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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3600)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024, DIVIDEND
AND CLOSURE OF REGISTER OF MEMBERS**

During the six months ended 30 June 2024, although the macro-economic environment continues to be challenging, the Group's multi-dimensional strategies and comprehensive products portfolio, encompassing higher-priced and cost-effective dental treatments, enabled the Group to capitalise on market opportunities by capturing new customers and increase its sales volume, displaying the Group's ability to outperform its competitors throughout the economic cycle.

The global digitalisation trend continues to accelerate the consolidation of the dental prosthetics industry, allowing the Group to further increase its market share in the industry and our continued digital transformation is expected to improve our customers' and patients' experiences, further allowing the Group to differentiate itself from its competitors and outperform the industry peers. The consolidation trend of the dental prosthetics industry is clearly continuing, and with the addition of our Vietnam production facility and Dongguan Phase 2 production facility - the Group has further improved its market positioning.

The Group's continued sales increase represents a solid execution across each of the Group's markets operationally and financially, illustrating the Group's ability to deliver strong financial results in a relatively stable operating environment characterized by consistent order volume growth, competitiveness in the industry, and close relationship with its clients and customers. The Group's underlying fundamentals continue to be solid and we are well-positioned to capture further opportunities going forward.

RESULTS HIGHLIGHTS

- The Revenue for the six months ended 30 June 2024 was approximately HK\$1,701,831,000 (six months ended 30 June 2023: HK\$1,601,552,000), representing an increase of approximately HK\$100,279,000 or 6.3% as compared with that of the six months ended 30 June 2023. Our European market, which contributes 48.4% of the Group's overall revenue, delivered sales of growth of 16.2% as compared with that of the six months ended 30 June 2023.
- The Gross Profit Margin for the six months ended 30 June 2024 was approximately 53.7% (six months ended 30 June 2023: 54.2%). Gross profit for the six months ended 30 June 2024 was approximately HK\$913,991,000 (six months ended 30 June 2023: HK\$867,319,000), representing an increase of approximately HK\$46,672,000 or 5.4% as compared with that of the six months ended 30 June 2023.
- The Group's EBITDA for the six months ended 30 June 2024 was approximately HK\$375,571,000 (six months ended 30 June 2023: HK\$369,754,000), representing an increase of approximately HK\$5,817,000 or 1.6% as compared with that of six months ended 30 June 2023.
- The Group's Net Profit for the six months ended 30 June 2024 was approximately HK\$214,355,000 (six months ended 30 June 2023: HK\$210,276,000) representing an increase of approximately HK\$4,079,000 or 1.9% as compared with that of six months ended 30 June 2023.
- With respect to the Group's EBITDA and Net Profit for the six months ended 30 June 2024, it should be noted that the figures reflect: (i) one-off cost in connection with potential acquisitions of approximately HK\$2,796,000; and (ii) one-off cost in connection with Shenzhen and Vietnam production facility relocations of approximately HK\$10,217,000.
- The Group's Adjusted EBITDA for the six months ended 30 June 2024 was approximately HK\$388,584,000 (six months ended 30 June 2023: HK\$369,886,000) representing an increase of approximately HK\$18,698,000 or 5.1% as compared with that of six months ended 30 June 2023.
- The Group's Profit from core operations for the six months ended 30 June 2024 was approximately HK\$225,549,000 (six months ended 30 June 2023: HK\$210,408,000) representing an increase of approximately HK\$15,141,000 or 7.2% as compared with that of six months ended 30 June 2023.
- Basic earnings per share for the six months ended 30 June 2024 amounted to HK22.59 cents (six months ended 30 June 2023: HK22.13 cents).
- The Board declared an interim dividend of HK8.0 cents (six months ended 30 June 2023: HK6.0 cents) per ordinary share for the six months ended 30 June 2024. The interim dividend will be payable on Thursday, 10 October 2024 to shareholders of the Company (the "**Shareholders**") whose names appear on the Register of Members of the Company on Tuesday, 17 September 2024.

The following table sets forth summary of key financial results for the six months ended 30 June 2024, 31 December 2023 and 30 June 2023:

	Six months ended			Changes	
	30 June	31 December	30 June	30 June	30 June
	2024	2023	2023	2024 vs	2024 vs
	(unaudited)	(unaudited)	(unaudited)	31 December	30 June
	HK\$'000	HK\$'000	HK\$'000	2023	2023
				%	%
Revenue	1,701,831	1,570,496	1,601,552	8.4	6.3
Gross Profit	913,991	833,374	867,319	9.7	5.4
Gross Profit Margin (%)	53.7%	53.1%	54.2%	1.1	-0.9
EBITDA	375,571	324,717	369,754	15.7	1.6
EBITDA Margin (%)	22.1%	20.7%	23.1%	6.8	-4.3
Adjusted EBITDA	388,584	324,013	369,886	19.9	5.1
Adjusted EBITDA Margin (%)	22.8%	20.6%	23.1%	10.7	-1.3
Profit from Core Operations	225,549	191,197	210,408	18.0	7.2
Profit from Core Operations					
Margin (%)	13.3%	12.2%	13.1%	9.0	1.5
Net Profit	214,355	191,901	210,276	11.7	1.9
Net Profit Margin (%)	12.6%	12.2%	13.1%	3.3	-3.8

The following table sets forth a breakdown of the revenue generated from the aforesaid markets for the six months ended 30 June 2024 and 2023:

Market	Six months ended 30 June						Original currency growth rate (%)
	2024		2023		Change in currency (%)		
	Original currency	Conversion rate#	Conversion rate#	Revenue (HK\$'000)		Revenue (HK\$'000)	
Europe	EUR	8.45	822,914	8.47	710,045	-0.2	16.2
North America	US\$	7.75	385,325	7.75	393,656	—	-2.1
Greater China	RMB	1.10	335,752	1.13	351,203	-2.7	^
Australia	AUD	5.15	127,902	5.30	124,257	-2.8	5.9
Others			29,938		22,391		
Total			<u>1,701,831</u>		<u>1,601,552</u>		

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.

^ The increase in sales in original currency of the Mainland China market was approximately 9.5% and the decrease in sales in original currency of the Hong Kong market was approximately 18.6%.

Further highlights:

- For the six months ended 30 June 2024, 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 602,485 cases reflecting an increase of 61.1% as compared with the same period in 2023 (approximately 373,985 cases) as a result of our clients' continued 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 2024, together with the comparative figures for the corresponding period in 2023, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
REVENUE	4	1,701,831	1,601,552
Cost of sales		(787,840)	(734,233)
Gross profit		913,991	867,319
Other income and gains	4	14,761	8,441
Selling and distribution expenses		(230,896)	(201,369)
Administrative expenses		(378,833)	(376,054)
Other operating expenses		(9,283)	(1,388)
Finance costs	6	(25,706)	(20,783)
Share of losses of associates		(944)	(1,208)
PROFIT BEFORE TAX	5	283,090	274,958
Income tax expense	7	(68,735)	(64,682)
PROFIT FOR THE PERIOD		214,355	210,276
ATTRIBUTABLE TO:			
Owners of the Company		215,249	211,201
Non-controlling interests		(894)	(925)
		214,355	210,276
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	8	HK22.59 cents	HK22.13 cents
Diluted	8	HK22.59 cents	HK22.13 cents

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>214,355</u>	<u>210,276</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(46,102)	(5,755)
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	<u>(5,344)</u>	<u>(6,332)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(51,446)</u>	<u>(12,087)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>162,909</u>	<u>198,189</u>
ATTRIBUTABLE TO:		
Owners of the Company	163,880	199,378
Non-controlling interests	<u>(971)</u>	<u>(1,189)</u>
	<u>162,909</u>	<u>198,189</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	<i>Notes</i>	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	771,027	727,424
Right-of-use assets		157,568	177,829
Goodwill	11	1,135,178	1,159,640
Intangible assets		208,916	214,582
Investment in associates		3,010	3,977
Equity investments designated at fair value through other comprehensive income	12	13,841	19,185
Deferred tax assets		41,649	44,199
Long term prepayments and deposits		30,550	34,687
Total non-current assets		2,361,739	2,381,523
CURRENT ASSETS			
Inventories		163,765	166,180
Trade receivables	13	658,725	590,220
Prepayments, deposits and other receivables		100,066	83,512
Due from associates		7,597	77
Current tax assets		44,347	33,440
Pledged deposits		195	201
Cash and cash equivalents		692,012	697,694
Total current assets		1,666,707	1,571,324
CURRENT LIABILITIES			
Trade payables	14	76,711	80,094
Other payables and accruals		251,387	272,350
Lease liabilities		44,337	46,464
Interest-bearing bank borrowings	15	93,870	63,699
Tax payable		116,323	92,367
Total current liabilities		582,628	554,974
NET CURRENT ASSETS		1,084,079	1,016,350
TOTAL ASSETS LESS CURRENT LIABILITIES		3,445,818	3,397,873

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2024

	<i>Notes</i>	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		3,445,818	3,397,873
NON-CURRENT LIABILITIES			
Lease liabilities		112,813	129,545
Interest-bearing bank borrowings	15	607,974	612,492
Deferred tax liabilities		12,729	12,683
Other non-current liabilities		41	52
Total non-current liabilities		733,557	754,772
NET ASSETS		2,712,261	2,643,101
EQUITY			
Equity attributable to owners of the Company			
Share capital		73,385	73,501
Treasury shares		(3,139)	(419)
Reserves		2,632,164	2,559,197
		2,702,410	2,632,279
Non-controlling interests		9,851	10,822
TOTAL EQUITY		2,712,261	2,643,101

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 2024 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 2023 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 2023.

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 2023, except for the adoption of following new and revised standards for the first time for the current period's financial statements.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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						
<u>Product category</u>	2024 (Unaudited)			2023 (Unaudited)		
	Revenue	Cost of sales	Gross profit	Revenue	Cost of sales	Gross profit
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed prosthetic devices	1,045,387	461,213	584,174	1,014,260	441,491	572,769
Removable prosthetic devices	393,546	174,712	218,834	350,576	157,565	193,011
Others	262,898	151,915	110,983	236,716	135,177	101,539
Total	<u>1,701,831</u>	<u>787,840</u>	<u>913,991</u>	<u>1,601,552</u>	<u>734,233</u>	<u>867,319</u>

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Europe	822,914	710,045
North America	385,325	393,656
Greater China	335,752	351,203
Australia	127,902	124,257
Others	29,938	22,391
	<u>1,701,831</u>	<u>1,601,552</u>

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

(b) Non-current assets

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Europe	763,081	786,737
Greater China	609,758	600,830
North America	504,785	521,444
Australia	289,388	296,966
Others	153,078	131,347
	<u>2,320,090</u>	<u>2,337,324</u>

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	
	2024 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i>
<u>Revenue</u>		
Sale of goods transferred at a point in time	<u>1,701,831</u>	<u>1,601,552</u>
<u>Other income</u>		
Bank interest income	3,527	330
Foreign exchange gains, net	—	1,957
Government subsidies*	3,598	1,249
Others	<u>6,885</u>	<u>4,199</u>
	<u>14,010</u>	<u>7,735</u>
<u>Gains</u>		
Gains on early termination of leases, net	—	706
Gains on disposal of items of property, plant and equipment, net	<u>751</u>	<u>—</u>
	<u>751</u>	<u>706</u>
Other income and gains	<u>14,761</u>	<u>8,441</u>

* 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 BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold [#]	787,840	734,233
Depreciation of right-of-use assets	26,900	25,961
Depreciation of property, plant and equipment	39,633	35,834
Amortisation of intangible assets	3,769	12,548
Lease payments not included in the measurement of lease liabilities	6,133	6,834
Research and development costs ^{##}	25,415	24,974
Auditors' remuneration	5,459	5,641
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries*	686,260	639,023
Pension scheme contributions	100,014	86,335
	786,274	725,358
Bank interest income	(3,527)	(330)
(Gains)/losses on disposal of items of property, plant and equipment, net*	(751)	792
Write-off of property, plant and equipment*	2,192	43
Losses/(gains) on early termination of leases, net*	17	(706)
Allowance for impairment of trade receivables, net	5,184	4,636
Foreign exchange losses/(gains), net*	6,018	(1,957)
Remeasurement loss on contingent consideration*	—	132

- # Cost of inventories sold includes HK\$475,514,000 (unaudited) (six months ended 30 June 2023: HK\$440,993,000 (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\$22,523,000 (unaudited) (six months ended 30 June 2023: HK\$20,376,000 (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.
- * Gains on disposal of items of property, plant and equipment, net, gains on early termination of leases, net and foreign exchange gains, net are included in “other income and gains” in the interim condensed consolidated statements of profit or loss. Losses on disposal of items of property, plant and equipment, net, write-off of property, plant and equipment, losses on early termination of leases, net, foreign exchange loss, net and remeasurement loss on contingent consideration are included in “other operating expenses” in the interim condensed consolidated statements of profit or loss.

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans	21,749	16,770
Less: amount capitalised on qualifying assets	(68)	—
	21,681	16,770
Interest on lease liabilities	3,794	3,721
Finance charges on bank loans	231	292
	25,706	20,783

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	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	66,383	61,677
Deferred	2,352	3,005
Total tax charge for the period	<u>68,735</u>	<u>64,682</u>

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 2024 and 2023 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 2024 and 2023 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.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023. The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<u>215,249</u>	<u>211,201</u>
	<u>Number of shares</u>	
	Six months ended 30 June	
	2024	2023
	(Unaudited)	(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	<u>952,816,099</u>	<u>954,181,933</u>

9. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend	<u>75,752</u>	<u>57,299</u>

The Board declared an interim dividend of HK8.0 cents per share for the six months ended 30 June 2024 (six months ended 30 June 2023: HK6.0 cents). The interim dividend is not recognised as a liability as at 30 June 2024 because they have been declared after the end of the reporting period.

In 2024, the calculation of the interim dividend is based on 946,898,000 (six month ended 30 June 2023: 954,991,000) ordinary shares in issue.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 January	727,424	651,079
Additions	97,192	161,325
Disposals	(3,911)	(7,267)
Write-off	(2,192)	(695)
Depreciation provided during the period/year	(39,633)	(72,011)
Exchange realignment	<u>(7,853)</u>	<u>(5,007)</u>
Carrying amount at 30 June/31 December	<u>771,027</u>	<u>727,424</u>

11. GOODWILL

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 January	1,159,640	1,132,420
Exchange realignment	(24,462)	27,220
	<u>1,135,178</u>	<u>1,159,640</u>

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

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity investments in Hong Kong, at fair value		
Arrail Group Limited	<u>13,841</u>	<u>19,185</u>

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.

13. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at 30 June 2024 and 31 December 2023, based on the invoice date and net of loss allowance, is as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 1 month	336,125	267,741
1 to 2 months	89,060	108,142
2 to 3 months	54,995	49,947
3 months to 1 year	146,498	134,871
Over 1 year	32,047	29,519
	<u>658,725</u>	<u>590,220</u>

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.

14. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2024 and 31 December 2023, based on the invoice date, is as follows:

	30 June 2024 (Unaudited) <i>HK\$'000</i>	31 December 2023 (Audited) <i>HK\$'000</i>
Within 1 month	33,918	49,985
1 to 2 months	30,241	23,936
2 to 3 months	9,492	2,817
Over 3 months	3,060	3,356
	<u>76,711</u>	<u>80,094</u>

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.

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2024			31 December 2023		
	(Unaudited)			(Audited)		
	Effective/ contractual interest rate (%)	Maturity	HK\$'000	Effective/ contractual interest rate (%)	Maturity	HK\$'000
Current						
Current portion of long term bank loans – secured	Hong Kong Interbank Offered Rate ("HIBOR") +1.10 to HIBOR+1.60	2024-2025	93,870	HIBOR+1.15 to HIBOR+1.60	2024	63,699
			<u>93,870</u>			<u>63,699</u>
Non-current						
Long term bank loans - secured	HIBOR+1.10 to HIBOR+1.60	2025-2029	607,974	HIBOR+1.15 to HIBOR+1.60	2025-2028	612,492
			<u>607,974</u>			<u>612,492</u>
			<u><u>701,844</u></u>			<u><u>676,191</u></u>

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed into:		
Bank loans repayable:		
Within one year or on demand	93,870	63,699
In the second year	234,653	182,167
In the third to fifth years, inclusive	373,321	430,325
	<u>701,844</u>	<u>676,191</u>

Notes:

- (a) As at 30 June 2024 (unaudited) and 31 December 2023 (audited), all bank borrowings are secured by the corporate guarantees of the Company and certain of its subsidiaries.
- (b) As at 30 June 2024 (unaudited) and 31 December 2023 (audited), all the Group's bank borrowings are denominated in HK\$.

16. EVENT AFTER THE REPORTING PERIOD

The Group has no important events after the period under review up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

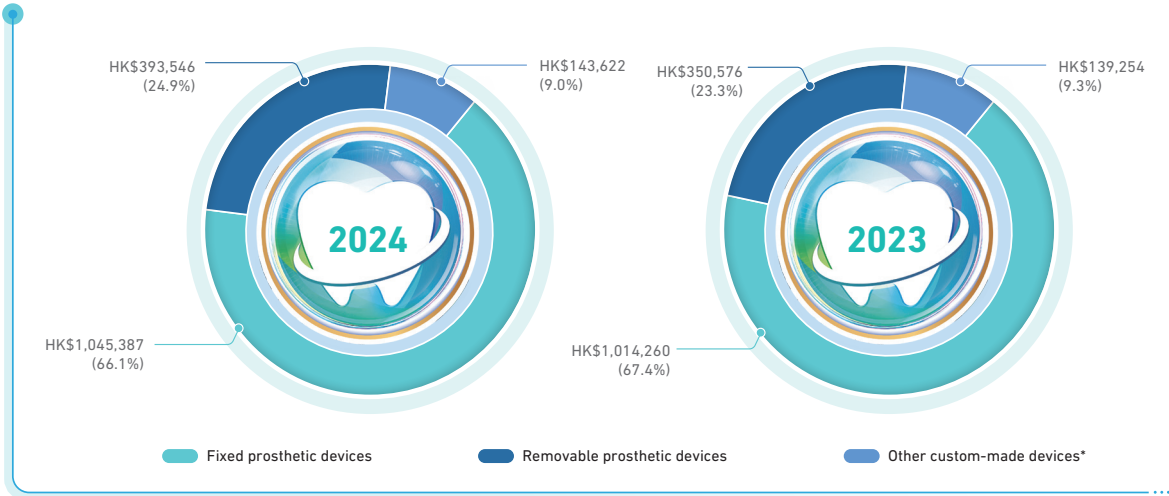
BUSINESS REVIEW

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. Including in “others” segment, the sales of TrioClear (our own clear aligner) is approximately HK\$22,346,000 (six months ended 30 June 2023: HK\$15,357,000), represented an increase of 45.5%.

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 2024 and 2023 respectively:

Breakdown of revenue (HK\$'000 and %)



* Raw materials revenue, dental equipment revenue, clear aligner 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\$1,045,387,000, representing an increase of approximately HK\$31,127,000 as compared with the six months ended 30 June 2023. This business segment accounted for approximately 66.1% of the Group's total revenue as compared with approximately 67.4% in the six months ended 30 June 2023.

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\$393,546,000, representing an increase of approximately HK\$42,970,000 as compared with the six months ended 30 June 2023. This business segment accounted for approximately 24.9% of the Group's total revenue as compared with approximately 23.3% in the six months ended 30 June 2023.

Other Custom-made Devices

Other custom-made devices include orthodontic devices (including clear aligners), anti-snoring devices, and sports guards.

During the period under review, the other devices business segment recorded a revenue of approximately HK\$143,622,000, representing an increase of approximately HK\$4,368,000 as compared with the six months ended 30 June 2023. This business segment accounting for approximately 9.0% of the Group's total revenue as compared with approximately 9.3% in the six months ended 30 June 2023.

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 2024 and 2023 respectively:

	Six months ended 30 June					
	2024			2023		
	Sales			Sales		
	Volume	Revenue	ASP	Volume	Revenue	ASP
	<i>(number</i>		<i>(HK\$</i>	<i>(number</i>		<i>(HK\$</i>
	<i>of cases)</i>	<i>(HK\$'000)</i>	<i>per case)</i>	<i>of cases)#</i>	<i>(HK\$'000)</i>	<i>per case)</i>
<u>Product category</u>						
Fixed prosthetic devices	580,514	1,045,387	1,801	536,174	1,014,260	1,892
Removable prosthetic devices	294,595	393,546	1,336	288,840	350,576	1,214
Other custom-made devices*	217,796	143,622	659	204,140	139,254	682
Total	<u>1,092,905</u>	<u>1,582,555</u>	<u>1,448</u>	<u>1,029,154</u>	<u>1,504,090</u>	<u>1,461</u>

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

Volume in 2023 is adjusted to align with the methodologies in 2024.

Sales volume and average selling price

For the six months ended 30 June 2024, the sales volume and ASP of the Group's products across its markets were 1,092,905 cases (six months ended 30 June 2023: 1,029,154 cases) and HK\$1,448 per case (six months ended 30 June 2023: HK\$1,461 per case), representing an increase of 6.2% and a decrease of 0.9%, respectively.

The slight decrease in ASP in HK\$ was mainly due to the development of the volume-based procurement for dental implant treatment in the Mainland China and the depreciation of EUR by 0.2%, AUD by 2.8% and RMB by 2.7% against HK\$ during the six months ended 30 June 2024.

The increase in volume was mainly due to increase in market share driven by the digitalisation trend in dental industry.

For the six months ended 30 June 2024, 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 602,485 cases reflecting an increase of 61.1% as compared with the same period in 2023 (approximately 373,985 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 2024 and 2023, respectively:

	Six months ended 30 June				Change in currency (%)	Original currency growth rate (%)	
	2024	2023	Conversion rate [#]	Revenue (HK\$'000)			
Market	Original currency	Conversion rate [#]	Revenue (HK\$'000)	Conversion rate [#]	Revenue (HK\$'000)		
Europe	EUR	8.45	822,914	8.47	710,045	-0.2	16.2
North America	US\$	7.75	385,325	7.75	393,656	—	-2.1
Greater China	RMB	1.10	335,752	1.13	351,203	-2.7	^
Australia	AUD	5.15	127,902	5.30	124,257	-2.8	5.9
Others			29,938		22,391		
Total			<u>1,701,831</u>		<u>1,601,552</u>		

[#] 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.

[^] The increase in sales in original currency of the Mainland China market was approximately 9.5% and the decrease in sales in original currency of the Hong Kong market was approximately 18.6%.

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.

The Group has been the frontrunner providing 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 continues to aggressively gain market share from international and domestic competitors through our established dental ecosystem solutions with a focus on education and digitalisation, which is available within close proximity to our clients; effectively meeting our clients' high expectations through our various onshore and offshore resources. The Group is committed and will 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\$822,914,000, representing an increase of approximately HK\$112,869,000 as compared with the six months ended 30 June 2023. This geographic market accounted for approximately 48.4% of the Group's total revenue as compared with approximately 44.3% for the six months ended 30 June 2023. The increase of revenue from the European market was attributable to the increase in sales order volume driven by the launch of new products, such as digital dentures, and our state-of-the-art digital workflows.

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.

Our clients' interest surrounding digital dentistry continued to increase during the period. A significant portion of our business in the North America region comprises higher-end products manufactured domestically. 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 digitalisation journey, focusing on leveraging efficiencies and providing an enhanced customer experience throughout the network. Looking forward, the Group targets to utilise the Vietnam production facility to establish a new business unit specialised in serving mid/large scale dental clinic chains customers in the North American market.

During the period under review, the North American market recorded a revenue of approximately HK\$385,325,000, representing a decrease of approximately HK\$8,331,000 as compared with the six months ended 30 June 2023. This geographic market accounted for approximately 22.6% of the Group's total revenue as compared with approximately 24.6% in the six months ended 30 June 2023.

MicroDental Laboratories, Inc. and its subsidiaries (“**MicroDental Group**”), our North America domestic lab business, contributed approximately HK\$299,813,000 (six months ended 30 June 2023: HK\$313,092,000) to the Group's revenue, approximately HK\$26,219,000 (six months ended 30 June 2023: HK\$36,899,000) to the Group's Adjusted EBITDA; and approximately HK\$8,593,000 (six months ended 30 June 2023: HK\$16,785,000) to the Group's profit for the six months ended 30 June 2024.

The decrease in sales in MicroDental Group, our North America domestic labs business, was affected by the weakness in demand of implant dental treatments (a discretionary option for patients) and the softness in the US economy. However, this was offset by the increase in sales of our offshore-made products businesses supplied by Mainland China and Vietnam, as a result of the enhancement of competitiveness of offshore-made products following the adoption of digitalisation practices.

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.

The Group is optimistic in its mid/long-term outlook for this market in particular where the latest procurement-related government measures are expected to (i) standardise the pricing of dental prosthetics and develop price transparency, which would level the playing field; (ii) allow the Group's leading brand name and reputation to be a key consideration for its client and customer; and (iii) have the Group benefit from its large production team and its ability to allocate resources efficiently according to the customer or client.

Hong Kong is a market that continues to be dominated by us, as we seek to further reinforce our position by operating an in-house laboratory in Hong Kong's only dental postgraduate training facility under The University of Hong Kong. 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\$335,752,000, representing a decrease of approximately HK\$15,451,000 as compared with six months ended 30 June 2023. This geographic market accounted for approximately 19.7% of the Group's total revenue as compared with approximately 21.9% in the six months ended 30 June 2023. As a result of the increase in sales volume in the Mainland China market following the full implementation of the volume-based procurement policy in the Mainland China market gradually since 2nd half of 2023, our Mainland China business reported a sales growth of 9.5% in the six months ended 30 June 2024 compared to the six months ended 30 June 2023 but is offset by the depreciation of RMB against HK\$ by 2.7% compared with the six months ended 30 June 2023. However, this also led to aggressive promotions for dental implant treatments by Mainland China dental clinics in Hong Kong (which experienced a notable decrease in patient visits in Hong Kong).

Australia

The Australian market includes both Australia and New Zealand. 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. 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 Australian market recorded a revenue of approximately HK\$127,902,000 representing an increase of approximately HK\$3,645,000 as compared with the six months ended 30 June 2023. This geographic market accounted for approximately 7.5% of the Group's total revenue as compared with approximately 7.8% in the six months ended 30 June 2023. The increase of revenue from the Australian market was predominately due to the increase in sales volume as a result of the increase in market share driven by the digitalisation trend in dental industry which is partially offset by the depreciation of AUD against HK\$ by 2.8% compared with the six months ended 30 June 2023.

Others

Other markets primarily include Indian Ocean countries, Malaysia, Taiwan, Singapore and Thailand. For the six months ended 30 June 2024, these markets recorded a revenue of approximately HK\$29,938,000, representing an increase of approximately HK\$7,547,000 as compared with the six months ended 30 June 2023. This geographic market accounted for approximately 1.8% of the Group's total revenue as compared with approximately 1.4% for the corresponding period in 2023.

FUTURE PROSPECTS AND STRATEGIES

It is expected that the Group continues to consolidate the dental prosthetic market, and the Board is of the view that the consolidation trend is irreversible and clearly continuing. Therefore, notwithstanding any short or medium term challenges the global economy may face, the Board is confident that the Group is expected to outperform its competitors. In a year where some of the Group's competitors had faced materially adverse issues, the Group continued to thrive and it is the Group's ability to thrive during such uncertain economic conditions that give the Board comfort in its optimistic view of the Group.

The medium and long-term global demand for dental prosthetics is expected to continue due to key irreversible demographic factors and trends. Following our vital and landmark acquisitions in previous years, the Group's distribution and sales network is truly global. Going forward, the Group aims to reinforce its worldwide leading position through opportunistic transactions including strategic co-operations, acquisitions, joint ventures and/or partnerships, to further expand and complement our product-offering (in particular, our clear aligner products), distribution and sales networks which will in turn, drive our business expansion. The Group continues to grow into more than just a one-stop shop dental prosthetic provider, but a full dental ecosystem to support our customers. The Group's investment in Dongguan phase 2 and Vietnam production facilities are expected to provide the Group with greater production solutions and optionality which will in turn, increase the Group's level of research and development in further enhancing our production and products.

Looking forward to 2024, with the Board's extensive experience and determination to meet any short-term challenges, the Group is in an ideal position to take full 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 despite the continuing challenges caused by the macroeconomic environment, as they work relentlessly to deliver our commitment to the benefit of patients.

FINANCIAL REVIEW

Revenue

During the period under review, the revenue of the Group amounted to approximately HK\$1,701,831,000 representing an increase of approximately 6.3% as compared with approximately HK\$1,601,552,000 in the six months ended 30 June 2023. The increase was largely attributable to increase in sales volume as a result of the increase in market share driven by the digitalisation trend in dental industry and offset by (i) the depreciation of foreign currencies against HK\$; (ii) the development of the volume-based procurement for dental implant treatment in the Greater China region; and (iii) the weakness in demand of implant dental treatment (a discretionary option for patients) in the US.

Gross Profit and Gross Profit Margin

The gross profit for the six months ended 30 June 2024 was approximately HK\$913,991,000, which was approximately 5.4% higher than that of the six months ended 30 June 2023. The decrease in the gross profit margin of approximately 0.5 percentage points compared with the corresponding period in 2023 was mainly attributable to (i) development of the volume-based procurement for dental implant treatment in the Mainland China; and (ii) depreciation of foreign currencies against HK\$.

The gross profit margins of Fixed Prosthetic Devices business segment, Removable Prosthetic Devices business segment and Others business segment were approximately 55.9%, 55.6% and 42.2% respectively. The following table sets forth the breakdown of our gross profit and gross profit margin by product category.

	Six months ended 30 June			
	2024		2023	
<u>Product category</u>	Gross profit (HK\$'000)	Gross profit margin (%)	Gross profit (HK\$'000)	Gross profit margin (%)
Fixed prosthetic devices	584,174	55.9	572,769	56.5
Removable prosthetic devices	218,834	55.6	193,011	55.1
Others	110,983	42.2	101,539	42.9
Total	913,991	53.7	867,319	54.2

Selling and Distribution Expenses

During the period under review, the selling and distribution expenses increased by approximately 14.7% from approximately HK\$201,369,000 for the six months ended 30 June 2023 to approximately HK\$230,896,000 for the six months ended 30 June 2024, accounting for approximately 13.6% of the Group's revenue, as compared with approximately 12.6% for corresponding period in 2023. The increase in the selling and distribution expenses was in line with the increase in sales while partially offset by depreciation of foreign currencies against HK\$.

Administrative Expenses

During the period under review, the administrative expenses increased by approximately 0.7% to approximately HK\$378,833,000 for the six months ended 30 June 2024 from approximately HK\$376,054,000 for the six months ended 30 June 2023, accounting for approximately 22.3% of the Group's revenue, as compared with approximately 23.5% for corresponding period in 2023. 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\$441,000 and (ii) the increase in labour costs due to increase in number of headcount.

Other Operating Expenses

During the period under review, the other operating expenses increased by approximately 568.8% from approximately HK\$1,388,000 for the six months ended 30 June 2023 to approximately HK\$9,283,000 for the six months ended 30 June 2024, accounting for approximately 0.5% of the Group's revenue, as compared with approximately 0.1% for the corresponding period in 2023. Other operating expenses mainly represented (i) write-off of property, plant and equipment, net, of approximately HK\$2,192,000 (six months ended 30 June 2023: HK\$43,000); and (ii) exchange losses, net, incurred of HK\$6,018,000 (six months ended 30 June 2023: nil).

Finance Costs

During the period under review, the finance costs increased by approximately 23.7% from approximately HK\$20,783,000 for the six months ended 30 June 2023 to approximately HK\$25,706,000 for the six months ended 30 June 2024, accounting for approximately 1.5% of the Group's revenue, as compared with approximately 1.3% for the corresponding period in 2023. The increase in finance costs were mainly due to the increase in the interest rate (i.e. HIBOR) when compared with six months ended 30 June 2023.

Income Tax Expense

During the period under review, the income tax expense increased by approximately 6.3% from approximately HK\$64,682,000 for the six months ended 30 June 2023 to approximately HK\$68,735,000 for the six months ended 30 June 2024.

Profit for the Period and Profit Attributable to Owners of the Company

Profit for the period increased by approximately 1.9% from approximately HK\$210,276,000 for the six months ended 30 June 2023 to approximately HK\$214,355,000 for the six months ended 30 June 2024.

Profit attributable to owners of the Company amounted to approximately HK\$215,249,000, representing an increase of approximately HK\$4,048,000, or approximately 1.9%, as compared with corresponding period in 2023.

The increase in profit and profit attributable to owners of the Company was predominately due to increase in sales because of the increase in market share driven by the digitalisation trend in dental industry.

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 cost in connection with acquisitions and relocations and remeasurement loss on contingent consideration.

The table below indicates the profit for the six months ended 30 June 2024 and 2023, 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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
EBITDA and Adjusted EBITDA		
Net profit	214,355	210,276
Add:		
Tax	68,735	64,682
Finance costs	25,706	20,783
Depreciation of right-of-use assets	26,900	25,961
Depreciation of property, plant and equipment	39,633	35,834
Amortisation of intangible assets	3,769	12,548
Less:		
Bank interest income	(3,527)	(330)
EBITDA	375,571	369,754
Add:		
One-off cost in connection with acquisitions	2,796	—
One-off cost in connection with relocations	10,217	—
Remeasurement loss on contingent consideration	—	132
Adjusted EBITDA	388,584	369,886
Adjusted EBITDA Margin	22.8%	23.1%

The table below indicates the profit for the six months ended 30 June 2024 and 2023, 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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from Core Operations		
Net Profit	214,355	210,276
Add:		
One-off cost in connection with acquisitions	2,796	—
One-off cost in connection with relocations	10,217	—
Remeasurement loss on contingent consideration	—	132
Less:		
Tax credit related to one-off cost in connection with relocations	(1,819)	—
Profit from Core Operations	<u>225,549</u>	<u>210,408</u>
Profit from Core Operations Margin	<u>13.3%</u>	<u>13.1%</u>

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows

The table below summarises the Group's cash flows for the six months ended 30 June 2024 and 2023:

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from operating activities	210,840	214,283
Net cash flows used in investing activities	(93,477)	(56,569)
Net cash flows used in financing activities	(119,413)	(74,618)

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\$692,012,000 as of 30 June 2024 (31 December 2023: HK\$697,694,000), which was mainly denominated in HK\$, RMB, US\$, EUR and AUD.

Operating Activities

Net cash flows from operating activities was approximately HK\$210,840,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$214,283,000). The decrease in net cash flows from operating activities was primarily driven by payment of one-off relocation expenses of our Shenzhen and Vietnam production facilities of approximately HK\$10,217,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

Investing Activities

The Group recorded a net cash outflow used in investing activities of approximately HK\$93,477,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$56,569,000). The outflow was mainly attributable to approximately HK\$98,145,000 used primarily for expansion of our production facilities, such as construction costs of a factory building in Vietnam and upgrade of our computer-aided/manufacturing equipment.

Financing Activities

The Group recorded a net cash outflow used in financing activities of approximately HK\$119,413,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$74,618,000). The outflow was mainly attributable to (i) payment for dividend of approximately HK\$85,207,000; (ii) repurchase of the Company's ordinary shares of approximately HK\$8,542,000; (iii) payment for lease liabilities of approximately HK\$29,337,000; and (iv) payment for interest expenses of approximately HK\$21,749,000, offset by net cash inflow from bank borrowings of approximately HK\$25,422,000.

Capital Expenditure and Research and Development Expenses

During the period under review, the Group's capital expenditure amounted to approximately HK\$98,145,000 was primarily used for used for construction and renovation of factory premises and improvement on our production 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 2024, the Group has invested in acquisition of the latest state-of-the-art machineries of approximately HK\$45,591,000 (six months ended 30 June 2023: HK\$12,963,000) and incurred research and development cost of approximately HK\$25,415,000 (six months ended 30 June 2023: HK\$24,974,000). The aggregate amounts collectively represented approximately 4.2% of the revenue of the Group (six months ended 30 June 2023: 2.4%).

Save as disclosed in this Announcement, there were no significant investments held by the Company for the period ended 30 June 2024, nor was there any plan authorised by the Board for other material investments or additions of capital assets as at the date of this Announcement.

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 2024 amounted to approximately HK\$701,844,000 as compared to approximately HK\$676,191,000 as of 31 December 2023. As of 30 June 2024, all bank borrowings were denominated in HK\$. As of 30 June 2024, 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" 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, lease liabilities, less cash and cash equivalents and pledged deposits. As of 30 June 2024, the gearing ratio of the Group was approximately 15% (31 December 2023: 16%), reflecting that the Group's financial position was at a sound level.

Debt securities

As of 30 June 2024 and 31 December 2023, the Group did not have any debt securities.

Contingent liabilities

As of 30 June 2024 and 31 December 2023, the Group did not have any material contingent liabilities or guarantees.

Charge of group assets

During the period under review, Modern Dental Laboratory Company Limited and Modern Dental Holding Limited, subsidiaries 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 2024 amounted to approximately HK\$195,000 as compared to approximately HK\$201,000 as of 31 December 2023.

Commitments

As of 30 June 2024, the Group has capital commitment in respect of land and buildings of approximately HK\$1,492,000 (31 December 2023: HK\$34,573,000) which are contracted, but not provided for in the consolidated financial statements.

Save as disclosed above, the Group had no significant capital commitments as of 30 June 2024 and 31 December 2023.

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 2024 and 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 2024, the Group did not enter into any material off-balance sheet transactions.

IMPORTANT EVENTS AFTER THE PERIOD UNDER REVIEW

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.

In general, credit and financial markets have experienced significant fluctuations both in the United States and worldwide, adding to the prevailing uncertainty. Furthermore, geopolitical risks and political turbulence have added to the complexity of the global economic outlook. Changes in government policies, regulations, or political environments in different countries can impact our operations, supply chains, or market access. Trade competition between nations has escalated, resulting in trade disputes and protectionist measures that disrupt international commerce and supply chains.

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 for material acquisitions. The Group has also annually engaged external valuer, Brilliant Appraisal Limited, to assess the impairment of material goodwill and intangible assets and no material changes in key assumptions have been made in the current period. The key assumptions for 31 December 2023, such as the pre-tax discount rates (ranged between 16% and 26%); the budgeted sales growth rates (ranged between 0% and 10%); and budgeted EBITDA margins (ranged between 10% and 33%), 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 started another large scale 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 2024, the interest rate on floating-rate bank loans was approximately HIBOR+1.10% to HIBOR+1.60% per annum for term loans. 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 at operational level closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Credit Risk

The credit risk of other financial assets, which comprise trade receivables, financial assets included in prepayments, deposits and other receivables, amount due from related parties, amount due from associates, 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 7,182 (31 December 2023: 7,035) dedicated full-time employees at our production facilities, service centers, points of sales and other sites as of 30 June 2024, mainly including 4,914 (31 December 2023: 4,831) production staff members, 775 (31 December 2023: 709) general management staff members and 547 (31 December 2023: 519) 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 2024 was approximately HK\$786,274,000 (six months ended 30 June 2023: approximately HK\$725,358,000). 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 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 incentives or rewards for their contribution to the Group.

As at 30 June 2024, 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 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 2024, no outstanding restricted share units were granted or vested pursuant to the Pre-IPO RSU Scheme.

DIVIDENDS

The Board declared an interim dividend of HK8.0 cents (six months ended 30 June 2023: HK6.0 cents) per ordinary share for the six months ended 30 June 2024. The interim dividend will be payable on Thursday, 10 October 2024 to Shareholders whose names appear on the Register of Members of the Company on Tuesday, 17 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 13 September 2024 to Tuesday, 17 September 2024, 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 2024, 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 Thursday, 12 September 2024, 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 2024, the Company repurchased 2,121,000 of its ordinary shares (the “Shares”) on the Stock Exchange at an aggregate consideration of approximately HK\$8,542,000 (before expenses), details of the repurchase are summarised as follows:

Month	Number of Shares repurchased	Price per Share		Aggregate consideration paid (before expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
January 2024	1,000,000	3.80	3.70	3,788
April 2024	400,000	4.22	4.06	1,654
June 2024	721,000	4.30	4.30	3,100
	<u>2,121,000</u>			<u>8,542</u>

Out of 2,121,000 repurchased Shares, 1,400,000 Shares of approximately HK\$5,442,000 (before expenses) were cancelled during the six months ended 30 June 2024, while the remaining 721,000 Shares of approximately HK\$3,100,000 (before expenses) were pending cancellation and recognised as treasury shares as at 30 June 2024.

The repurchase of the Shares were effected by the Directors, pursuant to the mandate from Shareholders received at the annual general meetings on 30 May 2023 and 30 May 2024, with a view to benefiting 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 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 30 June 2024, the Company has complied with the applicable code provisions of Part 2 of the Corporate Governance Code contained in Appendix C1 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 C3 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 2024.

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 2024, including the accounting principles and practices adopted by the Group, have been reviewed by the Audit Committee.

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 2024 will be despatched to the Shareholders 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, 29 August 2024

As at the date of this announcement, the board of directors of the Company comprises Chan Ronald Yik Long, Ngai Shing Kin, Chan Yik Yu, Chan Kwun Fung, Chan Kwun Pan and Chan Chi Yuen 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.