of 12,025 Shares for a cash consideration of HK$5,187,585;

(ff) the notarial deed of transfer of shares by way of liquidation distribution dated 9 February 2015 executed before the notary by MK Participations B.V., as transferor, Modern Dental Europe Limited, as transferee, and Modern Dental Europe B.V., regarding the transfer of 434 shares A and 66 shares B, representing in aggregate 5% of its issued share capital in Modern Dental Europe B.V., as a liquidation distribution in advance under the Dutch Civil Code;

(gg) the share sale agreement dated 20 March 2015 entered into between Modern Dental Pacific Holding Limited, as buyer, Ironbridge Capital II A Pty Limited, as trustee for the Ironbridge Fund II A, Ironbridge Capital II B Pty Limited, as trustee for the Ironbridge Fund II B, Ironbridge Fund II LP Pty Limited acting through its general partner Ironbridge Capital II G.P. Limited, Wisdom Holdings NV, FII FP Vehicles Limited as trustee of FPV Discretionary Trust, Buzi Bear Pty Limited as trustee for the Penn Family Trust, Australasian Ceramics Pty Ltd, as trustee for the Barry R Smith Family Trust, Kurt Smith Ceramics Pty Ltd, as trustee for the Kurt Smith Family Trust, Matt Smith Ceramics Pty Ltd, as trustee for the Matthew Smith Family Trust, Ms. Eriko Sharp, Mr. Christopher Aughton and Mr. James Squirrell, as sellers, Triera Holdings Limited, Prosperity Worldwide Investment Holdings Limited, NCHA Holdings Limited, as issuers, SCDL Holdings Pty Ltd, David Philip Penn, Barry Rowland Smith, Kurt Rowland Smith, Matthew Rowland Smith, and Albert Sharp, regarding the sale and purchase of (i) 14,887,585,155 shares in SCDL Holdings Pty Ltd, representing 100% of its issued share capital; and (ii) 100% of the loan notes issued by SCDL Holdings Pty Ltd at a price of AU$43,386,545;

(hh) the subscription agreement dated 20 March 2015 entered into between Triera Holdings Limited, Prosperity Worldwide Investment Holdings Limited, NCHA Holdings Limited, as issuers, the Company, as guarantor, Ironbridge Capital II A Pty Limited, as trustee for the Ironbridge Fund II A, Ironbridge Capital II B Pty Limited, as trustee for the Ironbridge Fund II B, Ironbridge Fund II LP Pty Limited acting through its general partner Ironbridge Capital II G.P. Limited, Wisdom Holdings NV, Australasian Ceramics Pty Ltd, as trustee for the Barry R Smith Family Trust, Kurt Smith Ceramics Pty Ltd, as trustee for the Kurt Smith Family Trust, Matt Smith Ceramics Pty Ltd, as trustee for the Matthew Smith Family Trust, Ms. Eriko Sharp, Mr. Christopher Aughton and Mr. James Squirrell (the "**SCDL Investors**"), as investors, regarding the issuers issuing exchangeable bonds in a face aggregate amount of HK$182,943,948 to the SCDL Investors in respect of the transaction under paragraph (ff) above;

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

(jj) the agreement and plan of merger entered into as of 8 June 2015, by and among Donnell Dental Lab, Inc. and the Vendor, Rock Creek Dental Ceramics Ltd. and Jeffrey Null,

pursuant to which Rock Creek Dental Ceramics Ltd. merged with and into Donnell Dental Lab, Inc. for aggregate cash consideration of US$203,004 and cash milestone payments in an aggregate amount of US$325,800;

(kk) the deed of waiver dated 15 June 2015 entered into between Triera Holdings Limited, Prosperity Worldwide Investment Holdings Limited, NCHA Holdings Limited, as shareholders, and the Company regarding waiver of shareholders' loans owed by the Company in an aggregate sum of HK$566,943,948;

(ll) the trust deed dated 19 June 2015 entered into between the Company, The Core Trust Company Limited, as trustee, and MDG Management Corporation, as nominee, regarding the Pre-IPO RSU Scheme;

(mm) the share purchase agreement entered into as of 26 June 2015, by and among David Dissegna and Paula Dissegna (collectively, "**Sellers V**") and DTI Dental Technologies Inc., pursuant to which Sellers V agreed to sell and DTI Dental Technologies Inc. agreed to purchase all shares of Phoenix Dental Laboratory Inc. for a cash consideration of CA$250,000 subject to a working capital adjustment and a milestone payment of a maximum of CA$200,000 pursuant to the agreement;

(nn) the agreement and plan of merger entered into as of 1 July 2015, by and among Micro Dental Laboratories and Blue Crown Dental Arts, LLC, pursuant to which Blue Crown Dental Arts, LLC merged with and into Micro Dental Laboratories for a cash consideration of US$250,000 and cash milestone payments in an aggregate amount of US$280,000 payable to the members of Blue Crown Dental Arts, LLC;

(oo) the deed of indemnity dated 25 November 2015 entered into between Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Triera Holdings Limited and the Company in favor of the Company (for the Company itself and as trustee for each of our subsidiaries from time to time) regarding certain indemnities;

(pp) the deed of non-competition dated 25 November 2015 entered into between Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Triera Holdings Limited and the Company in favor of the Company (for the Company itself and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertakings;

(qq) the cornerstone investment agreement dated 30 November 2015 entered into between the Company, ZBD Holding Limited and Ivoclar Vivadent Aktiengesellschaft, pursuant to which ZBD Holding Limited agreed to subscribe for such number of Shares as may be purchased for HK$160 million at HK$4.20, the offer price as described in the Prospectus;

(rr) the deed of lock-up undertaking dated 30 November 2015 entered into between the Company, Deutsche Bank AG, Hong Kong Branch, CIMB Securities Limited, ING Bank N.V., Mizuho Securities Asia Limited, (the "**Hong Kong Underwriters**") and the SCDL Investors, pursuant to which the SCDL Investors have agreed that, unless otherwise agreed by us, Deutsche Bank AG, Hong Kong Branch and the Hong Kong Underwriters, any Shares held by the SCDL Investors prior to the Listing will be subject to a lock-up period of six months after the Listing Date;

(ss) the deed of lock-up undertaking dated 30 November 2015 entered into between the Company, Deutsche Bank AG, Hong Kong Branch, the Hong Kong Underwriters and

Sagemore Assets Limited, pursuant to which the Sagemore Assets Limited has agreed that, unless otherwise agreed by us, Deutsche Bank AG, Hong Kong Branch and the Hong Kong Underwriters, any Shares held by Sagemore Assets Limited prior to the Listing will be subject to a lock-up period of six months after the Listing Date;

(tt) the underwriting agreement dated 2 December 2015, relating to the Hong Kong public offering as described in the Prospectus, entered into between, Deutsche Bank AG, Hong Kong Branch and the Hong Kong Underwriters;

(uu) the international underwriting agreement dated 9 December 2015, relating to the international placing as described in the Prospectus, entered into between the Company, Mimas Sino Investments Limited, Triera Holdings Limited, Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Dr. Chan Ronald Yik Long, Ms. Chan Yik Yu, Mr. Ngai Shing Kin, Mr. Ngai Chi Ho Alwin, Prosperity Worldwide Investment Holdings Limited, NCHA Holdings Limited and Deutsche Bank AG, Hong Kong Branch, as representative of Deutsche Bank AG, Hong Kong Branch, CIMB Securities Limited, ING Bank N.V., Mizuho Securities Asia Limited, RHB Securities Hong Kong Limited (the "**International Underwriters**");

(vv) the price determination agreement dated 9 December 2015, relating to the determination of the offer price as described in the Prospectus, entered into between the Company, Deutsche Bank AG, Hong Kong Branch and CIMB Securities Limited;

(ww) the stock borrowing agreement dated 9 December 2015, relating to the stock borrowing and lending arrangement of the Shares, entered into between the Company, Prosperity Worldwide Investment Holdings Limited, as lender, and Deutsche Bank AG, Hong Kong Branch, as borrower;

(xx) the deed of lock-up undertaking dated 14 December 2015 entered into between the Company, Deutsche Bank AG, Hong Kong Branch, the International Underwriters and the SCDL Investors, pursuant to which the SCDL Investors have agreed that, unless otherwise agreed by us, Deutsche Bank AG, Hong Kong Branch and the International Underwriters, any Shares held by the SCDL Investors prior to the Listing will be subject to a lock-up period of six months after the Listing Date;

(yy) the deed of lock-up undertaking dated 14 December 2015 entered into between the Company, Deutsche Bank AG, Hong Kong Branch, the International Underwriters and Sagemore Assets Limited, pursuant to which the Sagemore Assets Limited has agreed that, unless otherwise agreed by us, Deutsche Bank AG, Hong Kong Branch and the International Underwriters, any Shares held by Sagemore Assets Limited prior to the Listing will be subject to a lock-up period of six months after the Listing Date;

(zz) the share contribution agreement entered into as of 26 May 2016, by and between the Vendor and the Target Company, pursuant to which the Vendor contributed, assigned, transferred and conveyed to the Target Company all shares of capital stock of (i) DTI America, Inc.; (ii) Micro Dental Laboratories, (iii) QDRI Dental Resources, Inc., (iv) Tetra Dynamics, Inc. and (v) DTI Dental Technologies Inc. in consideration of which the Target Company issued 100 shares to the Vendor, representing all of the outstanding shares of the Target Company; and

(aaa) the Stock Purchase Agreement.

10. GENERAL

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is situated at Suite 1716, 17/F., CEO Tower, 77 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong.

(c) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Cheung Ting Pong, a certified public accountant.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Suite 1716, 17/F., CEO Tower, 77 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong from 9:00 a.m. to 5:00 p.m. on any weekday (Saturdays and public holidays excepted) from the date of this circular up to and including the date of the EGM:

(a) this circular;

(b) the memorandum and articles of association of the Company;

(c) the Prospectus containing the audited consolidated financial statements of the Group for the years ended 31 December 2013 and 2014;

(d) the annual report of the Company for the year ended 31 December 2015;

(e) the interim report of the Company for the six months ended 30 June 2016;

(f) the accountant's report on the Target Group issued by Jonten Hopkins CPA Limited as set out in Appendix II to this circular;

(g) the accountant's report on the unaudited pro forma financial information of the Enlarged Group issued by Jonten Hopkins CPA Limited set out in Appendix III to this circular;

(h) the written consent referred to in the paragraph headed "Expert's Qualification and Consent" in this Appendix IV;

(i) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix IV; and

(j) the circular of the Company dated 28 April 2016, relating to the proposed re-election of retiring Directors, proposed granting of general mandates to buy back Shares and to issue Shares and notice of annual general meeting.

MODERN DENTAL GROUP LIMITED
現代牙科集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3600)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**Meeting**") of Modern Dental Group Limited (the "**Company**") will be held at 10:00 a.m. on 19 October 2016 at Suite 1702, 17/F., CEO Tower, 77 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong for considering and, if thought fit, passing, the following resolution:

ORDINARY RESOLUTION

"**THAT:**

1 (a) the stock purchase agreement dated 6 June 2016 (the "**Stock Purchase Agreement**") entered into among RTFP Dental Holdings Inc. (the "**Vendor**"), MDI Acquisitions Inc. (the "**Purchaser**") and Modern Dental America Holding Limited (solely with respect to the guarantee provision) in relation to the acquisition of the entire outstanding shares of RTFP Dental Inc. (a copy of which has been produced at the Meeting marked "A" and signed by the chairman for the Meeting for the purpose of identification) be and is hereby approved, confirmed and/or ratified; and

(b) the directors (the "**Directors**") of the Company or a duly authorised committee of the board of Directors be and are/is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Stock Purchase Agreement and the transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto (excluding any variation, amendments or waiver of such documents or any terms thereof, which are fundamentally and materially different from those as provided for in the Stock Purchase Agreement and which shall be subject to approval of the shareholders of the Company) as are, in the opinion of the Directors or a duly authorised committee, in the interest of the Company and its shareholders as a whole."

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

Hong Kong, 30 September 2016

Head office and principal place of business in Hong Kong:
Suite 1716
17/F., CEO Tower
77 Wing Hong Street
Cheung Sha Wan
Kowloon, Hong Kong

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting may appoint another person as his proxy to attend and to vote instead of him. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.

3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be delivered to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

4. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Meeting or at any adjourned Meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

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