ANGELALIGN TECHNOLOGY INC.
時代天使科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6699)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the "**Board**") of directors (the "**Directors**") of Angelalign Technology Inc. (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2021 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2020, which have been reviewed by the Company's audit committee (the "**Audit Committee**").

In this announcement, "we," "us," "our" and "Angelalign" refer to the Company and where the context otherwise requires, the Group. Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the prospectus of the Company dated June 3, 2021 (the "**Prospectus**").

RESULTS HIGHLIGHTS

- Our revenue for the year ended December 31, 2021 was approximately RMB1,271.7 million, representing an increase of 55.7% from approximately RMB816.5 million for the year ended December 31, 2020.

- Our gross profit for the year ended December 31, 2021 was approximately RMB826.6 million, representing an increase of 43.8% from approximately RMB575.0 million for the year ended December 31, 2020.

- Our net profit for the year ended December 31, 2021 was approximately RMB285.6 million, representing an increase of 89.2% from approximately RMB150.9 million for the year ended December 31, 2020.

- Our adjusted EBITDA for the year ended December 31, 2021 was approximately RMB417.5 million, representing an increase of 40.7% from approximately RMB296.6 million for the year ended December 31, 2020.[(1)]

- Our adjusted net profit for the year ended December 31, 2021 was approximately RMB347.5 million, representing an increase of 52.9% from approximately RMB227.2 million for the year ended December 31, 2020.[(1)]

- We recorded net cash generated from operating activities of approximately RMB441.7 million for the year ended December 31, 2021, as compared with approximately RMB408.3 million for the year ended December 31, 2020.

- Our case shipments increased from approximately 137,600 in the year ended December 31, 2020 to approximately 183,200 in the year ended December 31, 2021.

- The number of dental professionals we served increased from approximately 19,900 in the year ended December 31, 2020 to approximately 25,000 in the year ended December 31, 2021.

- The Board has resolved to recommend the payment of a special final dividend of HKD1.22 per ordinary share of the Company (the "**Share**") for the year ended December 31, 2021.

Note

(1) Adjusted EBITDA is defined as EBITDA (which is profit before income tax plus interest expenses recorded as finance costs, depreciation of property, plant and equipment, depreciation of right-of-use assets, and amortization of intangible assets, less interest income recorded as finance income) for the year with adjustments of non-recurring or non-operating items, including share-based payments and listing expenses. Adjusted net profit is defined as profit for the year adjusted by non-recurring or non-operating items, including share-based payments and listing expenses. Please refer to pages 37 and 38 of this announcement for more details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended December 31, 2021** *RMB'000*	Year ended December 31, 2020 *RMB'000*
Revenue	*4*	**1,271,677**	816,528
Cost of revenue	*6*	**(445,031)**	(241,479)
Gross profit		**826,646**	575,049
Selling and marketing expenses	*6*	**(236,516)**	(148,835)
Administrative expenses	*6*	**(183,185)**	(154,423)
Research and development expenses	*6*	**(123,094)**	(93,479)
Net losses of impairment on financial assets	*3.1(a)*	**(245)**	(10,148)
Other income	*5*	**18,598**	22,625
Other expenses	*5*	**–**	(6,000)
Other gains – net	*5*	**16,070**	3,096
Operating profit		**318,274**	187,885
Finance income		**16,890**	4,153
Finance costs		**(1,230)**	(1,154)
Finance income – net		**15,660**	2,999
Share of results of investments accounted for using the equity method		**(1,850)**	347
Profit before income tax		**332,084**	191,231
Income tax expense	*7*	**(46,512)**	(40,299)
Profit for the year		**285,572**	150,932

	Note	Year ended December 31, 2021 *RMB'000*	Year ended December 31, 2020 *RMB'000*
Profit attributable to			
– Owners of the Company		**285,848**	150,689
– Non-controlling interests		**(276)**	243
		285,572	150,932
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Exchange differences on translation of the Company		**(29,695)**	–
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of subsidiaries		**(2,360)**	(1,241)
		(32,055)	(1,241)
Total comprehensive income for the year		**253,517**	149,691
Total comprehensive income for the year attributable to:			
– Owners of the Company		**253,826**	149,681
– Non-controlling interests		**(309)**	10
		253,517	149,691
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	*8*	**1.93**	1.26
– Diluted	*8*	**1.79**	1.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at December 31, 2021** *RMB'000*	As at December 31, 2020 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	**248,310**	105,299
Right-of-use assets		**85,649**	70,759
Intangible assets		**8,304**	6,188
Investments accounted for using the equity method		**14,631**	13,848
Prepayments for non-current assets	*10*	**36,667**	764
Deferred income tax assets		**14,042**	9,573
		407,603	206,431
Current assets			
Inventories	*11*	**28,246**	19,914
Trade and other receivables	*10*	**78,012**	101,693
Amounts due from related parties		**–**	4,523
Cash and cash equivalents	*12*	**3,626,983**	877,578
		3,733,241	1,003,708
Total assets		**4,140,844**	1,210,139
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*13*	**110**	97
Share premium	*13*	**3,117,920**	486,572
Shares held for employee share scheme	*13*	**(4,393)**	(29,529)
Other reserves		**(27,545)**	(22,135)
Retained earnings	*14*	**232,978**	66,698
		3,319,070	501,703
Non-controlling interests		**(4,338)**	(4,029)
Total equity		**3,314,732**	497,674

	Note	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Liabilities			
Non-current liabilities			
Contract liabilities	*15*	**80,126**	18,924
Lease liabilities		**15,543**	5,543
Deferred income		**31,974**	6,280
Deferred income tax liabilities		**–**	6,000
		127,643	36,747
Current liabilities			
Trade and other payables	*16*	**299,191**	238,587
Amounts due to related parties		**–**	5,940
Contract liabilities		**370,762**	399,692
Current income tax liabilities		**12,309**	22,274
Lease liabilities		**14,744**	8,625
Deferred income		**1,463**	600
		698,469	675,718
Total liabilities		**826,112**	712,465
Total equity and liabilities		**4,140,844**	1,210,139

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Year ended December 31, 2021** *RMB'000*	Year ended December 31, 2020 *RMB'000*
Cash flows from operating activities			
Cash generated from operations		**509,130**	431,840
Income tax paid		**(67,417)**	(23,561)
Net cash generated from operating activities		**441,713**	408,279
Cash flows from investing activities			
Purchases of property, plant and equipment		**(195,551)**	(41,285)
Purchases of intangible assets		**(4,210)**	(383)
Proceeds from disposal of property, plant and equipment		**643**	304
Investments in joint ventures		**(2,922)**	–
Purchases of financial assets at fair value through profit or loss	*17*	**(300,000)**	(1,310,000)
Proceeds from disposals of financial assets at fair value through profit or loss	*17*	**301,816**	1,314,235
Settlement of consideration in relation with acquisition of a subsidiary		**(3,239)**	–
Loans provided to related parties		**–**	(1,000)
Loans repaid by related parties		**4,523**	26,700
Interest received		**16,890**	4,153
Net cash used in investing activities		**(182,050)**	(7,276)
Cash flows from financing activities			
Issue of ordinary shares pursuant to Reorganisation	*13(a)*	**–**	42,748
Contribution from the shareholders of the Company		**–**	49,537
Issue of ordinary shares pursuant to the IPO	*13(a)*	**2,403,286**	–
Issue of new ordinary shares pursuant to the over-allotment	*13(a)*	**363,758**	–
Payments for listing expenses		**(115,430)**	(585)
Payments for listing expenses of over-allotment	*13(a)*	**(16,397)**	–
Dividend paid	*18*	**(99,618)**	(104,000)
Loans from related parties		**17**	77
Repayment of loans to related parties		**(156)**	(242)
Consideration from disposals of interests in subsidiaries without change of control	*10*	**969**	–
Principal elements of lease payments		**(11,955)**	(9,733)
Interest paid of lease liabilities		**(1,230)**	(1,135)
Net cash generated from/(used in) financing activities		**2,523,244**	(23,333)
Net increase in cash and cash equivalents		**2,782,907**	377,670
Cash and cash equivalents at beginning of the year		**877,578**	504,697
Exchange losses on cash and cash equivalents		**(33,502)**	(4,789)
Cash and cash equivalents at the end of the year		**3,626,983**	877,578

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

Angelalign Technology Inc. (the "**Company**") was incorporated in the Cayman Islands on November 29, 2018 as an exempted company with limited liability under the Companies Act, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the clear aligner treatment solutions including treatment planning services, manufacturing and marketing of clear aligners (the "**Listing Business**") in the People's Republic of China ("**PRC**"). CareCapital Group is the ultimate holder of the Company which controlled the business of the Group through CareCapital Orthotech Limited ("**CareCapital Orthotech**"), a company incorporated in Hong Kong.

The Company completed its Initial Public Offerings ("**IPO**") and listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited ("**HKSE**") on June 16, 2021 (the "**Listing**").

The consolidated financial statements for the year ended December 31, 2021 is presented in Renminbi ("**RMB**") and rounded to nearest thousand yuan, unless otherwise stated, and was approved for issue by the Board of Directors on March 24, 2022.

1.2 Basis of presentation

To prepare for the Listing on the Main Board of HKSE, the Company became the holding company of the Group via a reorganization ("**Reorganization**") which was completed on December 21, 2020, and details of which have been set out in the Accountant's Report included in the prospectus of the Company dated June 3, 2021.

Immediately prior to and after the Reorganization, the Listing Business is held by and mainly conducted through Wuxi EA Medical Instruments Technologies Limited (無錫時代天使醫療器械科技有限公司, "**Wuxi EA**"), a limited liability company incorporated in the PRC, and its subsidiaries. Pursuant to the Reorganization, Wuxi EA and the Listing Business were transferred to and held by the Company. The Company has not been involved in any business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a recapitalization of the Listing Business, with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business under Wuxi EA and the financial information has been prepared and presented as a continuation of the consolidated financial statements of Wuxi EA and its subsidiaries, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the Listing Business under the consolidated financial statements of the Group for all periods presented. Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group.

2.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards ("IFRS") and Hong Kong Companies Ordinance Cap.622 ("HKCO")

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS and the disclosure requirements of the HKCO.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (financial assets at "FVPL"), which is carried at fair value.

(c) New and amendments standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing January 1, 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards, amendments to standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting period and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to IFRS 3	Reference to the conceptual framework	January 1, 2022
Amendments to IAS 16	Property, plant and equipment- proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract	January 1, 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvements to IFRS Standards 2018 to 2020	January 1, 2022
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	January 1, 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
IFRS 17	Insurance contract	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

(a) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables and cash deposits at banks. The carrying amounts of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group's trade receivables are mainly from providing clear aligner treatment solutions to hospitals, clinics and distributors. The Group implemented policies to ensure that sales are made to customers with an appropriate financial strength and appropriate percentage of down payments. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers, without any single customer contributing material revenue.

For other financial assets at amortized cost, management makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records and past experience.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the year. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 90 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(i) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before the end of the reporting period and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The loss allowance provision is determined as follows, the expected credit losses below also incorporate forward looking information.

	Within 60 days	61 to 180 days	181 to 365 days	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade receivables							
At December 31, 2021							
Expected loss rate	**0.00%**	**1.51%**	**2.35%**	**15.54%**	**73.72%**	**100.00%**	
Gross carrying amount (RMB'000)	**12,127**	**6,436**	**6,345**	**9,830**	**9,551**	**9,765**	**54,054**
Loss allowance provision (RMB'000)	**–**	**(97)**	**(149)**	**(1,528)**	**(7,041)**	**(9,765)**	**(18,580)**
At December 31, 2020							
Expected loss rate	0.00%	1.50%	6.27%	19.14%	79.09%	100.00%	
Gross carrying amount (RMB'000)	26,703	17,341	12,214	16,004	10,666	5,819	88,747
Loss allowance provision (RMB'000)	–	(260)	(766)	(3,063)	(8,436)	(5,819)	(18,344)

The loss allowance provision for trade receivables as at December 31, 2021 reconciles to the opening loss allowance for that provision as follows:

	Year ended December 31, 2021 *RMB'000*	Year ended December 31, 2020 *RMB'000*
At the beginning of the year	**18,344**	8,203
Provision for loss allowance recognized in profit or loss	**236**	10,141
At the end of the year	**18,580**	18,344

(ii) *Other financial assets at amortized cost*

Other financial assets at amortized cost are other receivables which mainly include deposits receivables.

As at December 31, 2021, the internal credit rating of such receivables was performing. The Group has assessed that there is no significant increase of credit risk for other receivables. Thus, the Group used the 12 months expected credit losses model to assess credit loss of other receivables. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of amounts due from related parties and no loss allowances were recognized.

The loss allowance provision for other receivables (excluding prepayments) as at December 31, 2021 reconciles to the opening loss allowance for that provision as follows:

	Year ended December 31, 2021 *RMB'000*	Year ended December 31, 2020 *RMB'000*
At the beginning of the year	**85**	78
Provision for loss allowance recognized in profit or loss	**9**	7
At the end of the year	**94**	85

During the year, the provision for loss allowances were recognized in profit or loss in "net impairment losses on financial assets" in relation to the impaired trade and other receivables.

4. REVENUE AND SEGMENT INFORMATION

	Year ended December 31, 2021 ***RMB'000***	Year ended December 31, 2020 *RMB'000*
Revenue from external customers is recognized over time and is derived from the rendering of:		
– Clear aligner treatment solutions	**1,183,801**	799,005
– Other services	**19,777**	17,523
Revenue from external customers is recognized at a point in time and is derived from:		
– Sales of intraoral scanners	**68,099**	–
Total revenue	**1,271,677**	816,528

The chief operating decision-maker ("**CODM**") identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments. An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

As a result of this evaluation, the CODM consider that the Group's operations are operated and managed as a single operating segment, accordingly no segment information is presented.

Geographical information

The Company is domiciled in the Cayman Islands while most of the Group's revenue and operating profit were generated in Mainland China, and the Group's identifiable assets and liabilities were substantially located in Mainland China and Hong Kong, no geographical information is presented in accordance with IFRS 8 "Operating Segments".

Information about major customers

Since none of the Group's provision of services to a single customer amounting to 10% or more of the Group's total revenue for the year, no major customer information is presented in accordance with IFRS 8 "Operating Segments".

(a) Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term contracts:

	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Within 1 year	**410,099**	457,142
Over 1 year	**146,363**	77,086
	556,462	534,228

Management expects that unsatisfied performance obligations of approximately RMB410,099,000 as at December 31, 2021 will be recognized as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB146,363,000 will be recognized in 1 to 3 years.

All other contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. OTHER INCOME, OTHER EXPENSES AND OTHER GAINS – NET

	Year ended December 31, 2021 *RMB'000*	Year ended December 31, 2020 *RMB'000*
Other income		
Government grants	**18,598**	22,625
Other expenses		
Donations	**–**	(6,000)
Other gains – net		
Net foreign exchange gains/(losses)	**12,129**	(1,044)
Realized fair value gains of wealth management products	**1,816**	4,235
Losses on disposals of property, plant and equipment	**(96)**	(265)
Others	**2,221**	170
	16,070	3,096

6. EXPENSES BY NATURE

Expenses included in cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses are analyzed below:

	Year ended December 31, 2021 *RMB'000*	Year ended December 31, 2020 *RMB'000*
Changes in inventories of finished goods and work in progress	**(131)**	1,309
Raw materials and consumables used and other inventories	**255,419**	124,895
Employee benefit expenses	**400,366**	327,459
Advertising and promotion expenses	**98,939**	44,663
Listing expenses	**35,429**	9,958
Depreciation and amortization	**39,159**	32,123
Professional service and consulting fees	**29,807**	23,282
Delivery costs	**30,889**	17,645
Short-term lease and variable lease expenses	**10,733**	6,994
Taxes and surcharges	**8,154**	7,534
Outsourcing costs	**23,282**	4,701
Office expenses	**6,270**	3,561
Travelling expenses	**7,007**	7,945
Entertainment expenses	**4,096**	3,776
Utility costs	**4,368**	2,811
Auditor's remuneration		
– Audit services	**3,500**	337
– Non-audit services	**2,811**	–
Recruitment expenses	**4,636**	4,418
Others	**23,092**	14,805
	987,826	638,216

7. INCOME TAX EXPENSE

	Year ended December 31, 2021 *RMB'000*	Year ended December 31, 2020 *RMB'000*
Current income tax		
– PRC corporate income tax	**53,402**	34,108
– Hong Kong profits tax	**3,585**	2,388
	56,987	36,496
Deferred income tax		
– PRC corporate income tax	**(4,475)**	(2,197)
– Withholding tax on undistributed profits	**(6,000)**	6,000
	(10,475)	3,803
	46,512	40,299

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the standard tax rate applicable to profit to the respective companies of the Group as follows:

	Year ended December 31, 2021 *RMB'000*	Year ended December 31, 2020 *RMB'000*
Profit before income tax	**332,084**	191,231
Tax calculated at respective statutory tax rates	**87,677**	49,133
Tax effects of:		
– Preferential income tax rates applicable to subsidiaries	**(34,395)**	(18,833)
– Expenses not deductible for taxation purposes	**4,348**	12,040
– Tax losses not recognized for deferred income tax	**42**	10
– Super deduction for research and development expenditure	**(13,423)**	(7,964)
– Share of results of investments accounted for using the equity method	**463**	(87)
– Withholding income tax on distributed profits	**1,800**	6,000
	46,512	40,299

(a) Cayman Islands income tax

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its shareholders.

(b) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowance. The general PRC CIT rate is 25% during the year ended December 31, 2021.

The Company's subsidiary, Wuxi EA, was approved as High and New Technology Enterprise ("**HNTE**") under the relevant tax rules and regulations of the PRC in 2014 and it has renewed the qualification of HNTE in 2017 and 2020, and accordingly, is subject to a reduced preferential CIT rate of 15% during the year ended December 31, 2021.

The Company's subsidiary, Shanghai EA Medical Instruments Co., Ltd (上海時代天使醫療器械有限公司, "**Shanghai EA**"), was approved as HNTE under the relevant tax rules and regulations of the PRC in 2019, and accordingly, is subject to a reduced preferential CIT rate of 15% for the year ended December 31, 2021.

According to the CIT laws and Detailed Implementation Rules, an enterprise is allowed to claim an additional deduction of 50% of research and development expenses incurred for the development of new technologies, new products and new craftsmanship from 2008 onwards. From 2021, according to [2021] No. 13 (財稅[2021] 13號), an extra 100% of the amount of research and development expenses can be deducted before tax.

(c) Hong Kong profit tax

The Hong Kong profits tax rate of the subsidiary of the Group incorporated in Hong Kong is 16.5%.

The Germany company income tax rate of the subsidiary of the Group incorporated in Germany is 15%. The United States corporate income tax rate of the subsidiary of the Group incorporated in United States is 21%. No provision for Germany company income tax and United States company income tax was made as the Group did not have any assessable income subject to Germany company income tax and United States company income tax during the year.

(d) Withholding tax

According to the relevant regulations of the corporate income tax laws of the PRC, when a foreign investment enterprise in the PRC distributes dividends out of the profits earned from January 1, 2008 onwards to its overseas investors, such dividends are subject to withholding tax at a rate of 10%. As at December 31, 2021, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB319,548,000 (2020: RMB24,867,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's best estimates of the Group's overseas funding requirements.

8. EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, ordinary shares issued in the Reorganization were assumed to have been issued and allocated on January 1, 2020.

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year ended December 31, 2021.

	Year ended December 31, 2021	Year ended December 31, 2020
Profit attributable to owners of the Company (RMB'000)	**285,848**	150,689
Weighted average number of ordinary shares outstanding	**147,932,400**	119,513,700
Basic earnings per share (in RMB)	**1.93**	1.26

For the purpose of calculating the weighted average number of ordinary shares outstanding, the number of shares shown below has taken the share subdivision (Note 13(a)(iv)) into account as the share subdivision was deemed to be effective since January 1, 2020, and:

(i) The following shares issued during the Reorganization are treated as if they had been in effect and issued on January 1, 2020:

- 100 shares issued on November 29, 2018, the date of incorporation of the Company; and
- 99,999,900 shares issued on December 21, 2020 to CareCapital Orthotech.

(ii) Out of 47,515,200 shares issued on December 21, 2020 to offshore holding companies controlled by certain directors, senior management and employees of the Group:

- 17,621,800 shares issued to Ms. LI Huamin and Mr. CHEN Kai reflecting their shareholdings in Wuxi EA prior to January 1, 2020 were treated as if they were outstanding on January 1, 2020; and

- The remaining 29,893,400 shares issued to certain directors, senior management and employees of the Group in aggregate reflecting their respective shareholdings in Wuxi EA, which were purchased by the Group from the then shareholders of Wuxi EA and were granted on December 22, 2016, December 28, 2017 and November 22, 2018 under the Employee Share Award Scheme. These shares were treated as treasury stocks before vesting and therefore excluded from the calculation of weighted average number of ordinary shares from January 1, 2020. Subsequently, 7,512,900 shares vested in 2020 and 21,084,500 shares vested in 2021. These vested shares were treated as if they were outstanding from their respective vested day.

(iii) The 1,002,300 shares offered to Wuxi Jinhe Venture Investment Co., Ltd. (無錫市金禾創業投資有限公司, "**Wuxi Jinhe**") on December 31, 2020.

(iv) Out of the 460,000 shares offered to offshore holding companies controlled by certain directors, senior management and employees of the Group issued on December 31, 2020. 248,350 shares were treated as if they were outstanding from December 31, 2020. Subsequently, 198,800 shares vested in 2021.

(v) The shares of the Company were listed on the HKSE on June 16, 2021, whereby 16,829,600 new shares were issued by the Company.

(vi) On July 13, 2021, the Company issued 2,524,400 additional new ordinary shares of USD0.0001 each at HKD173.0 per share pursuant to an over-allotment option granted in conjunction with the IPO.

(b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

The Group has three categories of potential ordinary shares in the year ended December 31, 2021 which were the shares held for employee scheme, the share options granted to a senior management on October 9, 2020 and the over-allotment option granted with the IPO of the Company.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding shares held for employee scheme and share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the vest of the shares held for employee scheme.

	Year ended December 31, 2021	Year ended December 31, 2020
Profit attributable to owners of the Company (RMB'000)	**285,848**	150,689
Weighted average number of ordinary shares in issue	**147,932,400**	119,513,700
Adjustments for share options and awarded shares	**11,647,500**	25,925,600
Weighted average number of ordinary shares for diluted earnings per share	**159,579,900**	145,439,300
Diluted earnings per share (in RMB)	**1.79**	1.04

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Transportation equipment *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Leasehold improvements *RMB'000*	CIP *RMB'000*	Total *RMB'000*
At January 1, 2020							
Cost	6,638	72,984	1,666	5,467	36,881	943	124,579
Accumulated depreciation	(380)	(21,639)	(707)	(1,120)	(12,345)	–	(36,191)
Accumulated impairment	–	(4,050)	–	–	–	–	(4,050)
Closing net book amount	6,258	47,295	959	4,347	24,536	943	84,338
Year ended December 31, 2020							
Opening net book amount	6,258	47,295	959	4,347	24,536	943	84,338
Additions	–	8,671	–	1,005	1,718	27,657	39,051
Transfers	–	3,590	–	–	1,044	(4,634)	–
Disposals	–	(413)	–	(156)	–	–	(569)
Depreciation	(306)	(8,851)	(324)	(1,050)	(6,990)	–	(17,521)
Closing net book amount	5,952	50,292	635	4,146	20,308	23,966	105,299
At December 31, 2020							
Cost	6,638	76,378	1,666	6,178	39,661	23,966	154,487
Accumulated depreciation	(686)	(25,190)	(1,031)	(2,032)	(19,353)	–	(48,292)
Accumulated impairment	–	(896)	–	–	–	–	(896)
Closing net book amount	5,952	50,292	635	4,146	20,308	23,966	105,299

	Buildings ***RMB'000***	**Plant and machinery** ***RMB'000***	**Transportation equipment** ***RMB'000***	**Furniture, fixtures and equipment** ***RMB'000***	**Leasehold improvements** ***RMB'000***	**CIP** ***RMB'000***	**Total** ***RMB'000***
Year ended December 31, 2021							
Opening net book amount	**5,952**	**50,292**	**635**	**4,146**	**20,308**	**23,966**	**105,299**
Additions	**–**	**57,313**	**454**	**3,972**	**654**	**105,228**	**167,621**
Transfers	**–**	**–**	**–**	**–**	**6,768**	**(6,768)**	**–**
Disposals	**–**	**(401)**	**(16)**	**(322)**	**–**	**–**	**(739)**
Depreciation	**(305)**	**(12,741)**	**(256)**	**(1,307)**	**(9,262)**	**–**	**(23,871)**
Closing net book amount	**5,647**	**94,463**	**817**	**6,489**	**18,468**	**122,426**	**248,310**
At December 31, 2021							
Cost	**6,638**	**128,495**	**1,790**	**9,490**	**47,083**	**122,426**	**315,922**
Accumulated depreciation	**(991)**	**(34,032)**	**(973)**	**(3,001)**	**(28,615)**	**–**	**(67,612)**
Closing net book amount	**5,647**	**94,463**	**817**	**6,489**	**18,468**	**122,426**	**248,310**

Depreciation expenses were charged to the following categories in the consolidated statement of comprehensive income:

	Year ended December 31, 2021 *RMB'000*	Year ended December 31, 2020 *RMB'000*
Cost of revenue	**13,583**	10,122
Selling and marketing expenses	**565**	353
Administrative expenses	**8,049**	5,500
Research and development expenses	**1,674**	1,546
	23,871	17,521

10. TRADE AND OTHER RECEIVABLES

	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Included in current assets		
Trade receivables *(Note (a))*		
– Due from third parties	**52,430**	88,369
– Due from related parties	**1,624**	378
	54,054	88,747
Less: allowance for impairment of trade receivables	**(18,580)**	(18,344)
	35,474	70,403
Other receivables *(Note (b))*		
– Deposits receivables	**5,853**	3,008
– Deductible input value-added tax	**14,979**	13
– Consideration from disposals of interests in subsidiaries without change of control	**–**	969
– Others	**499**	1,668
	21,331	5,658
Less: allowance for impairment of other receivables	**(94)**	(85)
	21,237	5,573
Prepayments for		
– Taxes	**2,091**	3,169
– Suppliers	**19,210**	15,624
– Share issuance costs	**–**	6,924
	21,301	25,717
	78,012	101,693
Included in non-current assets		
Prepayments for property, plant and equipment	**36,667**	764

(a) Trade receivables mainly arise from rendering of clear aligner treatment solutions. The Group generally received advances prior to the rendering of services or sales, while customers are mainly given a credit term of 30 to 60 days.

The following is an ageing analysis of trade receivables presented based on invoice date:

	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Within 60 days	**12,127**	26,703
61 to 180 days	**6,436**	17,341
181 to 365 days	**6,345**	12,214
1 to 2 years	**9,830**	16,004
2 to 3 years	**9,551**	10,666
Over 3 years	**9,765**	5,819
	54,054	88,747

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Movements in the provision for impairment of trade receivables are disclosed in Note 3.1(a).

The Group's trade receivables were denominated in RMB.

(b) All other receivables were unsecured, interest-free and collectable on demand.

11. INVENTORIES

	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
At cost:		
Raw materials	**25,973**	17,772
Work in progress	**929**	755
Finished goods	**1,344**	1,387
	28,246	19,914

The costs of inventories recognized in the consolidated statements of comprehensive income are disclosed in Note 6.

12. CASH AND CASH EQUIVALENTS

	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Cash at banks	**3,626,978**	877,568
Cash on hand	**5**	10
Cash and cash equivalents	**3,626,983**	877,578

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

(a) Cash and cash equivalents were denominated in the following currencies:

	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
RMB	**972,647**	794,299
USD	**2,652,986**	83,245
Others	**1,350**	34
	3,626,983	877,578

13. SHARE CAPITAL AND PREMIUM AND SHARES HELD FOR EMPLOYEE SHARE SCHEME

(a) Share capital and premium

	Number of ordinary shares	**Nominal value of ordinary shares** *USD*	**Share capital** *RMB'000*	**Share premium** *RMB'000*
Issued:				
At January 1, 2020	1	–	–	–
Issuance of ordinary shares to CareCapital Orthotech (i)	999,999	10,000	65	300,932
Issuance of ordinary shares to non-controlling shareholders of Wuxi EA prior to Reorganization (i)	475,152	4,752	31	145,921
Issuance of ordinary shares to Wuxi Jinhe (ii)	10,023	100	1	39,719
Issuance of ordinary shares for the employee share scheme (iii)	4,600	46	–	–
At December 31, 2020	1,489,775	14,898	97	486,572
At January 1, 2021	**1,489,775**	**14,898**	**97**	**486,572**
Share subdivision on May 20, 2021 (iv)	**147,487,725**	**–**	**–**	**–**
Shares issued in the IPO (v)	**16,829,600**	**1,683**	**11**	**2,403,275**
Share issuance costs (vi)	**–**	**–**	**–**	**(119,286)**
Shares issued upon over-allotment (vii)	**2,524,400**	**252**	**2**	**363,756**
Share issuance cost of over-allotment (vii)	**–**	**–**	**–**	**(16,397)**
At December 31, 2021	**168,331,500**	**16,833**	**110**	**3,117,920**

(i) On December 21, 2020, as part of the Reorganization, an aggregate of 999,999 ordinary shares with cash consideration of approximately RMB65,000 in total were issued to CareCapital Orthotech at nominal value. On December 21, 2020, the Company issued an aggregate of 475,152 ordinary shares with cash consideration approximately RMB2,963,000 in total to seven offshore holding companies used by certain directors, senior management and employees of the Group for the purpose holding their respective corresponding equity interests in Wuxi EA prior to the Reorganization. The exceed in the cash consideration of RMB3,028,000 over the equivalent nominal values of aforesaid 1,475,151 shares amounting to RMB2,932,000 were recognized in share premium. On the same day, the book value of Wuxi EA's net assets as at December 21, 2020, amounting to approximately RMB443,921,000, was transferred from capital reserves to share premium.

(ii) On December 31, 2020, pursuant to the share purchase agreement dated December 21, 2020, Wuxi Jinhe agreed to subscribe for 10,023 ordinary shares of the Company with par value of USD0.01 each at the aggregate consideration of US dollar equivalent to RMB39,720,000.

(iii) On December 31, 2020, the Company issued an aggregate of 4,600 new shares with par value of USD0.01 each to certain directors, senior management and employees of the Company for incentive purposes.

(iv) On May 20, 2021, the shareholders of the Company resolved that the Company's issued and unissued 5,000,000 shares of a par value of USD0.01 each be subdivided into 100 shares of USD0.0001 par value each. As a result, the authorized share capital of the Company became USD50,000 divided into 500,000,000 shares of USD0.0001 par value each, and the issued share capital of the Company was divided from 1,489,775 shares to 148,977,500 shares.

(v) The shares of the Company were listed on the HKSE on June 16, 2021, whereby 16,829,600 new shares were issued at the offer price of HKD173.0 each by the Company for a total cash consideration of approximately HKD2,911,521,000 (equivalent to approximately RMB2,403,286,000). The corresponding share capital amount was approximately RMB11,000 and share premium arising from the issuance was approximately RMB2,403,275,000.

(vi) The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which were incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB119,286,000 were treated as a deduction against the share premium arising from the issuance.

(vii) On July 13, 2021, the Company issued 2,524,400 additional new ordinary shares of USD0.0001 each at HKD173.0 per share pursuant to an over-allotment option granted in conjunction with the IPO. Gross proceeds from the issue are approximately HKD436,721,000 (equivalent to approximately RMB363,758,000). The underwriting commissions attributable to the issuance of the new shares amounting to RMB16,397,000 were treated as a deduction against the share premium arising from the issuance.

(b) Shares held for employee share scheme

	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Balance at the beginning of the year	**29,529**	54,994
Transfer of shares held for employee share scheme upon vesting	**(25,136)**	(25,465)
Balance at the end of the year	**4,393**	29,529

14. RETAINED EARNINGS

	Year ended December 31, 2021	Year ended December 31, 2020
	RMB'000	*RMB'000*
At the beginning of the year	**66,698**	44,589
Profit for the year	**285,848**	150,689
Appropriation to statutory reserves	**(19,950)**	(24,580)
Dividends *(Note 18)*	**(99,618)**	(104,000)
At the end of the year	**232,978**	66,698

15. CONTRACT LIABILITIES

The Group has recognized the following revenue-related contract liabilities:

	As at December 31, 2021	As at December 31, 2020
	RMB'000	*RMB'000*
Included in current liabilities		
Clear aligner treatment solutions	**369,443**	397,919
Other services	**1,319**	1,773
	370,762	399,692
Included in non-current liabilities		
Clear aligner treatment solutions	**80,126**	18,924

(a) Significant changes in contract liabilities

Contract liabilities of the Group mainly arose from the advance payments made by customers while the underlying goods or services are yet to be provided. During the year, current contract liabilities decreased due to increase in production capacity, which resulted in increased delivery of clear aligners. Non-current contract liabilities increased due to increase in number of contracts entered with customers, which resulted in increase in advanced payments received.

(b) Revenue recognized in relation to contract liabilities

The following table shows the revenue recognized during the year relates to carried-forward contract liabilities.

	As at December 31, 2021	As at December 31, 2020
	RMB'000	*RMB'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year		
– Clear aligner treatment solutions	**397,919**	237,713
– Other services	**1,773**	1,185
	399,692	238,898

16. TRADE AND OTHER PAYABLES

	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Trade payables *(Note (a))*	**79,550**	34,024
Employee benefits payable	**85,864**	82,302
Other taxes payable	**69,400**	55,514
Consideration payables in relation with acquisition of a subsidiary	**–**	3,262
Accrued expenses payable	**10,370**	15,531
Deposits payable	**21,314**	17,443
Advertising and promotion expenses payable	**16,230**	13,955
Donations payable	**4,000**	4,000
Professional service fees payable	**3,154**	6,128
Reimbursement payable	**109**	2,688
Payables in relation with acquisition of property, plant and equipment	**8,259**	286
Others	**941**	3,454
	299,191	238,587

(a) The credit period granted by suppliers mainly ranges from 30 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date:

	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
0 to 60 days	**65,932**	28,027
61 to 180 days	**12,914**	3,566
181 to 365 days	**166**	685
Over 1 year	**538**	1,746
	79,550	34,024

(b) The carrying amount of the Group's trade payables is denominated in the following currencies:

	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
RMB	**72,986**	34,024
USD	**6,395**	–
EUR	**169**	–
	79,550	34,024

(c) As at December 31, 2021, trade and other payables of the Group were interest-free and repayment on demand (2020: same).

17. FINANCIAL ASSETS AT FVPL

	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Wealth management products		
Balance at the beginning of the year	**–**	–
Additions *(Note a)*	**300,000**	1,310,000
Realized fair value gains recognized in profit or loss	**1,816**	4,235
Disposals	**(301,816)**	(1,314,235)
Balance at the end of the year	**–**	–

(a) During the year, the Group subscribed three wealth management products with initial subscription price of RMB100,000,000 each, from three independent commercial banks. All of the wealth management products matured during the year.

18. DIVIDENDS

The Board has recommended the payment of special final dividend of HKD1.22 per share for the year ended December 31, 2021, which is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

Pursuant to a resolution passed in the shareholders' meeting of the Company on April 10, 2021, dividends of USD15,230,000 (approximately RMB99,618,000) were declared to the then shareholder of the Company, which were fully paid in April 20, 2021.

19. COMMITMENTS

(a) Commitments relating to short-term leases

The Group has recognized right-of-use assets and lease liabilities for these leases, except for short-term leases.

The future aggregate minimum lease payments under non-cancellable short-term leases contracted for at the end of the year but not recognized as liabilities, are as follows:

	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
No later than 1 year	**218**	285

(b) Capital commitments

The Group's capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at December 31, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Property, plant and equipment	**100,622**	164,898
Intangible assets	**987**	8
Investment in a joint venture	**–**	500
	101,609	165,406

20. SUBSEQUENT EVENTS

In January 2022, the Company invested into a limited partnership, CareCapital Aligner Tech L.P., with controlling shareholder, CareCapital Group, to invest in innovative digital technologies and products in the global orthodontics market, with investment amount of HKD100 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

In 2021, we achieved robust business growth amid the market volatility and challenges. We recognized total revenue of RMB1,271.7 million, representing a year-over-year growth of 55.7%, of which 93.1%, 5.3% and 1.6% were generated from provision of clear aligner treatment solutions, sales of intraoral scanner and provision of other services, respectively. Our revenue generated from our core business, namely the clear aligner treatment solutions, has been remarkable, achieving a year-over-year growth of 48.2%, despite the impact of external headwinds. In addition, leveraging our refined operational management capabilities, we delivered sustainable earnings growth, with the net profit increasing by 89.2% year-over-year to RMB285.6 million, the adjusted EBITDA increasing by 40.7% year-over-year to RMB417.5 million, and the adjusted net profit increasing by 52.9% year-over-year to RMB347.5 million.

Continuously penetrate into the digital orthodontics market and strengthen our diversified product portfolio

With a profound understanding of the medical principles and practices of digital orthodontics and insight into the needs of various dental professionals and patients in China, we have built a diversified product portfolio and currently market four lines of clear aligners with a variety of unique features that appeal to different user segments, including *Angelalign* that targets the mass market, *Angelalign Pro* that targets the high-end market, *Angelalign Kid* that focuses on early intervention for children, and *COMFOS* as a good value-for-money product.

In 2021, we achieved a full upgrade of each product line with a combination of new materials, technologies and solutions, thereby enabling dental professionals to deal with malocclusion cases of varying degrees of complexity. We launched *masterControl S*, the next-generation adaptive polymer composite materials, which can meet the clinical demand for clear aligners to achieve both comfort and precise control during the treatment. We released the newly developed *angelAttach*, our accurate-control attachment system, which ensures effective tooth movement control through the design and application of attachments in a more scientific and rational manner. We upgraded the Intelligent Root System (IRS), which helps dental professionals to accurately design the root relationship and realize safe and reliable treatment solutions. We launched an innovative facial management solution under *Angelalign Kid*, which covers the whole cycle of early intervention from prevention to treatment for children's teeth.

During the Reporting Period, we had 183,200 case shipments, representing a year-over-year increase of 33.1%. Specifically, the case shipments of *Angelalign*, *Angelalign Pro*, *Angelalign Kid* and *COMFOS* achieved a year-over-year growth rate of 10.4%, 52.5%, 116.0% and 56.2%, respectively. At the same time, as we have been exploring the lower tier emerging markets, which resulted in changes in product mix and channel structures, we recorded a slight decrease in the average selling price of our clear aligners, which amounted to approximately RMB7,300 in 2021 as compared to that of approximately RMB7,700 in 2020. The following table sets forth a breakdown of our sales volume by product line.

	Year ended December 31,	
	2021	2020
	(number of case shipments [(1)])	
Angelalign	**80,800**	73,200
Angelalign Pro	**48,800**	32,000
Angelalign Kid	**10,800**	5,000
COMFOS	**42,800**	27,400
Total	**183,200**	137,600

(1) Case shipments refer to the number of newly submitted clear aligner treatment cases for which we have shipped the first batch of clear aligners during a given period; while the treatment process may last for more than one year and the clear aligners may be shipped in multiple batches across the treatment process, all cases will not be double counted in any subsequent periods for the delivery of the remaining clear aligners.

Optimize the digital treatment experience and achieve all-round empowerment with medical-centric intelligent technological services

To optimize the digital treatment experience, we expanded our business into sales of intraoral scanners in 2021 and promoted the application of intraoral scanning as the first step in the digital dental treatment. Leveraging the compatibility of *Make It* with all major intraoral scanners, which is a built-in case assessment support module of *iOrtho*, our cloud-based service platform, dental professionals can present to a prospective patient an image of his or her own current dentition next to the simulated post-treatment position through a dual view layout within minutes of intraoral scanning. The use of intraoral scanners allows dental professionals to significantly improve their communication efficiency with prospective patients and market our clear aligners more effectively.

Our profound knowledge of stomatology, proprietary intelligent technology and experienced medical design staff are the backbone of our ability to provide dental professionals with reliable treatment planning services. In 2021, on top of *A-Treat*, our digital treatment planning platform, we launched *Angelalign Zhimei*, a design optimization system that consolidates multiple intelligent computing and analysis tools. *Angelalign Zhimei* accommodates the specific demand of each dental professional through real-time integration of their input of customized parameters with medical rules and the accumulated expert plans embedded in our *A-Treat* system. In addition, our medical designer team refines the tooth movement in the treatment plans according to the characteristics of different cases to make it conform to the biomechanical mechanism, realizing achievable treatment outcomes. As a result, we usually present a safe, reliable and near-final treatment solution to dental professionals within three to four business days following the case submission, which improves the treatment efficiency.

Meanwhile, we believe that large-scale, systematic and continuous professional training in clear aligner treatment helps develop dental professionals' recognition of, and confidence in, Angelalign's services. In 2021, we continued to empower more Chinese dental professionals with varying levels of sophistication by further optimizing our training content and curriculum around the treatment process and core issues in clinical practice. During the Reporting Period, we served approximately 25,000 dental professionals, representing a year-over-year increase of 25.6%.

Integrate interdisciplinary capabilities in five major areas and continuously invest in R&D initiatives to make continuous breakthroughs in product and technology development

Benefiting from our long-term investment of R&D resources, we have established strong interdisciplinary R&D capabilities in five major areas, including clinical stomatology, biomechanics, materials science, computer science and intelligent manufacturing technologies. Based on these interdisciplinary R&D capabilities, we have developed reliable technology and data platforms, including *masterForce*, *masterControl* and *ME,* an AI-based multimodal bio-data platform. In 2021, we achieved a series of innovative results in materials, technologies, software and equipment, which focus on product performance, clinical convenience, optimization of treatment planning and differentiation of products and technical services. Meanwhile, we have formulated the industry standard of "Dentistry – Diaphragm for Orthodontic Aligner" in collaboration with Peking University Hospital of Stomatology. We also obtained the approval from the National Standardization Technical Committee for Oral Materials and Instruments (SAC/TC99) (全國口腔材料和器械設備標準化技術委員會) for another industry standard project of "Dentistry – Dental Splint Bracketless Orthodontic Aligner" in 2021. During the Reporting Period, we incurred R&D expenses of RMB123.1 million, accounting for 9.7% of our revenue. As of December 31, 2021, we had registered 117 patents, and 16 software copyrights.

We have established good cooperation with many renowned stomatology schools and universities in China. We have proactively conducted industry-academia research cooperation and prioritized the application of scientific research results and other industrialization achievements. Over the recent years, we have set up special research funds for orthodontics with the Ninth People's Hospital, Shanghai Jiaotong University School of Medicine, Peking University Hospital of Stomatology, Sichuan University Huaxi Stomatology Hospital and Wuhan University Stomatological Hospital, respectively, to carry out joint R&D initiatives. We also conducted research on orthodontic materials with the State Key Laboratory of Molecular Engineering of Polymers of Fudan University, the preliminary research results of which has been accepted by *Regenerative Biomaterials*, an SCI journal published by the Oxford University Press.

Continue to enhance brand awareness and academic influence

As a leader in driving the development of China's clear aligner treatment industry, "Angelalign" has become the best known and the most trustworthy domestic brand among China's clear aligner treatment solution providers. In 2021, we continued to enhance brand awareness and academic influence of "Angelalign" through industry-academia research collaboration, academic sharing, popular science dissemination and charitable campaigns.

In June 2021, we organized and hosted the eighth *A-Tech Forum*, which gathered approximately 2,000 orthodontists, stomatologists and experts nationwide to exchange and share the most innovative ideas and the most advanced orthodontic technology and latest technology innovations of China's digital orthodontics industry. We also participated in a series of national dental academic activities, such as the International Orthodontic Conference (國際口腔正畸年會), the Dental South China International Expo (華南口腔展) and Shanghai Dental Exhibition (上海口腔展), to facilitate the sound, rapid and standard-based development of the industry and solidify the profound academic influence of "Angelalign" among industry experts.

We pay great attention to promoting popular science dissemination. For example, in 2021, we released the "Clear Aligner Material Challenge" video in collaboration with Guokr (果殼), a science and technology education platform, on social media platforms and content creation platforms to conduct professional evaluation and scientific introduction of clear aligners, providing a scientific reference basis for patients to choose clear aligners. The video has been widely disseminated in the dental industry and among the public, which we believe has further enhanced the influence of our medical-oriented, technological innovation-driven "Angelalign" brand.

With high-quality products and technological service capability, we have been appointed as a sponsor by the Bureau of Training of General Administration of Sport of China (國家體育總局訓練局) to provide clear aligner treatment for national athletes since 2017, with our clear aligners being designated as the Approved Products for National Team Athletes. In the Beijing 2022 Winter Olympic Games and the 2022 AFC Women's Asian Cup, a number of Chinese athletes who won gold medals smiled with "Angelalign" clear aligners.

Optimize scalable and intelligent mass customization capability to achieve lean manufacturing

We believe that our accumulated intelligent manufacturing capabilities, a "mass customization" model and scalable manufacturing capabilities are the solid foundation for our long-term business growth. Our Angelalign Chuangmei Center (時代天使創美基地) in Wuxi City comprises new manufacturing facilities and a research and development center with a gross floor area of approximately 126,000 square meters. We are equipping Angelalign Chuangmei Center and our existing manufacturing facilities with intelligent manufacturing technologies to better control the quality of our clear aligners, fulfill customer demand and orders more promptly, and achieve economies of scale. During the Reporting Period, the first phase of our Angelalign Chuangmei Center in Wuxi City was completed. We also completed the commissioning process of one established automated production line in the first quarter of 2022, which will be put into use based on demands of our products. The following table sets forth our production capacity, production volume and utilization rate for the years indicated.

	Year ended December 31,	
	2021	2020
	(unit in thousands, except for the percentages)	
Production capacity[(1)]	**36,000**	21,900
Production volume[(2)]	**27,300**	16,200
Utilization rate[(3)]	**75.8%**	74.0%

(1) Production capacity is calculated based on the assumption that our manufacturing facilities operate 520 hours per month.

(2) Production volume refers to the number of units produced in a given year.

(3) Utilization rate is calculated by dividing the production volume of a given year by the production capacity of the same year.

In addition, we applied intelligent and innovative technologies to upgrade the information systems, techniques and equipment of our existing automated production lines. For example, our manufacturing execution system (MES) has been digitally extended to enable the visual management of production process data, which further improves the quality and efficiency of production management. We have also deployed a next-generation intelligent hot-forming polymeric sheet system for clear aligners to control the production process by deploying real-time intelligent sensing devices, which minimizes equipment and process deviations. In addition, we have applied the computer vision technology to the online quality monitoring of key manufacturing processes to improve the reliability of production process and product quality. Additionally, we have enabled a fully automated outer packaging system to enhance the automation of the product outer packaging process, which significantly improves the production efficiency.

Establish a partnership to invest in innovative digital technologies and products in the global orthodontics market, facilitating our globalization process

In January 2022, we established a limited partnership, CareCapital Aligner Tech L.P., with our controlling shareholder, CareCapital Group, to invest in innovative digital technologies and products in the global orthodontics market. We believe that such partnership will enable us to leverage CareCapital Group's rich resources and investment expertise in the global dental value chain and, accordingly, further penetrate into the upstream and downstream of the global orthodontic industry chain, seek investment opportunities that are synergistic with our business, better achieve our goal of serving dental professionals and orthodontic patients, and obtain more resources and insights to facilitate our globalization process.

Enhance the internal control and compliance system to secure the long-term sustainable development of the Company

We pay great attention to our internal control and compliance systems. In the second half of 2021, we engaged an independent internal control consultant to review our internal control and risk management. The internal control consultant assisted us to further enhance our internal control and risk management at the corporate level (including corporate organizational structure, risk management system, internal control evaluation system and anti-fraud system) and the business operation level (including sales and collection, production and inventory, procurement and payment, financial reporting and disclosure, marketing, research and development, human resources, and information system management), which we believe secures our long-term sustainable development.

Outlook

Looking ahead, we have full confidence in the long-term growth of China's economy and the continuous improvement of resident consumption level, as well as the rapid growth of China's digital orthodontics market, which has currently low penetration rate yet enormous market opportunities. Leveraging our market leadership and our intimate understanding of China's digital orthodontics market, we believe that we are well positioned to capture the upside potential of the enormous market.

We aim to serve dental professionals and their patients with more customized products and services, refined manufacturing capability and flexible supply chain. To this end, we intend to pursue the following key strategies to grow our business sustainably and maintain our market leadership: (1) strengthen R&D capabilities and continue orthodontic solution innovations; (2) further intelligentize and digitalize our systems to improve operational efficiency; (3) optimize medical services to enhance user experience; (4) increase production capacity and improve production efficiency; (5) solidify our market leading position by expanding sales network and enhancing brand awareness and academic influence; and (6) further penetrate emerging markets in China and expand into overseas markets.

Meanwhile, there remain significant uncertainties in 2022, considering the macroeconomic situation and the occasional regional resurgence of the COVID-19 pandemic. Should there be an escalation of the spread, China may again take strict emergency measures, including travel restrictions, mandatory cessations of business operations, including dental hospitals and clinics, mandatory quarantines, work-from-home and other alternative working arrangements, limitations on social and public gatherings, and lockdowns of cities or regions, which may impact our business. As a result, the extent of the disruption to our business and the related impact on our financial results and outlook cannot be precisely estimated at this time. We are continuously evaluating its impact on our business, results of operations and financial condition. The potential downturn brought by, and the duration of, the COVID-19 outbreak may be difficult to assess or predict as the actual effects will depend on many factors beyond our control. In addition, a general slowdown in economy or an uncertain economic outlook would adversely affect consumer spending habits, which may, among other things, result in a decrease in the number of overall orthodontic treatment cases or a reduction in consumer spending on elective or higher value orthodontic solutions, each of which would have an adverse effect on our results of operations. In addition, we may be subject to uncertainties caused by evolving laws, regulations and governmental policies, including those relating to aesthetic medicine, private medical institutions, pricing guidance and group purchase schemes. We will continue to develop responsive strategies in a timely manner in response to uncertainties and challenges.

Financial Review

The following discussions are based on the financial information and notes set out in other sections of this announcement and should be read in conjunction with them.

Revenue

Our revenue increased by 55.7% from RMB816.5 million in the year ended December 31, 2020 to RMB1,271.7 million in the year ended December 31, 2021. The following table sets forth a breakdown of our revenue, both in absolute amounts and as a percentage of total revenue, by business line for the years indicated.

	Year ended December 31,			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Clear aligner treatment solutions	**1,183,801**	**93.1**	799,005	97.9
Others				
Other services	**19,777**	**1.6**	17,523	2.1
Sales of intraoral scanners	**68,099**	**5.3**	—	—
Total	**1,271,677**	**100.0**	816,528	100.0

- *Clear aligner treatment solutions.* Our revenue generated from the provision of clear aligner treatment solutions increased by 48.2% from RMB799.0 million in the year ended December 31, 2020 to RMB1,183.8 million in the year ended December 31, 2021, primarily due to (1) the increase in the case shipments from approximately 137,600 in 2020 to 183,200 in 2021, and (2) the increase in the case shipments in prior periods as a portion of the revenue attributable to such cases was recognized at a later stage along with the subsequent delivery of clear aligners for those cases. Our revenue could be affected by multiple factors, including the proportions of various product lines and sales channels, the average selling price of our product mix, and the proportions of new and existing case shipments in a given period. Our revenue is also affected by the frequency of delivery of clear aligners and the number of sets contained in each delivered batch, which are typically dependent on the product line involved and the complexity of the relevant treatment plan, subject to a number of factors, such as specific demand of our dental professionals and our production capacity in a given period.

- *Other services.* Revenue generated from other services primarily represented service fees generated by our dental clinics for the provision of orthodontics and cosmetic dentistry services and other dental services to patients. From a business planning perspective, we maintained a few dental clinics within the Group as demonstration centers, primarily for the purpose of improving the accessibility of our medical services for dental professionals and providing them with regular in-the-field training in the application of our solutions. Our revenue generated from other services increased by 12.9% from RMB17.5 million in the year ended December 31, 2020 to RMB19.8 million in the year ended December 31, 2021, primarily due to the steady increase in the business volume of other services during the period of regular prevention and control of the COVID-19 pandemic.

- *Sales of intraoral scanners.* Considering the demand for intraoral scanners in the clear aligner treatment process and leveraging our large customer base, we have expanded our business to sell intraoral scanners to our customers since 2021 in collaboration with intraoral scanner manufacturers, which we deem primarily as supplemental value-added services to our customers to enhance their experience in applying our clear aligner treatment solutions. In the year ended December 31, 2021, we generated revenue of RMB68.1 million from the sales of intraoral scanners.

Cost of revenue

Our cost of revenue increased by 84.3% from RMB241.5 million in the year ended December 31, 2020 to RMB445.0 million in the year ended December 31, 2021, primarily due to (1) the increase in cost of raw materials and consumables used resulting from the increased number of new case shipments and the increased subsequent delivery of clear aligners for case shipments initiated in prior periods, and (2) the development of our newly launched business of selling intraoral scanners.

- *Clear aligner treatment solutions.* Our cost of revenue related to the provision of clear aligner treatment solutions increased by 63.4% from RMB229.1 million in the year ended December 31, 2020 to RMB374.3 million in the year ended December 31, 2021, primarily due to the increase in cost of raw materials and consumables used resulting from the increased number of new case shipments and the increased subsequent delivery of clear aligners for case shipments initiated in prior periods.

- *Other services.* Our cost of revenue related to the provision of other services increased by 16.1% from RMB12.4 million in the year ended December 31, 2020 to RMB14.3 million in the year ended December 31, 2021, primarily due to the increases in material costs and employee benefit expenses in line with the increased business volume of other services.

- *Sales of intraoral scanners.* As we have expanded our business to sell intraoral scanners to our customers since 2021, we recorded cost of revenue of RMB56.4 million.

Gross profit and gross profit margin

Our gross profit increased by 43.8% from RMB575.0 million in the year ended December 31, 2020 to RMB826.6 million in the year ended December 31, 2021. The gross profit margin for the year ended December 31, 2021 was 65.0%, as compared with 70.4% for the year ended December 31, 2020. The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the years indicated.

	Year ended December 31,			
	2021		2020	
	Gross profit	**Gross profit margin (%)**	Gross profit	Gross profit margin (%)
	(RMB in thousands, except for the percentages)			
Clear aligner treatment solutions	**809,498**	**68.4**	569,877	71.3
Others				
Other services	**5,434**	**27.5**	5,172	29.5
Sales of intraoral scanners	**11,714**	**17.2**	—	—
Total	**826,646**	**65.0**	575,049	70.4

- *Clear aligner treatment solutions.* Our gross profit margin for the provisions of clear aligner treatment solutions decreased from 71.3% in the year ended December 31, 2020 to 68.4% in the year ended December 31, 2021, primarily due to a slight decrease in the average selling price of our clear aligners resulting from the increased case shipments of *COMFOS* and seasonal promotions.

- *Other services.* Our gross profit margin for other services decreased from 29.5% in the year ended December 31, 2020 to 27.5% in the year ended December 31, 2021, primarily because we were granted deduction in our rental expenses and contribution of social insurance premiums in 2020 according to relevant government relief policies during the COVID-19 outbreak, which resulted in a decrease in our fixed cost in 2020 as compared with 2021.

- *Sales of intraoral scanners.* Our gross profit margin for the sales of intraoral scanners was 17.2% for the year ended December 31, 2021.

Selling and marketing expenses

Our selling and marketing expenses increased by 58.9% from RMB148.8 million in the year ended December 31, 2020 to RMB236.5 million in the year ended December 31, 2021, primarily due to the increases in employee benefit expenses and advertising and promotion expenses.

Administrative expenses

Our administrative expenses increased by 18.6% from RMB154.4 million in the year ended December 31, 2020 to RMB183.2 million in the year ended December 31, 2021, primarily due to the listing expenses we incurred in connection with our preparation for the Global Offering in 2021.

Research and development expenses

Our research and development expenses increased by 31.7% from RMB93.5 million in the year ended December 31, 2020 to RMB123.1 million in the year ended December 31, 2021, primarily due to the increase in employee benefit expenses as we engaged more research and development personnel for our product and technology development.

Net losses of impairment on financial assets

We recorded net losses on financial assets of RMB0.2 million in the year ended December 31, 2021, as compared with net losses of impairment on financial assets of RMB10.1 million in the year ended December 31, 2020, primarily due to the decrease in loss allowance provision for trade and other receivables.

Other income

We recorded other income of RMB18.6 million in the year ended December 31, 2021, as compared with RMB22.6 million in the year ended December 31, 2020, primarily due to the decreases in subsidies and incentives we received from local government authorities.

Other expenses

We recorded other expenses of RMB6.0 million and nil in the year ended December 31, 2020 and 2021, respectively, as we made a donation to China Oral Health Foundation in the year ended December 31, 2020.

Other gains – net

We had other gains – net of RMB16.1 million in the year ended December 31, 2021, as compared with other gains – net of RMB3.1 million in the year ended December 31, 2020, primarily due to the increases in foreign exchange gains and investment return from wealth management products we purchased with our internal resources other than the proceeds from the Global Offering.

Finance income

Our finance income increased significantly from RMB4.2 million in the year ended December 31, 2020 to RMB16.9 million in the year ended December 31, 2021, primarily due to the increase in the amount of interest income on our bank deposits, which mainly included the unutilized portion of the proceeds from our Global Offering.

Finance costs

Our finance costs remained stable at RMB1.2 million and RMB1.2 million in the year ended December 31, 2020 and 2021, respectively.

Share of results of investments accounted for using the equity method

We had a share of profit of investment accounted for using the equity method of RMB0.3 million for the year ended December 31, 2020, compared to a share of loss of investments accounted for using the equity method of RMB1.9 million for the year ended December 31, 2021.

Profit before income tax

As a result of the foregoing, we recorded profit before tax of RMB332.1 million in the year ended December 31, 2021, compared to RMB191.2 million in the year ended December 31, 2020.

Income tax expenses

Our income tax expenses increased by 15.4% from RMB40.3 million in the year ended December 31, 2020 to RMB46.5 million in the year ended December 31, 2021, primarily due to the increase in our taxable income.

Profit for the year

As a result of the above, our net profit increased by 89.2% from RMB150.9 million in the year ended December 31, 2020 to RMB285.6 million in the year ended December 31, 2021. The net profit margin for the year ended December 31, 2021 was 22.5%, as compared with 18.5% for the year ended December 31, 2020.

Non-IFRS measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted EBITDA and adjusted net profit as additional financial measures, which are not required by or presented in accordance with the IFRS. We define adjusted EBITDA as EBITDA (which is profit before income tax plus interest expenses recorded as finance costs, depreciation of property, plant and equipment, depreciation of right-of-use assets, and amortization of intangible assets, less interest income recorded as finance income) for the year with adjustments of non-recurring or non-operating items, including share-based payments and listing expenses. We define adjusted net profit as profit for the year adjusted by non-recurring or non-operating items, including share-based payments and listing expenses. Share-based payments are non-operational expenses arising from granting restricted share units and options to directors, senior management and employees. The decision to make grants is discretionary and does not form a sustained pattern of recurrence, and the number of grants may not directly correlate with the underlying performance of our business operations. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider indicative of our operating performance.

The following table reconciles our adjusted EBITDA and adjusted net profit for the year presented to the most directly comparable financial measure calculated and presented under IFRS.

	Year ended December 31,	
	2021	2020
	(RMB in thousands)	
Profit for the year	**285,572**	150,932
Add:		
Income tax expenses	**46,512**	40,299
Profit before income tax	**332,084**	191,231
Add:		
Finance cost/(income) - net	**(15,660)**	(2,999)
Depreciation of property, plant and equipment	**23,871**	17,521
Depreciation of right-of-use assets	**13,194**	11,077
Amortization of intangible assets	**2,094**	3,525
EBITDA	**355,583**	220,355
Add:		
Share-based payments	**26,454**	66,319
Listing expenses	**35,429**	9,958
Adjusted EBITDA	**417,466**	296,632
Profit for the year	**285,572**	150,932
Add:		
Share-based payments	**26,454**	66,319
Listing expenses	**35,429**	9,958
Adjusted net profit	**347,455**	227,209

Liquidity, capital resources and capital structure

In the year ended December 31, 2021, our primary use of cash is to fund our working capital requirements and other recurring expenses. We financed our capital expenditures and working capital requirements primarily through cash generated from our operating activities and the proceeds from the Global Offering.

We have continued to maintain a healthy and sound financial position and have followed a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved. Our current assets increased from approximately RMB1,003.7 million as of December 31, 2020 to approximately RMB3,733.2 million as of December 31, 2021, primarily due to the proceeds received from the Global Offering.

On June 16, 2021, we were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The aggregate net proceeds from our Global Offering, including the net proceeds from the full exercise of the over-allotment option under the Global Offering (the "**Over-allotment Option**") and after deduction of the underwriting fees and other related expenses, was approximately HKD3,139.0 million.

The following table sets forth our cash flows for the years indicated.

	Year ended December 31,	
	2021	2020
	(RMB in thousands)	
Net cash generated from operating activities	**441,713**	408,279
Net cash used in investing activities	**(182,050)**	(7,276)
Net cash generated from/(used in) financing activities	**2,523,244**	(23,333)
Net increase/(decrease) in cash and cash equivalents	**2,782,907**	377,670
Cash and cash equivalents at beginning of the year	**877,578**	504,697
Exchange losses on cash and cash equivalents	**(33,502)**	(4,789)
Cash and cash equivalents at the end of the year	**3,626,983**	877,578

Cash and cash equivalents

Our cash and cash equivalents primarily consisted of cash at banks. Our cash and cash equivalents increased from RMB877.6 million as of December 31, 2020 to RMB3,627.0 million as of December 31, 2021, primarily due to the proceeds received from the Global Offering.

Exposure to exchange rate fluctuation

Our business is principally conducted in RMB, and the majority of our assets are denominated in USD and RMB. Our non-RMB assets and liabilities primarily consist of bank deposits and trade and other payables denominated in USD. We are subject to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are denominated in non-RMB.

We have not implemented any hedging arrangements. We manage our foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. We did not have other significant exposure to foreign exchange risk.

Capital expenditure

For the year ended December 31, 2021, our total capital expenditure amounted to approximately RMB200.7 million, which consisted primarily of purchases of property, plant and equipment in connection with the construction of our Chuangmei Center, as well as purchases of right-of-use assets and purchase of intangible assets.

Capital commitments

Our capital commitments were primarily related to acquisitions of property, plant and equipment. The following table sets forth a summary of our capital commitments as of the dates indicated.

	As of December 31,	
	2021	2020
	(RMB in thousands)	
Property, plant and equipment	**100,622**	164,898
Intangible assets	**987**	8
Investments in joint venture	—	500
Total	**101,609**	165,406

Contingent liabilities

As of December 31, 2021, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of the Group.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus, as of December 31, 2021, we did not have other substantial future plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

In the year ended December 31, 2021, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments and acquisition of capital assets

In the year ended December 31, 2021, we did not hold any significant investments nor made any significant acquisition of capital assets.

Charge on group's assets

As of December 31, 2021, we had no charges on our assets.

Borrowings and gearing ratio

Gearing ratio represents the percentage of bank borrowings to total equity. As of December 31, 2021, we did not have any outstanding bank loans or other borrowings. Thus, as of December 31, 2021, gearing ratio was not applicable.

Key financial indicators

The following table sets forth certain of our key financial ratios as of the dates and for the years indicated.

	As of/for the year ended December 31,	
	2021	2020
Profitability ratios		
Gross profit margin(1)	**65.0%**	70.4%
Net profit margin(2)	**22.5%**	18.5%
Adjusted net profit margin(3)	**27.3%**	27.8%
Liquidity ratios		
Current ratio(4)	**5.34**	1.49

(1) The calculation of gross profit margin is based on gross profit divided by revenue for the year indicated and multiplied by 100%.

(2) The calculation of net profit margin is based on net profit divided by revenue for the year indicated and multiplied by 100%.

(3) The calculation of adjusted net profit margin, a non-IFRS measure, is based on adjusted net profit divided by revenue for the year indicated and multiplied by 100%.

(4) The calculation of current ratio is based on current assets divided by current liabilities as of December 31, 2021.

OTHER INFORMATION

Use of Proceeds

The Shares of the Company were listed on the Main Board of the Stock Exchange on the June 16, 2021 (the "**Listing Date**"), whereby 16,829,600 new Shares were issued at the offer price of HKD173.0 each by the Company. On July 8, 2021, the Joint Global Coordinators, on behalf of the International Underwriters, fully exercised the Over-allotment Option at the offer price of HKD173.0, pursuant to which the Company issued an addition of 2,524,400 Shares. The aggregate net proceeds from the Company's Global Offering, including the net proceeds from the full exercise of the Over-allotment Option and after deduction of the underwriting fees and other related expenses, was approximately HKD3,139.0 million. The net proceeds from the Global Offering (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in that same manner, proportion and the expected timeframe as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds." The table below sets out the planned and actual applications of the net proceeds up to December 31, 2021.

	Net proceeds from the Global Offering	Utilization up to December 31, 2021	Unutilized proceeds as of December 31, 2021
		(HKD in millions)	
Funding the construction of Chuangmei Center	1,252.5	375.0	877.5
Strengthening our research and development capabilities and funding our in-house and collaborative R&D initiatives	574.4	56.8	517.6
Developing a flexible and scalable intelligent information technology system	339.0	22.1	316.9
Expanding our in-house sales team and providing sales personnel with training sessions	329.6	77.3	252.3
Funding marketing and branding activities	301.4	73.7	227.7
Optimizing medical services	194.6	44.4	150.2
Working capital and other general corporate purposes	147.5	–	147.5
Total	3,139.0	649.3	2,489.7

To the extent that the net proceeds have not been immediately utilized, the balance has been placed with banks. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Group will apply the remaining net proceeds in the manner set out in the Prospectus, pursuant to which the remaining proceeds are expected to be utilized within the next two years. The utilization of the net proceeds has been converted from RMB into HKD at an exchange rate of RMB1.0 to HKD1.2336 prevailing on December 31, 2021.

Employees, Training and Remuneration Policies

As of December 31, 2021, we had 2,034 employees. The staff costs including Directors' emoluments and share-based payment expenses were approximately RMB400.4 million in the year ended December 31, 2021.

Our employees' compensation includes basic salary, performance-based cash bonuses, incentive shares and other incentives. We determine our employees' compensation based on each employee's performance, qualifications, position and seniority.

The Directors and senior management receive remuneration from the Company in the form of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind. The Board, with the advice from the Remuneration Committee, will review and determine the remuneration and compensation packages taking into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management and performance of the Group.

To incentivize its employees and promote the long-term growth of the Company, the Company also provides share incentives to award its Directors, senior management and employees from time to time. Please refer to the disclosure relating to the Share Award Schemes in Appendix IV in the Prospectus for more information.

We recognize the importance of keeping the Directors updated with the latest information of duties and obligations of a director of a company whose shares are listed on the Stock Exchange and the general regulatory and environmental requirements for such listed company. To meet this goal, we are committed to the continuing education and development of our Directors and employees. We provide pre-employment and regular continuing management and technical training to our employees, which we believe are effective in equipping them with the skillset and work ethics that we require.

We believe that we maintain a good working relationship with our employees and we had not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the Reporting Period.

Purchase, Sale or Redemption of the Company's Listed Securities

Save as disclosed below, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities from the Listing Date to December 31, 2021.

- On July 13, 2021, the Company issued an aggregate of 2,524,400 new Shares as a result of the full exercise of the Over-allotment Option at the offer price of HKD173.0 per Share. Please refer to the Company's announcement dated July 8, 2021 in respect of the full exercise of the Over-allotment Option for more information.

Sufficiency of Public Float

According to the information that is publicly available to the Company and within the knowledge of the Board, as of the date of this announcement, the Company has maintained to comply with the minimum percentage prescribed in the conditions imposed in the waiver granted by the Stock Exchange from strict compliance with Rule 8.08(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Compliance with Corporate Governance

The Group is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

Since the Listing Date and up to December 31, 2021, the Company had complied with the applicable code provisions under the Corporate Governance Code under Appendix 14 of the Listing Rules.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company since the Listing Date.

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the requirements of the Model Code since the Listing Date and up to December 31, 2021.

Annual General Meeting (the "AGM")

The AGM will be held on May 26, 2022. A notice convening the AGM will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.angelalign.com), and will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

Special Final Dividend

The Board has resolved to recommend the payment of a special final dividend (the "**Special Final Dividend**") of HKD1.22 per Share for the year ended December 31, 2021 to the Shareholders whose names appear on the register of members of the Company on Monday, June 6, 2022, subject to the approval of the Shareholders at the AGM. Once the relevant resolution is passed at the AGM, the proposed special final dividend is expected to be paid on or about on or around Friday, June 24, 2022.

To reward the Shareholders, the Board considers it appropriate to distribute the Special Final Dividend in recognition of Shareholders' support. The payment of the Special Final Dividend does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the Shares. After taking into consideration of the existing cash flows and business development plan of the Group, the Directors consider that the Company has sufficient cash flows to pay the Special Final Dividend, and the payment of the Special Final Dividend will not have material adverse effect on the financial position of the Group. The Directors consider that the declaration and proposed payment of the Special Final Dividend is in the interests of the Company and its Shareholders as a whole.

The Shareholders are reminded that there is no assurance that a dividend will be proposed or declared in any subsequent periods. The Directors will review and assess from time to time in accordance with the dividend policy to determine the dividend payout (if any).

Closure of Register of members

For determining the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Monday, May 23, 2022 to Thursday, May 26, 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the corresponding 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. (Hong Kong time) on Friday, May 20, 2022.

For determining the entitlement of Shareholders to receive the Special Final Dividend, the register of members of the Company will be closed from Wednesday, June 1, 2022 to Monday, June 6, 2022, both days inclusive, during which period no transfer of Shares will be registered. To qualify for the Special Final Dividend, all share transfer documents accompanied by the corresponding 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 not later than 4:30 p.m. (Hong Kong time) on Tuesday, May 31, 2022.

Review of Annual Results

As of the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely, Ms. DONG Li, Mr. HAN Xiaojing and Mr. SHI Zi, and Ms. DONG Li serves as the chairwoman of the Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2021 and has recommended for the Board's approval thereof.

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the consolidated financial statements of the Group for the year ended December 31, 2021. The Audit Committee considered that the annual results of the Group are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

This annual results announcement is based on the audited consolidated financial statements of the Group for the year ended December 31, 2021.

Scope of Work of the Auditor

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2021 and the amounts were found to be in agreement. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

Events after the Reporting Period

The Board has resolved to recommend the payment of a special final dividend of HKD1.22 per Share of the Company to the Shareholders for the year ended December 31, 2021. Please refer to "Special Final Dividend" section in this announcement.

In January 2022, the Company invested into a limited partnership, CareCapital Aligner Tech L.P., with the controlling shareholder, CareCapital Group, to invest in innovative digital technologies and products in the global orthodontics market, with investment amount of HKD100 million. Please refer to the announcement of the Company dated January 28, 2022 relating to the formation of partnership for more information.

As of the date of this announcement, save as above, there has been no significant event since the end of the Reporting Period that is required to be disclosed by the Company.

PUBLICATION OF 2021 ANNUAL RESULTS AND 2021 ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (**www.hkexnews.hk**) and the website of the Company (**www.angelalign.com**). The annual report of the Company for the year ended December 31, 2021 will be dispatched to the Shareholders and published on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to customers, patients and business partners for their trust in the Company, our staff and management team for their diligence, dedication, loyalty and integrity, and the Shareholders for their continuous support.

By order of the Board of Directors
Angelalign Technology Inc.
Mr. FENG Dai
Chairman

Hong Kong, March 24, 2022

As at the date of this announcement, the Board comprises Ms. LI Huamin and Mr. SONG Xin as executive Directors; Mr. FENG Dai, Mr. HUANG Kun and Mr. HU Jiezhang as non-executive Directors; Mr. HAN Xiaojing, Ms. DONG Li and Mr. SHI Zi as independent non-executive Directors.