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, 2022

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, 2022 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2021, 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 SUMMARY

- Our revenue for the year ended December 31, 2022 was approximately RMB1,269.7 million, representing a slight decrease of 0.2% from approximately RMB1,271.7 million for the year ended December 31, 2021.

- Our gross profit for the year ended December 31, 2022 was approximately RMB785.7 million, representing a decrease of 5.0% from approximately RMB826.6 million for the year ended December 31, 2021.

- Our net profit for the year ended December 31, 2022 was approximately RMB213.2 million, representing a decrease of 25.4% from approximately RMB285.6 million for the year ended December 31, 2021.

- Our adjusted EBITDA for the year ended December 31, 2022 was approximately RMB295.6 million, representing a decrease of 29.2% from approximately RMB417.5 million for the year ended December 31, 2021.[(1)]

- Our adjusted net profit for the year ended December 31, 2022 was approximately RMB232.4 million, representing a decrease of 33.1% from approximately RMB347.5 million for the year ended December 31, 2021.[(1)]

- The Board has resolved to recommend the payment of a special final dividend of HKD0.68 per ordinary share of the Company (the "**Share**") for the year ended December 31, 2022.

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 49 and 50 of this announcement for more details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended December 31, 2022** *RMB'000*	Year ended December 31, 2021 *RMB'000*
Revenue	*3*	**1,269,706**	1,271,677
Cost of revenue		**(484,016)**	(445,031)
Gross profit		**785,690**	826,646
Selling and marketing expenses		**(298,170)**	(236,516)
Administrative expenses		**(185,027)**	(183,185)
Research and development expenses		**(147,681)**	(123,094)
Net impairment losses on financial assets		**(9,029)**	(245)
Other income	*4*	**27,108**	18,598
Other gains – net	*4*	**38,427**	16,070
Operating profit		**211,318**	318,274
Finance income		**42,289**	16,890
Finance costs		**(1,676)**	(1,230)
Finance income – net		**40,613**	15,660
Share of results of investments accounted for using the equity method		**(183)**	(1,850)
Profit before income tax		**251,748**	332,084
Income tax expense	*5*	**(38,591)**	(46,512)
Profit for the year		**213,157**	285,572

	Note	**Year ended December 31, 2022** *RMB'000*	Year ended December 31, 2021 *RMB'000*
Profit attributable to			
– Owners of the Company		**213,781**	285,848
– Non-controlling interests		**(624)**	(276)
		213,157	285,572
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Exchange differences on translation of the Company		**237,673**	(29,695)
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of subsidiaries		**(6,582)**	(2,360)
		231,091	(32,055)
Total comprehensive income for the year		**444,248**	253,517
Total comprehensive income for the year attributable to:			
– Owners of the Company		**444,479**	253,826
– Non-controlling interests		**(231)**	(309)
		444,248	253,517
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	*6*	**1.28**	1.93
– Diluted	*6*	**1.27**	1.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**347,311**	248,310
Right-of-use assets		**81,967**	85,649
Intangible assets		**16,205**	8,304
Investments accounted for using the equity method		**14,448**	14,631
Prepayments for non-current assets	8	**15,150**	36,667
Deferred tax assets		**19,099**	14,042
Financial asset at fair value through profit or loss	9	**121,227**	–
		615,407	407,603
Current assets			
Inventories		**113,156**	28,246
Trade and other receivables	8	**108,270**	78,012
Cash and cash equivalents		**3,649,376**	3,626,983
		3,870,802	3,733,241
Total assets		**4,486,209**	4,140,844
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**110**	110
Share premium		**2,941,876**	3,117,920
Shares held for employee share scheme		**(1,098)**	(4,393)
Other reserves		**237,820**	(27,545)
Retained earnings		**428,058**	232,978
		3,606,766	3,319,070
Non-controlling interests		**(4,569)**	(4,338)
Total equity		**3,602,197**	3,314,732

	Note	**As at December 31, 2022 RMB'000**	As at December 31, 2021 RMB'000
Liabilities			
Non-current liabilities			
Contract liabilities		**55,719**	80,126
Lease liabilities		**14,858**	15,543
Deferred income		**31,212**	31,974
Deferred tax liabilities		**733**	–
		102,522	127,643
Current liabilities			
Trade and other payables	*10*	**365,612**	299,191
Contract liabilities		**359,656**	370,762
Current income tax liabilities		**40,619**	12,309
Lease liabilities		**13,346**	14,744
Deferred income		**2,257**	1,463
		781,490	698,469
Total liabilities		**884,012**	826,112
Total equity and liabilities		**4,486,209**	4,140,844

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Year ended December 31, 2022** *RMB'000*	Year ended December 31, 2021 *RMB'000*
Cash flows from operating activities			
Cash generated from operations		**182,776**	509,130
Income tax paid		**(35,906)**	(67,417)
Net cash generated from operating activities		**146,870**	441,713
Cash flows from investing activities			
Purchases of property, plant and equipment		**(89,784)**	(195,551)
Purchases of intangible assets		**(5,605)**	(4,210)
Proceeds from disposal of property, plant and equipment		**1,319**	643
Investments in joint ventures		**–**	(2,922)
Proceeds from disposal of a joint venture		*	–
Purchases of financial assets at fair value through profit or loss	*9*	**(3,167,912)**	(300,000)
Proceeds from disposals of financial assets at fair value through profit or loss	*9*	**3,076,378**	301,816
Consideration paid for the acquisition of subsidiaries		**(3,142)**	(3,239)
Loan provided to a third party		**(13,317)**	–
Loans repaid by related parties		**–**	4,523
Interest received		**42,289**	16,890
Net cash used in investing activities		**(159,774)**	(182,050)

* The balance represents an amount less than RMB1,000

	Note	**Year ended December 31, 2022**	Year ended December 31, 2021
		RMB'000	*RMB'000*
Cash flows from financing activities			
Issue of ordinary shares pursuant to the IPO		**–**	2,403,286
Issue of new ordinary shares pursuant to the over-allotment		**–**	363,758
Payments for listing expenses		**–**	(115,430)
Payments for listing expenses of over-allotment		**–**	(16,397)
Dividend paid		**(176,044)**	(99,618)
Loan from a related party		**–**	17
Repayment of loans from related parties		**–**	(156)
Consideration from disposals of interests in subsidiaries without change of control		**–**	969
Proceeds from a bank borrowing		**2,851**	–
Borrowing interest paid		**(51)**	–
Repayments of a bank borrowing		**(2,851)**	–
Principal elements of lease payments		**(15,892)**	(11,955)
Interest paid of lease liabilities		**(1,625)**	(1,230)
Net cash (used in)/generated from financing activities		**(193,612)**	2,523,244
Net (decrease)/increase in cash and cash equivalents		**(206,516)**	2,782,907
Cash and cash equivalents at beginning of the year		**3,626,983**	877,578
Exchange gains/(losses) on cash and cash equivalents		**228,909**	(33,502)
Cash and cash equivalents at the end of the year		**3,649,376**	3,626,983

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 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.

1.1 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 amendments and interpretations adopted by the Group

The Group has applied the following amendments and interpretations for the first time for their annual reporting period commencing January 1,2022:

		Effective for annual 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

The amendments and interpretation 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, 2022 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
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 IAS 1	Classification of Liabilities as Current or Non-Current	January 1, 2024
Amendments to IAS 1	Non-Current Liabilities with Covenants	January 1, 2024
Amendments to IFRS 16	Lease liability in a Sale and Leaseback	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	To be determined

1.2 Principles of consolidation and equity accounting

1.2.1 Subsidiaries

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combination by the Group.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statements of financial position respectively.

1.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 1.2.4), after initially being recognized at cost.

1.2.3 Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures only.

Interests in joint ventures are accounted for using the equity method (Note 1.2.4), after initially being recognized at cost in the consolidated statement of financial position.

1.2.4 Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("**OCI**") of the investee in OCI. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 1.7.

1.2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

1.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources, assessing performance of the operating segments, and has been identified as the executive directors of the Company that make strategic decisions.

1.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the Consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is HKD. The Company's primary subsidiaries were incorporated in the People's Republic of China (**PRC**) and these subsidiaries considered RMB as their functional currency. As the majority of and operations of the Group are located in the PRC, the Group determined to present its consolidated financial statements in RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for the statement of financial position presented are translated at the closing rate at the date of that statement of financial position.

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and

(iii) all resulting exchange differences are recognized in OCI.

1.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation, net of any impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives as follows:

	Estimated useful lives
Buildings	20 years
Plant and machinery	5-10 years
Transportation equipment	5 years
Furniture, fixtures and equipment	3-5 years

The leasehold improvements are depreciated over the lease term.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction-in-progress ("**CIP**") represents plant and machinery and leasehold improvements under construction and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalized borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the cost are transferred to relevant categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in profit or loss.

1.6 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("**CGUs**") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(b) Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful lives from 5 to 10 years, which are the shorter of their expected economic benefit life and their contractual periods. Costs associated with maintenance of software programme is recognized as expenses as incurred.

(c) Patents

Expenditure on acquired patents is capitalized at historical cost upon acquisition. These costs are amortized using the straight-line method over their estimated useful lives of 5 to 20 years, which are the shorter of their expected economic benefit life and their contractual periods.

(d) Customer relationship

Expenditure on customer relationship is capitalized at fair value upon acquisition. These costs are amortized using the straight-line method over a useful lives of 8 years.

(e) Research and development

Research expenditure is recognized as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique intangible asset controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;

- it can be demonstrated how the intangible asset will generate probable future economic benefits;

- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet those criteria are recognized as expenses as incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use. During the year, there were no development costs meeting these criteria and capitalized as intangible assets.

1.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of the year.

1.8 Financial assets

1.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI), or through profit or loss), and

- those to be measured at amortized cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

1.8.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

1.8.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in the consolidated statement of comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented in "other gains – net" in the period in which it arises.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains – net". Interest income from these financial assets is included in "Other income" using the effective interest rate method.

1.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

1.10 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and debt investment at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

1.11 Inventories

Inventories comprise of raw materials, work in progress and finished goods, which are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost is determined using the weighted average method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1.12 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

1.13 Trade and other receivables

Trade receivables are amounts due from customers for services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 16 for further information about the Group's accounting for trade receivables and Note 3.1(b) for a description of the Group's impairment policies.

1.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less hat are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.15 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

The consideration paid by the Company for repurchasing its shares from shareholders (the "**Shareholders**") for employee share scheme purpose, including any directly attributable incremental cost, is presented as "shares held for employee share scheme" and deducted from total equity.

1.16 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognized as deferred income, and recognized in the profit or loss over the periods in which the related costs are incurred; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognized in the profit or loss.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

1.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

1.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the year in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction neither accounting profit or loss nor taxable ones are affected. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the year and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g., the Research and Development Tax Incentive regime in Oneland or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognized for unclaimed tax credits that are carried forward as deferred tax assets.

1.19 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(b) Employment obligations

Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the mainland China, Hong Kong, and other jurisdictions, employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in these jurisdictions under which the Group is required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The relevant municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the year are discounted to their present value.

(c) Bonus plan

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within one year and are measured at the amounts expected to be paid when they are settled.

1.20 Share-based payments

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments (including share options) is recognized as an expense with a corresponding increase in equity.

In terms of the shares, equity instruments awarded to employees, the total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, the entity's share price),
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holdings shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each year, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

The grant by the Company of equity instruments over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

1.21 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected required to settle the present obligation at the end of the year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provisions due to passage of time is recognized as interest expense.

1.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the goods or services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales between group companies. The Group recognizes revenue when it transfers control of the goods or services to a customer.

(a) Revenue from rendering clear aligner treatment solutions

The Group's clear aligner treatment solutions typically comprise deliverables including treatment planning service and clear aligners which were transferred to the Group's customers by batches. The above deliverables as a whole in each solution service contract represent one performance obligation to the Group's customers. Since the Group's clear aligner treatment solutions do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date, revenue in respect of clear aligner treatment solutions is recognized over time during the period of the contract by reference to the progress towards complete satisfaction of respective performance obligations. The progress towards complete satisfaction of the performance obligation is measured by reference to the value of deliverables transferred to the customer to date relative to the remaining deliverables promised under each contract, which best depicts the Group's performance in satisfying the performance obligation.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers goods or services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

In addition to direct sales, the Group's clear aligner treatment solutions are also distributed to public hospitals and private dental clinics through third-party distributors. These distributors possess the requisite business licenses and permits to sell medical devices in Mainland China and have established relationships with public hospitals and private dental clinics within their regions, therefore they are treated as the vendors of public hospitals and private dental clinics. The Group recognized its revenue from rendering clear aligner treatment solutions based on the wholesale prices as agreed with distributors.

(b) Revenue from rendering other services

The Group's revenue from rendering other dental related services mainly represents revenue from dental clinic services. Revenue from dental clinic services to patient is recognized over time in the accounting period in which the related services have been rendered. The patient normally receives out-patient treatment which contains various treatment components. Dental clinic services include (i) rendering of orthodontic and cosmetic dentistry services and (ii) rendering of other dental services. The Group allocates the transaction price to each performance obligation on relative stand-alone selling price basis.

Revenue from rendering of orthodontic and cosmetic dentistry services is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs the services. The progress towards complete satisfaction of the service on the basis of the staff costs and cost of inventories, consumables and customised products expended relative to the total expected costs to complete the service.

Revenue from rendering other dental services is recognized when the services have been rendered. Such dental services are generally completed within a very short period of time and the Group recognized revenue when the Group has satisfied its performance obligation and the collection of the consideration is probable.

(c) Revenue from sales of intraoral scanners

Revenue from the sales of intraoral scanners is recognized in time when control of the intraoral scanners has been transferred, being when the intraoral scanners is installed and accepted by the customers.

1.23 Interest income

Interest income is recognized using the effective interest method.

1.24 Leases

The Group leases various properties for operation. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognized as right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,

- amounts expected to be payable by the lessee under residual value guarantees,

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,

- any lease payments made at or before the commencement date less any lease incentives received,

- any initial direct costs, and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Cash payments for the principal portion of the lease liabilities are presented as cash flows from financing activities and cash payments for the interest portion are consistent with presentation of interest payments.

1.25 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the year but not distributed at the end of the year.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition

Revenue from rendering clear aligner treatment solutions is recognized over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed up to date. The Group cannot change or substitute the deliverables in each solution contract or redirect the deliverables in each solution contract for another use as the deliverables in each solution contract are designed and custom-made for each specific patient based on his or her own orthodontic needs and teeth position and thus the deliverables in each solution contract do not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements. In assessing whether the Group has an enforceable right to payment for its revenue contracts, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify whether sales contracts into those with right to payment. Management will reassess their judgements on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication of accounting for solution contracts.

The Group recognizes revenue from rendering clear aligner treatment solutions over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress towards complete satisfaction of the performance obligation is measured using output method by reference to the value of deliverables transferred to the customer to date relative to the remaining deliverables promised under each contract. Significant judgements and estimations are required in determining the accuracy of progress towards complete satisfaction of the performance obligation of each contract at the reporting date, including value of deliverables transferred to the customer and remaining number of deliverables promised in each contract. Changing in value estimates in future periods can have effect on the Group's revenue recognized. In making the estimation of value transferred to the customer, the Group relies on generally accepted prices negotiated with its customers; while the Group estimates the remaining number of deliverables which are expected to be transferred for each solution case based upon its historical experience and actual.

(b) Expected credit loss for trade and other receivables

The loss allowances for receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the year.

(c) Current tax and deferred tax

The Group is subject to income taxes in the PRC and other jurisdictions. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred tax assets may be recovered. Deferred tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

(d) Estimation of the fair value of certain financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

3 REVENUE AND SEGMENT INFORMATION

	Year ended December 31, 2022 *RMB'000*	Year ended December 31, 2021 *RMB'000*
Revenue from external customers is recognized over time and is derived from the rendering of:		
– Clear aligner treatment solutions	**1,209,582**	1,183,801
– Other services	**15,733**	19,777
Revenue from external customers is recognized at a point in time and is derived from:		
– Sales of intraoral scanners	**44,391**	68,099
Total revenue	**1,269,706**	1,271,677

The 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 considers 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, with less than 1% revenue and operating profit generated from countries outside the PRC 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, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
Within 1 year	**430,259**	410,099
Over 1 year	**121,857**	146,363
	552,116	556,462

Management expects that unsatisfied performance obligations of approximately RMB430,259,000 as at December 31, 2022 will be recognized as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB121,857,000 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 prices allocated to these unsatisfied contracts are not disclosed.

4 OTHER INCOME AND OTHER GAINS – NET

	Year ended December 31, 2022	Year ended December 31, 2021
	RMB'000	*RMB'000*
Other income		
Government grants	**27,108**	18,598
Other gains – net		
Net foreign exchange gains	**7,123**	12,129
Realized and unrealized gains on financial assets at FVPL	**28,671**	1,816
Losses on disposals of property, plant and equipment	**(282)**	(96)
Others	**2,915**	2,221
	38,427	16,070

5 INCOME TAX EXPENSE

	Year ended December 31, 2022	Year ended December 31, 2021
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**43,095**	53,402
– Hong Kong profits tax	**553**	3,585
	43,648	56,987
Deferred income tax		
– PRC corporate income tax	**(5,057)**	(4,475)
– Withholding tax on undistributed profits	**–**	(6,000)
	(5,057)	(10,475)
	38,591	46,512

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, 2022	Year ended December 31, 2021
	RMB'000	*RMB'000*
Profit before income tax	**251,748**	332,084
Tax calculated at respective statutory tax rates	**58,092**	87,677
Tax effects of:		
– Preferential income tax rates applicable to subsidiaries	**(12,746)**	(34,395)
– Expenses not deductible for taxation purposes	**6,478**	4,348
– Tax losses not recognized for deferred income tax	**3,139**	42
– Super deduction for research and development expenditure	**(16,326)**	(13,423)
– Share of results of investments accounted for using the equity method	**(46)**	463
– Withholding income tax on distributed profits	**–**	1,800
	38,591	46,512

(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, 2022.

The Company's subsidiary, Wuxi EA Medical Instruments Co., Ltd (無錫時代天使醫療器械有限公司, "**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, 2022.

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 it has renewed the qualification of HNTE in 2022, and accordingly, is subject to a reduced preferential CIT rate of 15% for the year ended December 31, 2022.

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%.

(d) Profit/income tax rate in other jurisdictions as shown below:

Countries	**Income/profits tax rate**
United States	21%
Singapore	17%
Brazil	15%
Germany	15%
Netherlands	25%
France	25%
Australia	30%

No provision for income tax in other jurisdictions was made as the Group did not have any assessable income subject to income tax in those jurisdictions during the year.

(e) 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, 2022, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred tax liability had been provided, were approximately RMB495,044,000 (2021: RMB319,548,000). 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.

6 EARNINGS PER SHARE

(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, 2022.

	Year ended December 31, 2022	Year ended December 31, 2021
Profit attributable to owners of the Company (RMB'000)	**213,781**	285,848
Weighted average number of ordinary shares outstanding	**167,294,781**	147,932,400
Basic earnings per share (in RMB)	**1.28**	1.93

For the purpose of calculating the weighted average number of ordinary shares outstanding, the number of shares shown below has taken the share subdivision on May 20, 2021 into account as the share subdivision was deemed to be effective since January 1, 2021.

(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 two categories of potential ordinary shares in the year ended December 31, 2022 which were the restricted shares and share options granted before IPO ("**the Pre-IPO Share Award Schemes II**") and the restricted shares granted after IPO ("**the Post-IPO RSU Scheme II**").

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, 2022	Year ended December 31, 2021
Profit attributable to owners of the Company (RMB'000)	**213,781**	285,848
Weighted average number of ordinary shares in issue	**167,294,781**	147,932,400
Adjustments for share options and awarded shares	**1,515,714**	11,647,500
Weighted average number of ordinary shares for diluted earnings per share	**168,810,495**	159,579,900
Diluted earnings per share (in RMB)	**1.27**	1.79

7 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, 2021							
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
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
Year ended December 31, 2022							
Opening net book amount	5,647	94,463	817	6,489	18,468	122,426	248,310
Additions	–	60,294	–	5,307	14,103	65,549	145,253
Transfers	183,078	–	–	–	1,991	(185,069)	–
Disposals	–	(1,601)	–	–	–	–	(1,601)
Depreciation	(8,224)	(20,424)	(315)	(2,508)	(13,180)	–	(44,651)
Closing net book amount	180,501	132,732	502	9,288	21,382	2,906	347,311
At December 31, 2022							
Cost	189,716	184,972	1,790	14,797	63,158	2,906	457,339
Accumulated depreciation	(9,215)	(52,240)	(1,288)	(5,509)	(41,776)	–	(110,028)
Closing net book amount	180,501	132,732	502	9,288	21,382	2,906	347,311

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

	Year ended December 31, 2022	Year ended December 31, 2021
	RMB'000	*RMB'000*
Cost of revenue	**22,522**	13,583
Selling and marketing expenses	**3,503**	565
Administrative expenses	**15,852**	8,049
Research and development expenses	**2,774**	1,674
	44,651	23,871

8 TRADE AND OTHER RECEIVABLES

	As at December 31, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
Included in current assets		
Trade receivables *(Note (a))*		
– Due from third parties	**87,848**	52,430
– Due from related parties *(Note 13 (d))*	**1,976**	1,624
	89,824	54,054
Less: allowance for impairment of trade receivables	**(27,405)**	(18,580)
	62,419	35,474
Other receivables *(Note (b))*		
– Loan to a third party (i)	**13,317**	–
– Deposits receivable	**10,572**	5,853
– Deductible input value-added tax	**514**	14,979
– Others	**1,004**	499
	25,407	21,331
Less: allowance for impairment of other receivables	**(298)**	(94)
	25,109	21,237
Prepayments for		
– Taxes	**4,009**	2,091
– Suppliers	**16,733**	19,210
	20,742	21,301
	108,270	78,012
Included in non-current assets		
Prepayments for property, plant and equipment	**15,150**	36,667

(i) The amount represented the loan to Aditek do Brasil S.A. ("**Aditek**"), a Brazilian company to be acquired by the Group in January 2023. Pursuant to the loan agreement, the loan will later be converted into part of payments for equity purchase consideration.

(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 certain 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, 2022 *RMB'000*	As at December 31, 2021 *RMB'000*
Within 60 days	**25,386**	12,127
61 to 180 days	**21,814**	6,436
181 to 365 days	**11,041**	6,345
1 to 2 years	**7,326**	9,830
2 to 3 years	**6,858**	9,551
Over 3 years	**17,399**	9,765
	89,824	54,054

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9.

Trade receivables are denominated in the following currencies.

	As at December 31, 2022 *RMB'000*	As at December 31, 2021 *RMB'000*
RMB	**87,883**	54,054
USD	**989**	–
Australian Dollar ("**AUD**")	**952**	–
	89,824	54,054

As at December 31, 2022 receivables which were subject to individual provision for bad debts were as follows:

	Gross carrying amount *RMB'000*	**Loss allowance provision** *RMB'000*	**Expected credit loss rate**	**Reason of individual provision**
Company A	4,770	(4,770)	100.00%	Trade receivables relating to customers with known financial difficulties or significant doubt on collection.
Company B	320	(320)	100.00%	
Company C	27	(27)	100.00%	
	5,117	(5,117)		

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

Other receivables are denominated in the following currencies.

	As at December 31, 2022 *RMB'000*	As at December 31, 2021 *RMB'000*
RMB	**6,749**	21,331
Brazilian Reais	**13,317**	–
USD	**4,698**	–
Others	**643**	–
	25,407	21,331

9 FINANCIAL ASSETS AT FVPL

	As at December 31, 2022 *RMB'000*	As at December 31, 2021 *RMB'000*
Wealth management products with variable return		
Balance at the beginning of the year	**–**	–
Additions *(Note a)*	**3,060,000**	300,000
Realized fair value gains recognized in profit or loss	**16,378**	1,816
Disposals	**(3,076,378)**	(301,816)
Balance at the end of the year	**–**	–
Investment in unlisted equity investment		
Balance at the beginning of the year	**–**	–
Additions *(Note b)*	**107,912**	–
Unrealized fair value gains recognized in profit or loss	**12,293**	–
Exchange gains	**1,022**	–
Balance at the end of the year	**121,227**	–

(a) During the year ended December 31, 2022, the Group subscribed several wealth management products with initial subscription price of no more than RMB200 million each, from seven commercial banks from time to time. All of the wealth management products matured during the year.

(b) On January 28, 2022 and October 28, 2022, the Company and CC Founder Holdings LLC ("**CC Founder**"), an affiliate of CareCapital Group, have entered into the Partnership Agreement and an amended partnership agreement, pursuant to which, the Company and CC Founder have agreed to jointly establish CareCapital Aligner Tech L.P. (the "**Partnership**"), a limited partnership for investment in innovative digital technologies and products in relation to orthodontic treatment around the world. CC Founder, as the sole general partner, is responsible for and control the management, operation and investment of the Partnership exclusively, including its daily operation and provision of investment management services to the Partnership. The Company, as the sole limited partner, has no power to participate in the making of significant financial and operating decisions of the Partnership. Consequently, the Group classified the investment as financial assets at FVPL.

10 TRADE AND OTHER PAYABLES

	As at December 31, 2022	As at December 31, 2021
Trade payables *(Note (a))*	**92,633**	79,550
Employee benefits payable	**125,901**	85,864
Other taxes payable	**52,180**	69,400
Payables in relation with acquisition of property, plant and equipment	**34,053**	8,259
Accrued expenses payable	**21,746**	10,370
Deposits payable	**20,509**	21,314
Advertising and promotion expenses payable	**8,835**	16,230
Professional service fees payable	**6,018**	3,154
Payables in relation with acquisition of a subsidiary	**1,342**	–
Donations payable	**–**	4,000
Others	**2,395**	1,050
	365,612	299,191

(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, 2022 *RMB'000*	As at December 31, 2021 *RMB'000*
0 to 60 days	**84,706**	65,932
61 to 180 days	**7,694**	12,914
181 to 365 days	**42**	166
Over 1 year	**191**	538
	92,633	79,550

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

	As at December 31, 2022 *RMB'000*	As at December 31, 2021 *RMB'000*
RMB	**77,810**	72,986
Others	**14,823**	6,564
	92,633	79,550

(c) **As at December 31, 2022, trade and other payables of the Group were interest-free and repayment on demand (2021: same).**

11 DIVIDENDS

The Board has recommended the payment of a special final dividend of HKD0.68 per share for the year ended December 31, 2022 which is subject to the approval by the shareholders at the annual general meeting of the Company on June 29, 2023. (2021: a special final dividend of HKD1.22 per share).

12 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, 2022 *RMB'000*	As at December 31, 2021 *RMB'000*
No later than 1 year	**185**	218

(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, 2022 *RMB'000*	As at December 31, 2021 *RMB'000*
Investment in the Partnership	**87,510**	–
Property, plant and equipment	**17,626**	100,622
Acquisition of a subsidiary	**118,062**	–
Intangible assets	**–**	987
	223,198	101,609

13 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Below is the summary of the Group's related parties during the year ended December 2022:

Name of the related party	Relationship with the Group
Shanghai Junxiao	Joint venture held by the Group (Before June 2, 2022)
CareCapital Advisors Limited	An entity controlled by CareCapital Group
Huizhou Dental Hospital	An entity controlled by CareCapital Group
Guiyang Jinxin Medical Instrument Co., Ltd. ("**Guiyang Jinxin**")	An entity controlled by CareCapital Group
Zhengzhou Smile Songbai Industrial Co., Ltd. ("**Zhengzhou Smile**")	An entity controlled by CareCapital Group
Changsha Minjian Medical Equipment Co., Ltd. ("**Changsha Minjian**")	An entity significantly influenced by CareCapital Group
Henan Red Sun Medical Instrument Co., Ltd. ("**Henan Red Sun**")	An entity controlled by CareCapital Group
Taiyuan Yishunkang Medical Device Co., Ltd. ("**Yishunkang**")	An entity controlled by CareCapital Group
Guangzhou Yilu Precision Medical Devices Co., Ltd. ("**Guangzhou Yilu**")	An entity controlled by CareCapital Group (After October 28, 2021)
Heyuan Hengxin Dental Hospital ("**Heyuan Hengxin**")	An entity controlled by CareCapital Group
Huizhou Huiyang Huikou Dental Clinic Co., Ltd. ("**Huikou Dental Clinic**")	An entity controlled by CareCapital Group
Luoyang Smile Songbai Medical Equipment Co., Ltd. ("**Luoyang Smile**")	An entity controlled by CareCapital Group
Shanghai Qirui Dental Clinic Co., Ltd. ("**Shanghai Qirui**")	An entity controlled by CareCapital Group (After December 1, 2021)
Songbai Leye Medical Equipment (Ningbo) Co., Ltd. ("**Songbai Leye**")	An entity controlled by CareCapital Group (After August 1, 2021)
Yiwu Huizhou Dental Hospital	An entity controlled by CareCapital Group
Zhenjiang Wenjie Medical Equipment Co., Ltd. ("**Zhenjiang Wenjie**")	An entity controlled by CareCapital Group
Dongguan Jianli Stomatological Hospital ("**Dongguan Jianli**")	An entity significantly influenced by CareCapital Group
Songbai Maishi (Shaanxi) Medical Instrument Co., Ltd. ("**Songbai Maishi**")	An entity controlled by CareCapital Group
Songbai Oukang (Liaoning) Medical Instrument Co., Ltd. ("**Songbai Oukang**")	An entity controlled by CareCapital Group
Shanghai Qimei Dental Clinic Co., Ltd. ("**Shanghai Qimei**")	An entity controlled by CareCapital Group

(b) Transactions with related parties

During the year ended December 31, 2022, save as disclosed elsewhere in this report, the following is a summary of the significant transactions carried out between the Group and its related parties.

	Year ended December 31, 2022	Year ended December 31, 2021
	RMB'000	*RMB'000*
Clear aligner treatment solutions		
Guangzhou Yilu	**30,372**	5,265
Zhengzhou Smile	**29,260**	24,717
Yishunkang	**5,102**	2,675
Zhenjiang Wenjie	**4,874**	173
Songbai Maishi	**1,990**	–
Guiyang Jinxin	**1,597**	2,757
Songbai leye	**1,451**	7
Luoyang Smile	**862**	55
Changsha Minjian	**663**	220
Dongguan Jianli	**454**	–
Henan Red Sun	**359**	1,560
Huizhou Dental Hospital	**93**	368
Others*	**70**	166
	77,147	37,963
Sales of intraoral scanners		
Zhengzhou Smile	**3,092**	2,468
Zhenjiang Wenjie	**1,306**	–
Guangzhou Yilu	**675**	3
Songbai Maishi	**362**	–
Yishunkang	**217**	–
Songbai leye	**49**	–
	5,701	2,471
Purchase of consulting services		
CareCapital Advisors Limited	**201**	–

* *Others represented seven related parties including Songbai Oukang, Heyuan Hengxin, Shanghai Junxiao, Shanghai Qimei, Huikou Dental Clinic, Shanghai Qirui and Yiwu Huizhou Dental Hospital.*

(c) Key management compensation

Key management comprise the Company's directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31, 2022 ***RMB'000***	Year ended December 31, 2021 *RMB'000*
Fees	**2,310**	1,173
Salaries, wages and bonuses	**14,679**	10,427
Share-based compensation expenses	**3,211**	25,529
Pension costs – defined contribution plans	**424**	331
Other social security costs, housing benefits and other employee benefits	**487**	389
	21,111	37,849

(d) Outstanding balances arising from sales of goods and services

	As at December 31, 2022 ***RMB'000***	As at December 31, 2021 *RMB'000*
Trade receivables		
Guiyang Jinxin	**962**	492
Guangzhou Yilu	**460**	459
Changsha Minjian	**338**	452
Zhenjiang Wenjie	**121**	121
Yishunkang	**95**	83
Shanghai Qirui	**–**	10
Songbai Leye	**–**	7
	1,976	1,624

As at December 31, 2022, the balances were with trade nature, unsecured, interest-free, and repayable on demand.

	As at December 31, 2022 *RMB'000*	As at December 31, 2021 *RMB'000*
Contract liabilities		
Zhengzhou Smile	**14,841**	13,404
Guangzhou Yilu	**9,965**	7,990
Yishunkang	**2,006**	903
Zhenjiang Wenjie	**1,253**	688
Guiyang Jinxin	**1,012**	1,457
Songbai Oukang	**764**	–
Henan Red Sun	**448**	857
Songbai Leye	**374**	–
Luoyang Smile	**266**	15
Songbai Maishi	**12**	–
Huizhou Dental Hospital	**11**	23
Shanghai Qimei Hospital	**5**	–
Shanghai Junxiao	**–**	59
	30,957	25,396

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

During the Reporting Period, due to the combined impacts of the COVID-19 resurgence, changes in the macroeconomic environment, alteration of consumption and other factors, the Company's total revenue remained relatively flat year-over-year at RMB1,269.7 million, of which 95.3%, 3.5%, and 1.2% were generated from the sales of clear aligner solutions, the business of intraoral scanners, and other services, respectively. Compared to the same period last year, the gross profit slipped by 5.0% to RMB785.7 million, the net profit decreased by 25.4% to RMB213.2 million, whereas the case shipments witnessed a modest growth from approximately 183,200 to approximately 183,900.

Strengthen the Product Portfolio to Provide Higher-quality Clear Aligner Products and Services for More Doctors and Patients

We have developed a comprehensive and differentiated product portfolio based on our long-term accumulation of medical principles and practice in digital orthodontics, as well as profound insights into the needs of dental professionals and patients from all market segments of China. In recent years, although the ups and downs in the macro environment and the widespread outbreak of COVID-19 exerted imperceptible impacts on doctors' decision making on products and patients' consumer mindsets, we were able to further capture the changing needs of dental professionals and patients by virtue of a comprehensive and differentiated product portfolio in combination with flexible and diversified market-expansion strategies.

To provide continuously enhanced products for adult patients, we have been continuously developing new technologies and solutions for the iterative upgrades of each product line. In 2022, we launched the A7 Speed Solution, a higher-efficiency version of our previous A7 Solution that specializes in the treatment of patients in need of extraction of premolars. The A7 Speed Solution, featuring the principle of the traditional orthodontics treatment methods, leveraging the flexibility and biomechanical force control of masterControl S, a self-adaptive polymer composite material, to significantly improve treatment efficiency with the aid of angelAttach System and Angelalign Zhimei System. A7 Speed Solution is being applied to various product lines to enable dental professionals to treat complex malocclusions more efficiently.

With a focus on prevention and interception in early-stage treatment for children, we introduced a range of functional treatment products during the Reporting Period, such as invisible tongue crib technology, tongue position orientation technology, and brand-new buccal-labial shield, offering more versatile and reliable orthodontic treatment solutions for children at primary dentition period. Besides, under the strategic cooperation with the world-renowned toy and entertainment company "Hasbro", and based on our understanding of teenagers' and children's mindset during orthodontic treatment, we have upgraded the product line for early-stage treatment. We launched the co-branded product lines and accessories for kids, namely "Angelalign x Transformers" and "Angelalign x My Little Pony". This could not only ensure excellence in product performance, but also deliver greater attractiveness and user experience, thus allowing doctors to get higher compliance from children during the treatment for a better outcome with a more pleasing approach.

Benefiting from our comprehensive and unique product portfolio, we have enabled more doctors and patients to have access to superior clear aligner products and services in our proactive expansion into the third- and fourth-tier emerging markets. In 2022, we witnessed an increasing proportion of case shipments generated from third- and fourth-tier emerging markets.

Actively Advance Digital Diagnosis and Treatment to Realize All-round Empowerment Leveraging Medical-centric Intelligent Technological Services

In the context of the accelerated digitalization of diagnosis and treatment in dentistry in the post-pandemic era, the Company has been actively pursuing the advancement in digital imaging, intelligent orthodontic service platform, intelligent diagnosis and treatment planning, and digital remote diagnosis and treatment, to progressively establish a full-cycle digital orthodontic technology and service system with doctors and patients as its core.

As the primary stage of digital diagnosis and treatment, the intraoral scanner has built a new terminal scenario for doctor-patient communication. We started to develop our intraoral scanner business in 2021 to further help dental professionals in diagnosis and treatment and greatly improve the comfort for and satisfaction of patients in treatment. The number of our cases submitted using the intraoral scanners has been consistently increasing during the Reporting Period.

Regarding intelligent service platform of digital orthodontics, iOrtho 10.0, our doctor interaction platform, was upgraded in 2022 to substantially improve doctors' operational efficiency by offering and optimizing a variety of function modules in light of doctors' needs. For instance, access permission management can maximize workflow efficiency. The upgraded cephalometric analysis function can automatically identify the image of the cervical vertebra and figure out the patient's growth stage and corresponding skeletal age through AI algorithms to provide significant reference for doctors to decide on therapies and to predict treatment outcomes. The 3D setup display and interaction interface is transformed with setup modification tools to realize individualized adjustment for doctors.

In terms of intelligent diagnosis and treatment planning, we count on our long-term accumulation of the medical knowledge of digital orthodontics and a vast number of cases, and utilize advanced AI technologies, such as deep learning, to refine the innovative intelligent approaches in our continuous exploration, so as to output more reasonable and more effective clear aligner treatment solutions for doctors. First, our A-Treat digital orthodontic treatment planning platform performs case diagnosis and analysis via data mining, artificial intelligence, and medical rules. Second, our medical technician team customizes the treatment plan in accordance with the different needs of doctors and patients. During the Reporting Period, we have been working at making the tasks of our medical technician team more modularized, standardized, and automated through intelligent technologies, further improving the efficiency in treatment planning.

In respect of digital remote diagnosis and treatment, we made an innovative initiative to unveil a novel digital remote solution of "MOOELI" for dentistry in January 2023 to optimize the digital flow from diagnosis to treatment and further to monitoring step by step. This remote solution, which comprises the MOOELI APP, MOOELI iScan, and the doctor-side program embedded in the iOrtho platform, intelligently connects patients with the clinical team and allows patients to take standard intraoral photos anytime and anywhere. Leveraging the systematic analysis offered by AI technology, doctors gain a clearer picture of the patient's orthodontic treatment progress, and are able to provide more accurate in-process monitoring and oral health care for patients. As AI technology continues to advance, MOOELI will also deliver a more favorable digital remote diagnosis and treatment experience for doctors and patients.

On top of the above-mentioned intelligent technological services, we believe that systemic medical training programs are also key in helping doctors grow professionally and gain personal influence in the field of clear aligner treatment. In 2022, we gave full play to our professional advantages in the medical and technological areas, and conducted dedicated and customized medical training sessions based on product lines and with focus on the real-life diagnosis and treatment workflows, core issues, and each function in doctor's clinical practice. In addition, our clinical education team visited doctors in person to provide doctors with face-to-face treatment planning services, and organized thousands of technical seminars online and offline throughout the year, so that doctors would better comprehend Angelalign's technical systems and medical protocols to finish cases safely and efficiently.

Continue to Reinforce Scientific Innovation in Digital Dentistry to Facilitate Orthodontic Product Transformation and to Lead Industrial Development

In 2022, through constant reinforcement of scientific innovation in digital dentistry, we have successfully developed a handful of new products and technologies to facilitate iterative upgrade of digital orthodontic products. Among product innovations, we launched an optimized buccal-labial shield in July 2022 with significantly improved resistance against stain and dust through processing technique enhancement. In October 2022, angelArm, a patented product that was jointly developed by our Company and the Ninth People's Hospital, Shanghai Jiaotong University School of Medicine, started to be formally applied in clinical practice. This active force-applied appliance featuring force indication allows doctors to individually adjust the length of the "angelArm" based on clinical conditions for precise control of the orthodontic force. As for standardization, the Company has reached a new height as a pioneer in drawing up industrial standards. The "YYT 1819 Dentistry Diaphragms for Orthodontic Aligner" (YYT 1819 牙科學正畸矯治器用膜片) jointly drafted with the Dental Medical Device Test Center of Peking University Hospital of Stomatology was officially announced by the National Medical Products Administration on May 18, 2022, marked as the first industrial standard in China's clear aligner sector. Furthermore, "Dentistry — Dental Splint Bracketless Orthodontic Aligner", a medical device industrial standard that we took the lead in drafting was reviewed and approved by the National Technical Committee on Dental Material and Instrument Standardization, which would further strengthen the standard and regulation on clear aligner products. During the Reporting Period, our R&D expenditure was RMB147.7 million, accounting for 11.6% of the revenue. Adhering to the principle to apply for innovative, quality and valuable patents, we had registered 143 patents and 16 software copyrights as of December 31, 2022.

In the area of industry-university cooperation and scientific achievements commercialization, we initiated R&D foundation dedicated to orthodontics to keep intensifying orthodontic study collaboration with prestigious Chinese institutes, including the Ninth People's Hospital, Shanghai Jiaotong University School of Medicine, Peking University Hospital of Stomatology, West China Hospital of Stomatology Sichuan University, and Hospital of Stomatology Wuhan University. In addition, in joint research with Zhejiang University, we reaped multiple harvests in the fields of artificial intelligence and intelligent medicine (dentistry). For example, an innovative AI-based approach in automatic segmentation of intra-oral scan was accepted by IEEE Transactions on Medical Imaging, a premier journal in medical imaging. A brand-new AI-based approach in measuring and solving real-world long-tail problems was accepted by European Conference on Computer Vision (ECCV), a leading conference on computer vision. An intelligent approach to enhance image semantic segmentation was accepted by the Association for the Advancement of Artificial Intelligence (AAAI), a world-class academic conference on artificial intelligence. These innovative AI-based approaches are of great significance in driving the development of digital orthodontic technology.

Reinforce Brand Awareness and Academic Influence

"Angelalign" has been standing out as the best-known and the most trust-worthy brand among clear aligner solution providers in China. In 2022, we continued to enhance brand awareness and academic influence of "Angelalign" through academic exchanges, cross-industry IP co-branding, and public welfare campaigns.

As a pioneer in propelling the development of China's clear aligner industry, the Company regularly organizes and takes part in a variety of academic conferences in the industry to establish platforms for key opinion leaders ("**KOLs**") and experts to promote sound, rapid, and standard-based industrial growth. In June 2022, we organized the 9th A-tech Annual Academic Conference in the form of live-stream for the first time, where we witnessed dozens of KOLs worldwide sharing the most innovative and cutting-edge technologies and clinical application outcomes in the digital dental industry. The conference saw a release of a series of innovative products and technical solutions, including A7 Speed Solution and iOrtho 10.0 Intelligent Service Platform of Digital Orthodontics, with more than 700,000 visits. In January 2023, we held the Angelalign Dental Digital Remote Solution Release 2023 entitled "Connection Without Boundaries" in the form of live stream again. In this event, several orthodontic experts were invited to share the latest trend in and insights into digital orthodontics, and a cutting-edge dental digital remote solution of "MOOELI" made an official debut, recording more than 130,000 visits and 110,000 interactions.

To continuously elevate "Angelalign" brand awareness in the area of teenager and child dental health, we ushered in a strategic partnership with "Hasbro", a world-renowned toy and entertainment company, pursuant to which the parties agreed on licensing two major IPs, namely "Transformers" (變形金剛) and "My Little Pony" (小馬寶莉). During the Reporting Period, we facilitated a wider awareness of the brand value of "Angelalign" and enhanced brand awareness through our co-branded promo video and the Key Vision. In July-August 2022, we secured a co-branded product placement in the movie "My Little Pony: A New Generation" on cinema screens nationwide. Meanwhile, the co-branded Key Vision were displayed in elevators, metros, bus stops, and facade screens in a number of cities for promotion, gaining a total of 500 million impressions. In September 2022, co-branded "Angelalign x Transformers" and "Angelalign x My Little Pony" light shows were illuminating the landmarks in more than 20 cities simultaneously with approximately 19 million appreciations.

When devoting to public welfare, we are convinced that the future of China's digital orthodontics lies in the cultivation of students majored in orthodontics. Since 2019, we have partnered with the China Oral Health Foundation (中國牙病防治基金會) to launch the "Yulong Project" (育龍計劃), which aims to cultivate practical and skillful orthodontic clinician and expose more orthodontists to the most advanced digital products and technologies since post-graduate life through standardized professional training, orthodontic industrial conferences, and exchanges. The "Yulong Project" made a hit in its first session with 183 post-graduate students finishing clear aligner treatment cases under the guidance of their mentors. In addition, in keeping with our commitment to children's dental health, we further accelerated the popular science dissemination and market education of children's dental health and increased the awareness of health awareness among Chinese families. The "Angel Loves Smiling" public welfare project, launched jointly with the Shanghai Adream Charitable Foundation (上海真愛夢想公益基金會) in 2021, continues to progress. In coverage of 53 schools, the project has recorded and promoted three seasons of popular science lectures about oral health, and distributed more than 2,600 oral care kits. In 2022, we further launched the "Baby Angel Smile" (天使寶貝 Smile) project jointly with the Shanghai Adream Charitable Foundation to encourage more clinics and organizations to pay attention to the oral health of children from rural areas. By the end of 2022, the "Baby Angel Smile" project had attracted the participation of hundreds of organizations.

Remain Committed to Catalyzing Digital and Intelligent Transformation of Advanced Manufacturing for Lean Production

We see long-standing commitment into intelligent manufacturing technology as key to in-depth development of "digital orthodontics". In 2022, we pursued more vigorously the digital and intelligent transformation in advanced manufacturing and achieved continuous breakthroughs in agile response, quality improvement, and cost reduction. To meet the demand for highly customized clear aligner products, we fed an integrated digital processing solution into the intelligent flexible production line to produce a complex and diverse range of products. Moreover, our flexible production line is not only equipped with the capability of large-scale manufacturing of highly customized products, but also able to dynamically adjust parameters to match between "medical science", "process technique", and "software", resulting in a more agile and efficient treatment planning and production process.

We continued to upgrade the information systems, techniques, and equipment adopted on the existing automatic production lines by leveraging intelligent and innovative technologies. To that end, in 2022, we deployed a new-generation intelligent thermal-forming polymeric sheet system for clear aligners to minimize equipment and process deviations by configuration of real-time intelligent sensing devices to control production process. In addition, we applied computer vision technology to the online quality monitoring of key manufacturing processes to improve the reliability of production processes and product quality. Additionally, with the intelligent storage system, we upgraded the existing automatic production lines using Automated Guided Vehicle (AGV), robotic arms, and other components, to improve labor efficiency. Aided by the digital extension of our manufacturing execution system (MES), we further improved the intelligent calibration of 3D printing, film pressing and labeling parameters to firmly guarantee the scale-up and high-quality delivery of customized products.

In 2022, thanks to "Advanced Process Control", Angelalign was among the laureate list of "Excellent Practices of Intelligent Manufacturing 2022" announced by the Ministry of the Industry and Information Technology of the People's Republic of China (the "MIIT"), which affirmed the Company's achievements in intelligent manufacturing and its constant pursuit of quality assurance. Meanwhile, by virtue of the "Application Model of Customized Production", Angelalign earned a spot in the "List of Innovative and Pilot Applications of Industrial Internet Platform in 2022" by the MIIT, which showed high recognition of the Company's flexible production, intelligent warehousing, on-time delivery, and high-efficiency and zero-inventory production model.

Create a Global Business Presence through Localized Development in Parallel with Investment and M&A to Accelerate Expansion into Overseas Markets

We believe that a global footprint can reduce our exposure to a single market to a large extent and instill us with stronger competitive edges, thus increasing our market shares. We have started to establish infrastructure in compliance with local regulations and market circumstances in different countries to lay a solid foundation for the sustainable development of our global business in future.

We have decided to expedite the overseas business expansion through the two-pronged approach of localized development together with investment and M&A. During the Reporting Period, we established subsidiaries in the United States, Europe, and Australia, and progressively built up teams of outstanding talent with rich experience in orthodontics and familiarity with the local market. Correspondingly, we have recruited international talent for middle-end and back-end departments in the headquarters to offer professional, timely, and effective business support to local teams abroad. In response to doctors' clinical needs and practice patterns, and patients' indications, we have optimized each system platform, and have defined and established differentiated product portfolio and medical technical service capabilities at a fast pace, thereby meeting the needs of dental professionals and patients from different countries. Additionally, on October 28th, 2022, the Company announced the acquisition of ADITEK DO BRASIL LTDA. ("**Aditek**"), a leading manufacturer of orthodontic products in Brazil, to leverage Aditek's extensive resources and channel network in the region to enable us to successfully enter the Brazilian orthodontic market and other potential emerging markets in South America.

On January 28, 2022, we established a limited partnership, CareCapital Aligner Tech L.P. with our controlling shareholder, CareCapital Group. On October 28, 2022, we agreed to increase capital in the partnership by HKD120 million to HKD220 million. Through this replenishment, we expect to take better advantage of CareCapital's resources and professional investment capability along the dental industry chain worldwide, and to further engage in the projects of advanced digital technologies and products in the global orthodontic industry chain, thus penetrating the upstream and downstream of the value chain, seeking investment opportunities in synergy with our business, and obtaining more resources and insights to fuel our global business.

We believe that by leveraging our product and technical service capabilities with the medical science as the DNA, scalable world-class manufacturing capabilities, diverse and inclusive corporate culture, and agile and flexible organizational structure, we will be well-equipped to continue to forge ahead in the global market, and enhance our competitiveness in the global orthodontic value chain.

Outlook

At present, we are faced with a vast market and immense opportunities in the global clear aligner industry, particularly in China. Looking to the future, we will need to enable dental professionals in a more precise manner to improve their higher diagnosis and treatment efficiency, as well as to keep pace with patients' demands and experience in orthodontic treatment, so that we will be able to seize the upward potential in the enormous market and remain as the market leader.

We aim to impress dental professionals and their patients with more customized products and services, more refined manufacturing capability, and more flexible supply chain. To this end, we set out the main strategies as follows to sustain our business and maintain our market leadership: (1) strengthen R&D capabilities to keep improving orthodontic solutions; (2) make our systems more intelligent and digital to increase operational efficiency; (3) optimize clinical services to enhance user experience; (4) increase production capacity and efficiency; (5) enlarge the sales network, and reinforce brand awareness and academic influence; and (6) further expand into the overseas market.

Meanwhile, there remain significant uncertainties in 2023, given the macroeconomic landscape and potential resurgence of COVID-19 in certain places. In case of another pandemic outbreak, traveling across regions would be restricted, which in turn might impact our business. As a result, it is currently impossible to accurately estimate the extent of the business disruption and the related impact on our financial results and prospects. We will continue to evaluate its impacts on our business and operation performance, as well as financial conditions. In addition, a general slowdown in the economy or an uncertain economic outlook would have an adverse effect on consumer spending habits, which could lead to, among other things, a decline in the overall number of orthodontic treatment cases or a reduction in consumer spending on discretionary or high-priced orthodontic solutions, each of which could adversely affect our results of operations. Furthermore, we may face uncertainties arising from evolving laws, regulations and government policies. We will continue to formulate response strategies in a timely manner to cope with 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 slightly decreased by 0.2% from RMB1,271.7 million in the year ended December 31, 2021 to RMB1,269.7 million in the year ended December 31, 2022. 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,			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Clear aligner treatment solutions	**1,209,582**	**95.3**	1,183,801	93.1
Others				
Other services	**15,733**	**1.2**	19,777	1.6
Sales of intraoral scanners	**44,391**	**3.5**	68,099	5.3
Total	**1,269,706**	**100.0**	1,271,677	100.0

- *Clear aligner treatment solutions.* Our revenue generated from the provision of clear aligner treatment solutions increased by 2.2% from RMB1,183.8 million in the year ended December 31, 2021 to RMB1,209.6 million in the year ended December 31, 2022, primarily due to (1) the slight increase in the case shipments from approximately 183,200 in 2021 to approximately 183,900 in 2022 amid the impact of the COVID-19 pandemic; and (2) the increase in the revenue recognized with the subsequent delivery of clear aligners for the case shipments initiated in prior periods, partially offset by a decrease in the average selling price of our clear aligners. 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 clinic for the provision of orthodontics and cosmetic dentistry services and other dental services to patients. Our revenue generated from other services decreased by 20.4% from RMB19.8 million in the year ended December 31, 2021 to RMB15.7 million in the year ended December 31, 2022, primarily because the operation of our dental clinic was temporarily affected by the regional resurgence of the COVID-19 pandemic. Following the adjustment of China's pandemic prevention strategies, our dental clinic has resumed its operation.

- *Sales of intraoral scanners*. We deem our sales of intraoral scanners business primarily as supplemental value-added services to our customers to enhance their experience in applying our clear aligner treatment solutions. Our revenue generated from sales of intraoral scanners decreased by 34.8% from RMB68.1 million in the year ended December 31, 2021 to RMB44.4 million in the year ended December 31, 2022, primarily because the operations of dental hospitals and clinics were adversely affected by the regional resurgence of the COVID-19 pandemic, and meanwhile, as compared to our relatively higher-priced imported intraoral scanners, the market demand for our relatively lower-priced domestic intraoral scanners became stronger.

Cost of revenue

Our cost of revenue increased by 8.8% from RMB445.0 million in the year ended December 31, 2021 to RMB484.0 million in the year ended December 31, 2022, primarily because after the manufacturing facilities of our Chuangmei Center (創美基地) were put into use, we incurred increased employee benefit expenses for additional personnel and depreciation and amortization cost for the new facilities.

- *Clear aligner treatment solutions*. Our cost of revenue related to the provision of clear aligner treatment solutions increased by 17.1% from RMB374.3 million in the year ended December 31, 2021 to RMB438.4 million in the year ended December 31, 2022, primarily due to the increases in (1) employee benefit expenses and (2) depreciation and amortization cost for the new manufacturing facilities in our Chuangmei Center.

- *Other services*. Our cost of revenue related to the provision of other services decreased by 7.8% from RMB14.3 million in the year ended December 31, 2021 to RMB13.2 million in the year ended December 31, 2022, primarily due to the decreases in material and operation costs as a result of the disruptions brought by the COVID-19 pandemic.

- *Sales of intraoral scanners*. Our cost of revenue related to the sales of intraoral scanners decreased by 42.6% from RMB56.4 million in the year ended December 31, 2021 to RMB32.4 million in the year ended December 31, 2022, primarily due to (1) the increased sales proportion of our relatively lower-priced domestic intraoral scanners, and (2) the rebates provided by suppliers.

Gross profit and gross profit margin

Our gross profit decreased by 5.0% from RMB826.6 million in the year ended December 31, 2021 to RMB785.7 million in the year ended December 31, 2022. The gross profit margin for the year ended December 31, 2022 was 61.9%, as compared with 65.0% for the year ended December 31, 2021. 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,			
	2022		2021	
	Gross profit	**Gross profit margin (%)**	Gross profit	Gross profit margin (%)
	(RMB in thousands, except for the percentages)			
Clear aligner treatment solutions	**771,172**	**63.8**	809,498	68.4
Others				
Other services	**2,502**	**15.9**	5,434	27.5
Sales of intraoral scanners	**12,016**	**27.1**	11,714	17.2
Total	**785,690**	**61.9**	826,646	65.0

- *Clear aligner treatment solutions*. Our gross profit margin for the provision of clear aligner treatment solutions decreased from 68.4% in the year ended December 31, 2021 to 63.8% in the year ended December 31, 2022, primarily due to (1) the decrease in the average selling price of our clear aligners, (2) the increased employee benefit expenses, and (3) the increased depreciation and amortization cost in relation to the new manufacturing facilities.

- *Other services*. Our gross profit margin for other services decreased from 27.5% in the year ended December 31, 2021 to 15.9% in the year ended December 31, 2022, primarily because the operation of our dental clinic was temporarily affected by the regional resurgence of the COVID-19 pandemic, whereas we continued to incur certain fixed costs for the dental clinic during the period.

- *Sales of intraoral scanners*. Our gross profit margin for the sales of intraoral scanners increased from 17.2% in the year ended December 31, 2021 to 27.1% in the year ended December 31, 2022, primarily due to the rebates provided by suppliers.

Selling and marketing expenses

Our selling and marketing expenses increased by 26.1% from RMB236.5 million in the year ended December 31, 2021 to RMB298.2 million in the year ended December 31, 2022, primarily due to the implementation of our business strategy to penetrate and expand into domestic emerging markets and overseas markets.

Administrative expenses

Our administrative expenses increased by 1.0% from RMB183.2 million in the year ended December 31, 2021 to RMB185.0 million in the year ended December 31, 2022, primarily due to the increase in administrative expenses incurred with our business expansion, including professional service and consulting fees and employee benefit expenses.

Research and development expenses

Our research and development expenses increased by 20.0% from RMB123.1 million in the year ended December 31, 2021 to RMB147.7 million in the year ended December 31, 2022, primarily due to the increase in employee benefit expenses in connection with our continuous R&D efforts.

Net losses of impairment on financial assets

We recorded net losses on financial assets of RMB9.0 million in the year ended December 31, 2022, as compared with net losses of impairment on financial assets of RMB0.2 million in the year ended December 31, 2021, primarily due to the increased balance of trade receivables and the individual provision of trade receivables.

Other income

We recorded other income of RMB27.1 million in the year ended December 31, 2022, as compared with RMB18.6 million in the year ended December 31, 2021, primarily due to the increase in the government grants we received.

Other gains – net

We had other gains – net of RMB38.4 million in the year ended December 31, 2022, as compared with other gains – net of RMB16.1 million in the year ended December 31, 2021, primarily due to (1) the increase in the investment return from wealth management products we purchased with our internal resources other than the proceeds from the Global Offering, and (2) the unrealized fair value gains recognized from investments in unlisted equity investment.

Finance income

Our finance income increased from RMB16.9 million in the year ended December 31, 2021 to RMB42.3 million in the year ended December 31, 2022, primarily due to the increase in the interest income on our bank deposits, which mainly included the unutilized portion of the proceeds from the Global Offering.

Finance costs

Our finance costs increased by 36.3% from RMB1.2 million in the year ended December 31, 2021 to RMB1.7 million in the year ended December 31, 2022, primarily due to the increase in the interest expense on lease liabilities.

Share of results of investments accounted for using the equity method

We had a share of loss of investment accounted for using the equity method of RMB0.2 million for the year ended December 31, 2022, 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, primarily due to the narrowed total losses of the joint ventures and associate that we invested in.

Profit before income tax

As a result of the foregoing, we recorded profit before tax of RMB251.7 million in the year ended December 31, 2022, compared to RMB332.1 million in the year ended December 31, 2021.

Income tax expenses

Our income tax expenses decreased by 17.0% from RMB46.5 million in the year ended December 31, 2021 to RMB38.6 million in the year ended December 31, 2022, primarily due to the decrease in our taxable income.

Profit for the year

As a result of the foregoing, our net profit decreased by 25.4% from RMB285.6 million in the year ended December 31, 2021 to RMB213.2 million in the year ended December 31, 2022. The net profit margin for the year ended December 31, 2022 was 16.8%, as compared with 22.5% for the year ended December 31, 2021.

Non-IFRS measures

To supplement our consolidated financial statements which are presented in accordance with the 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,	
	2022	2021
	(RMB in thousands)	
Profit for the year	**213,157**	285,572
Add:		
Income tax expenses	**38,591**	46,512
Profit before income tax	**251,748**	332,084
Add:		
Finance income – net	**(40,613)**	(15,660)
Depreciation of property, plant and equipment	**44,651**	23,871
Depreciation of right-of-use assets	**17,491**	13,194
Amortization of intangible assets	**3,083**	2,094
EBITDA	**276,360**	355,583
Add:		
Share-based payments	**19,261**	26,454
Listing expenses	**–**	35,429
Adjusted EBITDA	**295,621**	417,466
Profit for the year	**213,157**	285,572
Add:		
Share-based payments	**19,261**	26,454
Listing expenses	**–**	35,429
Adjusted net profit	**232,418**	347,455

Liquidity, capital resources and capital structure

In the year ended December 31, 2022, 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 RMB3,733.2 million as of December 31, 2021 to RMB3,870.8 million as of December 31, 2022, primarily due to the increases in inventories, trade receivables and cash and cash equivalents.

Cash and cash equivalents

Our cash and cash equivalents primarily consisted of cash at banks. Our cash and cash equivalents increased from RMB3,627.0 million as of December 31, 2021 to RMB3,649.4 million as of December 31, 2022. During the Reporting Period, our net cash generated from operating activities was negatively affected by the COVID-19 pandemic. The following table sets forth our cash flows for the years indicated.

	Year ended December 31,	
	2022	2021
	(RMB in thousands)	
Net cash generated from operating activities	**146,870**	441,713
Net cash used in investing activities	**(159,774)**	(182,050)
Net cash (used in)/generated from financing activities	**(193,612)**	2,523,244
Net (decrease)/increase in cash and cash equivalents	**(206,516)**	2,782,907
Cash and cash equivalents at beginning of the year	**3,626,983**	877,578
Exchange gain/(losses) on cash and cash equivalents	**228,909**	(33,502)
Cash and cash equivalents at the end of the year	**3,649,376**	3,626,983

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 recognized net foreign exchange gains of RMB7.1 million in the year ended December 31, 2022, as compared to net foreign exchange gains of RMB12.1 million in the year ended December 31, 2021.

In addition, in the year ended December 31, 2022, we recorded exchange differences on translation of the Company of RMB237.7 million as other comprehensive income, as compared with minus RMB29.7 million in the year ended December 31, 2021, primarily due to the exchange rate fluctuation.

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, 2022, our total capital expenditure amounted to RMB95.4 million, compared to RMB200.7 million for the year ended December 31, 2021, which consisted of the cash paid for the purchases of property, plant and equipment in connection with the construction of our Chuangmei Center and the acquisition of intangible assets.

Capital commitments

Our capital commitments primarily consisted of acquisitions of property, plant and equipment, acquisition of a subsidiary, and investment in limited partnership. The following table sets forth a summary of our capital commitments as of the dates indicated.

	As of December 31,	
	2022	2021
	(RMB in thousands)	
Property, plant and equipment	**17,626**	100,622
Intangible assets	**–**	987
Investment in limited partnership	**87,510**	–
Acquisition of a subsidiary	**118,062**	–
Total	**223,198**	101,609

Contingent liabilities

As of December 31, 2022, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus and this announcement, as of December 31, 2022, we did not have other substantial future plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

Save as disclosed in this announcement, in the year ended December 31, 2022, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments and acquisition of capital assets

On January 28, 2022 and October 28, 2022, the Company and certain affiliates of CareCapital Group entered into a partnership agreement and an amended partnership agreement, respectively, pursuant to which our Company and CareCapital Group agreed to jointly establish CareCapital Aligner Tech L.P., a limited partnership for oversea investment purpose. For details, please refer to the announcements of the Company dated January 28, 2022 and October 28, 2022, respectively.

On October 28, 2022, Angelalign Technology Pte. Ltd. ("**Angelalign SG**"), a wholly-owned subsidiary of the Company, entered into a share purchase agreement (the "**Aditek Share Purchase Agreement**") with Aditek, pursuant to which, the Company agreed to acquire 51% of the total enlarged share capital of Aditek to expand into Brazil market. For details, please refer to the voluntary announcement of the Company dated October 28, 2022. In December 2022, pursuant to the supplemental agreement to the Aditek Share Purchase Agreement, the contracted party was amended from Angelalign SG to Angelalign Brasil S.A., our wholly-owned subsidiary in Brazil. The acquisition of Aditek has completed in January 2023.

Save as disclosed in this announcement, in the year ended December 31, 2022, we did not hold any other significant investments nor made any significant acquisition of capital assets.

Charge on group's assets

As of December 31, 2022, 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, 2022, we did not have any outstanding bank loans or other borrowings. Thus, as of December 31, 2022, 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,	
	2022	2021
Profitability ratios		
Gross profit margin(1)	**61.9%**	65.0%
Net profit margin(2)	**16.8%**	22.5%
Adjusted net profit margin(3)	**18.3%**	27.3%
Liquidity ratios		
Current ratio(4)	**5.0**	5.3

(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, 2022.

OTHER INFORMATION

Use of Proceeds

The Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on June 16, 2021, 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, 2022.

	Net proceeds from the Global Offering	**Utilization up to December 31, 2022**	**Unutilized proceeds as of December 31, 2022**
		(HKD in millions)	
Funding the construction of Chuangmei Center	1,252.5	403.3	849.2
Strengthening our research and development capabilities and funding our in-house and collaborative R&D initiatives	574.4	175.7	398.7
Developing a flexible and scalable intelligent information technology system	339.0	78.8	260.2
Expanding our in-house sales team and providing sales personnel with training sessions	329.6	258.0	71.6
Funding marketing and branding activities	301.4	192.0	109.4
Optimizing medical services	194.6	118.8	75.8
Working capital and other general corporate purposes	147.5	86.3	61.2
Total	3,139.0	1,312.9	1,826.1

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 by the end of 2023. The utilization of the net proceeds has been converted from RMB into HKD at an exchange rate of RMB1.0 to HKD1.1195 prevailing on December 30, 2022.

Employees, Training and Remuneration Policies

As of December 31, 2022, we had 2,144 employees. The staff costs including Directors' emoluments and share-based payment expenses were approximately RMB541.4 million in the year ended December 31, 2022.

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.

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 training and development of the Directors.

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 has established the remuneration committee (the "**Remuneration Committee**") to review and recommend the remuneration and compensation packages of the Directors and senior management of the Company, and 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.

As required under the labor laws of PRC, HK and other jurisdictions, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. In compliance with PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans.

To incentivize our employees and promote long-term growth, we have also conditionally adopted the pre-IPO share award schemes, the post-IPO share option scheme and the post-IPO RSU scheme to provide equity incentive to our employees, directors and senior management.

We provide pre-employment and regular continuing management and technical training to our employees, which we believe are effective in equipping them with the skill set and work ethics that we require.

We believe that we have maintained 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

During the Reporting Period, other than the issuance of Shares underlying the restricted share units granted under the Post-IPO RSU Scheme, neither the Company nor its subsidiaries purchased, redeemed or sold any of the listed securities of the Company. For details, please refer to the announcement of the Company dated March 25, 2022 and the circular of the Company dated April 21, 2022.

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 and corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") under Appendix 14 of the Listing Rules as its own code of corporate governance. During the Reporting Period, the Company has complied with the applicable code provisions under the CG Code.

Compliance with the Model Code

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.

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 during the Reporting Period.

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") will be held on June 29, 2023. 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 of HKD0.68 per Share for the year ended December 31, 2022 to the Shareholders whose names appeared on the register of members of the Company on Friday, July 7, 2023, 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 around Thursday, July 27, 2023.

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, June 26, 2023 to Thursday, June 29, 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Friday, June 23, 2023.

For determining the entitlement of Shareholders to receive the special final dividend, the register of members of the Company will be closed from Wednesday, July 5, 2023 to Friday, July 7, 2023, both days inclusive, during which period no transfer of Shares will be registered. To qualify for receiving 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, July 4, 2023.

Review of Annual Results

As at 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, 2022 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, 2022. 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, 2022.

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, 2022 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, 2022 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 HKD0.68 per Share of the Company to the Shareholders for the year ended December 31, 2022. Please refer to "Special Final Dividend" section in this announcement.

On October 28, 2022, Angelalign SG, the wholly-owned subsidiary of the Company, entered into the Aditek Share Purchase Agreement with Aditek, a leading manufacturer of orthodontic products in Brazil. Pursuant to the Aditek Share Purchase Agreement, Angelalign SG agreed to, among others, acquire 51% of the total enlarged share capital of Aditek at the consideration of approximately USD19.4 million. Details of the Aditek Share Purchase Agreement are set out in the Company's voluntary announcement dated October 28, 2022. In December 2022, pursuant to the supplemental agreement to the Aditek Share Purchase Agreement, the contracting party was amended from Angelalign SG to Angelalign Brasil S.A., the wholly-owned subsidiary of Angelalign SG in Brazil. The transaction was completed in January 2023.

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 2022 ANNUAL RESULTS AND 2022 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, 2022 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 dental professionals, 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 23, 2023

As at the date of this announcement, the Board comprises Ms. LI Huamin, 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.