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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3600)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021, DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

For the first half of 2021, the Group capitalised on the industry-wide pent-up 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. Furthermore, the Group benefited from a significant increase in new clients in certain key markets, as the lasting effects of the pandemic continued to disproportionately affect our smaller and mid-scaled competitors leading to, in the Group's view, an increase in market share in the applicable markets. As the global leader in the dental prosthetics industry, the Group is in an ideal position to take advantage of the aforementioned trends. The Group's results represent a strong and continued recovery in the dental market and solid execution across each of the Group's markets operationally and financially, as most of the Group's key and applicable metrics have improved significantly beyond pre-pandemic levels illustrating the Group's competitiveness in the industry, ability to thrive under uncertain business conditions and close relationship with its clients and customers. To put it simply, the Group refused to stand still during the first half of 2021 as it manoeuvres its way out of, and emerges from, the pandemic in a stronger and improved form. Notwithstanding the resurgence of COVID-19 in certain markets, 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.

RESULTS HIGHLIGHTS

- The Revenue for the six months ended 30 June 2021 was approximately HK$1,481,225,000 (six months ended 30 June 2020: HK$897,223,000), representing an increase of approximately HK$584,002,000 or 65.1% as compared with that of the six months ended 30 June 2020.

- The Gross Profit Margin for the six months ended 30 June 2021 was approximately 52.7% (six months ended 30 June 2020: 46.1%). Gross profit for the six months ended 30 June 2021 was approximately HK$780,240,000, representing an increase of approximately HK$366,217,000 or 88.5% as compared with that of the six months ended 30 June 2020.

- The Group's EBITDA for the six months ended 30 June 2021 was approximately HK$375,195,000 (six months ended 30 June 2020: HK$107,491,000), representing an increase of approximately HK$267,704,000 or 249.0%.

- The Group's Net Profit and Profit from core operations for the six months ended 30 June 2021 were approximately HK$240,005,000 and HK$240,005,000 (six months ended 30 June 2020: Net Loss and Profit from core operations were approximately HK$139,502,000, which included an one-off non-cash impairment of goodwill for our North America region of approximately HK$150,132,000, and HK$14,518,000, respectively), representing an increase of approximately HK$379,507,000 and HK$225,487,000, respectively.

- Basic earnings per share for the six months ended 30 June 2021 amounted to HK25.06 cents (six months ended 30 June 2020: basic loss per share amounted to HK14.48 cents).

- In celebration of the Group's 35th anniversary and in special recognition of Chan Kwun Fung's (former Chairman) and Chan Kwun Pan's (former Vice-Chairman) extraordinary contribution to the Group for their decades of commitment, dedication and professionalism, the Board declared a special dividend of HK5.0 cents (six months ended 30 June 2020: Nil) per ordinary share, together with an interim dividend of HK7.5 cents (six months ended 30 June 2020: Nil) per ordinary share for the six months ended 30 June 2021. The interim dividend and special dividend will be payable on Friday, 15 October 2021 to shareholders of the Company whose names appear on the Register of Members of the Company on Wednesday, 29 September 2021.

The following table sets forth summary of key financial results for the six months ended 30 June 2021, 2020 and 2019.

	Six months ended 30 June				
				Changes	Changes
	2021	2020	2019	2021v2020	2021v2019
	(unaudited)	(unaudited)	(unaudited)		
	HK$'000	*HK$'000*	*HK$'000*	*%*	*%*
Revenue	**1,481,225**	897,223	1,191,378	65.1%	24.3%
Gross Profit	**780,240**	414,023	570,023	88.5%	36.9%
Gross Profit Margin (%)	**52.7%**	46.1%	47.8%	14.3%	10.3%
EBITDA	**375,195**	107,491	194,262	249.0%	93.1%
EBITDA Margin (%)	**25.3%**	12.0%	16.3%	110.8%	55.2%
Net Profit/(loss)	**240,005**	(139,502)	86,960	N/A	176.0%
Net Profit/(loss) Margin (%)	**16.2%**	-15.5%	7.3%	N/A	121.9%
Profit from core operations	**240,005**	14,518	88,557	1,553.2%	171.0%
Profit from core operations Margin (%)	**16.2%**	1.6%	7.4%	912.5%	118.9%

Further highlights:

- For the six months ended 30 June 2021, the Group's revenue from its European market increased by 66.9%, its North American market increased by 50.5%, its Greater China market increased by 74.5% (in particular, Mainland China increased by 113.2%) and its Australian market increased by 71.2%, in each case, compared with the six months ended 30 June 2020.

- For the six months ended 30 June 2021, 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 117,589 cases reflecting an increase of 200.7% as compared with the same period in 2020 (approximately 39,100 cases) as a result of our clients' increased adoption of intra-oral scanners.

INTERIM RESULTS

The board of directors (the "**Board**" or the "**Directors**") of Modern Dental Group Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
REVENUE	4	**1,481,225**	897,223
Cost of sales		**(700,985)**	(483,200)
Gross profit		**780,240**	414,023
Other income and gains	4	**6,480**	5,807
Selling and distribution expenses		**(160,002)**	(99,468)
Administrative expenses		**(318,024)**	(275,973)
Impairment of goodwill	11	**—**	(150,132)
Other operating expenses		**(2,974)**	(5,099)
Finance costs	6	**(11,584)**	(19,814)
Share of profits/(losses) of associates		**375**	(445)
PROFIT/(LOSS) BEFORE TAX	5	**294,511**	(131,101)
Income tax expense	7	**(54,506)**	(8,401)
PROFIT/(LOSS) FOR THE PERIOD		**240,005**	(139,502)
ATTRIBUTABLE TO:			
Owners of the Company		**240,037**	(139,354)
Non-controlling interests		**(32)**	(148)
		240,005	(139,502)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	8	**HK25.06 cents**	HK(14.48) cents
Diluted	8	**HK25.06 cents**	HK(14.48) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**240,005**	(139,502)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(25,987)**	(22,777)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(25,987)**	(22,777)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**214,018**	(162,279)
ATTRIBUTABLE TO:		
Owners of the Company	**214,050**	(162,131)
Non-controlling interests	**(32)**	(148)
	214,018	(162,279)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	**30 June 2021 (Unaudited)** ***HK$'000***	31 December 2020 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**528,636**	518,915
Right-of-use assets		**171,003**	162,867
Goodwill	11	**1,217,200**	1,240,088
Intangible assets		**272,025**	287,670
Investments in an associate		**3,009**	761
Deferred tax assets		**51,993**	49,294
Long term prepayments and deposits		**22,645**	14,756
Total non-current assets		**2,266,511**	2,274,351
CURRENT ASSETS			
Inventories		**144,048**	128,021
Trade receivables	12	**553,091**	473,105
Prepayments, deposits and other receivables		**90,791**	71,783
Due from an associate		**—**	4,159
Current tax assets		**10,469**	11,014
Pledged deposits		**4,748**	4,828
Cash and cash equivalents		**648,350**	697,827
Total current assets		**1,451,497**	1,390,737
CURRENT LIABILITIES			
Trade payables	13	**83,238**	67,670
Other payables and accruals		**227,423**	230,627
Due to an associate		**1,489**	—
Interest-bearing bank borrowings	14	**198,612**	187,680
Lease liabilities		**53,206**	41,395
Tax payable		**111,547**	73,881
Total current liabilities		**675,515**	601,253
NET CURRENT ASSETS		**775,982**	789,484
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,042,493**	3,063,835

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2021

	Notes	**30 June 2021 (Unaudited) *HK$'000***	31 December 2020 (Audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,042,493**	3,063,835
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	**519,130**	673,063
Lease liabilities		**118,719**	123,005
Deferred tax liabilities		**8,991**	11,250
Total non-current liabilities		**646,840**	807,318
NET ASSETS		**2,395,653**	2,256,517
EQUITY			
Equity attributable to owners of the Company			
Share capital		**74,367**	74,592
Treasury shares		**(7,040)**	(3,106)
Reserves		**2,319,502**	2,176,175
		2,386,829	2,247,661
Non-controlling interests		**8,824**	8,856
TOTAL EQUITY		**2,395,653**	2,256,517

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 and other dental appliances, including clear aligners.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2021 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*.

The 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 2020 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 2020.

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

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 2020, except for the adoption of following revised standards for the first time for the current period's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

3. OPERATING SEGMENT INFORMATION

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

(a) The fixed prosthetic devices segment is a supplier of restorative dental procedures, such as crowns, 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 aligners), 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					
	2021 (Unaudited)			2020 (Unaudited)		
	Revenue	**Cost of sales**	**Gross profit**	Revenue	Cost of sales	Gross profit
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Product category						
Fixed prosthetic devices	**982,020**	**451,965**	**530,055**	626,175	326,813	299,362
Removable prosthetic devices	**259,626**	**121,869**	**137,757**	162,602	86,619	75,983
Others	**239,579**	**127,151**	**112,428**	108,446	69,768	38,678
Total	**1,481,225**	**700,985**	**780,240**	897,223	483,200	414,023

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Europe	**642,190**	384,786
North America	**361,628**	240,286
Greater China	**331,877**	190,176
Australia	**127,509**	74,469
Others	**18,021**	7,506
	1,481,225	897,223

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

(b) Non-current assets

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Europe	**741,510**	773,781
North America	**540,967**	540,642
Australia	**447,980**	458,110
Greater China	**407,411**	377,279
Others	**76,650**	75,245
	2,214,518	2,225,057

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

4. **REVENUE, OTHER INCOME AND GAINS**

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

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods transferred at a point in time	**1,481,225**	897,223
Other income		
Bank interest income	**266**	835
Government subsidies*	**2,261**	1,282
Others	**3,855**	3,487
	6,382	5,604
Gains		
Gains on disposal of items of property, plant and equipment, net	**98**	203
	98	203
Other income and gains	**6,480**	5,807

* 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.

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold[#]	**700,985**	483,200
Depreciation of right-of-use assets	**23,098**	24,641
Depreciation of property, plant and equipment	**31,403**	29,877
Amortisation of intangible assets	**14,865**	14,963
Lease payments not included in the measurement of lease liabilities	**5,687**	2,451
Research and development costs[##]	**3,537**	3,187
Auditors' remuneration	**5,439**	4,836
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries*	**570,017**	416,097
Pension scheme contributions	**74,417**	51,416
	644,434	467,513
Bank interest income	**(266)**	(835)
Gains on disposal of items of property, plant and equipment, net**	**(98)**	(203)
Write-off of property, plant and equipment**	**19**	72
Impairment of goodwill	**—**	150,132
Allowance for impairment of trade receivables, net	**—**	5,460
Reversal of allowance for impairment of trade receivables, net	**(958)**	—
Foreign exchange loss, net**	**2,924**	4,877

\# Cost of inventories sold includes HK$415,582,000 (unaudited) (six months ended 30 June 2020: HK$296,479,000 (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$2,731,000 (unaudited) (six months ended 30 June 2020: HK$2,659,000 (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 Nil (unaudited) (six months ended 30 June 2020: HK$13,555,000 (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.

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans	**7,190**	14,628
Finance charges on bank loans	**1,589**	2,076
Interest on lease liabilities	**2,805**	3,110
	11,584	19,814

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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**34,646**	5,760
Current – Elsewhere	**24,881**	4,709
Deferred	**(5,021)**	(2,068)
Total tax charge for the period	**54,506**	8,401

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the six months ended 30 June 2021 and 2020 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/(loss) per share amount is based on the profit/(loss) for the six months ended 30 June 2021 and 2020 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/(loss) per share calculation.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020. The calculations of basic and diluted earnings/(loss) per share are based on:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculation	**240,037**	(139,354)

	Number of shares	
	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculation	**958,017,187**	962,431,994

9. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend	**71,968**	—
Special dividend	**47,979**	—

The Board declared an interim dividend of HK7.5 cents and a special dividend of HK5.0 cents per share for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil). The interim dividend and special dividend are not recognised as a liability as at 30 June 2021 because they have been declared after the end of the reporting period.

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

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 (Unaudited) *HK$'000*	31 December 2020 (Audited) *HK$'000*
Carrying amount at 1 January	**518,915**	498,613
Additions	**42,447**	66,243
Acquisition of a subsidiary	**—**	6,442
Disposals	**(2,853)**	(17,864)
Write-off	**(19)**	(319)
Depreciation provided during the period/year	**(31,403)**	(58,641)
Exchange realignment	**1,549**	24,441
Carrying amount at 30 June/31 December	**528,636**	518,915

11. GOODWILL

	30 June 2021 (Unaudited) *HK$'000*	31 December 2020 (Audited) *HK$'000*
Carrying amount at 1 January	**1,240,088**	1,310,846
Impairment during the period/year	**—**	(150,132)
Exchange realignment	**(22,888)**	79,374
Carrying amount at 30 June/31 December	**1,217,200**	1,240,088

IMPAIRMENT TESTING OF GOODWILL

In accordance with IAS 36, the recoverable amounts of the Group's cash generating units ("**CGUs**") including those which contain goodwill were determined using the higher of fair value less cost to sell or value in use, which is determined by discounting the estimated future cash flows generated from the continuing use of the unit. Management performed impairment testing of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the six months ended 30 June 2021, the Group's revenue demonstrates a strong growth, no indication of impairment is therefore noted, no impairment testing of goodwill is therefore performed.

For the year ended 31 December 2020, as a result of material impact on the global economy and market conditions caused by the COVID-19 pandemic, the Group determined there were indicators of potential impairment on certain CGUs at 30 June 2020. Based on the valuation performed by an external valuer, Brilliant Appraisal Limited, engaged by the Company, it was determined that the carrying value of our CGU in North America, being MicroDental and Modern US, of HK$658,147,000 was greater than its recoverable amount of HK$508,015,000, resulting in impairment on goodwill amounted to HK$150,132,000 due to the on-going spreading of the COVID-19 in the North America region during that period. The recoverable amounts of CGUs were reassessed at 31 December 2020 and no further impairment on goodwill was considered necessary.

12. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at 30 June 2021 and 31 December 2020, based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**347,701**	282,483
1 to 2 months	**62,581**	63,603
2 to 3 months	**40,317**	33,811
3 months to 1 year	**85,877**	70,541
Over 1 year	**16,615**	22,667
	553,091	473,105

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.

13. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2021 and 31 December 2020, based on the invoice date, is as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**48,821**	48,795
1 to 2 months	**21,982**	10,585
2 to 3 months	**8,613**	4,623
Over 3 months	**3,822**	3,667
	83,238	67,670

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.

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Effective/ contractual interest rate (%)	Maturity	*HK$'000*	Effective/ contractual interest rate (%)	Maturity	*HK$'000*
Current						
Bank loan – secured	1-year Loan Prime Rate	On demand	36,054	1-year Loan Prime Rate	On demand	35,644
Current portion of long term bank loans – secured	Hong Kong Interbank Offered Rate ("HIBOR")+1.60	2021-2022	162,558	HIBOR+1.60	2021	152,036
			198,612			187,680
Non-current						
Long term bank loans - secured	HIBOR+1.60	2022-2025	519,130	HIBOR+1.60	2022-2025	673,063
			519,130			673,063
			717,742			860,743

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**198,612**	187,680
In the second year	**389,338**	173,402
In the third to fifth years, inclusive	**129,792**	499,661
	717,742	860,743

Notes:

(a) As at 30 June 2021 (unaudited) and 31 December 2020 (audited), all bank borrowings are secured by the corporate guarantees of the Company and certain of its subsidiaries.

(b) As at 30 June 2021 (unaudited), the Group's bank borrowings denominated in HK$ and RMB amounted to HK$681,688,000 and HK$36,054,000, respectively.

As at 31 December 2020 (audited), the Group's bank borrowings denominated in HK$ and RMB amounted to HK$825,099,000 and HK$35,644,000, respectively.

15. EVENT AFTER THE REPORTING PERIOD

(i) Subsequent to the end of the reporting period, 2,636,000 ordinary shares of approximately HK$7,001,000 (before expenses) repurchased in six months ended 30 June 2021 were cancelled in July 2021.

(ii) On 9 July 2021, MDPCH Pty Ltd, a wholly owned subsidiary of the Company, entered into a share purchase agreement with independent third parties, Panagiotis (Peter) Nouris and Alexander Petratos, to acquire a 100% equity interest of Swift Dental Laboratory ("**Swift**") at a cash consideration of AUD800,000 and a contingent consideration of AUD500,000. Swift is principally engaged in provision of dentures in Australian market. The acquisition was completed on 9 July 2021. The acquisition will provide the Group with an important foundation to build on its existing Australian-made denture work to further expand the Group's product offering and services to its existing clients.

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

MANAGEMENT DISCUSSION AND ANALYSIS

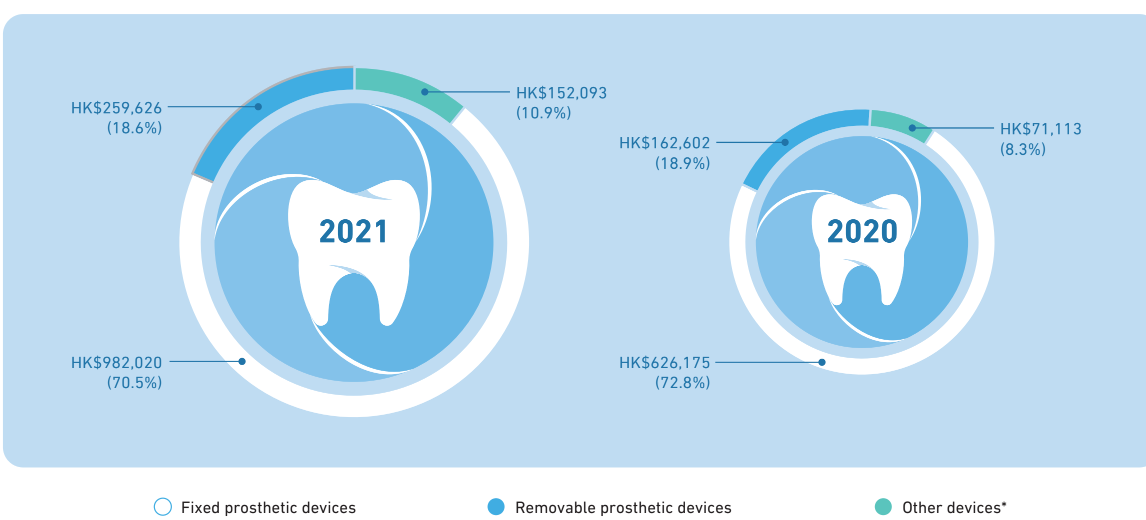
BUSINESS REVIEW

The Group is a leading global dental prosthetic device provider with a focus on providing custom-made prostheses to customers in the growing prosthetics industry. Our product portfolio is broadly 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.

Product Category

The figures below set forth the breakdown of revenue (in thousand Hong Kong dollars and percentage) by product category for the six months ended 30 June 2021 and 2020 respectively:

Breakdown of revenue (HK$'000 and %)



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

Fixed Prosthetic Devices

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

During the period under review, the fixed prosthetic devices business segment recorded a revenue of approximately HK$982,020,000 representing an increase of approximately HK$355,845,000 as compared with the six months ended 30 June 2020. This business segment accounted for approximately 70.5% of the Group's total revenue as compared with approximately 72.8% in the six months ended 30 June 2020.

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$259,626,000, representing an increase of approximately HK$97,024,000 as compared with the six months ended 30 June 2020. This business segment accounted for approximately 18.6% of the Group's total revenue as compared with approximately 18.9% in the six months ended 30 June 2020.

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$152,093,000, representing an increase of approximately HK$80,980,000 as compared with the six months ended 30 June 2020. This business segment accounting for approximately 10.9% of the Group's total revenue as compared with approximately 8.3% in the six months ended 30 June 2020. Including in this business segment, the sales of TrioClear (our own clear aligner) is approximately HK$10,561,000 (six months ended 30 June 2020: HK$695,000).

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 2021 and 2020 respectively:

	Six months ended 30 June					
	2021			2020		
	Sales Volume (number of cases)	**Revenue (HK$'000)**	**ASP (HK$ per case)**	Sales Volume (number of cases)	Revenue (HK$'000)	ASP (HK$ per case)
Product category						
Fixed prosthetic devices	**566,138**	**982,020**	**1,735**	376,988	626,175	1,661
Removable prosthetic devices	**216,188**	**259,626**	**1,201**	139,752	162,602	1,164
Other devices*	**236,340**	**152,093**	**644**	127,009	71,113	560
Total	**1,018,666**	**1,393,739**	**1,368**	643,749	859,890	1,336

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

Sales volume and average selling price

For the six months ended 30 June 2021, the sales volume and ASP of the Group's products across its markets were 1,018,666 cases (six months ended 30 June 2020: 643,749 cases) and HK$1,368 per case (six months ended 30 June 2020: HK$1,336 per case), representing an increase of 58.2% and 2.4%, respectively.

For the six months ended 30 June 2021, 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 117,589 cases reflecting an increase of 200.7% as compared with the same period in 2020 (approximately 39,100 cases) as a result of our clients' increased adoption of intra-oral scanners.

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 for the six months ended 30 June 2021 and 2020, respectively:

		Six months ended 30 June					
		2021		2020			
	Original currency	**Conversion rate#**	**Revenue** *(HK$'000)*	Conversion rate#	Revenue *(HK$'000)*	Change in currency *(%)*	Organic growth rate *(%)*
Market							
Europe*	**EUR**	**9.35**	**596,970**	8.55	363,699	9.4%	50.1%
North America*	**US$**	**7.75**	**358,795**	7.75	240,286	—	49.3%
Greater China**	**RMB**	**1.20**	**304,613**	1.10	174,442	9.1%	60.1%
Australia***	**AUD**	**5.99**	**116,271**	5.10	73,957	17.5%	33.9%
Others			**17,090**		7,506		
Total			**1,393,739**		859,890		

* The dental equipment revenue is subtracted from the European and the North American revenue.

** The raw materials and the dental equipment revenue are subtracted from the Greater China revenue.

*** Our Australian market includes both Australia and New Zealand. The services revenue and the dental equipment revenue are subtracted from the Australian revenue.

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

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.

Our Europe region experienced unprecedented demand for its products and services for the first half of 2021 as revenues significantly exceeded pre-pandemic levels of 2019 (for the same period). Significant tailwinds were generated 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 81.4% during this period.

The European region 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$596,970,000, representing an increase of approximately HK$233,271,000 as compared with six months ended 30 June 2020. Together with the sales of dental equipment of approximately HK$45,220,000, this geographic market accounted for 43.4 % of the Group's total revenue as compared with approximately 42.9% for the six months ended 30 June 2020. The increase of revenue from the European market was attributable to increase in the sales orders volumes, appreciation of Euro against HK$ of 9.4% and increase in sales of dental equipment compared with the six months ended 30 June 2020.

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$286,072,000 (six months ended 30 June 2020: HK$193,520,000) to the Group's revenue, approximately HK$40,768,000 (six months ended 30 June 2020: HK$6,176,000) to the Group's Adjusted EBITDA; approximately HK$25,667,000 of profit (six months ended 30 June 2020: HK$161,105,000 of loss) to the Group's profit; and approximately HK$25,667,000 of profit from core operations (six months ended 30 June 2020: HK$10,713,000 of loss) to the Group's profit from core operations for the six months ended 30 June 2021. The profit of approximately HK$25,667,000 (six months ended 30 June 2020: loss of HK$161,105,000) for the six months ended 30 Jun 2021 included (i) no one-off non-cash impairment loss of goodwill (six months ended 30 June 2020: HK$150,132,000); and (ii) non-cash depreciation and amortisation of approximately HK$14,381,000 (six months ended 30 June 2020: HK$15,288,000).

The Group is focused on ensuring solid execution of its North American business operationally and financially. We continue to implement substantial cost controls while maintaining appropriate operational and critical customer centric support service levels. Due to general softness and constraints in the North American market as a result of COVID-19-related lockdown measures and weather-related disruptions in February 2021, revenue from our North American market was slightly affected. However, during the second quarter of 2021, the Group experienced an increase in demand for its products as a direct result of the re-opening of the North American economy, pent-up demand and certain fiscal policies and fiscal stimulus adopted by the new administration.

For the first half of 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.

During the period under review, the North American market recorded a revenue of approximately HK$358,795,000, representing an increase of approximately HK$118,509,000 as compared with the six months ended 30 June 2020. Together with the sales of dental equipment of approximately HK$2,833,000, this geographic market accounted for approximately 24.4% of the Group's total revenue as compared with approximately 26.8% in the six months ended 30 June 2020. The increase of revenue from the North American market was largely attributable to increase in the sales orders volumes and increase in sales of dental equipment.

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. Our Greater China region experienced unprecedented demand for its products and services for the first half of 2021 as revenue significantly exceeded pre-pandemic levels of 2019 (for the same period). In particular, revenue of the Mainland China market for the first half of 2021 increased by 113.2 % compared with the first half of 2020 and by 39.4% compared with the first half of 2019.

Given the significant rise in the living standards in Greater China over the years, people have become increasingly aware of the importance of oral health, which benefits the custom-made dental prosthetics domestic sales market. We offer comparatively higher prices for products with premium quality in Greater China, which appeal to the population that has a strong demand for higher quality products. With our new production facilities in Dongguan at full operation, and new products addressing the mid-market segment of the dental industry, we expect to further consolidate our leading status in the Greater China market. The Mainland China market benefited from a significant increase in 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.

The management is cautiously optimistic on the long-term prospect of the Greater China region and is committed to support the development of the dental community in the region for long-term by (i) increasing focus on our educational platforms, Center of Dental Education and Pure Dental (“普潔”), which strategically increased the number of online education webinars offered by various leading industry experts to capture the less busy schedule of our dentists customers for educations and 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 in the Mainland China and adding implants and clear aligners products in Hong Kong and Macau; and (iii) launching of our own dental digital platform in Hong Kong.

During the period under review, the Greater China market recorded a revenue of approximately HK$304,613,000, representing an increase of approximately HK$130,171,000 as compared with six months ended 30 June 2020. Together with the sales of raw materials and dental equipment of approximately HK$27,264,000, this geographic market accounted for approximately 22.4% of the Group's total revenue as compared with approximately 21.2% in the six months ended 30 June 2020. The increase of revenue from the Greater China market was largely attributable to i) the increase in sales orders volumes as a result of the expansion of product range offering; ii) the appreciation of RMB against HK$ of 9.1% in the six months ended 30 June 2021; and iii) increase in sales of raw materials and dental equipment.

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. Our Australian region experienced unprecedented demand for its products and services for the first half of 2021 as revenues significantly exceeded pre-pandemic levels of 2019 (for the same period). The Group is focused on ensuring solid execution of its Australian business operationally and financially, driven by organic growth and acquisitions.

During the period under review, the Australian market recorded a revenue of approximately HK$116,271,000, representing an increase of approximately HK$42,314,000 as compared with the six months ended 30 June 2020. Together with the service revenue generated from rendering educational events and seminars and sales of dental equipment and other products of approximately HK$11,238,000, this geographic market accounted for approximately 8.6% of the Group's total revenue as compared with approximately 8.3% in the six months ended 30 June 2020. The increase of revenue from the Australian market was largely attributable to the increase in sales order volume and the appreciation of AUD against HK$ by 17.5% for the six months ended 30 June 2021 compared with six months ended 30 June 2020.

Others

Other markets primarily include Indian Ocean countries, Japan, Taiwan and Singapore. During the period under review, these markets recorded a revenue of approximately HK$17,090,000, representing an increase of approximately HK$9,584,000 as compared with the six months ended 30 June 2020. Together with the revenue generated from sales of equipment of approximately HK$931,000, this geographic market accounted for approximately 1.2% of the Group's total revenue as compared with approximately 0.8% in the six months ended 30 June 2020.

FUTURE PROSPECTS AND STRATEGIES

Notwithstanding any short term challenges the global economy may face such as the emergence of new variants of COVID-19, 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 the new variants of COVID-19 may affect our clients' businesses in the short term, it is evident that the lasting effects of the pandemic has disproportionately affected our smaller or mid-scaled competitors and has accelerated the adoption of intra-oral scanners by our customers in certain markets which in turn, has the direct effect of accelerating the process of consolidation within our industry and ultimately benefiting the Group, as the global leader in the industry.

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 and the introduction of new products (such as orthodontic devices), 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$1,481,225,000 representing an increase of approximately 65.1% as compared with approximately HK$897,223,000 in the six months ended 30 June 2020. The increase was largely attributable to (i) increase in sales orders volume; (ii) appreciation of foreign currencies against HK$ when compared with same period in 2020; and (iii) increase in sales of dental equipment and clear aligner products.

Gross Profit and Gross Profit Margin

The gross profit for the six months ended 30 June 2021 was approximately HK$780,240,000, which was approximately 88.5% higher than that of the six months ended 30 June 2020. The increase of the gross profit margin of approximately 6.6% compared with the corresponding period in 2020 was mainly attributable to the increase in productivity of the production teams.

The gross profit margins of Fixed Prosthetic Devices business segment, Removable Prosthetic Devices business segment and Others business segment were approximately 54.0%, 53.1% and 46.9% respectively. The following table sets forth the breakdown of our gross profit and gross profit margin by product category.

	Six months ended 30 June			
	2021		2020	
	Gross profit **(HK$'000)**	**Gross profit margin** **(%)**	Gross profit (HK$'000)	Gross profit margin (%)
Product category				
Fixed prosthetic devices	**530,055**	**54.0**	299,362	47.8
Removable prosthetic devices	**137,757**	**53.1**	75,983	46.7
Others	**112,428**	**46.9**	38,678	35.7
Total	**780,240**	**52.7**	414,023	46.1

Selling and Distribution Expenses

During the period under review, the selling and distribution expenses increased by approximately 60.9% from approximately HK$99,468,000 for the six months ended 30 June 2020 to approximately HK$160,002,000 for the six months ended 30 June 2021, accounting for approximately 10.8% of the Group's revenue, as compared with approximately 11.1% for the corresponding period in 2020. The increase in the selling and distribution expenses was in line with the increase in the Group's sales.

Administrative Expenses

During the period under review, the administrative expenses increased by approximately 15.2% from approximately HK$275,973,000 for the six months ended 30 June 2020 to approximately HK$318,024,000 for the six months ended 30 June 2021, accounting for approximately 21.5% of the Group's revenue, as compared with approximately 30.8% for the corresponding period in 2020. The increase in the administrative expenses was primarily attributable to i) increase in labour costs to deal with the significant increase in sales and ii) the decrease in governments subsidies on labour costs under COVID-19 related employment support schemes. The decrease in the administrative expenses as a percentage of revenue was mainly due to the strengthened costs control measures and enhancement in the economies of scale as a result of the significant increase in sales.

Impairment of Goodwill

The Group recorded an one-off non-cash impairment loss of goodwill for North America's cash generating unit of approximately HK$150,132,000 as a result of the on-going spreading of the COVID-19 in the North America region for the six months ended 30 June 2020. For details, please refer to Note 11 in this Announcement. During the six months ended 30 June 2021, due to strong recovery of the dental industry, no indication of impairment is therefore noted, hence, no impairment loss of goodwill is therefore required to be made.

Other Operating Expenses

During the period under review, the other operating expenses decreased by approximately 41.7% from approximately HK$5,099,000 for the six months ended 30 June 2020 to approximately HK$2,974,000 for the six months ended 30 June 2021, accounting for approximately 0.2% of the Group's revenue, as compared with approximately 0.6% for the corresponding period in 2020. Other operating expenses mainly represented exchange losses, net, incurred of approximately HK$2,924,000 (six months ended 30 June 2020: HK$4,877,000).

Finance Costs

During the period under review, the finance costs decreased by approximately 41.5% from approximately HK$19,814,000 for the six months ended 30 June 2020 to approximately HK$11,584,000 for the six months ended 30 June 2021, accounting for approximately 0.8% of the Group's revenue, as compared with approximately 2.2% for the corresponding period in 2020. The decrease was mainly due to decrease in the effective interest rate when compared with six months ended 30 June 2020.

Income Tax Expense

During the period under review, the income tax expense increased by approximately 548.8% from approximately HK$8,401,000 for the six months ended 30 June 2020 to approximately HK$54,506,000 for the six months ended 30 June 2021.

Profit/(Loss) for the Period

The turnaround from loss of approximately HK$139,502,000 for the six months ended 30 June 2020 to profit of approximately HK$240,005,000 for the six months ended 30 June 2021 was due to operating profit generated by the Group as a result of the strong sales performance; and no one-off non-cash impairment loss of goodwill for North America region recognised in the six months ended 30 June 2021 (six months ended 30 June 2020: HK$150,132,000).

Profit/(Loss) Attributable to Owners of the Company

Profit attributable to owners of the Company amounted to approximately HK$240,037,000, representing an increase of approximately HK$379,391,000, or approximately 272.2%, as compared with loss attributable to owners of the Company approximately HK$139,354,000 for the corresponding period in 2020.

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**") and profit from core operations by eliminating the effects of certain non-cash or non-recurring items, including one-off transaction cost in connection with restructuring and reorganisation.

The table below indicates the profit/(loss) for the six months ended 30 June 2021 and 2020, 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	
	2021	2020
	HK$'000	*HK$'000*
EBITDA and Adjusted EBITDA		
Net profit/(loss)	**240,005**	(139,502)
Add:		
Tax	**54,506**	8,401
Finance costs	**11,584**	19,814
Depreciation of right-of-use assets	**23,098**	24,641
Depreciation of property, plant and equipment	**31,403**	29,877
Amortisation of intangible assets	**14,865**	14,963
Impairment of goodwill	**—**	150,132
Less:		
Bank interest income	**(266)**	(835)
EBITDA	**375,195**	107,491
One-off cost in connection with restructuring and reorganisation	**—**	3,888
Adjusted EBITDA	**375,195**	111,379
Adjusted EBITDA Margin	**25.3%**	12.4%

The table below indicates the profit/(loss) for the six months ended 30 June 2021 and 2020, reconciling the profit from core operations for the periods presented to the most comparable financial measures calculated in accordance with the IFRS:

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Profit from core operations		
Net profit/(loss)	**240,005**	(139,502)
Add:		
Impairment of goodwill	**—**	150,132
One-off cost in connection with restructuring and reorganisation	**—**	3,888
Profit from core operations	**240,005**	14,518
Profit from core operations Margin	**16.2%**	1.6%

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows

The table below summarises the Group's cash flows for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Net cash flows from operating activities	**246,840**	77,313
Net cash flows used in investing activities	**(44,561)**	(23,647)
Net cash flows used in financing activities	**(253,258)**	(53,076)

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$648,350,000 as of 30 June 2021 (31 December 2020: HK$697,827,000), which was mainly denominated in HK$, RMB, US$, EUR and AUD.

Operating Activities

Net cash flows from operating activities was approximately HK$246,840,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: HK$77,313,000). The increase in net cash flows from operating activities was primarily driven by the increase in operating profit generated by the Group as a result of the strong sales performance.

Investing Activities

The Group recorded a net cash outflow used in investing activities of approximately HK$44,561,000 for the six months ended 30 June 2021, of which approximately HK$45,731,000 was used primarily for the upgrade of our computer-aided/manufacturing production equipment and renovation of factory premises, net off with proceeds from disposal of property, plant and equipment of approximately HK$2,951,000.

Financing Activities

The Group recorded a net cash outflow used in financing activities of approximately HK$253,258,000 for the six months ended 30 June 2021. The outflow was mainly attributable to (i) repayment of bank borrowings of approximately HK$145,000,000; (ii) payment for dividend of approximately HK$66,986,000; (iii) repurchase of the Company's ordinary shares of approximately HK$7,896,000; (iv) payment for lease liabilities of approximately HK$26,186,000; and (v) payment for interest expenses of approximately HK$7,190,000.

Capital Expenditure

During the period under review, the Group's capital expenditure amounted to approximately HK$45,731,000 was used for improvement on our production equipment and renovation of factory premises. All of the capital expenditure was financed by internal resources and bank borrowings.

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 of the Company (the "**Shareholders**") at an appropriate risk exposure.

Bank loans

Bank loans of the Group as of 30 June 2021 amounted to approximately HK$717,742,000 as compared to approximately HK$860,743,000 as of 31 December 2020. Pledged bank deposits of the Group as of 30 June 2021 amounted to approximately HK$4,748,000 as compared to approximately HK$4,828,000 as of 31 December 2020. As of 30 June 2021, the bank loans of approximately HK$681,688,000 and HK$36,054,000 were denominated in HK$ and RMB, respectively. As of 30 June 2021, all bank loans were at floating interest rates.

Cash and cash equivalents

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

Gearing ratio

The 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, amount due to an associate, lease liabilities, less cash and cash equivalents and pledged deposits. As of 30 June 2021, the gearing ratio of the Group was approximately 19% (31 December 2020: 22%), reflecting that the Group's financial position was at a sound level.

Debt securities

As of 30 June 2021 and 31 December 2020, the Group did not have any debt securities.

Contingent liabilities

As of 30 June 2021 and 31 December 2020, 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.

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$295,645,000) 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 2021, the Group has paid approximately RMB156,597,000 (equivalent to approximately HK$188,199,000) for the construction and renovation of a factory and approximately RMB18,839,000 (equivalent to approximately HK$22,641,000) for the acquisition of land, and the remaining commitment was approximately RMB70,564,000 (equivalent to approximately HK$84,805,000).

Save as disclosed above, the Group had no significant capital commitments as of 30 June 2021.

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 2021 and, save as disclosed in section headed "Important Events After the Period Under Review" there is no plan for material investments or capital assets as at the date of this Announcement.

OFF-BALANCE SHEET TRANSACTIONS

As of 30 June 2021, the Group did not enter into any material off-balance sheet transactions.

IMPORTANT EVENTS AFTER THE PERIOD UNDER REVIEW

(i) Subsequent to the end of the period under review, 2,636,000 ordinary shares of approximately HK$7,001,000 (before expenses) repurchased in six months ended 30 June 2021 were cancelled in July 2021.

(ii) On 9 July 2021, MDPCH Pty Ltd, a wholly owned subsidiary of the Company, entered into a share purchase agreement with independent third parties, Panagiotis (Peter) Nouris, and Alexander Petratos to acquire a 100% equity interest of Swift Dental Laboratory ("**Swift**") at a cash consideration of AUD800,000 and a contingent consideration of AUD500,000. Swift is principally engaged in provision of dentures in Australian market. The acquisition was completed on 9 July 2021. The acquisition will provide the Group with an important foundation to build on its existing Australian-made denture work to further expand the Group's product offering and services to its existing clients.

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

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 continue to implement cost cutting measures (including salaries reduction, deferring marketing expenses, etc) to reduce the risks and uncertainties brought by the global COVID-19 pandemic.

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 2020, such as the pre-tax discount rates (ranged between 13% and 20%); the budgeted sales growth rates (ranged between 0% and 10%); and budgeted EBITDA margins (ranged between 8% and 30%), 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. Please refer to Note 11 in this Annoucement for details.

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. During the six months ended 30 June 2021, 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 2021, the interest rate on floating-rate bank loans were approximately HIBOR+1.60% per annum for term loans and 1-year Loan Prime Rate 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 an associate and 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.

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 6,277 (31 December 2020: 5,838) full-time employees at our production facilities, service centers, points of sales and other sites as of 30 June 2021, mainly including 4,517 (31 December 2020: 4,219) production staff members, 660 (31 December 2020: 610) general management staff members and 358 (31 December 2020: 341) 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 2021 was approximately HK$644,434,000 (six months ended 30 June 2020: approximately HK$467,513,000). 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.

SHARE OPTION SCHEME

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

The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants including any employee, 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 an incentive or a reward for their contribution to the Group.

As at 30 June 2021, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

PRE-IPO RESTRICTED SHARE UNIT SCHEME

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

As at 30 June 2021, no outstanding restricted share units were granted or vested pursuant to the Pre-IPO RSU Scheme.

DIVIDENDS

In celebration of the Group's 35th anniversary and in special recognition of Chan Kwun Fung's (former Chairman) and Chan Kwun Pan's (former Vice-Chairman) extraordinary contribution to the Group for their decades of commitment, dedication and professionalism, the Board declared a special dividend of HK7.5 cents (six months ended 30 June 2020: Nil) per ordinary share, together with an interim dividend of HK5.0 cents (six months ended 30 June 2020: Nil) per ordinary share. The interim dividend and special dividend will be payable on Friday, 15 October 2021 to shareholders of the Company whose names appear on the Register of Members of the Company on Wednesday, 29 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 27 September 2021 to Wednesday, 29 September 2021, 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 and special dividend for the six months ended 30 June 2021, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 24 September 2021, for the purpose of effecting the share transfers.

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

During the six months ended 30 June 2021, the Company repurchased 3,286,000 of its ordinary shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate consideration of approximately HK$7,896,000 (before expenses), details of the repurchase are summarised as follows:

		Price per ordinary share		
Month	**Number of ordinary share repurchased**	**Highest**	**Lowest**	**Aggregate consideration paid (before expenses)**
		HK$	*HK$*	*HK$'000*
January 2021	650,000	1.43	1.34	895
March 2021	241,000	1.83	1.76	432
April 2021	2,166,000	3.91	2.34	5,662
May 2021	229,000	3.99	3.90	907
	3,286,000			7,896

Out of 3,286,000 repurchased ordinary shares, 650,000 ordinary shares of approximately HK$895,000 (before expenses) were cancelled during the six months ended 30 June 2021, while the remaining 2,636,000 ordinary shares of approximately HK$7,001,000 (before expenses) were recognised as treasury shares as at 30 June 2021 and subsequently cancelled in July 2021.

The repurchase of the Company's ordinary shares were effected by the directors, pursuant to the mandate from Shareholders received at the annual general meetings on 28 May 2020 and 27 May 2021, with a view to be benefiting the Shareholders as a whole by enhancing the net assets value per share and earnings per share of the Group.

Save as disclosed above, during the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 30 June 2021, the Company has complied with the applicable code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

The Company has adopted the Securities Dealing Code containing the provisions set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, and after having made specific enquiry with regard to securities transactions by the Directors, all Directors have confirmed their compliance with the required standards set out in the Model Code regarding Directors' securities transactions during the six months ended 30 June 2021.

REVIEW OF INTERIM RESULTS

The audit committee of the Company 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 2021, including the accounting principles and practices adopted by the Group, have been reviewed by the audit committee of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.moderndentalgp.com). The interim report of the Company for the six months ended 30 June 2021 will be despatched to the shareholders of the Company and will be published on the same websites in due course.

By order of the Board
Modern Dental Group Limited
Chan Ronald Yik Long
Chairman and Executive Director

Hong Kong, 30 August 2021

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