

INTERIM REPORT 2022



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

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

Stock code: 3600







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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Modern Dental Group Limited (the “**Company**”, stock code: 3600) and its subsidiaries (which are collectively referred to as the “**Group**” or “**Modern Dental**”) 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 categorised into three product lines: (i) fixed prosthetic devices such as crowns and bridges; (ii) removable prosthetic devices such as removable dentures; and (iii) others such as orthodontic devices (including clear aligner), sports guards and anti-snoring devices, raw materials, dental equipment and the services of educational events and seminars rendered. Including in “others” segment, the sales of TrioClear (our own aligner) is approximately HK\$12,195,000 (six month ended 30 June 2021:HK\$10,561,000).

MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2022, the Group continued to capitalise on the industry-wide recovery and normalisation in demand for dental products and services as a result of significant tailwinds generated by an increase in spending by consumers on specialty dental treatments and tailwinds driven by the digitalisation of, and the adoption of intra-oral scanners in, the dental market. However at the same time, the Group was unfortunately and materially affected by various factors which were outside of its control in particular: (i) the resurgence of the COVID-19 pandemic in Mainland China and the government's related control measures which in turn, resulted in a temporary suspension of the operations of our major production facilities in Shenzhen and Dongguan in the first quarter of 2022. The resumption of operations of our major production facilities in Shenzhen and Dongguan in the second quarter of 2022 mitigated the effects of the first quarter; (ii) the resurgence of COVID-19 pandemic in certain cities of Mainland China affecting the operations of clinics and hospitals, and demand for our products; and (iii) the depreciation of, and the continued weakness of, the Euro and Australian dollar against Hong Kong dollar since second half of 2021.

Notwithstanding the above, the Group continued to benefit from a significant increase in new clients in certain key markets, as the ongoing supply-chain disruptions, increasingly elevated high energy costs and challenging economy and business environment are expected to, in each case, disproportionately affect our smaller and mid-scaled local competitors leading to, in the Group's view, an increase in market share in the applicable markets. This would reflect the Group's competitiveness in the industry, its ability to thrive under uncertain business conditions and its close relationship with its clients and customers. Despite the macro-economical headwinds, the Group is confident that the underlying fundamentals of its business are solid and that it is well-positioned to capture further opportunities going forward – as the industry continues to consolidate at an accelerated pace.

RESULT HIGHLIGHTS

- The Revenue for the six months ended 30 June 2022 was approximately HK\$1,428,492,000 (six months ended 30 June 2021: HK\$1,481,225,000), representing a decrease of approximately HK\$52,733,000 or 3.6% as compared with that of the six months ended 30 June 2021.
- The Gross Profit Margin for the six months ended 30 June 2022 was approximately 48.7% (six months ended 30 June 2021: 52.7%). Gross profit for the six months ended 30 June 2022 was approximately HK\$695,334,000 (six months ended 30 June 2021: HK\$780,240,000), representing a decrease of approximately HK\$84,906,000 or 10.9% as compared with that of the six months ended 30 June 2021.
- The Group's EBITDA for the six months ended 30 June 2022 was approximately HK\$215,929,000 (six months ended 30 June 2021: HK\$375,195,000), representing a decrease of approximately HK\$159,266,000 or 42.4% as compared with that of six months ended 30 June 2021.
- The Group's Net Profit for the six months ended 30 June 2022 were approximately HK\$100,443,000 (six months ended 30 June 2021: HK\$240,005,000) representing a decrease of approximately HK\$139,562,000 or 58.1% as compared with that of six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

- The decrease in the Revenue, EBITDA and Net Profit was due to (i) decrease in sales orders volume due to the resurgence of the COVID-19 pandemic in Mainland China and the government's related control measures which in turn, resulted in a temporary suspension of the operations of our major production facilities in Shenzhen and Dongguan in the first quarter of 2022 (the **"Temporary Suspension of Mainland China Production in Q1 2022"**); (ii) the resurgence of COVID-19 pandemic in certain cities of Mainland China affecting the operations of clinics and hospitals, and demand for our products; (iii) the continued investment in strategic projects, including the establishment of our Vietnam production facilities and our clear aligners business; and (iv) depreciation of foreign currencies against HK\$ when compared with same period in 2021 (in particular, EUR and AUD).
- Basic earnings per share for the six months ended 30 June 2022 amounted to HK10.44 cents (six months ended 30 June 2021: HK25.06 cents).
- The Board declared an interim dividend of HK3.7 cents (six months ended 30 June 2021: an interim dividend of HK7.5 cents and a special dividend of HK5.0 cents) per ordinary share for the six months ended 30 June 2022. The interim dividend will be payable on Tuesday, 11 October 2022 to shareholders of the Company (the **"Shareholders"**) whose names appear on the Register of Members of the Company on Monday, 19 September 2022.

The following table sets forth summary of key financial results for the six months ended 30 June 2022, 31 December 2021 and 30 June 2021:

| | 30 June 2022 (unaudited) HK\$'000 | Six months ended | | | |
|-------------------------|--|--|--|--|--|
| | | 31 December 2021 (unaudited) HK\$'000 | 30 June 2021 (unaudited) HK\$'000 | Changes 30 June 2022 vs 2021 % | Changes 30 June 2022 vs 2021 % |
| Revenue | 1,428,492 | 1,473,947 | 1,481,225 | -3.1% | -3.6% |
| Gross Profit | 695,334 | 770,411 | 780,240 | -9.7% | -10.9% |
| Gross Profit Margin (%) | 48.7% | 52.3% | 52.7% | -6.9% | -7.6% |
| EBITDA | 215,929 | 251,198 | 375,195 | -14.0% | -42.4% |
| EBITDA Margin (%) | 15.1% | 17.0% | 25.3% | -11.2% | -40.3% |
| Net Profit | 100,443 | 120,370 | 240,005 | -16.6% | -58.1% |
| Net Profit Margin (%) | 7.0% | 8.2% | 16.2% | -14.6% | -56.8% |

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of the revenue generated from the aforesaid markets for the six months ended 30 June 2022 and 2021:

| Market | Original currency | Six months ended 30 June | | | | | |
|---------------|-------------------|------------------------------|--------------------|------------------------------|--------------------|------------------------|-------------------------|
| | | 2022 | | 2021 | | 2022 VS 2021 | |
| | | Conversion rate [#] | Revenue (HK\$'000) | Conversion rate [#] | Revenue (HK\$'000) | Change in currency (%) | Organic growth rate (%) |
| Europe | EUR | 8.56 | 616,430 | 9.35 | 642,190 | -8.4% | 4.8% |
| North America | US\$ | 7.75 | 362,448 | 7.75 | 361,628 | — | 0.2% |
| Greater China | RMB | 1.20 | 319,239 | 1.20 | 331,877 | — | -3.8% |
| Australia | AUD | 5.63 | 112,867 | 5.99 | 127,509 | -6.0% | -5.8% |
| Others | | | 17,508 | | 18,021 | | |
| Total | | | 1,428,492 | | 1,481,225 | | |

The conversion rate shall not be taken as a representation that respective original currency could actually be converted into HK\$ at that rate, or at all.

Further highlights:

- For the six months ended 30 June 2022, the Group's digital solution cases (overseas and domestic) that are produced from its Mainland China production facilities (which, for the avoidance of doubt, does not include digital solution cases produced in the Group's non-Mainland China production facilities or overseas/satellite dental laboratories) increased to approximately 247,887 cases reflecting an increase of 110.8% as compared with the same period in 2021 (approximately 117,589 cases) as a result of our clients' increased adoption of intra-oral scanners.

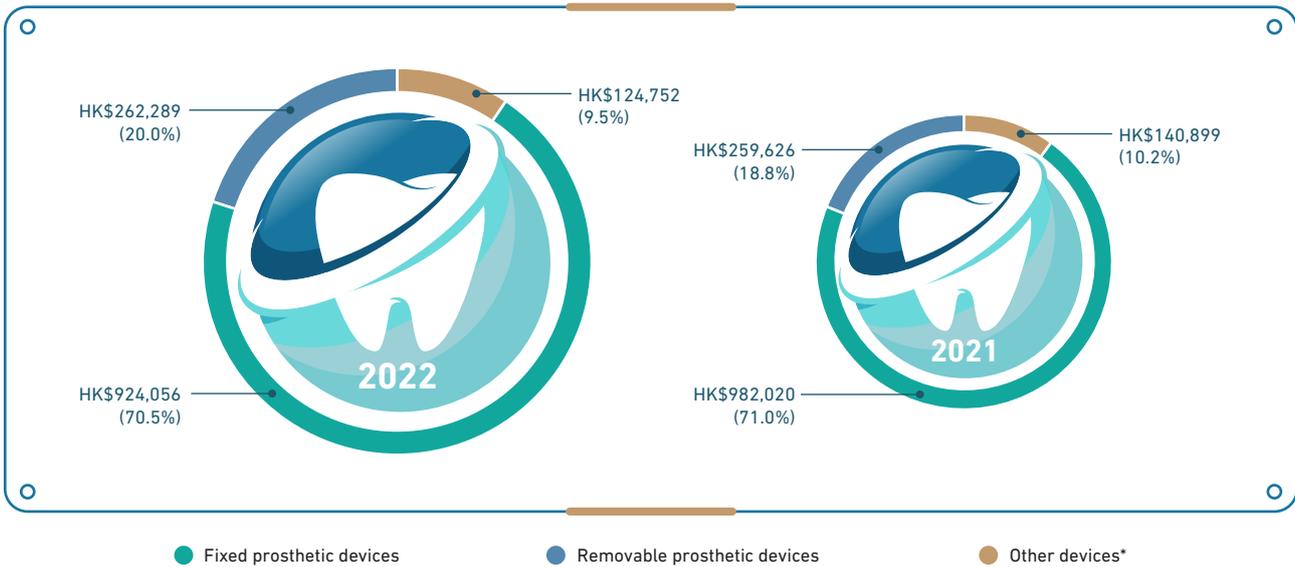
MANAGEMENT DISCUSSION AND ANALYSIS

PRODUCT CATEGORY

The figures below set forth the breakdown of revenue (in thousand Hong Kong dollars and percentage) and sales volume (in number of cases and percentage) by product category for the six months ended 30 June 2022 and 2021 respectively:

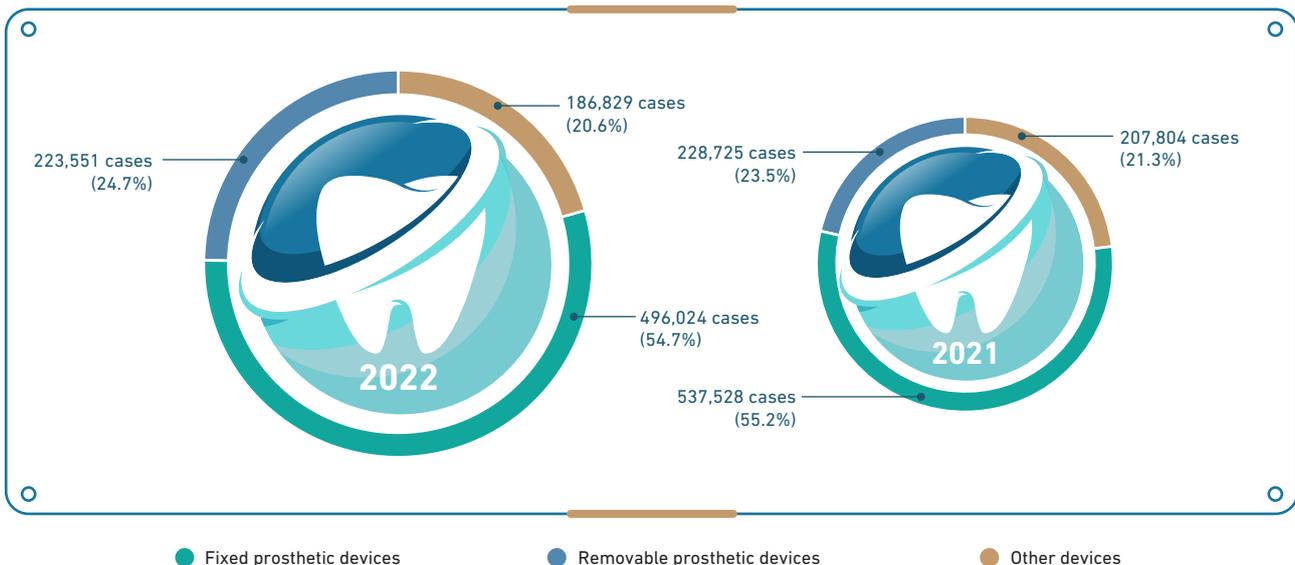
BREAKDOWN OF REVENUE

(HK\$'000 and %)



BREAKDOWN OF SALES VOLUME

(no. of cases and %)



* Raw materials revenue, dental equipment revenue, clear aligner revenue and services revenue are subtracted from the Group's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

FIXED PROSTHETIC DEVICES

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

During the period under review, the fixed prosthetic devices business segment recorded a revenue of approximately HK\$924,056,000, representing a decrease of approximately HK\$57,964,000 as compared with the six months ended 30 June 2021. This business segment accounted for approximately 70.5% of the Group's total revenue as compared with approximately 71.0% in the six months ended 30 June 2021.

REMOVABLE PROSTHETIC DEVICES

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

During the period under review, the removable prosthetic devices business segment recorded a revenue of approximately HK\$262,289,000, representing an increase of approximately HK\$2,663,000 as compared with the six months ended 30 June 2021. This business segment accounted for approximately 20.0% of the Group's total revenue as compared with approximately 18.8% in the six months ended 30 June 2021.

OTHER DEVICES

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

During the period under review, the other devices business segment recorded a revenue of approximately HK\$124,752,000, representing a decrease of approximately HK\$16,147,000 as compared with the six months ended 30 June 2021. This business segment accounting for approximately 9.5% of the Group's total revenue as compared with approximately 10.2% in the six months ended 30 June 2021.

PRODUCT CATEGORY

The following table sets forth the breakdown of sales volume, revenue, and average selling price ("ASP") by product category for the six months ended 30 June 2022 and 2021 respectively:

| Product category | Six months ended 30 June | | | 2021 [#] | | |
|------------------------------|-----------------------------------|-----------------------|------------------------|-----------------------------------|-----------------------|------------------------|
| | 2022 | 2021 [#] | | 2021 [#] | | ASP |
| | Sales Volume (number of cases) | Revenue (HK\$'000) | ASP (HK\$ per case) | Sales Volume (number of cases) | Revenue (HK\$'000) | ASP (HK\$ per case) |
| Fixed prosthetic devices | 496,024 | 924,056 | 1,863 | 537,528 | 982,020 | 1,827 |
| Removable prosthetic devices | 223,551 | 262,289 | 1,173 | 228,725 | 259,626 | 1,135 |
| Other devices* | 186,829 | 124,752 | 668 | 207,804 | 140,899 | 678 |
| Total | 906,404 | 1,311,097 | 1,446 | 974,057 | 1,382,545 | 1,419 |

* The raw materials revenue, the dental equipment revenue, clear aligner revenue and the services revenue are subtracted from the Group's revenue.

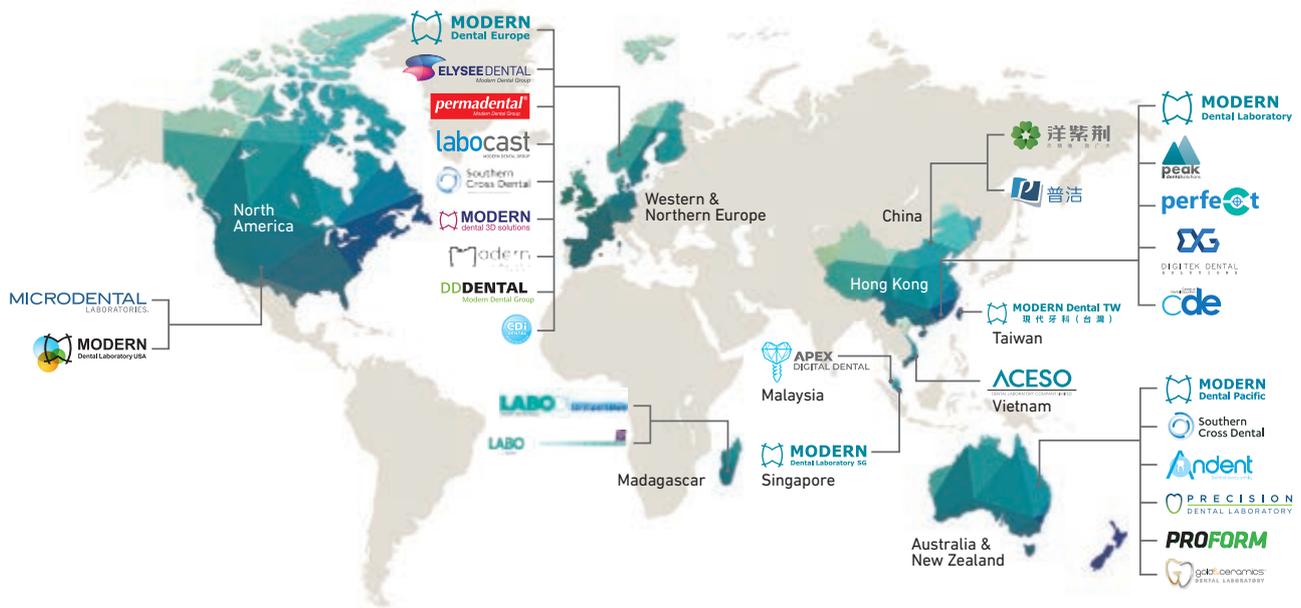
[#] Volume in 2021 is adjusted to align with the methodologies applied in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

SALES VOLUME AND AVERAGE SELLING PRICE

For the six months ended 30 June 2022, the sales volume and ASP of the Group's products across its markets were 906,404 cases (six months ended 30 June 2021: 974,057 cases) and HK\$1,446 per case (six months ended 30 June 2021: HK\$1,419 per case), representing a decrease of 6.9% and an increase of 1.9%, respectively.

For the six months ended 30 June 2022, the Group's digital solution cases (overseas and domestic) that are produced from its Mainland China production facilities (which, for the avoidance of doubt, does not include digital solution cases produced in the Group's non-Mainland China production facilities or overseas/satellite dental laboratories) increased to approximately 247,887 cases reflecting an increase of 110.8% as compared with the same period in 2021 (approximately 117,589 cases) as a result of our clients' increased adoption of intra-oral scanners.



The trademarks represent reputable brands and logos associated with such brands in each country or region; are widely recognised by practitioners in the dental industry; and are registered, where appropriate, with minimal renewal costs.

MANAGEMENT DISCUSSION AND ANALYSIS

GEOGRAPHIC MARKET

By leveraging on our sales and distribution network, we achieved a leading position in the dental prosthetics industry across Europe, North America, Greater China, Australia, and other countries. The following table sets forth a breakdown of the revenue generated from the aforesaid markets in their respective original currency against HK\$ for the six months ended 30 June 2022 and 2021, respectively:

| | Six months ended 30 June | | | | | | |
|---------------|--------------------------|--|-----------------------|--|-----------------------|-------------------------------|-------------------------------|
| | Original currency | 2022 | | 2021 | | 2022 VS 2021 | |
| | | Conversion rate # (Original currency per HK\$) | Revenue (HK\$'000) | Conversion rate # (Original currency per HK\$) | Revenue (HK\$'000) | Changes in currency (%) | Organic growth rate (%) |
| <u>Market</u> | | | | | | | |
| Europe | EUR | 8.56 | 616,430 | 9.35 | 642,190 | -8.4% | 4.8% |
| North America | US\$ | 7.75 | 362,448 | 7.75 | 361,628 | — | 0.2% |
| Greater China | RMB | 1.20 | 319,239 | 1.20 | 331,877 | — | -3.8% |
| Australia | AUD | 5.63 | 112,867 | 5.99 | 127,509 | -6.0% | -5.8% |
| Others | | | 17,508 | | 18,021 | | |
| Total | | | 1,428,492 | | 1,481,225 | | |

The conversion rate shall not be taken as a representation that respective original currency could actually be converted into HK\$ at that rate, or at all.

MANAGEMENT DISCUSSION AND ANALYSIS

EUROPE

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

Although the operations of our Europe region was affected by the Temporary Suspension of Mainland China Production in Q1 2022, the overall sales in the Europe region increased by 4.8% in original currency in this period. The growth was driven by an increase in spending by consumers on specialty dental treatments and by digitalization of, and adoption of intra-oral scanners in, the dental market. In particular, sales of intra-oral scanners in the Europe region increased by 32.1% during the period under review.

Since 2020, the European region has benefited from a significant increase in new clients as the lasting effects of the pandemic continued to disproportionately affect our smaller and mid-scaled competitors leading to, in the Group's view, a material increase in market share in this region. As the leading dental prosthetics supplier in Europe, the Group is in an ideal position to take advantage of the aforementioned trends.

The Group has been the frontrunner to provide comprehensive digital solutions offerings, ranging from numerous minimal invasive and aesthetic prosthetic solutions to intra-oral scanners and clear aligners, and is well positioned to capture the opportunities arising from the accelerated digitalisation trend of the dental industry. The Group is committed and would continue to equip ourselves to provide the state-of-the-art digital solutions offering to the dental community in the market.

During the period under review, the European market recorded a revenue of approximately HK\$616,430,000, representing a decrease of approximately HK\$25,760,000 as compared with six months ended 30 June 2021. This geographic market accounted for 43.2% of the Group's total revenue as compared with approximately 43.4% for the six months ended 30 June 2021. The decrease of revenue from the European market was attributable to (i) the depreciation of EUR against HK\$ by 8.4% compared with the six months ended 30 June 2021; and (ii) the decrease in sales order volume as a result of the Temporary Suspension of Mainland China Production in Q1 2022 and the effect was partially offset by (i) the success in offering comprehensive latest state-of-the-art digital solutions to our clients that brought new clients on board; and (ii) the increase in sales of new equipment (primarily intra-oral scanners).

NORTH AMERICA

The revenue generated from sales in the North American market, including the United States and Canada, represented the second largest portion of our revenue in the period under review.

MicroDental Laboratories, Inc. and its subsidiaries ("**MicroDental Group**") contributed approximately HK\$291,478,000 (six months ended 30 June 2021: HK\$286,072,000) to the Group's revenue, approximately HK\$31,502,000 (six months ended 30 June 2021: HK\$40,768,000) to the Group's Adjusted EBITDA; and approximately HK\$15,834,000 (six months ended 30 June 2021: HK\$25,667,000) to the Group's profit for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Since 2021, our clients' interest surrounding digital dentistry continued to increase. With our centralised digital workflows and network oversight over our wide coverage of production units within the region, we are well positioned to support the customers needs through their digitalization journey, focusing on leveraging efficiencies and providing an enhanced customer experience throughout the network. Although the Group has encountered the general softness from the inflationary pressure and the constraints arose from the Temporary Suspension of Mainland China Production in Q1 2022 and COVID-19 lockdown imposed in Canada in Q1 2022, the revenue of the North America market increased by approximately 0.2% for the period ended 30 June 2022 compared with the same period in 2021.

During the period under review, the North American market recorded a revenue of approximately HK\$362,448,000, representing an increase of approximately HK\$820,000 as compared with the six months ended 30 June 2021. This geographic market accounted for approximately 25.4% of the Group's total revenue as compared with approximately 24.4% in the six months ended 30 June 2021.

GREATER CHINA

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

During the period under review, the resurgence of the COVID-19 pandemic in certain cities in the Greater China region has (i) affected the operations of clinics and hospitals, and demand for our products; (ii) resulted in the Temporary Suspension of Mainland China Production in Q1 2022; and (iii) affected the cross border logistics operations between Hong Kong and Mainland China. The Group has managed to gradually resume the ordinary operations of the Group in the second quarter of 2022 that mitigated the effects of the first quarter. The resurgence of the COVID-19 pandemic has once again disproportionately affected our smaller and mid-scaled competitors. In addition, a few cities and provinces have announced pilot programs and details to initiate the inclusion of dental implant treatment in social insurance benefits and expanding the tendering process for certain dental components, which the Group sees as an opportunistic development for itself as the measures are expected to level the playing field and encourage fairer competition.

Despite the difficult operating environment during the period under review, the management is cautiously optimistic on the long-term prospect of the Greater China region as (i) the Group has a proven track record in capturing more market share throughout the COVID-19 pandemic from our competitors following the disproportional impact of the COVID-19 pandemic on our smaller and mid-scale competitors and (ii) the management is confident in winning more market share in the market with enhanced transparency of selection criteria given our competitive strength in products quality, advancement in products offering and financial resources. During the period under review, the Group is committed to support the development of the dental community in the region for long-term by (i) increasing promotions of our latest state-of-the-art innovative solutions and products offering; (ii) continuing to expand the depth and width of our products portfolios offering, such as adding mid-end products and clear aligners products in the Mainland China; and (iii) increasing the level of support and cooperation with the dental school of the University of Hong Kong.

During the period under review, the Greater China market recorded a revenue of approximately HK\$319,239,000, representing a decrease of approximately HK\$12,638,000 as compared with six months ended 30 June 2021. This geographic market accounted for approximately 22.3% of the Group's total revenue as compared with approximately 22.4% in the six months ended 30 June 2021. The decrease of revenue from the Greater China market was largely attributable to the decline in sales orders volumes due to the resurgence of the COVID-19 pandemic in certain cities of Mainland China and Hong Kong affecting the operations of clinics and hospitals, and demand for our products and the Temporary Suspension of Mainland China Production in Q1 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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. Through our various brands, which offer onshore-and offshore-made products, at multiple price points ranging from economy and standard to premium/boutique, the Group is able to effectively penetrate the entire Australian market. Similar to our strategy in Europe, where the Group is focusing on providing better local service, we have invested in local production capacity to provide faster service to our customers, and to provide choices around where the products are made. The Group is one of the largest players in the Australian market and is a preferred supplier to the major corporate dental groups in the market.

During the period under review, the operations of the Group in the region was affected by the Temporary Suspension of Mainland China Production in Q1 2022 and the business has gradually recovered since the second quarter of 2022.

During the period under review, the Australian market recorded a revenue of approximately HK\$112,867,000 representing a decrease of approximately HK\$14,642,000 as compared with the six months ended 30 June 2021. This geographic market accounted for approximately 7.9% of the Group's total revenue as compared with approximately 8.6% in the six months ended 30 June 2021. The decrease of revenue from the Australian market was largely attributable to (i) depreciation of AUD against HK\$ by 6.0% for the six months ended 30 June 2022 compared with six months ended 30 June 2021; and (ii) decline in the sales order volume due to the Temporary Suspension of Mainland China Production in Q1 2022.

OTHERS

Other markets primarily include Indian Ocean countries, Japan, Taiwan, Singapore and Malaysia. During the period under review, these markets recorded a revenue of approximately HK\$17,508,000, representing a decrease of approximately HK\$513,000 as compared with the six months ended 30 June 2021. This geographic market accounted for approximately 1.2% of the Group's total revenue as compared with approximately 1.2% in the six months ended 30 June 2021. The decrease of revenue from the other markets was largely attributable to the decrease in sales order volume due to the Temporary Suspension of Mainland China Production in Q1 2022.

FUTURE PROSPECTS AND STRATEGIES

Notwithstanding any short or medium term challenges the global economy may face, the Board is confident that the medium and long-term global demand for dental prosthetics is expected to continue due to key irreversible demographic factors and trends. While it may be unpredictable as to how supply-chain issues in particular government-imposed restrictions on our production facilities in Mainland China, it is evident that the difficult and challenging business environment is expected to disproportionately affect our smaller or mid-scaled competitors. The acceleration in the adoption of intra-oral scanners by our customers in certain markets is expected to further speed-up the process of consolidation within our industry and ultimately benefiting the Group, as the global leader in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

The unique global distribution network of the Group brings additional opportunities to the Group and the Board is of the view that through further acquisitions, continuing organic growth, additional distribution and joint venture arrangements with upstream suppliers, venturing into new markets (including the setup of the scalable production facilities in Vietnam) and the introduction of new products (such as our own clear aligners, TrioClear and QJ Smile), the Group will go from strength-to-strength in consolidating its status as the leading global dental prosthetic device provider.

The Group has operated over 35 years and has withstood various shocks within the global economy and natural disasters in the past decades and evidently the Group has come out stronger after the occurrence of each event. With the Board's extensive experience and determination to meet any short-term challenges, the Group is in an ideal position to take advantage of, and will remain opportunistic in, any business opportunities whilst remaining cautious and prudent in safeguarding Shareholders' interests.

The Board is highly appreciative of the enormous efforts of our people, customers and suppliers during this unique time, as they work relentlessly to fulfil targets and maintaining daily operations.

FINANCIAL REVIEW

REVENUE

During the period under review, the revenue of the Group amounted to approximately HK\$1,428,492,000 representing a decrease of approximately 3.6% as compared with approximately HK\$1,481,225,000 in the six months ended 30 June 2021. The decrease was largely attributable to (i) decrease in sales orders volume due to resurgence of the COVID-19 pandemic in Mainland China and the government's related control measures which in turn, resulted in Temporary Suspension of Mainland China Production in Q1 2022; (ii) depreciation of foreign currencies against HK\$ when compared with same period in 2021 (in particular, EUR and AUD); and (iii) offset by increase in sales of intra-oral scanners.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit for the six months ended 30 June 2022 was approximately HK\$695,334,000, which was approximately 10.9% lower than that of the six months ended 30 June 2021. The decrease of the gross profit margin of approximately 4.0 percentage points compared with the corresponding period in 2021 was mainly attributable to (i) the inefficient utilisation of the production capacity during the Temporary Suspension of Mainland China Production in Q1 2022; (ii) depreciation of foreign currencies against HK\$ when compared with same period in 2021 (in particular, EUR and AUD); and (iii) the increase in sales of intra-oral scanners with lower gross margin in the current period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit margins of Fixed Prosthetic Devices business segment, Removable Prosthetic Devices business segment and Others business segment were approximately 51.1%, 49.3% and 38.7% respectively. The following table sets forth the breakdown of our gross profit and gross profit margin by product category.

| Product category | Six months ended 30 June | | | |
|------------------------------|--------------------------|----------------------------|--------------------------|----------------------------|
| | 2022 | | 2021 | |
| | Gross profit HK\$'000 | Gross profit margin (%) | Gross profit HK\$'000 | Gross profit margin (%) |
| Fixed prosthetic devices | 472,492 | 51.1 | 530,055 | 54.0 |
| Removable prosthetic devices | 129,179 | 49.3 | 137,757 | 53.1 |
| Others | 93,663 | 38.7 | 112,428 | 46.9 |
| Total | 695,334 | 48.7 | 780,240 | 52.7 |

SELLING AND DISTRIBUTION EXPENSES

During the period under review, the selling and distribution expenses increased by approximately 18.7% from approximately HK\$160,002,000 for the six months ended 30 June 2021 to approximately HK\$189,994,000 for the six months ended 30 June 2022, accounting for approximately 13.3% of the Group's revenue, as compared with approximately 10.8% for the corresponding period in 2021. The increase in the selling and distribution expenses was due to the increase in promotions and marketing activities and sales headcount of our clear aligner business, including TrioClear and QJ Smile and increase in logistics cost from exporting goods from Mainland China to other countries due to tighten COVID-19 related precautionary measures.

ADMINISTRATIVE EXPENSES

During the period under review, the administrative expenses increased by approximately 14.2% from approximately HK\$318,024,000 for the six months ended 30 June 2021 to approximately HK\$363,118,000 for the six months ended 30 June 2022, accounting for approximately 25.4% of the Group's revenue, as compared with approximately 21.5% for the corresponding period in 2021. The increase in the administrative expenses was primarily attributable to (i) the increase in research and development expenses for products development (including TrioClear) by approximately HK\$19,242,000; (ii) the increase in labour costs due to increase in number of headcount; and (iii) costs incurred for setting up a Vietnam production facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER OPERATING EXPENSES

During the period under review, the other operating expenses increased by approximately 93.7% from approximately HK\$2,974,000 for the six months ended 30 June 2021 to approximately HK\$5,762,000 for the six months ended 30 June 2022, accounting for approximately 0.4% of the Group's revenue, as compared with approximately 0.2% for the corresponding period in 2021. Other operating expenses mainly represented exchange losses, net, incurred of approximately HK\$5,151,000 (six months ended 30 June 2021: HK\$2,924,000).

FINANCE COSTS

During the period under review, the finance costs decreased by approximately 23.2% from approximately HK\$11,584,000 for the six months ended 30 June 2021 to approximately HK\$8,895,000 for the six months ended 30 June 2022, accounting for approximately 0.6% of the Group's revenue, as compared with approximately 0.8% for the corresponding period in 2021. The decrease was mainly due to the decrease in the interest-bearing bank borrowings when compared with six months ended 30 June 2021.

INCOME TAX EXPENSE

During the period under review, the income tax expense decreased by approximately 35.9% from approximately HK\$54,506,000 for the six months ended 30 June 2021 to approximately HK\$34,952,000 for the six months ended 30 June 2022.

PROFIT FOR THE PERIOD

Profit for the period decreased by approximately 58.1% from approximately HK\$240,005,000 for the six months ended 30 June 2021 to approximately HK\$100,443,000 for the six months ended 30 June 2022.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company amounted to approximately HK\$99,851,000, representing a decrease of approximately HK\$140,186,000, or approximately 58.4%, as compared with corresponding period in 2021.

The decrease in profit and profit attributable to owners of the Company was predominately due to:

- (i) the resurgence of the COVID-19 pandemic in Mainland China and the government's related control measures which in turn, resulted in Temporary Suspension of Mainland China Production in Q1 2022. The resumption of operations of the Company's major production facilities in Shenzhen and Dongguan in the second quarter of 2022 mitigated the effects of the first quarter;
- (ii) the resurgence of COVID-19 pandemic in certain cities of Mainland China affecting the operations of clinics and hospitals, and demand for the Group's products;
- (iii) the continued investment in strategic projects, including the establishment of the Group's Vietnam production facilities and our clear aligners business; and
- (iv) depreciation of EUR and AUD against HK\$ since second half of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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 amortisation (the "EBITDA") as additional financial measures. By means of these financial measures, the management of the Group is able to evaluate their financial performance regardless of the items they do not consider indicative of the operating performance of their business.

EBITDA, ADJUSTED EBITDA AND PROFIT FROM CORE OPERATIONS

During the period under review, the Group incurred some one-off expenses, which are not indicative of the operating performance of the business of the period. Therefore, the Group arrived at an adjusted EBITDA (the "Adjusted EBITDA") by eliminating the effects of certain non-cash or non-recurring items, including one-off transaction cost in connection with acquisitions and disposals.

The table below indicates the profit for the six months ended 30 June 2022 and 2021, reconciling the Adjusted EBITDA for the periods presented to the most comparable financial measures calculated in accordance with the IFRS:

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 |
| EBITDA and Adjusted EBITDA | | |
| Net profit | 100,443 | 240,005 |
| Add: | | |
| Tax | 34,952 | 54,506 |
| Finance costs | 8,895 | 11,584 |
| Depreciation of right-of-use assets | 25,281 | 23,098 |
| Depreciation of property, plant and equipment | 34,571 | 31,403 |
| Amortisation of intangible assets | 12,680 | 14,865 |
| Less: | | |
| Bank interest income | (893) | (266) |
| EBITDA | 215,929 | 375,195 |
| Add: | | |
| One-off transaction cost in connection with acquisitions and disposals | 435 | — |
| Adjusted EBITDA | 216,364 | 375,195 |
| Adjusted EBITDA Margin | 15.1% | 25.3% |

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

CASH FLOWS

The table below summarises the Group's cash flows for the six months ended 30 June 2022 and 2021:

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 |
| Net cash flows from operating activities | 56,923 | 246,840 |
| Net cash flows used in investing activities | (136,232) | (44,561) |
| Net cash flows used in financing activities | (155,803) | (253,258) |

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 and the available bank facilities 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\$384,534,000 as of 30 June 2022 (31 December 2021: HK\$633,157,000), which was mainly denominated in HK\$, RMB, US\$, EUR and AUD.

OPERATING ACTIVITIES

Net cash flows from operating activities was approximately HK\$56,923,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$246,840,000). The decrease in net cash flows from operating activities was primarily driven by the decrease in operating profit generated by the Group and the increase in working capitals incurred to cope with the recovery of sales activities towards the end of the period under review.

INVESTING ACTIVITIES

The Group recorded a net cash outflow used in investing activities of approximately HK\$136,232,000 for the six months ended 30 June 2022. The outflow was mainly attributable to (i) approximately HK\$101,211,000 used primarily for expansion of our production facilities, such as construction costs of a factory building in Dongguan, Mainland China of approximately HK\$58,000,000, and upgrade of our computer-aided/manufacturing equipment; and (ii) strategic equity investment in a top premium dental clinic chains group of approximately HK\$39,459,000.

FINANCING ACTIVITIES

The Group recorded a net cash outflow used in financing activities of approximately HK\$155,803,000 for the six months ended 30 June 2022. The outflow was mainly attributable to (i) repayment of bank borrowings, net of approximately HK\$82,052,000; (ii) payment for dividend of approximately HK\$42,105,000; (iii) payment for lease liabilities of approximately HK\$28,051,000; and (iv) payment for interest expenses of approximately HK\$5,445,000.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE AND RESEARCH AND DEVELOPMENT EXPENSES

During the period under review, the Group's capital expenditure amounted to approximately HK\$101,211,000 was used for expansion of our production facilities, such as construction costs of a factory building in Dongguan, Mainland China of approximately HK\$58,000,000 and upgrade of our computer-aided/manufacturing equipment. All of the capital expenditure was financed by internal resources and bank borrowings. The management is committed to invest in research and development activities and keep abreast of the latest development of the technologies in the dental prosthetic market. In 2022, the Group has invested in acquisition of the latest state-of-the-art machineries of approximately HK\$23,270,000 (six months ended 30 June 2021: HK\$27,719,000) and incurred research and development cost of approximately HK\$22,779,000 (six months ended 30 June 2021: HK\$3,537,000). The aggregate amounts collectively represented approximately 3.2% of the revenue of the Group (six months ended 30 June 2021: 2.1%).

CAPITAL STRUCTURE

FUNDING AND TREASURY POLICIES

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

BANK BORROWINGS

Bank borrowings of the Group as of 30 June 2022 amounted to approximately HK\$592,316,000 as compared to approximately HK\$673,062,000 as of 31 December 2021. As of 30 June 2022, the bank borrowings were denominated in HK\$ and MYR amounted approximately HK\$592,130,000 and HK\$186,000, respectively. As of 30 June 2022, all bank borrowings 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" on page 18 of this Interim Report.

GEARING RATIO

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital (equity attributable to owners of the Company) plus net debt. Net debt includes interest-bearing bank borrowings, trade payables, other payables and accruals, lease liabilities, less cash and cash equivalents and pledged deposits. As of 30 June 2022, the gearing ratio of the Group was approximately 23% (31 December 2021: 18%), reflecting that the Group's financial position was at a sound level.

DEBT SECURITIES

As of 30 June 2022 and 31 December 2021, the Group did not have any debt securities.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As of 30 June 2022 and 31 December 2021, the Group did not have any material contingent liabilities or guarantees.

CHARGE OF GROUP ASSETS

During the period under review, Modern Dental Holding Limited, a subsidiary of the Company, entered into certain bank loans facility agreements (the "**Facility Agreements**") for certain term loans and a revolving credit, secured by corporate guarantees of the Company and certain of its subsidiaries. Pursuant to the Facility Agreements, 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 Agreements will be cancelled and all the outstanding amounts under the Facility Agreements will become immediately due and payable.

Pledged bank deposits of the Group as of 30 June 2022 amounted to approximately HK\$3,411,000 as compared to approximately HK\$4,848,000 as of 31 December 2021.

COMMITMENTS

The investment agreement 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 (equivalent to approximately HK\$287,655,000) for the acquisition of land, and construction and renovation of a factory in the Dongguan Songshan Lake High-tech Industrial Development Zone.

As of 30 June 2022, the Group has paid approximately RMB217,830,000 (equivalent to approximately HK\$254,716,000) for the construction and renovation of a factory and approximately RMB18,839,000 (equivalent to approximately HK\$22,029,000) for the acquisition of land, and the remaining commitment was approximately RMB9,331,000 (equivalent to approximately HK\$10,910,000).

Save as disclosed above, the Group had no significant capital commitments as of 30 June 2022.

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022 and there is no plan for material investments or capital assets as at the date of this Interim Report.

OFF-BALANCE SHEET TRANSACTIONS

As of 30 June 2022, the Group did not enter into any material off-balance sheet transactions.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPORTANT EVENTS AFTER THE PERIOD UNDER REVIEW

Subsequent to the end of the reporting period, the Group refinanced the bank borrowings amounted to approximately HK\$592,130,000 in which the maturity of the bank borrowings has been further extended up to 5 years.

Saved as disclosed above, the Group has no important events after the period under review up to the date of this Interim Report.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Group's business, financial condition and results of operations are subject to various business risks and uncertainties. The factors set out below are those that the Group believes could result in the Group's financial condition or results of operations differing materially from expected or historical results. There may be other risks in addition to those set out below which are not known to the Group or which may not be material now but could turn out to be material in the future.

GLOBAL ECONOMY AND CROSS COUNTRIES OPERATIONS

As a global business, the Group is exposed to the development of the global economy and continued changes in government policies, political, social, legal and regulatory requirements as well as the industries and geographical markets in which it operates. As a result, the Group's financial condition and results of operations may be influenced by the general state of the economy and operating environment of markets in which it operates. Any significant decrease in the level of economic growth in the global or regional or a specific economy could adversely affect the Group's financial condition or results of operations. On the other hand, the Group's global business covering different regions and countries also mitigates the Group's reliance on any single region or country.

For instance, the global COVID-19 pandemic has caused a global health emergency and significant disruptions to economies worldwide which could adversely impact the Group's operating results. The efficacy of the vaccines against new virus mutations, the new wave of infection particularly across developing countries with low vaccination rates, the effectiveness of policy support to facilitate the transition back to normalcy and the associated inflationary risks and supply constraints from subdued mobility caused by the pandemic, continue to pose risks and uncertainties ahead. The Group may implement cost cutting measures (including salaries reduction, deferring marketing expenses, etc) to reduce the risks and uncertainties brought by the global COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

MERGERS AND ACQUISITIONS RISK

Goodwill and intangible assets arising from mergers and acquisitions accounted for significant portion in the Group's total assets. If there is any impairment on the goodwill and intangible assets, it will affect the profit of the Group.

The Group mitigates such risk by engagement of legal and financial advisers to carry out due diligence of material acquisitions. The Group has also engaged external valuer, Brilliant Appraisal Limited, to assess the impairment of material goodwill and intangible assets annually or indication of impairment noted and no material changes in key assumptions have been made in general on an annual basis. The key assumptions for 31 December 2021, such as the pre-tax discount rates (ranged between 12% and 20%); the budgeted sales growth rates (ranged between 0% and 9%); and budgeted EBITDA margins (ranged between 12% and 32%), are determined with reference to historical performance of the Group, market research of the prosthetic devices industry and the specific business plans of the Group.

CENTRALISATION OF PRODUCTION FACILITIES

The production of the Group relied heavily on its existing production facilities in Shenzhen, Mainland China and in Dongguan, Mainland China. If there are disruptions to the production sites in Shenzhen and Dongguan, the Group may suffer from interruptions to its business. The management has also started to set up a new production facility in Vietnam to further mitigate the risk. Apart from this, the Group has already had various smaller scale production sites in different parts of the world, such as the United States, Europe and Australia, etc, and will continue to explore opportunities around the world.

INTEREST RATE RISK

Our exposure to the interest rate risk relates primarily to our long-term debt obligations with floating interest rates. We manage our interest rate exposure with a focus on reducing our overall cost of debt and exposure to changes in interest rate. Our management continues to monitor the cash flows of our operation and the debt markets, where we would expect to refinance these borrowings with a lower cost of debt when desirable. For the six months ended 30 June 2022, the interest rate on floating-rate bank loans were approximately HIBOR+1.60% per annum for term loans and HIBOR+1.10% per annum for a revolving credit. 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 HK\$. To minimise 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 related parties, pledged deposits 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 recognised 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.

LIQUIDITY RISK

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

OTHER INFORMATION

DIVIDENDS

The Board declared an interim dividend of HK3.7 cents (six months ended 30 June 2021: an interim dividend of HK7.5 cents and a special dividend of HK5.0 cents) per ordinary share for the six months ended 30 June 2022. The interim dividend will be payable on Tuesday, 11 October 2022 to Shareholders whose names appear on the Register of Members of the Company on Monday, 19 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 15 September 2022 to Monday, 19 September 2022, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 14 September 2022, for the purpose of effecting the share transfers.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"), the Company has established the remuneration committee of the Company (the "**Remuneration Committee**") to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualifications, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Share Option Scheme and the Pre-IPO RSU Scheme (both as defined below).

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 6,835 (31 December 2021: 6,596) full-time employees at our production facilities, service centers, points of sales and other sites as of 30 June 2022, mainly including 4,890 (31 December 2021: 4,777) production staff members, 635 (31 December 2021: 669) general management staff members and 452 (31 December 2021: 408) customer service staff members.

Total staff costs of the Group (including the Directors' and chief executive's remuneration) for the six months ended 30 June 2022 was approximately HK\$703,475,000 (six months ended 30 June 2021: approximately HK\$644,434,000). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

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 period under review, the relationship between the Group and our employees had been stable. We had not experienced any strikes or other labor disputes which materially affected our business activities.

OTHER INFORMATION

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to the written resolutions of the Shareholders 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, Director, supplier, customer, shareholder, research, development or other technological support personnel and advisor of the Group and invested entity of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group as the Directors determine, as incentives or rewards for their contribution to the Group.

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

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes adopted by the Group as from the Share Option Scheme Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all issued share capital of the Company upon 15 December 2015 (the "Listing Date") (i.e. 100,000,000 Shares, representing 10.4% of the issued share capital of the Company as at the date of this Annual Report). The limit of 10% may be refreshed at any time by approval of the Shareholders in a general meeting provided that the total number of the Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other option schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of our Group) previously granted under the Share Option Scheme and any other share option schemes of our Group will not be counted.

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

Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the offer date of each offer, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting.

OTHER INFORMATION

A consideration of HK\$1.0 is payable on acceptance of the grant of an option within such time as may be specified in the offer (which shall not be later than 21 days from the offer date).

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

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

As at 30 June 2022, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme and therefore the total number of Shares available for grant under the Share Option Scheme was 100,000,000 Shares, representing 10.4% of the issued share capital of the Company as of the date of this Interim Report.

PRE-IPO RESTRICTED SHARE UNIT SCHEME

A restricted share unit scheme (the "**Pre-IPO RSU Scheme**") was adopted pursuant to the written resolutions of the Shareholders passed on 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 30 June 2022, no outstanding restricted share units were granted or vested pursuant to the Pre-IPO RSU Scheme.

MANDATORY PROVIDENT FUND RETIREMENT BENEFIT SCHEME

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

OTHER INFORMATION

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

As at 30 June 2022, the interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

| Name of Director | Capacity | Number of Shares and underlying Shares interested | Total number of Shares and underlying Shares interested | Approximate percentage of shareholding |
|--|------------------------------------|---|---|--|
| Mr. Chan Kwun Fung | Beneficial owner | 466,000 <i>(Note 1)</i> | 474,375,263 | 49.57% |
| | Other | 3,450,000 <i>(Note 1)</i> | | |
| | Interest of controlled corporation | 470,459,263 <i>(Note 1)</i> | | |
| Mr. Chan Kwun Pan | Beneficial owner | 3,450,000 <i>(Note 1)</i> | 474,375,263 | 49.57% |
| | Other | 466,000 <i>(Note 1)</i> | | |
| | Interest of controlled corporation | 470,459,263 <i>(Note 1)</i> | | |
| Mr. Ngai Shing Kin | Beneficial owner | 4,191,345 | 98,040,998 | 10.25% |
| | Interest of controlled corporation | 93,849,653 <i>(Note 2)</i> | | |
| Mr. Ngai Chi Ho Alwin (resigned on 1 July 2022) | Beneficial owner | 277,934 | 63,122,304 | 6.60% |
| | Interest of controlled corporation | 62,844,370 <i>(Note 3)</i> | | |
| Dr. Yau Ka Po | Beneficial owner | 300,000 | 300,000 | 0.03% |

Notes:

- Mr. Chan Kwun Fung and Mr. Chan Kwun Pan signed a confirmation letter on 10 August 2015 confirming their acting-in-concert arrangement whereby they operate the Group collectively, through discussions, and reached consensus between themselves before making any commercial decisions for the Group on a unanimous basis. As such and by virtue of the SFO, (i) each of Mr. Chan Kwun Fung and Mr. Chan Kwun Pan is deemed to be interested in the 470,459,263 Shares owned by Triaera Holdings Limited, (ii) Mr. Chan Kwun Fung is deemed to be interested in the 3,450,000 Shares owned by Mr. Chan Kwun Pan, and (iii) Mr. Chan Kwun Pan is deemed to be interested in the 466,000 Shares owned by Mr. Chan Kwun Fung.
- These Shares were held by Prosperity Worldwide Investment Holdings Limited, which is wholly owned by Mr. Ngai Shing Kin.
- These Shares were held by NCHA Holdings Limited, which is wholly owned by Mr. Ngai Chi Ho Alwin.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or any of its Associated Corporations" in this Interim Report, at no time during the six months ended 30 June 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, the persons other than the Directors, whose interests have been disclosed in the above section headed "Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or any of its Associated Corporations", had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO, were as follows:

LONG POSITIONS IN SHARES OF THE COMPANY

| Name of Shareholder | Capacity | Number of Shares interested | Approximate percentage of shareholding |
|--|------------------|-----------------------------|--|
| Triera Holdings Limited ^(Note 1) | Beneficial owner | 470,459,263 | 49.16% |
| Prosperity Worldwide Investment Holdings Limited ^(Note 2) | Beneficial owner | 93,849,653 | 9.81% |
| NCHA Holdings Limited ^(Note 3) | Beneficial owner | 62,844,370 | 6.57% |

Notes:

1. Triera Holdings Limited is a company incorporated in the British Virgin Islands and is owned as to 50%, 20%, 16% and 14% by Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Dr. Chan Ronald Yik Long and Ms. Chan Yik Yu, respectively.
2. Prosperity Worldwide Investment Holdings Limited is a company incorporated in the British Virgin Islands and is wholly owned by Mr. Ngai Shing Kin.
3. NCHA Holdings Limited is a company incorporated in the British Virgin Islands and is wholly owned by Mr. Ngai Chi Ho Alwin.

Save as disclosed herein, as at 30 June 2022, no person, other than the Directors whose interests are set out in the section headed "Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or any of its Associated Corporations" above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

OTHER INFORMATION

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CHANGES OF DIRECTORS' INFORMATION

During the six months ended 30 June 2022 and up to the date of this Interim Report, changes in information of Directors are as follows:

1. Dr. Cheung Wai Bun Charles, J.P. was appointed as an advisor of the Institute of ESG & Benchmark (IESGB) effective from 6 June 2022.
2. Mr. Ngai Chi Ho Alwin resigned as the vice-chairman of the Board, an executive Director, the chief operating officer of the Company and ceased to be a member of the nomination committee of the Company effective from 1 July 2022.
3. Mr. Ngai Shing Kin was appointed as a member of the nomination committee of the Company effective from 1 July 2022.
4. Dr. Chan Ronald Yik Long was appointed as honorary clinical assistant professor in Applied Oral Sciences and Community Dental Care of the Faculty of Dentistry of The University of Hong Kong effective from 1 July 2022.

Save as disclosed in this Interim Report, there are no changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE

During the six months ended 30 June 2022, the Company has complied with the applicable code provisions of Part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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

The Company has adopted the Securities Dealing Code containing the provisions set out in the Model Code as set out in Appendix 10 to the Listing Rules, and after having made specific enquiries with regard to securities transactions by the Directors, all Directors have confirmed their compliance with the required standards set out in the Model Code regarding Directors' securities transactions during the six months ended 30 June 2022.

OTHER INFORMATION

REVIEW OF INTERIM RESULTS

The Audit Committee consists of Dr. Cheung Wai Bun Charles J.P., Dr. Chan Yue Kwong Michael and Dr. Yau Ka Po, who are independent non-executive Directors. The Group's interim results for the six months ended 30 June 2022, including the accounting principles and practices adopted by the Group, have been reviewed by the Audit Committee.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

MODERN DENTAL AND THE COMMUNITY

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

| | Notes | Six months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|
| | | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| REVENUE | 4 | 1,428,492 | 1,481,225 |
| Cost of sales | | (733,158) | (700,985) |
| Gross profit | | 695,334 | 780,240 |
| Other income and gains | 4 | 7,586 | 6,480 |
| Selling and distribution expenses | | (189,994) | (160,002) |
| Administrative expenses | | (363,118) | (318,024) |
| Other operating expenses | | (5,762) | (2,974) |
| Finance costs | 6 | (8,895) | (11,584) |
| Share of profits of an associate | | 244 | 375 |
| PROFIT BEFORE TAX | 5 | 135,395 | 294,511 |
| Income tax expense | 7 | (34,952) | (54,506) |
| PROFIT FOR THE PERIOD | | 100,443 | 240,005 |
| ATTRIBUTABLE TO: | | | |
| Owners of the Company | | 99,851 | 240,037 |
| Non-controlling interests | | 592 | (32) |
| | | 100,443 | 240,005 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| Basic | 8 | HK10.44 cents | HK25.06 cents |
| Diluted | 8 | HK10.44 cents | HK25.06 cents |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| PROFIT FOR THE PERIOD | 100,443 | 240,005 |
| OTHER COMPREHENSIVE LOSS | | |
| Other comprehensive loss that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | (112,326) | (25,987) |
| Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods: | | |
| Change in fair value of equity investments at fair value through other comprehensive income, net of tax | (4,776) | — |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX | (117,102) | (25,987) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | (16,659) | 214,018 |
| ATTRIBUTABLE TO: | | |
| Owners of the Company | (17,251) | 214,050 |
| Non-controlling interests | 592 | (32) |
| | (16,659) | 214,018 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

| | Notes | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|---|-------|--|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 627,003 | 586,980 |
| Right-of-use assets | | 152,977 | 160,107 |
| Goodwill | 11 | 1,133,793 | 1,185,682 |
| Intangible assets | 12 | 235,254 | 255,178 |
| Investments in an associate | | 3,325 | 3,230 |
| Equity investments designated at fair value through other comprehensive income | 13 | 34,683 | — |
| Deferred tax assets | | 48,540 | 49,633 |
| Long term prepayments and deposits | 15 | 20,586 | 21,170 |
| Total non-current assets | | 2,256,161 | 2,261,980 |
| CURRENT ASSETS | | | |
| Inventories | | 160,448 | 142,488 |
| Trade receivables | 14 | 576,587 | 528,976 |
| Prepayments, deposits and other receivables | 15 | 92,722 | 74,869 |
| Current tax assets | | 13,960 | 11,061 |
| Pledged deposits | 16 | 3,411 | 4,848 |
| Cash and cash equivalents | 16 | 384,534 | 633,157 |
| Total current assets | | 1,231,662 | 1,395,399 |
| CURRENT LIABILITIES | | | |
| Trade payables | 17 | 80,310 | 80,082 |
| Other payables and accruals | 18 | 240,012 | 233,055 |
| Interest-bearing bank borrowings | 19 | 462,524 | 173,402 |
| Lease liabilities | | 44,051 | 47,211 |
| Tax payable | | 103,960 | 134,535 |
| Total current liabilities | | 930,857 | 668,285 |
| NET CURRENT ASSETS | | 300,805 | 727,114 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,556,966 | 2,989,094 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

| | Notes | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|---|-------|--|--|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,556,966 | 2,989,094 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | 19 | 129,792 | 499,660 |
| Lease liabilities | | 108,813 | 112,812 |
| Deferred tax liabilities | | 9,932 | 11,933 |
| Other non-current liabilities | | 6,514 | 6,029 |
| Total non-current liabilities | | 255,051 | 630,434 |
| NET ASSETS | | 2,301,915 | 2,358,660 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 20 | 74,163 | 74,163 |
| Treasury shares | | (39) | (39) |
| Reserves | | 2,214,969 | 2,274,325 |
| Non-controlling interests | | 2,289,093 | 2,348,449 |
| | | 12,822 | 10,211 |
| TOTAL EQUITY | | 2,301,915 | 2,358,660 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---------------------------------------|----------------------|-----------------|---------------------|----------------------|------------------------|----------------------|------------------------|------------------|----------|---------------------------|--------------|
| | Share capital | Share premium | Treasury shares | Statutory reserve | Capital reserve | Exchange reserve | Assets | | Retained profits | Total | Non-controlling interests | Total equity |
| | | | | | | | revaluation reserve | revaluation reserve | | | | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1 January 2022 (audited) | 74,163 | 489,094 | (39) | 23,046 | 556,446 | (151,769) | — | 1,357,508 | 2,348,449 | 10,211 | 2,358,660 | |
| Profit for the period | — | — | — | — | — | — | — | 99,851 | 99,851 | 592 | 100,443 | |
| Other comprehensive loss for the period: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | — | (112,326) | — | — | (112,326) | — | (112,326) | |
| Change in fair value of equity investments at fair value through other comprehensive income, net of tax | — | — | — | — | — | — | (4,776) | — | (4,776) | — | (4,776) | |
| Total comprehensive income/(loss) for the period | — | — | — | — | — | (112,326) | (4,776) | 99,851 | (17,251) | 592 | (16,659) | |
| Transfer from retained earnings | — | — | — | 1,237 | — | — | — | (1,237) | — | — | — | |
| 2021 final dividend | — | (42,105) | — | — | — | — | — | — | (42,105) | — | (42,105) | |
| Capital contribution by non-controlling shareholders | — | — | — | — | — | — | — | — | — | 1,850 | 1,850 | |
| Acquisition of a subsidiary (note 22) | — | — | — | — | — | — | — | — | — | 169 | 169 | |
| At 30 June 2022 (unaudited) | 74,163 | 446,989 [#] | (39) | 24,283 [#] | 556,446 [#] | (264,095) [#] | (4,776) [#] | 1,456,122 [#] | 2,289,093 | 12,822 | 2,301,915 | |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

| | Attributable to owners of the Company | | | | | | | | Non-controlling interests | Total equity |
|---|---------------------------------------|----------------------|-----------------|---------------------|----------------------|------------------------|------------------------|-----------|---------------------------|--------------|
| | Share capital | Share premium | Treasury shares | Statutory reserve | Capital reserve | Exchange reserve | Retained profits | Total | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | |
| At 1 January 2021 (audited) | 74,592 | 566,614 | (3,106) | 18,912 | 556,017 | (86,136) | 1,120,768 | 2,247,661 | 8,856 | 2,256,517 |
| Profit for the period | — | — | — | — | — | — | 240,037 | 240,037 | (32) | 240,005 |
| Other comprehensive loss for the period: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | — | (25,987) | — | (25,987) | — | (25,987) |
| Total comprehensive income for the period | — | — | — | — | — | (25,987) | 240,037 | 214,050 | (32) | 214,018 |
| Transfer from retained earnings | — | — | — | 2,486 | — | — | (2,486) | — | — | — |
| 2020 final dividend | — | (66,986) | — | — | — | — | — | (66,986) | — | (66,986) |
| Shares repurchased | — | — | (7,896) | — | — | — | — | (7,896) | — | (7,896) |
| Shares cancelled | (225) | (3,737) | 3,962 | — | 225 | — | (225) | — | — | — |
| At 30 June 2021 (unaudited) | 74,367 | 495,891 [#] | (7,040) | 21,398 [#] | 556,242 [#] | (112,123) [#] | 1,358,094 [#] | 2,386,829 | 8,824 | 2,395,653 |

[#] These reserve accounts comprise the consolidated reserves of approximately HK\$2,214,969,000 (unaudited) (30 June 2021: HK\$2,319,502,000 (unaudited)) in the interim condensed consolidated statements of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

| | Notes | Six months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|
| | | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 135,395 | 294,511 |
| Adjustments for: | | | |
| Finance costs | 6 | 8,895 | 11,584 |
| Bank interest income | 4,5 | (893) | (266) |
| Gains on disposal of items of property, plant and equipment, net | 4,5 | (616) | (98) |
| Write-off of property, plant and equipment | 5 | 33 | 19 |
| Depreciation and amortisation | 5 | 72,532 | 69,366 |
| Share of profits of an associate | | (244) | (375) |
| | | 215,102 | 374,741 |
| Increase in inventories | | (21,987) | (16,005) |
| Increase in trade receivables | | (63,115) | (81,750) |
| Increase in prepayments, deposits and other receivables | | (17,643) | (27,331) |
| (Increase)/decrease in amounts due from related parties | | (1,141) | 240 |
| Decrease in balance with an associate | | — | 5,648 |
| Increase in trade payables | | 2,178 | 15,997 |
| Increase/(decrease) in other payables and accruals | | 12,386 | (3,645) |
| Decrease in amount due to a related party | | (7) | (5) |
| | | 125,773 | 267,890 |
| Cash generated from operations | | 125,773 | 267,890 |
| Interest received | | 893 | 266 |
| Income tax paid | | (69,743) | (21,316) |
| | | 56,923 | 246,840 |
| Net cash flows from operating activities | | 56,923 | 246,840 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

| | Notes | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment and intangible assets | | (101,211) | (45,731) |
| Proceeds from disposal of items of property, plant and equipment | | 3,818 | 2,951 |
| Capital contribution for investments in an associate | | — | (1,861) |
| Decrease in pledged deposits | 16 | 1,437 | 80 |
| Purchase of equity investment designated at fair value through other comprehensive income | | (39,459) | — |
| Acquisition of a subsidiary | 22 | (817) | — |
| Net cash flows used in investing activities | | (136,232) | (44,561) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| New bank borrowings | | 73,000 | — |
| Repayment of bank borrowings | | (155,052) | (145,000) |
| Dividend paid | | (42,105) | (66,986) |
| Interest paid | | (5,445) | (7,190) |
| Repurchases of shares | | — | (7,896) |
| Payment for the principal portion of lease liabilities | | (25,699) | (23,381) |
| Payment for the interest portion of lease liabilities | | (2,352) | (2,805) |
| Capital contribution by non-controlling shareholders | | 1,850 | — |
| Net cash flows used in financing activities | | (155,803) | (253,258) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | | |
| Effect of foreign exchange rate changes, net | | (13,511) | 1,502 |
| Cash and cash equivalents at beginning of period | | 633,157 | 697,827 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | | |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 16 | 384,468 | 648,350 |
| Non-pledged time deposits with original maturity of less than three months when acquired | 16 | 66 | — |
| Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position | 16 | 384,534 | 648,350 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

1. CORPORATE AND GROUP INFORMATION

Modern Dental Group Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 5 July 2012 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the production and distribution of dental prosthetic devices.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), including compliance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Modern Dental Group Limited and its subsidiaries since the 2021 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of following revised standards for the first time for the current period's financial statements.

Amendments to IFRS 3

Reference to the Conceptual Framework

Amendments to IAS 16

Property, Plant and Equipment: Proceed before Intended Use

Amendments to IAS 37

Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to IFRSs 2018 – 2020

Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

3. OPERATING SEGMENT INFORMATION

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

- (a) The fixed prosthetic devices segment is a supplier of restorative dental procedures, such as crowns, bridges and implants.
- (b) The removable prosthetic devices segment produces full dentures and partial dentures. Dentures can be further classified as dentures with metal frameworks and dentures without metal frameworks.
- (c) The "others" segment comprises, principally, orthodontic devices (including clear aligner), sport guards and anti-snoring devices, raw materials, dental equipment, 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.

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

| | Six months ended 30 June | | | | | |
|------------------------------|--------------------------|---------------------------|--------------------------|---------------------|---------------------------|--------------------------|
| | 2022 (unaudited) | | | 2021 (unaudited) | | |
| | Revenue HK\$'000 | Cost of sales HK\$'000 | Gross profit HK\$'000 | Revenue HK\$'000 | Cost of sales HK\$'000 | Gross profit HK\$'000 |
| Fixed prosthetic devices | 924,056 | 451,564 | 472,492 | 982,020 | 451,965 | 530,055 |
| Removable prosthetic devices | 262,289 | 133,110 | 129,179 | 259,626 | 121,869 | 137,757 |
| Others | 242,147 | 148,484 | 93,663 | 239,579 | 127,151 | 112,428 |
| Total | 1,428,492 | 733,158 | 695,334 | 1,481,225 | 700,985 | 780,240 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

3. OPERATING SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

(A) REVENUE FROM EXTERNAL CUSTOMERS

| | Six months ended 30 June | |
|---------------|--------------------------|-------------------------|
| | 2022 | 2021 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Europe | 616,430 | 642,190 |
| North America | 362,448 | 361,628 |
| Greater China | 319,239 | 331,877 |
| Australia | 112,867 | 127,509 |
| Others | 17,508 | 18,021 |
| | 1,428,492 | 1,481,225 |

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

(B) NON-CURRENT ASSETS

| | 30 June | 31 December |
|---------------|-------------------------|-----------------------|
| | 2022 | 2021 |
| | (Unaudited) HK\$'000 | (Audited) HK\$'000 |
| Europe | 649,994 | 702,157 |
| Greater China | 546,162 | 466,308 |
| North America | 530,649 | 533,000 |
| Australia | 408,368 | 434,507 |
| Others | 72,448 | 76,375 |
| | 2,207,621 | 2,212,347 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Revenue | | |
| Sale of goods transferred at a point in time | 1,428,492 | 1,481,225 |
| Other income | | |
| Bank interest income | 893 | 266 |
| Government subsidies* | 2,755 | 2,261 |
| Others | 3,322 | 3,855 |
| | 6,970 | 6,382 |
| Gains | | |
| Gains on disposal of items of property, plant and equipment, net | 616 | 98 |
| | 616 | 98 |
| Other income and gains | 7,586 | 6,480 |

* Government subsidies contain the stabilisation subsidy and special fund of self-independent innovation industry from the government. There are no unfulfilled conditions or contingencies relating to these subsidies.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

5. PROFIT BEFORE TAX

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

| | Notes | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Cost of inventories sold [#] | | 733,158 | 700,985 |
| Depreciation of right-of-use assets | | 25,281 | 23,098 |
| Depreciation of property, plant and equipment | 10 | 34,571 | 31,403 |
| Amortisation of intangible assets | 12 | 12,680 | 14,865 |
| Lease payments not included in the measurement of lease liabilities | | 3,746 | 5,687 |
| Research and development costs ^{##} | | 22,779 | 3,537 |
| Auditors' remuneration | | 4,956 | 5,439 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | | |
| Wages and salaries* | | 619,014 | 570,017 |
| Pension scheme contributions | | 84,461 | 74,417 |
| | | 703,475 | 644,434 |
| Bank interest income | 4 | (893) | (266) |
| Gains on disposal of items of property, plant and equipment, net ^{**} | 4 | (616) | (98) |
| Write-off of property, plant and equipment ^{**} | 10 | 33 | 19 |
| Allowance for impairment of trade receivables, net | 14 | 4,699 | — |
| Reversal of allowance for impairment of trade receivables, net | 14 | — | (958) |
| Foreign exchange loss, net ^{**} | | 5,151 | 2,924 |

[#] Cost of inventories sold includes HK\$433,600,000 (unaudited) (six months ended 30 June 2021: HK\$415,582,000 (unaudited)) relating to employee benefit expense, lease payments not included in the measurement of lease liabilities and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

^{##} Research and development costs includes HK\$18,777,000 (unaudited) (six months ended 30 June 2021: HK\$2,731,000 (unaudited)) relating to employee benefit expense, lease payments not included in the measurement of lease liabilities and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

* The amount has been net-off with government subsidies of HK\$1,096,000 (unaudited) (six months ended 30 June 2021: Nil (unaudited)) under COVID-19 related employment support schemes. There were no unfulfilled conditions or contingencies relating to these subsidies.

** Gains on disposal of items of property, plant and equipment, net are included in "other income and gains" in the interim condensed consolidated statements of profit or loss. Write-off of property, plant and equipment and foreign exchange loss, net are included in "other operating expenses" in the interim condensed consolidated statements of profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

6. FINANCE COSTS

| | Six months ended 30 June | |
|--|--------------------------|-------------------------|
| | 2022 | 2021 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Interest on bank loans, overdrafts and other loans | 5,445 | 7,190 |
| Finance charges on bank loans | 1,097 | 1,589 |
| Interest on lease liabilities | 2,353 | 2,805 |
| | 8,895 | 11,584 |

7. INCOME TAX EXPENSE

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

| | Six months ended 30 June | |
|---------------------|--------------------------|-------------------------|
| | 2022 | 2021 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Current – Hong Kong | 13,144 | 34,646 |
| Current – Elsewhere | 23,124 | 24,881 |
| Deferred | (1,316) | (5,021) |
| | 34,952 | 54,506 |

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

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2022 and 2021 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2022 and 2021 attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

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

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021. The calculations of basic and diluted earnings per share are based on:

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| <u>Earnings</u> | | |
| Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation | 99,851 | 240,037 |

| | Number of shares Six months ended 30 June | |
|--|--|---------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) |
| <u>Shares</u> | | |
| Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation | 956,442,955 | 958,017,187 |

9. DIVIDENDS

| | Six months ended 30 June | |
|------------------|---------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Interim dividend | 35,407 | 71,968 |
| Special dividend | — | 47,979 |

The Board declared an interim dividend of HK3.7 cents per share for the six months ended 30 June 2022 (six months ended 30 June 2021: an interim dividend of HK7.5 cents and a special dividend of HK5.0 cents per share). The interim dividend is not recognised as a liability as at 30 June 2022 because they have been declared after the end of the reporting period.

In 2022, the calculation of the interim dividend are based on 956,941,000 ordinary shares in issue. In 2021, the calculation of the interim dividend and special dividend were based on 959,577,000 ordinary shares in issue.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

10. PROPERTY, PLANT AND EQUIPMENT

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|---|--|--|
| Carrying amount at 1 January | 586,980 | 518,915 |
| Additions | 101,112 | 135,159 |
| Acquisition of a subsidiary/business during the period/year | 485 | 713 |
| Disposals | (3,202) | (5,868) |
| Write-off | (33) | (608) |
| Depreciation provided during the period/year | (34,571) | (64,286) |
| Exchange realignment | (23,768) | 2,955 |
| Carrying amount at 30 June/31 December | 627,003 | 586,980 |

11. GOODWILL

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|---|--|--|
| Carrying amount at 1 January | 1,185,682 | 1,240,088 |
| Acquisition of a subsidiary/business during the period/year | 1,202 | 5,839 |
| Exchange realignment | (53,091) | (60,245) |
| Carrying amount at 30 June/31 December | 1,133,793 | 1,185,682 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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12. INTANGIBLE ASSETS

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|---|--|--|
| Carrying amount at 1 January | 255,178 | 287,670 |
| Additions | 99 | 6,292 |
| Acquisition of a subsidiary/business during the period/year | 981 | 381 |
| Amortisation provided during the period/year | (12,680) | (28,393) |
| Exchange realignment | (8,324) | (10,772) |
| Carrying amount at 30 June/31 December | 235,254 | 255,178 |

13. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|---|--|--|
| Listed equity investments in Hong Kong, at fair value | | |
| Arrail Group Limited | 34,683 | — |

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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14. TRADE RECEIVABLES

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|-------------------|--|--|
| Trade receivables | 613,852 | 563,895 |
| Impairment | (37,265) | (34,919) |
| | 576,587 | 528,976 |

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 material collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 30 June 2022 and 31 December 2021, based on the invoice date and net of loss allowance, is as follows:

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|--------------------|--|--|
| Within 1 month | 254,422 | 240,514 |
| 1 to 2 months | 87,312 | 80,195 |
| 2 to 3 months | 67,616 | 41,002 |
| 3 months to 1 year | 147,140 | 141,185 |
| Over 1 year | 20,097 | 26,080 |
| | 576,587 | 528,976 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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14. TRADE RECEIVABLES (CONTINUED)

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

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|-------------------------------------|--|--|
| At 1 January | 34,919 | 32,985 |
| Impairment loss, net (note 5) | 4,699 | 4,202 |
| Amount written off as uncollectible | (1,179) | (1,712) |
| Exchange realignment | (1,174) | (556) |
| | 37,265 | 34,919 |
| At 30 June/31 December | 37,265 | 34,919 |

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|---------------------------------------|--|--|
| Current | | |
| Prepayments | 62,072 | 39,606 |
| Deposits and other receivables | 29,245 | 34,999 |
| Due from related parties (note 25(3)) | 1,405 | 264 |
| | 92,722 | 74,869 |
| Non-current | | |
| Prepayments | 510 | 780 |
| Deposits | 20,076 | 20,390 |
| | 20,586 | 21,170 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|---------------------------|--|--|
| Cash and bank balances | 384,468 | 633,086 |
| Time deposits | 3,477 | 4,919 |
| | 387,945 | 638,005 |
| Less: Pledged deposits | (3,411) | (4,848) |
| Cash and cash equivalents | 384,534 | 633,157 |

17. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2022 and 31 December 2021, based on the invoice date, is as follows:

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|----------------|--|--|
| Within 1 month | 68,417 | 58,033 |
| 1 to 2 months | 8,121 | 17,616 |
| 2 to 3 months | 89 | 2,402 |
| Over 3 months | 3,683 | 2,031 |
| | 80,310 | 80,082 |

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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18. OTHER PAYABLES AND ACCRUALS

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|--------------------------------------|--|--|
| Current | | |
| Contract liabilities | 10,502 | 7,432 |
| Deferred revenue | 6,380 | 3,189 |
| Contingent consideration (note 26) | 2,459 | 870 |
| Accruals | 168,644 | 171,908 |
| Other payables | 51,611 | 49,649 |
| Due to a non-controlling shareholder | 416 | — |
| Due to a related party (note 25(3)) | — | 7 |
| | 240,012 | 233,055 |
| Other non-current liabilities | | |
| Deferred revenue | 540 | — |
| Contingent consideration (note 26) | 1,174 | 1,229 |
| Due to a non-controlling shareholder | 4,800 | 4,800 |
| | 6,514 | 6,029 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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19. INTEREST-BEARING BANK BORROWINGS

| | 30 June 2022 (Unaudited) | | | 31 December 2021 (Audited) | | |
|---|--|------------------|----------------|---|-----------|----------|
| | Effective/ contractual interest rate (%) | Maturity | HK\$'000 | Effective/ contractual interest rate (%) | Maturity | HK\$'000 |
| Current | | | | | | |
| Bank loan – secured | Base Financing Rate+3.50 | On demand | 186 | — | — | — |
| Bank loan – secured | Hong Kong Interbank Offered Rate ("HIBOR")+1.10 | On demand | 73,000 | — | — | — |
| Current portion of long term bank loans – secured | HIBOR+1.60 | 2022-2023 | 389,338 | HIBOR+1.60 | 2022 | 173,402 |
| | | | 462,524 | | | 173,402 |
| Non-current | | | | | | |
| Long term bank loans – secured | HIBOR+1.60 | 2023-2025 | 129,792 | HIBOR+1.60 | 2023-2025 | 499,660 |
| | | | 129,792 | | | 499,660 |
| | | | 592,316 | | | 673,062 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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19. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|--|--|--|
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year or on demand | 462,524 | 173,402 |
| In the second year | 54,826 | 389,769 |
| In the third to fifth years, inclusive | 74,966 | 109,891 |
| | 592,316 | 673,062 |

Notes:

- (a) As at 30 June 2022 (unaudited) and 31 December 2021 (audited), all bank borrowings are secured by the corporate guarantees of the Company and certain of its subsidiaries.
- (b) As at 30 June 2022 (unaudited), the Group's bank borrowings are denominated in HK\$ and MYR amounted HK\$592,130,000 and HK\$186,000, respectively.
- As at 31 December 2021 (audited), the Group's bank borrowings are denominated in HK\$.

20. SHARE CAPITAL

| | 30 June 2022 (Unaudited) US\$'000 | 31 December 2021 (Audited) US\$'000 |
|--|--|--|
| <u>Shares</u> | | |
| Issued and fully paid: | | |
| 956,941,000 (31 December 2021: 956,941,000) ordinary shares of US\$0.01 each | 9,569 | 9,569 |
| | 74,163 | 74,163 |
| Equivalent to HK\$'000 | | |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

20. SHARE CAPITAL (CONTINUED)

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

| | Note | Number of shares in issue | Share capital HK\$'000 | Treasury shares HK\$'000 | Share premium HK\$'000 | Total HK\$'000 |
|---|------|---------------------------------|------------------------------|--------------------------------|------------------------------|-------------------|
| At 1 January 2021 (audited) | | 962,477,000 | 74,592 | (3,106) | 566,614 | 638,100 |
| 2020 final dividend | | — | — | — | (66,986) | (66,986) |
| Shares repurchased | (a) | — | — | (7,896) | — | (7,896) |
| Shares cancelled | (a) | (5,536,000) | (429) | 10,963 | (10,534) | — |
| At 31 December 2021 and 1 January 2022 (audited) | | 956,941,000 | 74,163 | (39) | 489,094 | 563,218 |
| 2021 final dividend | | — | — | — | (42,105) | (42,105) |
| At 30 June 2022 (unaudited) | | 956,941,000 | 74,163 | (39) | 446,989 | 521,113 |

Note:

- (a) On 27 May 2021, the Company's shareholders granted a general mandate (the "Repurchase Mandate 2021") to the directors of the Company to repurchase shares of the Company at the annual general meeting. Pursuant to the Repurchase Mandate 2021, the Company is allowed to repurchase up to 95,957,700 shares, being 10% of the total number of issued shares of the Company as at the date of the general meeting, on the Hong Kong Stock Exchange.

For the year ended 31 December 2021, the Company repurchased 3,286,000 of its ordinary shares on the Hong Kong Stock Exchange at an aggregate consideration of HK\$7,896,000 (before expenses). All of 3,286,000 repurchased ordinary shares of HK\$7,896,000 (before expenses), together with 2,250,000 ordinary shares of HK\$3,067,000 (before expenses) repurchased during the year ended 31 December 2020, were cancelled during the year ended 31 December 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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21. PRE-IPO RESTRICTED SHARE UNIT SCHEME

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

The offer of a grant of RSUs may be accepted within the time period and in a manner prescribed in the grant letter. The Board or the Award Committee (if authority is delegated) has the sole discretion to determine the vesting schedule and vesting criteria (if any) for any grant of award(s) to any grantee, which may also be adjusted and re-determined by the Board or the Award Committee from time to time. RSUs do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No RSUs were granted, vested and lapsed under the Pre-IPO RSU Scheme during the six months ended 30 June 2022 and 2021, and no RSUs were outstanding under the Pre-IPO RSU Scheme as at 30 June 2022 and 31 December 2021.

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22. ACQUISITION OF APEX DIGITAL DENTAL SDN BHD (“APEX DIGITAL”)

On 24 December 2021, Modern Dental Holding Limited, a wholly owned subsidiary of the Company, entered into a subscription and shareholders' agreement and a shares purchase agreement in relation to the subscription and acquisition of shares in aggregate representing 70% equity interests of Apex Digital Dental SDN BHD (“**Apex Digital**”), a leading digital dental laboratory in Malaysia at an aggregate initial purchase and subscription price of MYR2,073,000 (including MYR500,000 as cash consideration and MYR1,573,000 for subscription of shares) with an earn-out clause that may increase it up to MYR3,073,000 depending on the achievement of the target performance by Apex Digital. The acquisition is completed in January 2022. The subscription and acquisition will provide the Group with an important foundation to further expand digital offering in the Malaysian market and a sales network to introduce the Group's comprehensive product offering and services to the Malaysian market.

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

| | Notes | Fair value recognised on acquisition HK\$'000 |
|---|-------|--|
| Property, plant and equipment | 10 | 485 |
| Right-of-use assets | | 1,795 |
| Intangible assets | 12 | 981 |
| Inventories | | 12 |
| Trade receivables | | 670 |
| Prepayments, deposits and other receivables | | 289 |
| Cash and cash equivalents | | 117 |
| Trade payables | | (34) |
| Other payables and accruals | | (740) |
| Interest-bearing bank borrowings | | (248) |
| Lease liabilities | | (1,785) |
| Total identifiable net assets at fair value | | 1,542 |
| Non-controlling interests | | (169) |
| Goodwill on acquisition | | 1,202 |
| | | 2,575 |
| Satisfied by: | | |
| Cash | | 934 |
| Contingent consideration | | 26 |
| | | 1,641 |
| | | 2,575 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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22. ACQUISITION OF APEX DIGITAL DENTAL SDN BHD (“APEX DIGITAL”) (CONTINUED)

The fair value of the trade receivables as at the date of acquisition amounted to HK\$670,000. The gross contractual amounts of trade receivables were HK670,000, none of which is expected to be uncollectible.

The Group incurred transaction costs of HK\$177,000 for this acquisition. These transaction costs had been expensed and were included in administrative expenses in the consolidated statement of profit or loss.

Included in the goodwill of HK\$1,202,000 recognised above are mainly distribution channel, assembled workforce, know-how, etc., which are not recognised separately. They are not separable and therefore they do not meet the criteria for recognition as intangible assets under *IAS 38 Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

| | HK\$'000 |
|---|----------|
| Cash consideration paid in the six months ended 30 June 2022 | (934) |
| Cash and bank balances acquired | 117 |
| <hr/> | |
| Net outflow of cash and cash equivalents included in cash flows from investing activities in 2022 | (817) |
| Transaction costs of the acquisition included in cash flows from operating activities in 2022 | (177) |
| <hr/> | |
| | (994) |
| <hr/> | |

Since the acquisition, Apex Digital contributed HK\$3,923,000 to the Group's turnover and profit of HK\$1,098,000 to the consolidated profit for the six months ended 30 June 2022.

Had the combination taken place at the beginning of the six months ended 30 June 2022, the revenue and the profit of the Group for the six months ended 30 June 2022 would have been HK\$1,428,492,000 and HK\$100,443,000, respectively.

23. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2022 and 31 December 2021.

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24. COMMITMENTS

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|-----------------------------------|--|--|
| Contracted, but not provided for: | | |
| Leasehold improvement | 92 | 976 |
| Land and buildings | 13,599 | 69,509 |
| | 13,691 | 70,485 |

An investment agreement was entered into between Modern Dental Laboratory Company Limited and Dongguan Songshan Lake High-tech Industrial Development Zone Management Committee regarding an investment of not less than RMB246,000,000 (equivalent to HK\$287,655,000) for the acquisition of land, construction and renovation of a factory in the Songshan Lake High-tech Industrial Development Zone. As at 30 June 2022, the Group has paid approximately RMB217,830,000 (equivalent to HK\$254,716,000) for the construction and renovation of a factory and approximately RMB18,839,000 (equivalent to HK\$22,029,000) for the acquisition of land, respectively, and the remaining commitment was approximately RMB9,331,000 (equivalent to HK\$10,910,000).

Except for such agreements, the Group did not have any other significant commitments as at 30 June 2022 and 31 December 2021.

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25. RELATED PARTY TRANSACTIONS

(1) TRANSACTIONS WITH RELATED PARTIES

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

| | Notes | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Payment of lease liabilities to Most Wealth International Limited | (a) | 1,728 | 1,728 |
| Payment of lease liabilities to directors | (b) | 81 | 81 |
| Payment of lease liabilities to directors and an associate of a director | (c) | 1,130 | 1,128 |
| Payment of lease liabilities to an associate of a director | (d) | 110 | 110 |
| Payment of lease liabilities to an associate of a director | (e) | 110 | 110 |
| Payment of lease liabilities to an associate of a director | (f) | 248 | 248 |
| Training fee paid to ShenZhen Nanshan District Modern Denture Technology Training Centre | (g) | 1,110 | 906 |
| Sales of finished goods to Trident Dental Group Limited | (h) | 385 | 159 |
| Sales of finished goods to Kong Hong Holdings Limited | (i) | 261 | 115 |
| Sales of finished goods to Dr. William Cheung & Associates | (j) | 213 | 56 |
| Sales of finished goods to Precious Orthodontics and Kowloon Orthodontic Centre Limited | (k) | 186 | — |
| Purchase of finished goods from an associate | (l) | 916 | 3,734 |

Notes:

- (a) Most Wealth International Limited ("**Most Wealth**") is controlled by Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Mr. Ngai Shing Kin. The transactions with Most Wealth were made on prices and conditions as mutually agreed.
- (b) Rental fee was paid to Mr. Chan Kwun Fung and Mr. Chan Kwun Pan. The tenancy agreements were entered into on prices and conditions as mutually agreed.
- (c) Rental fee was paid to Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and an associate ("**Landlord C**") of Mr. Ngai Shing Kin. The tenancy agreements were entered into on prices and conditions as mutually agreed.
- (d) Rental fee was paid to an associate ("**Landlord B**") of Mr. Chan Kwun Pan. The tenancy agreements were entered into on prices and conditions as mutually agreed.
- (e) Rental fee was paid to Landlord C. The tenancy agreements were entered into on prices and conditions as mutually agreed.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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25. RELATED PARTY TRANSACTIONS (CONTINUED)

(1) TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Notes: (continued)

- (f) Rental fee was paid to an associate ("**Landlord A**") of Mr. Chan Kwun Fung. The tenancy agreements were entered into on prices and conditions as mutually agreed.
- (g) ShenZhen Nanshan District Modern Denture Technology Training Centre (the "**Centre**") and the Company has a common director, Mr. Ngai Shing Kin. The transactions with the Centre were made on prices and conditions as mutually agreed.
- (h) Trident Dental Group Limited is ultimately 33.3% owned by Dr. Chan Ronald Yik Long. The transactions with Trident Dental Group Limited were made on prices and conditions as mutually agreed.
- (i) Kong Hong Holdings Limited is ultimately 40% owned by Dr. Chan Ronald Yik Long. The transactions with Kong Hong Holdings Limited were made on prices and conditions as mutually agreed.
- (j) Dr. William Cheung & Associates is ultimately 51% owned by Dr. Cheung Wai Man William. The transactions with Dr. William Cheung & Associates were made on prices and conditions as mutually agreed.
- (k) Precious Orthodontics and Kowloon Orthodontic Centre Limited are ultimately 100% owned by Mr. Yau Ka Po. The transactions with Precious Orthodontics and Kowloon Orthodontic Centre Limited were made on prices and conditions as mutually agreed.
- (l) The cost of purchases from an associate was made at pre-determined prices agreed between the parties.

Mr. Chan Kwun Fung, Mr. Chan Kwun Pan, Mr. Ngai Shing Kin and Mr. Chan Ronald Yik Long are shareholders and directors of the Company. Mr. Cheung Wai Man William and Mr. Yau Ka Po are directors of the Company.

The related party transactions in respect of items (a), (b), (c), (d), (e), (f), (h), (i), (j) and (k) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(2) COMMITMENTS WITH RELATED PARTIES

- (a) For the purpose of operating the Company's business in Hong Kong, on 30 December 2020, Modern Dental Laboratory Company Limited ("**MDLCL**"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement (the "**Tenancy Agreements I**") with Most Wealth International Limited, which is held as to 37.5%, 37.5% and 25% by Mr. Chan Kwun Fung and Mr. Chan Kwun Pan and by Mr. Ngai Shing Kin respectively. Pursuant to the Tenancy Agreement I, Most Wealth International Limited shall lease premises to MDLCL for a term of two years commencing from 1 January 2021 to 31 December 2022 at a monthly rent of HK\$288,000.
- (b) For the purposes of residential use, on 30 December 2020, Yangzhijin Dental Laboratory (Shenzhen) Company Limited ("**YZJSZ**"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement (the "**Tenancy Agreements II**") with Mr. Chan Kwun Fung and Mr. Chan Kwun Pan and Landlord C. Pursuant to the Tenancy Agreements II, Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Landlord C shall lease premises to YZJSZ for a term of two years from 1 January 2021 to 31 December 2022 at a monthly rent of RMB119,006.64

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25. RELATED PARTY TRANSACTIONS (CONTINUED)

(2) COMMITMENTS WITH RELATED PARTIES (CONTINUED)

- (c) For the purposes of residential use, on 30 December 2020, Modern Dental Laboratory (Shenzhen) Company Limited ("**MDLSZ**") entered into a tenancy agreement (the "**Tenancy Agreements III**") with Mr. Chan Kwun Fung and Mr. Chan Kwun Pan and Landlord C. Pursuant to the Tenancy Agreements III, Mr. Chan Kwun Fung, Mr. Chan Kwun Pan and Landlord C shall lease premises to MDLSZ for a term of two years from 1 January 2021 to 31 December 2022 at a monthly rent of RMB37,293.
- (d) For the purposes of residential use, on 30 December 2020, MDLSZ entered into a tenancy agreement (the "**Tenancy Agreement IV**") with Landlord B. Pursuant to the Tenancy Agreement IV, Landlord B shall lease premises to MDLSZ for a term of two years from 1 January 2021 to 31 December 2022 at a monthly rent of RMB15,280.
- (e) For the purposes of residential use, on 30 December 2020, MDLSZ entered into a tenancy agreement (the "**Tenancy Agreement V**") with Landlord C. Pursuant to the Tenancy Agreement V, Landlord C shall lease premises to MDLSZ for a term of two years from 1 January 2021 to 31 December 2022 at a monthly rent of RMB15,280.
- (f) For the purposes of residential use, on 30 December 2020, MDLSZ entered into a tenancy agreement (the "**Tenancy Agreement VI**") with Landlord A. Pursuant to the Tenancy Agreement VI, Landlord A shall lease premises to MDLSZ for a term of two years from 1 January 2021 to 31 December 2022 at a monthly rent of RMB34,380.
- (g) For the purpose of operating the Company's business in Hong Kong, on 30 December 2020, MDLCL, entered into a tenancy agreement (the "**Tenancy Agreements VII**") with Mr. Chan Kwun Fung and Mr. Chan Kwun Pan. Pursuant to the Tenancy Agreements VII, Mr. Chan Kwun Fung and Mr. Chan Kwun Pan shall lease premises to MDLCL for a term of two years from 1 January 2021 to 31 December 2022 at a monthly rent of HK\$13,500.

In accordance with IFRS 16, which came into effect on leases entered into after 1 January 2019, the Group as lessee shall recognise a lease as a right-of-use asset and a lease liability. The right-of-use asset represents its right to use the underlying leased assets over the lease term and the lease liability represents its obligation to make lease payments.

As at 30 June 2022, right-of-use assets of approximately HK\$3,234,000 and lease liabilities of approximately HK\$3,276,000 related to the leases were recognised in interim condensed consolidated statement of financial position. During the six months ended 30 June 2022, depreciation of these right-of-use assets of approximately HK\$3,277,000 and finance costs on these lease liabilities of approximately HK\$87,000 were recognised in interim condensed consolidated income statement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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25. RELATED PARTY TRANSACTIONS (CONTINUED)

(3) BALANCES WITH RELATED PARTIES

As at 30 June 2022 and 31 December 2021, the Group's balances with related parties were as follows:

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|---|--|--|
| Due from related parties (note 15): | | |
| Trident Dental Group Limited | 37 | 142 |
| Kong Hong Holdings Limited | 40 | 46 |
| Dr. William Cheung & Associates | 35 | 21 |
| Precious Orthodontics and Kowloon Orthodontic Centre Limited | 14 | 55 |
| ShenZhen Nanshan District Modern Denture Technology Training Centre | 1,279 | — |
| | 1,405 | 264 |
| Due to a related party (note 18): | | |
| ShenZhen Nanshan District Modern Denture Technology Training Centre | — | 7 |

The Group's balances with its related parties as at the end of the reporting period are unsecured, non-interest-bearing and repayable on demand.

(4) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

| | Six months ended 30 June | |
|------------------------------|---------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Short term employee benefits | 23,234 | 21,243 |
| Post-employment benefits | 2,288 | 1,014 |
| | 25,522 | 22,257 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

| | Carrying amounts | | Fair values | |
|--|--|--|--|--|
| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
| Financial assets | | | | |
| Equity investments designated at fair value through other comprehensive income | 34,683 | — | 34,683 | — |
| Financial liabilities | | | | |
| Contingent consideration | 3,633 | 2,099 | 3,633 | 2,099 |
| Interest-bearing bank borrowings | 592,316 | 673,062 | 592,316 | 673,062 |
| Due to non-controlling shareholders | 5,216 | 4,800 | 5,216 | 4,800 |
| | 601,165 | 679,961 | 601,165 | 679,961 |

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in deposits and other receivables, amounts due from/to related parties and financial liabilities included in other payables and accruals approximate to their carrying amounts and accordingly no disclosure of the fair value of these items is presented.

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

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

The fair values of interest-bearing bank borrowings and amounts due to non-controlling shareholders have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings and amounts due to non-controlling shareholders as at 30 June 2022 and 31 December 2021 were assessed to be insignificant. The fair value of contingent consideration in relation to the acquisition of a subsidiary/business has been calculated by discounting the expected values of future payments.

The fair values of listed equity investments are based on quoted market prices.

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26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE HIERARCHY

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

ASSETS MEASURED AT FAIR VALUE:

| As at 30 June 2022 | Fair value measurement using | | | Total (Unaudited) HK\$'000 |
|--|------------------------------|-------------|--------------|----------------------------------|
| | Quoted | Significant | Significant | |
| | prices in | observable | unobservable | |
| | active markets | Inputs | inputs | |
| | (Level 1) | (Level 2) | (Level 3) | |
| (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Equity investments designated at fair value through other comprehensive income | 34,683 | — | — | 34,683 |

LIABILITIES MEASURED AT FAIR VALUE:

| As at 30 June 2022 | Fair value measurement using | | | Total (Unaudited) HK\$'000 |
|--------------------------|------------------------------|-------------|--------------|----------------------------------|
| | Quoted | Significant | Significant | |
| | prices in | observable | unobservable | |
| | active markets | Inputs | inputs | |
| | (Level 1) | (Level 2) | (Level 3) | |
| (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Contingent consideration | — | — | 3,633 | 3,633 |

| As at 31 December 2021 | Fair value measurement using | | | Total (Unaudited) HK\$'000 |
|--------------------------|------------------------------|-------------|--------------|----------------------------------|
| | Quoted | Significant | Significant | |
| | prices in | observable | unobservable | |
| | active markets | Inputs | inputs | |
| | (Level 1) | (Level 2) | (Level 3) | |
| (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Contingent consideration | — | — | 2,099 | 2,099 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

LIABILITIES MEASURED AT FAIR VALUE: (CONTINUED)

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

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| At 1 January | 2,099 | — |
| Acquisition of a subsidiary/business during the period/year (note 22) | 1,641 | 2,168 |
| Exchange realignment | (107) | (69) |
| At 30 June/31 December | 3,633 | 2,099 |

During the six months ended 30 June 2022, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers of Level 3 for both financial assets and financial liabilities.

LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED:

| As at 30 June 2022 | Fair value measurement using | | | Total (Unaudited) HK\$'000 |
|-------------------------------------|---|---|---|----------------------------------|
| | Quoted prices in active markets (Level 1) (Unaudited) HK\$'000 | Significant observable Inputs (Level 2) (Unaudited) HK\$'000 | Significant unobservable inputs (Level 3) (Unaudited) HK\$'000 | |
| Interest-bearing bank borrowings | — | 592,316 | — | 592,316 |
| Due to non-controlling shareholders | — | 5,216 | — | 5,216 |
| | — | 597,532 | — | 597,532 |

| As at 31 December 2021 | Fair value measurement using | | | Total (Unaudited) HK\$'000 |
|--------------------------------------|---|---|---|----------------------------------|
| | Quoted prices in active markets (Level 1) (Unaudited) HK\$'000 | Significant observable Inputs (Level 2) (Unaudited) HK\$'000 | Significant unobservable inputs (Level 3) (Unaudited) HK\$'000 | |
| Interest-bearing bank borrowings | — | 673,062 | — | 673,062 |
| Due to a non-controlling shareholder | — | 4,800 | — | 4,800 |
| | — | 677,862 | — | 677,862 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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27. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group refinanced the bank borrowings amounted HK\$592,130,000 in which the maturity of the bank borrowings has been further extended up to 5 years.

Saved as disclosed above, the Group does not have other significant subsequent event as at the date of these financial statements.

28. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2022.

CORPORATE INFORMATION

PLACE OF INCORPORATION

Cayman Islands

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. CHAN Ronald Yik Long (*Chairman*)
Mr. NGAI Shing Kin (*Chief Executive Officer*)
Ms. CHAN Yik Yu (*Chief Marketing Officer*)
Mr. CHAN Kwun Fung
Mr. CHAN Kwun Pan
Mr. CHAN Chi Yuen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHEUNG Wai Bun Charles, J.P.
Dr. CHAN Yue Kwong Michael
Dr. CHEUNG Wai Man William
Dr. YAU Ka Po

BOARD COMMITTEES

AUDIT COMMITTEE

Dr. CHEUNG Wai Bun Charles, J.P. (*Chairman*)
Dr. CHAN Yue Kwong Michael
Dr. YAU Ka Po

REMUNERATION COMMITTEE

Dr. CHEUNG Wai Man William (*Chairman*)
Dr. CHEUNG Wai Bun Charles, J.P.
Dr. YAU Ka Po
Mr. NGAI Shing Kin
Ms. CHAN Yik Yu

NOMINATION COMMITTEE

Dr. CHAN Yue Kwong Michael (*Chairman*)
Dr. CHEUNG Wai Bun Charles, J.P.
Dr. CHEUNG Wai Man William
Dr. CHAN Ronald Yik Long
Mr. NGAI Shing Kin

COMPANY SECRETARY

Mr. KWAN Ngai Kit

AUTHORISED REPRESENTATIVES

Mr. NGAI Shing Kin
Mr. KWAN Ngai Kit

AUDITOR

Ernst & Young

REGISTERED OFFICE

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Cheung Sha Wan
Kowloon, Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Chiyu Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited

COMPANY WEBSITE

www.moderndentalgp.com

STOCK CODE

3600