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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016 AND RESUMPTION OF TRADING

RESULTS HIGHLIGHTS

- The Group's revenue in 2016 was approximately HK$1,642,176,000, representing an increase of approximately HK$226,556,000 or 16.0% over 2015.
- Gross profit for 2016 was approximately HK$880,661,000, representing an increase of approximately HK$119,293,000 or 15.7% over 2015. The gross profit margin was approximately 53.6%.
- Profit for 2016 was approximately HK$103,068,000, representing an increase of HK$20,062,000 or 24.2% over 2015. The Group's EBITDA for the financial year ended 31 December 2016 was approximately HK$261,250,000 (2015: HK$241,154,000). Profit and EBITDA for 2016 reflects, among others, the following one-off expenses: (i) HK$37,490,000 on one-off acquisition/disposal-related professional fees, (ii) HK$18,658,000 on the Pre-IPO RSU Scheme; (iii) HK$4,554,000 on fair value loss on derivate instruments, which included one-off hedging loss on two forward foreign exchange contracts for EUR-US$ and AUD-US$, which have expired in December 2016; and (iv) HK$9,832,000 on impairment of goodwill as a result of reorganizations which affected the particular business units, totalling approximately HK$70,534,000.
- The Group's Adjusted EBITDA for the financial year ended 31 December 2016 was approximately HK$321,952,000 (2015: HK$306,038,000) while the Adjusted Net Profit for the financial year of 2016 was HK$215,465,000 (2015: HK$200,511,000).
- The net cash flows from operating activities and the Adjusted Net Cash Flow From Operations for the financial year of 2016 were approximately HK$181,696,000 (2015: HK$121,565,000) and approximately HK$219,186,000 (2015: HK$167,683,000) respectively represented an increase of approximately HK$60,131,000 (or 49.5%) and approximately HK$51,503,000 (or 30.7%), respectively.
- Basic earnings per share for the financial year ended 31 December 2016 amounted to HK10.23 cents (2015: HK9.93 cents).
- The Board recommended a final dividend of HK0.9 cents per share for the year ended 31 December 2016 (2015: Nil). Subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The final dividend will be payable on 20 July 2017 to shareholders of the Company whose names appear on the Register of Members of the Company on 29 June 2017.

FINANCIAL RESULTS

The board of directors (the "**Board**" or the "**Directors**") of Modern Dental Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
REVENUE	3	**1,642,176**	1,415,620
Cost of sales		**(761,515)**	(654,252)
Gross profit		**880,661**	761,368
Other income and gains	3	**4,072**	2,827
Selling and distribution expenses		**(185,222)**	(147,822)
Administrative expenses		**(499,549)**	(434,402)
Other operating expenses		**(18,435)**	(5,078)
Finance costs	5	**(28,411)**	(42,337)
PROFIT BEFORE TAX	4	**153,116**	134,556
Income tax expense	6	**(50,048)**	(51,550)
PROFIT FOR THE YEAR		**103,068**	83,006
ATTRIBUTABLE TO:			
Owners of the Company		**101,483**	81,963
Non-controlling interests		**1,585**	1,043
		103,068	83,006
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	**HK10.23 cents**	HK9.93 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**103,068**	83,006
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(64,634)**	(111,382)
Other comprehensive loss for the year, net of tax	**(64,634)**	(111,382)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**38,434**	(28,376)
ATTRIBUTABLE TO:		
Owners of the Company	**36,703**	(30,486)
Non-controlling interests	**1,731**	2,110
	38,434	(28,376)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**173,238**	138,486
Prepaid land lease payments		**12,071**	—
Goodwill	9	**1,256,356**	857,592
Intangible assets		**390,028**	338,599
Derivative financial instruments		**—**	3,635
Deferred tax assets		**7,482**	5,264
Deposits paid for purchase of property, plant and equipment		**40,901**	—
Prepayments for acquisition of subsidiaries		**41,027**	—
Total non-current assets		**1,921,103**	1,343,576
CURRENT ASSETS			
Inventories		**74,098**	58,288
Trade receivables	10	**359,354**	288,228
Prepayments, deposits and other receivables		**43,603**	31,372
Current tax assets		**5,615**	8,939
Pledged deposits		**3,726**	3,360
Cash and cash equivalents		**337,004**	945,689
Total current assets		**823,400**	1,335,876
CURRENT LIABILITIES			
Trade payables	11	**73,760**	33,542
Other payables and accruals		**146,874**	121,823
Interest-bearing bank and other borrowings	12	**190,746**	102,182
Derivative financial instruments		**—**	5,030
Tax payable		**40,451**	37,608
Total current liabilities		**451,831**	300,185
NET CURRENT ASSETS		**371,569**	1,035,691
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,292,672**	2,379,267

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**430,450**	543,589
Derivative financial instruments		**—**	9,108
Deferred tax liabilities		**31,288**	33,256
Other non-current liabilities		**8,704**	5,478
Total non-current liabilities		**470,442**	591,431
NET ASSETS		**1,822,230**	1,787,836
EQUITY			
Equity attributable to owners of the Company			
Share capital		**77,500**	77,500
Treasury shares		**(304)**	(632)
Reserves		**1,738,543**	1,702,670
		1,815,739	1,779,538
Non-controlling interests		**6,491**	8,298
TOTAL EQUITY		**1,822,230**	1,787,836

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**"), and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

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

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

1.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions[2]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 15 Amendments	Clarifications to IFRS 15 Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
IAS 7 Amendments	Disclosure Initiative[1]
IAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealized Losses[1]
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration[2]

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

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

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

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

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

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

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

(b) Impairment

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

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018. During the year ended 31 December 2016, the Group performed a preliminary assessment on the impact of the adoption of IFRS 15.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases - Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

The IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration in December 2016 in order to address how to determine "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset for non-monetary liability arising from the payment or receipt of advance consideration in the foreign. The Group expects to adopt the amendments from 1 January 2018.

2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	2016			2015		
	Revenue	**Cost of sales**	**Gross profit**	Revenue	Cost of sales	Gross profit
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Fixed prosthetic devices	**1,133,792**	**507,436**	**626,356**	964,839	427,144	537,695
Removable prosthetic devices	**355,890**	**169,950**	**185,940**	289,591	137,908	151,683
Others	**152,494**	**84,129**	**68,365**	161,190	89,200	71,990
Total	**1,642,176**	**761,515**	**880,661**	1,415,620	654,252	761,368

Geographical information

(a) Revenue from external customers

	2016	2015
	HK$'000	*HK$'000*
Europe	**753,465**	698,332
Greater China	**398,224**	384,452
North America	**277,096**	158,204
Australia	**201,085**	162,475
Others	**12,306**	12,157
	1,642,176	1,415,620

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

(b) Non-current assets

	2016	2015
	HK$'000	*HK$'000*
Europe	**678,631**	718,647
Greater China	**138,840**	76,758
North America	**580,291**	71,194
Australia	**449,436**	457,007
Others	**66,423**	11,071
	1,913,621	1,334,677

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

3. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains is as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,642,176**	1,415,620
Other income		
Bank interest income	**701**	453
Government subsidies*	**2,437**	—
Others	**934**	712
	4,072	1,165
Gains		
Fair value gains, net:		
Call options and put options	**—**	256
Remeasurement gain on contingent consideration	**—**	787
Exchange gains, net	**—**	619
	—	1,662
Other income and gains	**4,072**	2,827

* Government subsidies contain the stabilisation subsidy and special fund of self-independent innovation industry from the government.

4. PROFIT BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Cost of inventories sold	**238,500**	205,643
Depreciation	**34,346**	30,303
Amortisation of intangible assets	**36,160**	34,411
Minimum lease payments under operating leases	**40,755**	30,470
Amortisation of prepaid land lease payments	**86**	—
Auditors' remuneration	**10,809**	15,221
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**637,975**	532,796
Pension scheme contributions	**68,896**	46,558
Equity-settled Pre-IPO RSUs expense	**9,069**	7,481
	715,940	586,835
Impairment of goodwill*	**9,832**	—
Bank interest income	**(701)**	(453)
Loss on disposal of items of property, plant and equipment, net	**—**	346
Fair value loss/(gain), net:		
Call options and put options**	**372**	(256)
Forward foreign exchange contracts*	**4,182**	4,337
Remeasurement loss/(gain) on contingent consideration**	**196**	(787)
Write-off of property, plant and equipment*	**140**	235
Allowance for impairment of trade and other receivables	**8,531**	3,600
Foreign exchange loss/(gain), net**	**3,487**	(619)

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

** Fair value gain, remeasurement gain on contingent consideration and foreign exchange gain are included in "other income and gains" in the consolidated statement of profit or loss. Fair value loss, remeasurement loss on contingent consideration and foreign exchange loss are included in "other operating expense" in the consolidated statement of profit or loss.

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans	**22,630**	23,730
Finance charges on bank loans	**5,617**	4,353
Imputed interest on shareholders' loans	**—**	13,857
Interest on finance leases	**164**	397
	28,411	42,337

6. INCOME TAX EXPENSE

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

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempt from the payment of the Cayman Islands income tax.

Pursuant to the rules and regulations of the British Virgin Islands ("**BVI**"), the Group is not subject to any tax in the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Pursuant to the PRC Income Tax Law and the respective regulations, the companies which operate in Mainland China are subject to Corporate Income Tax ("**CIT**") at the rate of 25% on the taxable income for the years ended 31 December 2016 and 2015.

Pursuant to the rules and regulations of the United States, the companies, except limited liability companies ("LLC"), which operate in the United States are subject to a top rate of 39% at the federal level, and are also subject to the statutory application state CIT. LLC are generally treated as flow-through entities ("FTE"), where income "flows through" to investors or owners, which are not subject to CIT.

Pursuant to the Macau Offshore Company Law and the respective regulations, the operation of offshore companies and their activities in Macau is not subject to CIT.

The companies which operate in Europe are subject to income tax on their respective assessable profit at the prevailing rates in the jurisdictions in which they operate.

Pursuant to the rules and regulations of Australia, the companies which operate in Australia are subject to income tax at the rate of 30% on their respective taxable income.

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

	2016	2015
	HK$'000	*HK$'000*
Current	**54,022**	54,166
Deferred	**(3,974)**	(2,616)
Total tax charge for the year	**50,048**	51,550

7. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Interim dividend of HK2.1 cents (2015: Nil) per ordinary share	**21,000**	—
Proposed final dividend of HK0.9 cents (2015: Nil) per ordinary share	**9,000**	—

The proposed final dividend for the year is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 992,036,535 (2015: 825,001,647) in issue during the year, as adjusted to reflect the share sub-division and capitalization issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the impact of the shares outstanding under the Pre-IPO RSU Scheme had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	**101,483**	81,963

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the years used in the basic earnings per share calculation	**992,036,535**	825,001,647

9. GOODWILL

	HK$'000
At 1 January 2015:	
Cost	596,480
Accumulated impairment	—
Net carrying amount	596,480
Cost at 1 January 2015, net of accumulated impairment	596,480
Acquisition of subsidiaries	325,227
Exchange realignment	(64,115)
At 31 December 2015	857,592
At 31 December 2015:	
Cost	857,592
Accumulated impairment	—
Net carrying amount	857,592
Cost at 1 January 2016, net of accumulated impairment	**857,592**
Acquisition of subsidiaries	**432,520**
Impairment during the year	**(9,832)**
Exchange realignment	**(23,924)**
At 31 December 2016	**1,256,356**
At 31 December 2016:	
Cost	**1,266,188**
Accumulated impairment	**(9,832)**
Net carrying amount	**1,256,356**

10. TRADE RECEIVABLES

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

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**211,621**	170,292
1 to 2 months	**54,576**	43,032
2 to 3 months	**24,241**	19,988
3 months to 1 year	**63,613**	46,103
Over 1 year	**5,303**	8,813
	359,354	288,228

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

Certain of the Group's trade receivables of approximately HK$76,348,000 (2015: HK$72,409,000) were pledged to secure general banking facilities granted to the Group.

11. TRADE PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**32,991**	25,199
1 to 2 months	**17,288**	5,662
2 to 3 months	**10,275**	842
Over 3 months	**13,206**	1,839
	73,760	33,542

The trade payables are unsecured, non-interest-bearing and are normally repayable within one to three months or on demand. The carrying amounts of trade payables approximate to their fair values due to their relatively short maturity terms.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016		2015	
	Effective/ contractual interest rate		Effective/ contractual interest rate	
	(%)	***HK$'000***	*(%)*	*HK$'000*
Current				
Finance lease payables	**4.53-8.50**	**1,769**	4.53-8.50	1,146
Bank loan — secured	**LIBOR+(2.60)**	**77,500**	LIBOR+(2.60-2.85)	77,500
Current portion of long term bank loans — secured	**LIBOR+(2.60)**	**111,477**	LIBOR+(2.60-2.85)	23,536
		190,746		102,182
Non-current				
Finance lease payables	**4.53-8.50**	**812**	4.53-8.50	2,573
Long term bank loans - secured	**LIBOR+(2.60)**	**429,638**	LIBOR+(2.60-2.85)	541,016
		430,450		543,589
		621,196		645,771

	2016	2015
	HK$'000	*HK$'000*
Analysed into:		
Bank loans and bank overdrafts repayable:		
Within one year or on demand	**188,977**	101,036
In the second year	**141,794**	111,446
In the third to fifth years, inclusive	**287,844**	429,570
	618,615	642,052
Finance lease payables:		
Within one year	**1,769**	1,146
In the second year	**466**	1,727
In the third to fifth years, inclusive	**346**	846
	2,581	3,719
	621,196	645,771

Notes:

(a) On 6 November 2015, the Group has drawn down an US$75million 5 year term loan and a US$10million revolving credit facility, and has repaid the majority of its previous bank loan facilities in the same month. The principal and interest payments for exiting loan facilities will be repaid according to the loan agreements. As at 31 December 2016 and 2015, all of the amounts borrowed from these facilities are guaranteed by the Company and its subsidiaries and secured by the shares of the subsidiaries as well as certain trade receivables, bank deposits and equipment of the subsidiaries.

(b) As at 31 December 2016, the Group's bank borrowings denominated in United States dollars ("**US$**") and Canadian dollars ("**CAD**") amounted to HK$618,382,000 and HK$233,000 respectively. The Group's finance lease payables denominated in HK$, Australian dollars ("**AUD**") and US$ amounted to HK$26,000, HK$2,036,000 and HK$519,000 respectively.

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

13. BUSINESS COMBINATIONS

Acquisition of Precision Dental Laboratory Limited ("PDL")

On 1 April 2016, SCDL Pty Limited , a wholly-owned subsidiary of the Group, entered into a share sale and purchase agreement with Karen Harris Dental Limited as trustee of the Pineridge Trust, Capital Trustees 2012 Limited, Karen Christina Harris and Graham Peter William Head as trustees of the Auckland Trust, Graham Peter William Head and Karen Christina Harris to acquire a 100% equity interest of Precision Dental Laboratory Limited at a cash consideration of New Zealand dollar ("**NZD**") 974,000, and a contingent consideration of NZD600,000. PDL is principally engaged in the sale of prosthetic devices in New Zealand. The acquisition was completed on 1 April 2016. The acquisition was made as part of the Group's strategy to expand its market share of prosthetic devices in New Zealand.

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

	Fair value recognised on acquisition
	HK$'000
Property, plant and equipment	1,445
Trade receivables	1,032
Prepayments, deposits and other receivables	2,314
Trade payables	(283)
Other payables and accruals	(3,770)
Total identifiable net assets at fair value	738
Goodwill on acquisition	7,620
	8,358
Satisfied by:	
Cash	5,171
Contingent consideration	3,187
	8,358

The Group incurred transaction costs of HK$159,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Included in the goodwill of HK$7,620,000 recognised above are mainly skilled workforce, synergies to be realised through its local production, service and support capacity as well as reach of a broader customer base, which are not recognised separately. Because these items cannot be sold, transferred, licensed, rented or otherwise exchange without causing disruption to the acquired business and/or are not themselves assets at the acquisition date, they are not separable and therefore they do not meet the criteria for recognition as intangible assets under IAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

As part of the purchase agreement, contingent consideration is payable, which is dependent on the earn out amount of normalised EBITDA for the financial years ended 31 December 2015 and 2016 and ending 31 December 2017. The initial amount recognised was NZD600,000 (equivalent to HK$3,187,000). The consideration is due for final measurement and payment to the former shareholders within 10 business days of the completion of the PDL's financial audit for the relevant financial years. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

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

	HK$'000
Cash consideration	(5,171)
Net outflow of cash and cash equivalents included in cash flows from investing activities in 2016	(5,171)
Transaction costs of the acquisition included in cash flows from operating activities in 2016	(159)
	(5,330)

Since the acquisition, PDL contributed HK$7,352,000 to the Group's turnover and HK$279,000 to the consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK$1,644,114,000 and HK$103,020,000, respectively.

Acquisition of Cenetory Pty Limited ("Cenetory")

On 1 June 2016, SCDL Pty Limited, a wholly-owned subsidiary of the Group, entered into a share sale and purchase agreement with Ceralius Pty Limited, Sobengu Pty Limited and NDC Australia Pty Limited to acquire a 100% equity interest of Cenetory Pty Limited at a cash consideration of AUD456,000. Cenetory is principally engaged in the sale of prosthetic devices in Australia. The acquisition was completed on 1 June 2016. The acquisition was made as part of the Group's strategy to expand its market share of prosthetic devices in Australia.

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

	Fair value recognised on acquisition
	HK$'000
Property, plant and equipment	900
Deferred tax assets	111
Trade receivables	869
Prepayments, deposits and other receivable	256
Cash and bank balances	40
Trade payables	(242)
Other payables and accruals	(738)
Total identifiable net assets at fair value	1,196
Goodwill on acquisition	1,378
	2,574
Satisfied by:	
Cash	2,574

The Group incurred transaction costs of HK$37,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Included in the goodwill of HK$1,378,000 recognised above are mainly skilled workforce, synergies to be realised through its local production, service and support capacity, reach of a broader customer base and a potential preferred supplier contract with a coporate dental group, which are not recognised separately. Because these items cannot be sold, transferred, licensed, rented or otherwise exchange without causing disruption to the acquired business and/or are not themselves assets at the acquisition date, they are not separable and therefore they do not meet the criteria for recognition as intangible assets under IAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	HK$'000
Cash consideration	(2,574)
Cash and bank balances acquired	40
Net outflow of cash and cash equivalents included in cash flows from investing activities in 2016	(2,534)
Transaction costs of the acquisition included in cash flows from operating activities in 2016	(37)
	(2,571)

Since the acquisition, Cenetory contributed HK$6,089,000 to the Group's revenue and HK$246,000 to the consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK$1,646,305,000 and HK$103,087,000, respectively.

Acquisition of the business of Dentrade AS, entire partnership interest of Deradent Dental GmbH & Co. KG and all the issued shares of Dental Works World Wide Limited ("Dentrade Group")

On 13 September 2016, Modern Dental Europe B.V., Modern Dental Norway AS, Modern Dental Laboratory Company Limited, Permadental GmbH and Permadental B.V., wholly-owned subsidiaries of the Group, entered into the stock purchase agreement with independent third-parties, Dentrade AS, Cubond Limited, Armfar Limited, Mr. Jens Rathsack and Mrs. Andrea Graef, to acquire the business of Dentrade AS, the entire partnership interest of Deradent Dental GmbH & Co. KG and all the issued shares of Dental Works World Wide Limited at a cash consideration of EUR2,271,000. Dentrade Group is principally engaged in the trading of prosthesis devices in Germany and Norway. The acquisition was completed on 13 September 2016. The acquisition was made as part of the Group's strategy to expand its market share of prosthesis devices in the European Union.

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

	Fair value recognised on acquisition
	HK$'000
Property, plant and equipment	60
Trade receivables	128
Prepayments, deposits and other receivables	443
Cash and bank balances	4,009
Trade payables	(2,037)
Other payables and accruals	(931)
Total identifiable net assets at fair value	1,672
Goodwill on acquisition	18,176
	19,848
Satisfied by:	
Cash	19,848

The Group incurred transaction costs of HK$1,721,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Included in the goodwill of HK$18,176,000 recognised above are mainly distribution channel and the comprehensive customer information for strategy formulation, which are not recognised separately. Because these items cannot be sold, transferred, licensed, rented or otherwise exchange without causing disruption to the acquired business and/or are not themselves assets at the acquisition date, they are not separable and therefore they do not meet the criteria for recognition as intangible assets under IAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	HK$'000
Cash consideration	(19,848)
Cash and bank balances acquired	4,009
Net outflow of cash and cash equivalents included in cash flows from investing activities in 2016	(15,839)
Transaction costs of the acquisition included in cash flows from operating activities in 2016	(1,721)
	(17,560)

Since the acquisition, Dentrade Group contributed HK$7,044,000 to the Group's revenue and HK$2,484,000 to the consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK$1,646,027,000 and HK$100,381,000 respectively.

Acquisition of RTFP Dental Inc. ("RTFP")

On 6 June 2016, MDI Acquisitions Inc., a wholly-owned subsidiary of the Group, entered into a share purchase agreement with RTFP Dental Holdings Inc. to acquire a 100% equity interest of RTFP Dental Inc. at a cash consideration of US$65,108,000. RTFP is principally engaged in the sale of prosthetic devices in USA. The acquisition was completed on 21 October 2016. The acquisition was made as part of the Group's strategy to expand its market share of prosthetic devices in the USA.

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

	Fair value recognised on acquisition
	HK$'000
Property, plant and equipment	27,163
Inventories	9,259
Trade receivables	48,476
Prepayments, deposits and other receivables	10,550
Other intangible assets	348
Non-compete agreement	1,358
Trademark	92,555
Cash and bank balances	1,891
Trade payables	(48,329)
Other payables and accruals	(38,714)
Total identifiable net assets at fair value	104,557
Goodwill on acquisition	400,029
	504,586
Satisfied by:	
Cash	504,586

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$48,476,000 and HK$10,550,000, respectively. The gross amounts of trade receivables and other receivables were HK$49,650,000 and HK$10,550,000, respectively, of which trade receivables of HK$1,174,000 are expected to be uncollectible.

The Group incurred transaction costs of HK$26,945,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Included in the goodwill of HK$400,029,000 recognised above are mainly customer network which covers approximately one forth of the dentists in the United States, a group of talented dental technicians and expected synergies with our existing business in North America, which are not recognised separately. Because these items cannot be sold, transferred, licensed, rented or otherwise exchange without causing disruption to the acquired business and/or are not themselves assets at the acquisition date, they are not separable and therefore they do not meet the criteria for recognition as intangible assets under IAS 38 Intangible Assets.

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

	HK$'000
Cash consideration	(504,586)
Cash and bank balances acquired	1,891
Net outflow of cash and cash equivalents included in cash flows from investing activities in 2016	(502,695)
Transaction costs of the acquisition included in cash flows from operating activities in 2016	(26,945)
	(529,640)

Since the acquisition, RTFP contributed HK$97,707,000 to the Group's revenue and a loss of HK$6,120,000 to the consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year would have been HK$2,075,913,000 and HK$11,630,000 respectively. Included in RTFP's 2016 financial result, there were certain expenses, such as finance costs, which were no longer incurred after the acquisition by the Group.

Acquisition of Ratiodental GmbH and Zahnmanufaktur Köln Dr. M.B. GmbH ("Ratiodental and Zahnmanufaktur")

On 5 December 2016, Permadental GmbH, a wholly-owned subsidiary of the Group, entered into a share sale and purchase agreement with Dr. Markus Ivo Beckers and Mr. Johannes Herbert Lex to acquire a 100% equity interest of Ratiodental GmbH and Zahnmanufaktur Köln Dr. M. B. GmbH at a cash consideration of EUR1,039,000. Ratiodental and Zahnmanufaktur are principally engaged in sale of prosthetic devices in Germany. The acquisition was completed on 5 December 2016. The acquisition was made as part of the Group's strategy to expand its market share of prosthesis products in the European Union.

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

	Fair value recognised on acquisition
	HK$'000
Property, plant and equipment	380
Inventories	196
Trade receivables	1,188
Prepayments, deposits and other receivables	312
Cash and bank balances	1,726
Trade payable	(156)
Other payables and accruals	(369)
Total identifiable net assets at fair value	3,277
Goodwill on acquisition	5,317
	8,594
Satisfied by:	
Cash	8,594

The Group incurred transaction costs of HK$860,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Included in the goodwill of HK$5,317,000 recognised above are mainly distribution channel, skilled workforce with knowledge and experience in the production of high technology, high-end and complicated veneered metal crowns, bridges and models fully utilising the latest dental technology, which are not recognised separately. Because these items cannot be sold, transferred, licensed, rented or otherwise exchange without causing disruption to the acquired business and/or are not themselves assets at the acquisition date, they are not separable and therefore they do not meet the criteria for recognition as intangible assets under IAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	HK$'000
Cash consideration	(8,594)
Cash and bank balances acquired	1,726
Net outflow of cash and cash equivalents included in cash flow from investing activities in 2016	(6,868)
Transaction costs of the acquisition included in cash flow from operating activities in 2016	(860)
	(7,728)

Since the acquisition, Ratiodental and Zahnmanufaktur contributed HK$738,000 to the Group's revenue and HK$73,000 to the consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK$1,651,281,000 and HK$104,172,000 respectively.

14. EVENTS AFTER THE REPORTING PERIOD

(a) On 1 January 2017, Modern Dental Europe B.V., a wholly-owned subsidiary of the Group, entered into a share purchase agreement with Mojoe Holding ApS to acquire 100% equity interest of Schmidt Dentalkeramik APS. ("**Schmidt**") at a cash consideration of EUR 841,000. Schmidt is principally engaged in sale of prosthetic devices in Denmark. The acquisition was completed on 1 January 2017. The acquisition was made as part of the Group's strategy to expand its market share of prosthetic devices in European Union.

(b) On 7 February 2017, Modern Dental Europe B.V., a wholly-owned subsidiary of the Group, entered into a share purchase agreement with CDI International AB to acquire 100% equity interest of CDI Dental AB and CDI Supply AB ("**CDI**") at a cash consideration of EUR 4,100,000. CDI is principally engaged in sale of prosthetic devices in Sweden. The acquisition was completed on 7 February 2017. The acquisition was made as part of the Group's strategy to expand its market share of prosthetic devices in European Union.

Because the acquisition of Schmidt and CDI were effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

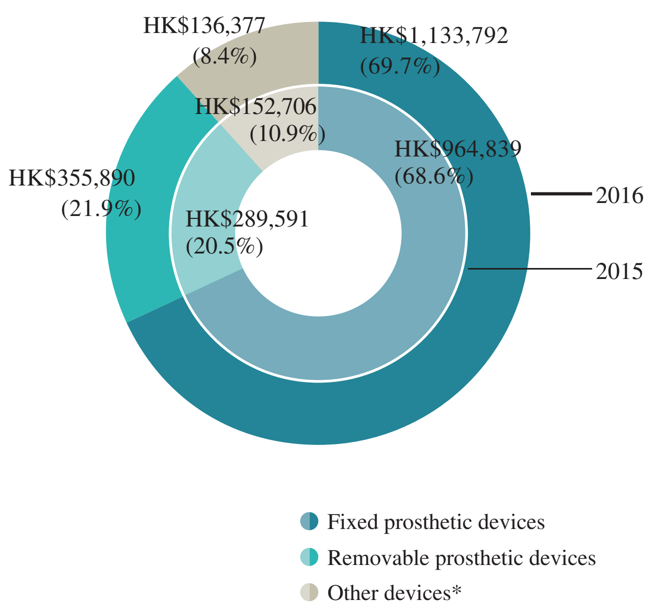
BUSINESS REVIEW

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

Product Category

The figures below set forth the breakdown of revenue (in thousand Hong Kong dollars and percentage) by product category for the years 2015 and 2016 respectively:

Breakdown of revenue



Fixed Prosthetic Devices

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

During the year under review, fixed prosthetic devices business segment recorded revenue of approximately HK$1,133,792,000, representing an increase of approximately HK$168,953,000 as compared with the year of 2015. This business segment accounted for approximately 69.7% of the Group's total revenue as compared with approximately 68.6% in the year of 2015.

Removable Prosthetic Devices

Our removable prosthetic devices primarily comprise dentures. As prostheses are used to replace natural teeth, they must provide functional biting and chewing surfaces and must also appear and feel natural.

During the year under review, removable prosthetic devices business segment recorded revenue of approximately HK$355,890,000, representing an increase of approximately HK$66,299,000 as compared with the year of 2015. This business segment accounted for approximately 21.9% of the Group's total revenue as compared with approximately 20.5% in the year of 2015.

Other Devices

Other devices include orthodontic devices, anti-snoring devices, and sports guards.

During the year under review, other devices business segment recorded revenue of approximately HK$136,377,000, representing a decrease of approximately HK$16,329,000 as compared with the year of 2015. This business segment accounting for approximately 8.4% of the Group's total revenue as compared with approximately 10.9% in the year of 2015.

Product Category

The following table sets forth the breakdown of sales volume, revenue, and average selling price ("**ASP**") by product category for the year ended 31 December 2016 and 2015 respectively:

	Year ended 31 December					
	2016			2015		
	Sales Volume (number of cases)	**Revenue (HK$'000)**	**ASP (HK$ per case)**	Sales Volume (number of cases)	Revenue (HK$'000)	ASP (HK$ per case)
Product category						
Fixed prosthetic devices	**803,646**	**1,133,792**	**1,411**	693,974	964,839	1,390
Removable prosthetic devices	**356,368**	**355,890**	**999**	328,754	289,591	881
Other devices*	**233,836**	**136,377**	**583**	205,630	152,706	743
Total	**1,393,850**	**1,626,059**	**1,167**	1,228,358	1,407,136	1,146

* We subtract the raw materials revenue, dental equipment revenue and the service revenue from the group's revenue.

Geographic Market

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

	Years ended 31 December					
	2016			2015		
	Sales Volume (number of cases)	**Revenue (HK$'000)**	**ASP (HK$ per case)**	Sales Volume (number of cases)	Revenue (HK$'000)	ASP (HK$ per case)
Market						
Europe*	**446,265**	**746,393**	**1,673**	401,586	695,295	1,731
Greater China**	**583,369**	**394,499**	**676**	551,030	383,466	696
North America	**214,810**	**277,096**	**1,290**	140,922	158,204	1,123
Australia***	**111,638**	**195,765**	**1,754**	104,780	158,014	1,508
Others	**37,768**	**12,306**	**326**	30,040	12,157	405
Total	**1,393,850**	**1,626,059**	**1,167**	1,228,358	1,407,136	1,146

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

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

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

Europe

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

Our sales and distribution network in Europe is able to reach 13 countries and we offer a portfolio of respected, long-established and trusted brands. Notwithstanding the weakness of the economic environment in Europe, the Group outperformed the overall market to further increase our market share. Our sales and marketing efforts yielded positive results and this was reflected in the strong growth in our revenue in this market. This growth has been product and customer-led, as customers are typically purchasing different products from our broad product line. We offer comparatively more competitive prices for products of comparable quality in the market with high quality customer services.

The Group has been actively acquiring dental laboratories and distributors of dental prosthetic products in the second half of 2016 in Europe. In September 2016, the Group completed the acquisition of Dentrade AS. In December 2016, the Group completed the acquisition of Ratiodental GmbH and Zahnmanufaktur Köln Dr. M. B. GmbH.

One key strategy in Europe is to offer existing clients better local services such as providing quicker and more efficient turnaround time through our satellite local laboratories which are within close proximity for our clients. At a time where clients' expectations are higher, the Group is in a position to match these expectations through our various onshore and offshore resources. Through our improved local presence, the Group is in a better position to attract new customers. At the same time, our team and management are working intensively on growth strategies and synergies, a range of new products and innovations to stimulate further growth. As our newly acquired companies integrate into the Group, we expect to see further cost-savings and synergies to be captured.

During the year 2016, the European market recorded revenue of approximately HK$746,393,000, representing an increase of approximately HK$51,098,000 as compared with last year. Together with the sales of dental equipment of approximately HK$7,072,000, this geographic market accounted for 45.9% of the Group's total revenue as compared with approximately 49.3% last year. The increase of revenue from the European market was largely attributable to (i) the strong growth in sales volume; and (ii) the annual increment of the retail price to the dentists. The decrease in ASP is mainly driven by the change of product mix as higher proportion of removable prosthetic devices and other devices with lower ASP were sold in the European market in 2016.

Greater China

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

Given the significant rise in the living standards in Greater China over the years, people have become increasingly aware of oral health, which benefits the custom-made dental prosthetics domestic sales market. We offer comparatively higher prices for products of premium quality in Greater China, which appeal to the population that has strong demand for higher quality products. The Group experienced a pick-up in activity in this market in the second half of 2016 due to the Group's strategy of focusing on building better relationships with, and attracting new clients from, private clinics in first tier cities in Mainland China. Another key strategy is to expand our presence in first tie cities, such as improving our sales and marketing strategies, customer service and technical service teams to provide customers with a higher quality service.

With our new production facilities in Dongguan, we expect to further consolidate our leading status in Mainland China as we expected to be able to greatly increase our production volumes.

During the year under review, the Greater China market recorded revenue of approximately HK$394,499,000, representing an increase of approximately HK$11,033,000 as compared with last year. Together with the sales of raw materials and dental equipment of approximately HK$3,725,000, this geographic market accounted for approximately 24.2% of the Group's total revenue as compared with approximately 27.2% last year. The increase of revenue from the Greater China market was largely attributable to (i) the solid and consistent growth in both volume and retail price in the Hong Kong market and (ii) the volume growth in Mainland China primarily driven by the new private clinics in first tier cities in Mainland China and was partially offset by depreciation in Renminbi.

North America

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

After the completion of the Group's acquisition of MicroDental Group (as defined below) in late October 2016, MicroDental Group contributed approximately HK$97,707,000 to the Group's revenue, approximately HK$1,062,000 to the Group's adjusted EBITDA and approximately HK$6,120,000 of loss to the Group's profit for the year ended 31 December 2016. The loss of approximately HK$6,120,000 for the year ended 31 December 2016 included (i) non-cash deferred tax expenses and non-cash depreciation of approximately HK$3,209,000 and approximately HK$1,888,000, respectively; (ii) non-recurring expenses, such as professional fees in connection with the acquisitions and transition service fee for non-retained employees of approximately HK$1,123,000 and approximately HK$910,000, respectively, and (iii) annual audit fee of approximately HK$1,883,000 that is incurred on an annual basis going forward. Our main strategies for MicroDental

Group are: (i) to increase sales, through new products and improving our sales and marketing team and strategies; (ii) to increase ASP through strategically placing each of our products at the most appropriate price-point; (iii) to capitalise on existing and future synergies, utilising MicroDental Group's 40 year brand history, its extensive distribution network and its very experienced employees; and (iv) cost restructuring, effectively leveraging existing resources and ensuring any overlap of resources are minimalised. The above strategies are expected to be implemented during year 2017.

With our Group's onshore and offshore North America production capabilities, we are in a unique position to offer customers a wide range of onshore and offshore made products, improved customer services and shorten turnaround time. Due to MicroDental Group's production capabilities in the United States, we are in a position to mitigate potential political or cross-border related tariff risks should such measures be implemented in the future.

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

During the year under review, the North American market recorded revenue of approximately HK$277,096,000, representing an increase of approximately HK$118,892,000 as compared with last year. This geographic market accounted for approximately 16.9% of the Group's total revenue as compared with approximately 11.2% last year. The increase of revenue from the North American market was largely attributable to (i) the acquisition of MicroDental Group; and (ii) strong ASP and growth in sales volume of our offshore-made products.

Australia

The Australian market includes both Australia and New Zealand. In Australia and New Zealand, individuals are primarily responsible for financing their own dental treatments. Therefore, the growth in the disposable income per capita in Australia since 2008 helped boost the development of the dental prosthetics industry.

Through our various brands, which offer onshore and offshore-made products, at multiple price points ranging from economy, standard to premium/boutique, the Group is able to very effectively penetrate the entire Australian market. Similar to our strategy in Europe, where the Group is focusing on providing better local service, we are able to serve our existing clients better and attract new clients in the Australian market with our increased local production presence. The Group is one of the largest players in the Australian market. To the best of our knowledge, we currently expect to have a double-digit market share in the Australian market. While we do face tough competition from competitors that are more willing to provide products at a lower price, the Group is able to maintain its status as the key supplier to a number of corporate dental groups due to our largest and most comprehensive laboratory offering in Australia, our quality and reliable products, and our award-winning customers online portal, MySCD system, which enable customers to manage everything with us at one single real-time platform.

During the year under review, the Australian market recorded revenue of approximately HK$195,765,000, representing an increase of approximately HK$37,751,000 as compared with last year. Together with the service revenue generated from rendering educational events and seminars of approximately HK$5,320,000, this geographic market accounted for approximately 12.2% of the Group's total revenue as compared with approximately 11.5% last year. The increase in the revenue from the Australian market was largely attributable to the acquisition of the SCDL Group (previously a 3rd party distributor of the Group) in March 2015, which enabled us to sell our products to more retail customers at higher retail prices.

Others

Other markets primarily include Indian Ocean countries and Japan. During the year under review, these markets recorded revenue of approximately HK$12,306,000, representing an increase of approximately HK$149,000 as compared with last year. This geographic market accounted for approximately 0.8% of the Group's total revenue as compared with approximately 0.8% last year.

FUTURE PROSPECTS AND STRATEGIES

According to various sources, the global demand for dental prosthetics continues to increase owing to the growing global population and the increasing aging population.

The Board is of the view that the acquisition of MicroDental Group in October 2016 will enable the Group to establish itself as one of the leading dental prosthetic device providers in North America. In the coming year, the Group will focus on developing strategies to realize the synergies and the full potential of its long established prestige brand; its existing nationwide sales and distribution network and the talented group of master class technicians in North America.

On the other hand, the Group has already commenced the construction of phase 1 of new production facilities in Dongguan since December 2016. With the business commencement date expected to be in 2018, the existing production facilities in Shenzhen will be gradually relocated to the new production facilities in Dongguan, thus enhancing the Group's production capacity and lowering its labour costs in the future.

Apart from the above, the Group will continue to (i) further penetrate existing geographic markets, (ii) further realize the synergy effects and operating leverage achieved by further integrating the acquired targets, (iii) optimize the production process and increase the productivity and efficiency, and (iv) broaden product offering with a focus on high-value products to increase the profitability. In particular, the Board will actively seek opportunities to further penetrate the existing geographic markets by means of strategic acquisitions and/or setting up joint ventures.

FINANCIAL REVIEW

Revenue

During the year under review, the consolidated revenue of the Group amounted to approximately HK$1,642,176,000, representing an increase of approximately 16.0% as compared with approximately HK$1,415,620,000 in last year. The increase was mainly attributable to (i) the acquisitions of MicroDental Group and SCDL Group in October 2016 and March 2015 respectively; (ii) the annual increment of retail prices to the dentists; and (iii) the organic growth in the sales volume.

Gross Profit and Gross Profit Margin

The gross profit for the year ended 31 December 2016 was approximately HK$880,661,000, which was approximately 15.7% higher than that of last year. The slight drop of the gross profit margin of approximately 0.2% represented the mixed result of (i) general improvement in gross profit margin in overseas regions, including Europe and North America, as a result of the depreciation of RMB and, accordingly, the decrease in our labour costs in Mainland China; (ii) the decrease in gross profit margin in Mainland China as a result of the increased sales to private clinics with lower gross profit margin; and (iii) the dilution effect of sales from MicroDental Group's local production in North America with lower gross profit margin.

The gross profit margins of Fixed Prosthetic Devices business segment, Removable Prosthetic Devices business segment and Others business segment were approximately 55.2%, 52.2% and 44.8% respectively. The following table sets forth the breakdown of our gross profit and gross margin by product line.

	Year ended 31 December			
	2016		2015	
	Gross profit *HK$'000*	**Gross margin** *(%)*	Gross profit *HK$'000*	Gross margin *(%)*
Product category				
Fixed prosthetic devices	**626,356**	**55.2**	537,695	55.7
Removable prosthetic devices	**185,940**	**52.2**	151,683	52.4
Others	**68,365**	**44.8**	71,990	44.7
Total	**880,661**		761,368	

Selling and Distribution Expenses

During the year under review, selling and distribution expenses increased by approximately 25.3% from approximately HK$147,822,000 for the year ended 31 December 2015 to approximately HK$185,222,000 for the year ended 31 December 2016, accounting for approximately 11.3% of the Group's revenue, as compared with approximately 10.4% for last year. The percentage increase was primarily attributable to (i) an increase in salaries, bonuses, commissions and other benefits for sales personnel, which resulted from the increase in headcount after our acquisitions of MicroDental Group and the SCDL Group in October 2016 and March 2015 respectively; and (ii) an increase in the shipping costs, as a result of the fact that the shipping costs for the finished products were shifted to the Group after the acquisitions of downstream distributors, such as the SCDL Group.

Administrative Expenses

During the year under review, the administrative expenses increased by approximately 15.0% from approximately HK$434,402,000 for the year ended 31 December 2015 to approximately HK$499,549,000 for the year ended 31 December 2016, accounting for approximately 30.4% of the Group's revenue, as compared with approximately 30.7% for last year. The increase in the administrative expenses was primarily attributable to (i) an increase in the administrative labour costs, office expenses and rental expenses primarily arising from an increase in local presence as a result of our acquisitions of MicroDental Group and the SCDL Group in October 2016 and March 2015 respectively; (ii) the increase in one-off transaction costs in connection with acquisitions and disposals (2016: approximately HK$37,490,000; 2015: approximately HK$5,760,000); and (iii) an increase in Pre-IPO RSU Scheme (as defined below) related expenses of approximately HK$3,973,000 (2016: approximately HK$18,658,000; 2015: approximately HK$14,685,000). The increase was offset by the decrease in professional fees arising from the Listing (was defined below) expenses (2016: Nil; 2015: approximately HK$40,358,000).

Other Operating Expenses

During the year under review, other operating expenses increased by approximately 263% from approximately HK$5,078,000 for the year ended 31 December 2015 to approximately HK$18,435,000 for the year ended 31 December 2016, accounting for approximately 1.1% of the Group's revenue, as compared with approximately 0.4% for last year. The other operating expenses mainly represented (i) exchange losses, net, incurred of approximately HK$3,487,000 (2015: Nil); (ii) impairment of goodwill (2016: approximately HK$9,832,000; 2015: Nil) as a result of reorganizations which affected the particular business units, being Modern Dental Laboratory USA, LLC and Gold & Ceramics Dental Laboratory Pty Ltd.; and (iii) the fair value loss on derivate instruments (2016: approximately HK$4,554,000; 2015: approximately HK$4,081,000).

Finance Costs

During the year under review, the finance costs decreased by approximately 32.9% from approximately HK$42,337,000 for the year ended 31 December 2015 to approximately HK$28,411,000 for the year ended 31 December 2016, accounting for approximately 1.7% of the Group's revenue, as compared with approximately 3.0% for last year. The decrease was primarily attributable to reduction in imputed interest arising from shareholder loan (2016: Nil; 2015: approximately HK$13,857,000) following the capitalization of the shareholder loan in late 2015.

Income Tax Expense

During the year under review, income tax expense decreased by approximately 2.9% from approximately HK$51,550,000 for the year ended 31 December 2015 to approximately HK$50,048,000 for the year ended 31 December 2016. The decrease was primarily attributable to the increase in deferred tax credit (2016: approximately HK$3,974,000; 2015: approximately HK$2,616,000) arising from mainly (i) recognition of deferred tax assets for losses incurred in the new production facilities in Dongguan and (ii) the amortization of intangible assets which was valued at fair value at the time of acquisitions.

Profit for the Year

Profit for the year increased by approximately 24.2% from approximately HK$83,006,000 for the year ended 31 December 2015 to approximately HK$103,068,000 for the year ended 31 December 2016, accounting for approximately 6.3% of the Group's revenue, as compared with approximately 5.9% for last year.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company amounted to approximately HK$101,483,000, representing an increase of approximately HK$19,520,000, or approximately 23.8%, as compared with approximately HK$81,963,000 for last year.

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with the International Financial Reporting Standards (the "**IFRS**"), the Company also assesses the operating performance based on a measure of adjusted earnings before interest, tax, depreciation and amortization (the "**EBITDA**") and adjusted net profit as additional financial measures. By means of these financial measures, the management of the Group is able to evaluate their financial performance regardless of the items they do not consider indicative of the operating performance of their business.

EBITDA, Adjusted EBITDA, Adjusted Net Profit and Adjusted Net Profit Margin

During the year under review, the Company incurred some one-off expenses, which are not indicative of the operating performance of the business of the year. Therefore, the Company arrives at an adjusted EBITDA (the "**Adjusted EBITDA**"), an adjusted net profit (the "**Adjusted Net Profit**") and an adjusted net profit margin (the "**Adjusted Net Profit Margin**") by eliminating the effects of certain non-cash or non-recurring items, including one-off transaction cost in connection with acquisitions and disposals, loan arrangement fee, the Pre-IPO RSU Scheme (as defined below) related expenses and fair value loss on derivate instruments. The table below indicates the profit for the years, reconciling the Adjusted EBITDA for the years presented to the most comparable financial measures calculated in accordance with the IFRS:

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
EBITDA and Adjusted EBITDA		
Net profit	**103,068**	83,006
Finance costs	**28,411**	42,337
Tax	**50,048**	51,550
Depreciation	**34,346**	30,303
Amortization of intangible assets	**36,160**	34,411
Amortization of prepaid land lease payments	**86**	—
Impairment of goodwill	**9,832**	—
Less:		
Interest income	**701**	453
EBITDA	**261,250**	241,154
One-off transaction cost in connection with acquisitions and disposals	**37,490**	5,760
IPO expenses	**—**	40,358
Fair value loss on derivate instruments	**4,554**	4,081
Pre-IPO RSU Scheme related expenses	**18,658**	14,685
Adjusted EBITDA	**321,952**	306,038

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

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Adjusted net profit:		
Net profit	**103,068**	83,006
Amortization of intangible assets	**36,160**	34,411
Amortization of prepaid land lease payments	**86**	—
Impairment of goodwill	**9,832**	—
One-off transaction cost in connection with acquisitions and disposals	**37,490**	5,760
IPO expenses	**—**	40,358
Loan arrangement fee	**5,617**	4,353
Imputed interest on shareholders' loan	**—**	13,857
Pre-IPO RSU Scheme related expenses	**18,658**	14,685
Fair value loss on derivate instruments	**4,554**	4,081
Adjusted Net Profit	**215,465**	200,511
Adjusted Net Profit Margin	**13.1%**	14.2%

The following table reconciles the Adjusted Net Cash Flows From Operations for the years presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, indicating operating cash flows for the years:

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Adjusted Net Cash Flows From Operations:		
Net cash flows from operating activities	**181,696**	121,565
One-off transaction cost in connection with acquisitions and disposals	**37,490**	5,760
IPO expenses	**—**	40,358
Adjusted Net Cash Flows From Operations	**219,186**	167,683

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows

The table below summarizes the Group's cash flows for the years ended 31 December 2015 and 31 December 2016:

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Net cash flows from operating activities	**181,696**	121,565
Net cash flows used in investing activities	**(681,217)**	(265,802)
Net cash flows (used in)/from financing activities	**(81,137)**	955,571

The Group derives its working capital mainly from cash on hand, net cash generated from operating activities and financing activities. The Board expects that the Group will rely on the internally generated funds, the available bank facilities and the unutilized net proceeds from the the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 December 2015 (the "**Listing**"), in the absence of unforeseen circumstances. There were no material changes in the funding and financial policies of the Group.

The Group's balance of cash and cash equivalents was approximately HK$337,004,000 as of 31 December 2016, which was mainly denominated in Hong Kong dollar, Renminbi, United States dollar, Euro and Australian dollar. During the year ended 31 December 2016, the Group has utilized approximately HK$574,134,000 on various acquisitions of subsidiaries, which led to the significant decrease in cash and cash equivalents by approximately HK$608,685,000 when compared with the last year.

Operating Activities

Net cash flows from operating activities was approximately HK$181,696,000 for the year ended 31 December 2016. The increase in net cash flows from operating activities was primarily attributable to net full settlement of amount due to/from shareholders of approximately HK$52,336,000 during the year ended 31 December 2016 (2015: Nil).

Investing Activities

The Group recorded a net cash flow used in investing activities of approximately HK$681,217,000 for the year 2016, of which approximately HK$574,134,000 was used for acquisitions of subsidiaries and approximately HK$86,889,000 was use primarily for the expansion of our production facilities and upgrading of our computer-aided/ manufacturing production equipment.

Financing Activities

The Group recorded a net cash outflow from financing activities of approximately HK$81,137,000 for the year under review. The outflow was mainly repayment of bank loans, payment of interest expenses and dividends.

Capital Expenditure

During the year under review, the Group's capital expenditure amounted to approximately HK$661,023,000 which was mainly used for acquisitions of subsidiaries and expansion of our production facilities and improvement in our production equipment. All of the capital expenditure was financed by internal resources, bank borrowings and unutilized net proceeds from the Listing.

CAPITAL STRUCTURE

Bank borrowings

Bank loans of the Group as of 31 December 2016 amounted to approximately HK$618,615,000 as compared to approximately HK$642,052,000 as of 31 December 2015. Pledged bank deposits of the Group as of 31 December 2016 amounted to approximately HK$3,726,000 as compared to approximately HK$3,360,000 as of 31 December 2015. As of 31 December 2016, the bank loans of approximately HK$618,382,000 and approximately HK$233,000 were denominated in US$ and CAD, respectively. As of 31 December 2016, except for bank borrowings of approximately HK$233,000 which were at fixed interest rates, all bank borrowings were at floating interest rates.

Finance lease payables

Finance lease payables of the Group as of 31 December 2016 amounted to approximately HK$2,581,000 as compared to approximately HK$3,719,000 as of 31 December 2015. As of 31 December 2016, the finance lease payables of approximately HK$26,000, approximately HK$2,036,000 and approximately

HK$519,000 were denominated in HKD, AUD and US$, respectively. As of 31 December 2016, except for the finance lease payables of approximately HK$132,000 were at fixed interest rates, all finance lease payables were at floating interest rates.

Cash and cash equivalents

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

Gearing ratio

The gearing ratio of the Group by reference to the net debt to total book capitalization ratio (total book capitalization means the sum of total liabilities and shareholders' equity) as of 31 December 2016 was approximately 21.9%, reflecting that the Group's financial position was at a sound level.

Debt securities

As of 31 December 2016, the Group did not have any debt securities.

Contingent liabilities

As of 31 December 2016, the Group did not have any material contingent liabilities or guarantees.

CHARGE OF GROUP ASSETS

In October 2015, Modern Dental Holding Limited, a subsidiary of the Company, entered into a facility agreement (the "**Facility Agreement**") for a term loan amounting to US$75,000,000 with a term of five years and a revolving credit amounting to US$10,000,000, secured by certain assets of the Group including certain shares, receivables and accounts of subsidiaries of the Company. Pursuant to the Facility Agreement, if the aggregate shareholding of Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Dr. Chan Ronald Yik Long, Ms. Chan Yik Yu, Mr. Ngai Chi Ho Alwin and Mr. Ngai Shing Kin, directly or indirectly, in the Company's share capital ceases to be at least 50%, the commitment under the Facility Agreement will be cancelled and all the outstanding amounts under the Facility Agreement will become immediately due and payable. Details of the Facility Agreement and the charge on the Group's assets are set out in the prospectus of the Company dated 3 December 2015 (the "**Prospectus**") and Note 12 of the financial results section of this announcement, respectively.

Commitments

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

As of 31 December 2016, the Group has prepaid approximately RMB11,094,000 for the acquisition of land and the remaining commitments was approximately RMB234,906,000.

Save as disclosed above, the Group had no other significant capital commitments as of 31 December 2016.

DETAILS OF MATERIAL ACQUISITIONS

On 6 June 2016, MDI Acquisitions Inc. (as purchaser), a wholly-owned subsidiary of the Company, and Modern Dental America Holding Limited (solely with respect to the guarantee provision) entered into the Stock Purchase Agreement with RTFP Dental Holdings Inc. (as vendor), pursuant to which MDI Acquisitions Inc. purchased 100% of the outstanding shares of RTFP Dental Inc. RTFP Dental Inc. and its subsidiaries ("**MicroDental Group**") are principally engaged in dental laboratory services providing customized dental prosthetic restorations in North America. As disclosed in the circular of the Company dated 30 September 2016, it was expected that the acquisition of MicroDental Group is able to provide a strategic platform for the Group to further build on its established brand, its existing nationwide sales and distribution network throughout North America. The acquisition of MicroDental Group was completed in October 2016. For further details of the acquisition of MicroDental Group, please refer to the circular of the Company dated 30 September 2016, the announcements of the Company dated 19 and 24 October 2016 and Note 13 of the financial results section of this announcement.

Further, the Group has completed a number of acquisitions of subsidiaries, including (i) Precision Dental Laboratory Limited ("**Precision**") in April 2016; (ii) Cenetory Pty Limited ("**Cenetory**") in June 2016; (iii) Dentrade AS, Deradent Dental GmbH & Co. and Dental Works World Wide Limited ("**Dentrade**") in September 2016; and (iv) Ratiodenal GmbH and Zahnmanufaktur Köln Dr. M. B. GmbH ("**Ratiodental**") in December 2016. For details of Preicison, please refer to Note 13 of the financial results section of this announcement. For details of Cenetory, Dentrade and Ratiodental, please refer to the Company's announcements dated 6 June 2016, 13 September 2016, and 8 December 2016, and Note 13 of the financial results section of this announcement respectively.

Save as disclosed above, the Group had no material acquisitions during the year 2016.

OFF-BALANCE SHEET TRANSACTIONS

As of 31 December 2016, the Group did not enter into any material off-balance sheet transactions.

EVENTS AFTER THE YEAR UNDER REVIEW

On 1 January 2017, Modern Dental Europe B.V., a wholly-owned subsidiary of the Group, entered into a share purchase and transfer agreement with Mojoe Holding ApS to acquire 100% equity interest of Schmidt Dentalkeramik APS. ("**Schmidt**") at a cash consideration of EUR841,000. Schmidt is principally engaged in sale of prosthetic devices in Denmark. The acquisition was completed on 1 January 2017. The acquisition was made as part of the Group's strategy to expand its market share of prosthetic devices in the European Union.

On 7 February 2017, Modern Dental Europe B.V., a wholly-owned subsidiary of the Company, entered into a share sale and purchase agreement with CDI International AB to acquire 100% equity interest of CDI Dental AB and CDI Supply AB ("**CDI** ") at a cash consideration of EUR 4,100,000. CDI are dental laboratories and existing distributors of the Group in Sweden. The acquisition was completed on 7 February 2017. The acquisition was made as part of the Group's strategy to expand its market share of prosthetic devices in the European Union.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk

Our exposure to the interest rate risk relates primarily to our long-term debt obligations with floating interest rates. We manage our interest rate exposure with a focus on reducing our overall cost of debt and exposure to changes in interest rate. Our management continues to monitor the cash flows of our operation and the debt markets, where we would expect to refinance these borrowings with a lower cost of debt when desirable. For the year ended 31 December 2016, the effective interest rate on floating-rate bank loans was approximately US$ LIBOR+(2.60)% per annum. The Group had not entered into any type of interest rate agreements or derivative transactions to hedge against the fluctuations in interest rates.

Foreign Currency Risk

In light of the nature of our business, we are exposed to various foreign currencies, among which, RMB, EUR, AUD and US$ are mostly used apart from HKD. To minimize the impact of foreign currency rate volatility, we monitor foreign currency risk closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Credit Risk

The credit risk of our other financial assets, which comprise trade receivables, financial assets included in prepayments, deposits and other receivables, amount due from a related party, pledged deposit and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since we trade only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within our Group as the customer bases of our trade receivables are widely dispersed in different sectors and industries.

Liquidity Risk

Our policy is to maintain sufficient cash and cash equivalents and to have available funding through bank borrowings.

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 5,753 dedicated full-time employees at our production facilities, service centers, points of sales and other sites as of 31 December 2016, mainly including 4,375 production staff members, 530 general management staff members and 267 customer service staff members.

In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). Employees of the Group are the eligible participants of the Share Option Scheme (as defined below). During the year under review, the relationship between the Group and our employees have been stable. We had not experienced any strikes or other labor disputes which materially affected our business activities.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to the written resolutions of the Shareholders of the Company passed on 25 November 2015 (the "**Share Option Scheme Adoption Date**").

The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants including any employee, Directors, supplier, customer and advisor of the Group and invested entity of the Group as the Directors determine, as an incentive or a reward for their contribution to the Group.

As at 31 December 2016, no options had been granted or agreed to be granted pursuant to the Share Option Scheme.

PRE-IPO RESTRICTED SHARE UNIT SCHEME

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

As at 31 December 2016, an aggregate of 8,149,038 restricted share units ("**RSUs**") had been granted to eligible participants in accordance with the Pre-IPO RSU Scheme and out of which 3,598,108 RSUs had not been vested.

DIVIDENDS

The Board recommended a final dividend of HK0.9 cents per ordinary share for the year ended 31 December 2016 (the "**Proposed Final Dividend**"). Subject to the approval by the Shareholders in the forthcoming annual general meeting of the Company (the "**AGM**") to be held on 21 June 2017, the Proposed Final Dividend will be paid on 20 July 2017 to Shareholders whose names appear on the Register of Members of the Company as at the close of business on 29 June 2017.

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to attend and vote at the AGM to be held on 21 June 2017, the Register of Members of the Company will be closed from Friday, 16 June 2017 to Wednesday, 21 June 2017, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the forthcoming AGM, unregistered holders of shares of the Company shall ensure that, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell entre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 15 June 2017 for the purpose of effecting the share transfers.

To determine the entitlement to the Proposed Final Dividend (subject to approval by the shareholders at the AGM), the Register of Members of the Company will be closed from Tuesday, 27 June 2017 to Thursday, 29 June 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the Proposed Final Dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 26 June 2017.

USE OF NET PROCEEDS FROM LISTING

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

	Available to utilize	Utilized as at 31 December 2016	Unutilized as at 31 December 2016
	HK'000	*HK'000*	*HK'000*
Financing the strategic acquisitions and new facilities establishment of the Company in Mainland China	125,000	58,940	66,060
Financing the strategic acquisitions and new facilities establishment of the Company in overseas	375,000	375,000	—
Financing the marketing and promotion activities to enhance the brand awareness of the Company	41,483	25,550	15,933
Implementing the Long Term Development Plan	100,000	71,971	28,029
Replenishing the working capital of the Company and other general corporate purpose	6,000	6,000	—
	647,483	**537,461**	**110,022**

The unutilized proceeds were placed as bank balances with licensed banks in Hong Kong and will be applied in the manner consistent with that mentioned in the Prospectus.

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Throughout the year, the Company has complied with the applicable code provisions of the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for the following deviation:

Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting.

Mr. Chan Kwun Fung, the chairman of the Board was unable to attend the annual general meeting and extra ordinary general meeting of the Company held on 20 June 2016 and 19 October 2016 respectively due to work commitment. He delegated the duty of attending the annual general meeting to the chief executive officer of the Company ("**CEO**"). The chairman considers the CEO a suitable person for taking up such duty as the CEO has good understanding of each operating segment of the Group. The chairman of the Company will use his best endeavours to attend all future shareholders' meetings of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Securities Dealing Code containing the provisions set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, and after having made specific enquiry with regard to securities transactions by the Directors, all Directors have confirmed their compliance with the required standards set out in the Model Code regarding Directors' securities transactions throughout the year.

AUDIT COMMITTEE

The audit committee consists of three Independent Non-executive Directors, namely Dr. Cheung Wai Bun Charles J.P., Dr. Chan Yue Kwong Michael and Dr. Wong Ho Ching. Dr. Cheung Wai Bun Charles J.P. is the Chairman of the Audit Committee. The Group's final results for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group have been reviewed by all the members of the audit committee.

SCOPE OF WORK OF THE COMPANY'S AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.moderndentalgp.com). The annual report of the Company for the year ended 31 December 2016 will be despatched to shareholders of the Company and will be published on the same websites in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 April 2017 pending the publication of the final results of the Group for the year ended 31 December 2016.

Application has been made to the Stock Exchange for the resumption of trading of the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 2 May 2017.

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

Hong Kong, 28 April 2017

As at the date of this announcement, the board of directors of the Company comprises Chan Kwun Fung, Chan Kwun Pan, Ngai Shing Kin, Ngai Chi Ho Alwin, 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.