ANGELALIGN TECHNOLOGY INC.
時代天使科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code：6699

2022 ANNUAL REPORT

用科技创造影响世界的微笑

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. LI Huamin *(Chief Executive Officer)*
Mr. SONG Xin
Ms. DONG Li *(re-designated from independent non-executive Director with effect from April 3, 2023)*

Non-executive Directors

Mr. FENG Dai *(Chairman)*
Mr. HUANG Kun
Mr. HU Jiezhang

Independent Non-executive Directors

Mr. HAN Xiaojing
Mr. SHI Zi
Mr. ZHOU Hao *(appointed on April 11, 2023)*

Audit Committee

Mr. ZHOU Hao *(Chairman) (appointed on April 11, 2023)*
Mr. HAN Xiaojing
Mr. SHI Zi
Ms. DONG Li *(Chairwoman) (ceased to be the chairwoman with effect from April 3, 2023)*

Remuneration Committee

Mr. HAN Xiaojing *(Chairman)*
Ms. LI Huamin
Mr. HUANG Kun
Mr. SHI Zi
Mr. ZHOU Hao *(appointed on April 11, 2023)*
Ms. DONG Li *(ceased to be a member with effect from April 3, 2023)*

Nomination Committee

Mr. FENG Dai *(Chairman)*
Mr. SONG Xin
Mr. HAN Xiaojing
Mr. SHI Zi
Mr. ZHOU Hao *(appointed on April 11, 2023)*
Ms. DONG Li *(ceased to be a member with effect from April 3, 2023)*

Joint Company Secretaries

Mr. ZHU Lingbo
Ms. HO Wing Tsz Wendy

Authorized Representatives

Mr. HUANG Kun
Mr. ZHU Lingbo

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Compliance Adviser

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

Registered Office

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

The Cayman Islands Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
Boundary Hall, Cricket Square
PO Box 1093, Grand Cayman
KY1-1102 Cayman Islands

Corporate Headquarters

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No. 500 Zhengli Road
Yangpu District
Shanghai, PRC

Principal Banks

China Minsheng Bank, Shanghai Branch
China CITIC Bank, Wuxi Huishan Sub-Branch
Bank of China, Shanghai KIC Science Park Sub-Branch

Hong Kong Legal Adviser

Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F, Jardine House
1 Connaught Place, Central
Hong Kong

Principal Place of Business in Hong Kong

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Hong Kong Branch Share Registrar

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

Website

www.angelalign.com

Stock Code

6699

CHAIRMAN'S LETTER

FENG Dai
Chairman of the Board of Directors

Meeting the Changing Needs of Professionals and Patients

Dear Shareholders, Business Partners, and Colleagues,

It has been an honor to have your support over the years, especially throughout last year.

Despite facing multiple challenges from the COVID-19 pandemic, an ever-changing industry landscape, and a volatile global economy, Angelalign had a transformative year in 2022. We remained tenacious in maintaining growth and we were energized by our mission to provide the easiest tools for treating the most complex cases in the world.

In 2022, Angelalign achieved stable performance by delivering 183,900 cases and generating RMB1,270 million in revenue, with a net profit of RMB213 million, despite a challenging operating environment. Additionally, we made progress in adapting our products and business model for international growth, such as entering the exciting Brazil market through the acquisition of a leading orthodontic brand. I am extremely grateful to our hard-working management team and staff, led by our CEO, Ms. Ellen Li.

As a pioneer of clear aligners created by orthodontists, Angelalign's mission has always been to treat the most complex cases in the world with streamlined and user-friendly tools. While our mission remains unchanged during the pandemic, we recognize that customer needs have evolved, prompting us to develop new products and services to meet those needs. Going forward, our post-pandemic strategy is to focus on innovations that help dental professionals operate more efficiently.

Empowering Dental Professionals with Telemedicine Tools

During the pandemic, the pressing need for telemedicine has been emerging. In response, we launched MOOELI, an intelligent remote monitoring system that allows patients to send inner-oral photos to doctors using a user-friendly integrated scanning device, without needing to be attached to a phone. Additionally, the newly-launched iOrtho software includes an intelligent remote monitoring function that provides dental professionals with more frequent and timely guidance on patients' oral health management. This innovation fosters greater connectivity between professionals and patients while reducing the need for in-person visits to the clinic.

Addressing Pediatric Patient Needs with Early Treatment Tools

Pediatric orthodontics grew rapidly in 2022, despite prevailing economic trends in China. Parents and teenagers have become more conscious of the significance of early preventive treatment in reducing the likelihood, cost, and complexity of severe oral diseases later, leading to the emergence of a rapidly developing niche market. However, early orthodontic treatment for children and teenagers involves distinct clinical technologies as well as emotional and compliance aspects compared to adults. Therefore, we successfully introduced brand collaborations with "Transformers" and "My Little Pony" in 2022 to help children overcome their apprehension towards orthodontic treatment and make their experience more relaxed.

Expanding Aligner Access to Underserved Markets

Improving access to dental care has been a global challenge, but Angelalign is committed to pioneering innovative solutions to expand access to clear aligners. As part of this effort, we are investing in initiatives to bring clear aligners to third-tier and fourth-tier emerging markets in China. Through this initiative, we aim to raise awareness of orthodontic problems, train dental professionals, establish medical networks, and develop cost-effective products and technical support programs.

Strengthening Brand Reputation Through Quality and Timeliness

Despite the severe impact of the pandemic on supply chain and operations across various industries, Angelalign was able to maintain an average on-time delivery rate of aligners exceeding 99% throughout the year, thanks to our development of multiple contingency plans and emergency measures.

We have also enhanced our treatment design capabilities with increased software guidance and expert feedback. As a result, a growing number of our clients have been pleased with the quality of the first-time delivery of their orthodontic treatment designs, which is a critical measure of customer satisfaction and aligner quality.

In 2022, Angelalign maintained its focus on research and development, collaborating with top dental schools around the world to develop and propose industry standards for orthodontics. By December 31, 2022, we had accumulated 143 patents and 16 software copyrights, while also introducing the A7 Speed solution, iOrtho 10.0 Intelligent Service Platform of Digital Orthodontics, and the A-Tech Annual Academic Conference.

Offering Solutions for Complex Cases around the World

In 2022, global orthodontists expressed disappointment with the limited availability of aligner options for complex cases. With over 20 years of experience in successfully treating a large volume of complex cases, Angelalign responded to the international community's demands by gradually increasing our capacity to meet their needs. Over the past year, we have made steady progress in localizing our offerings to meet the unique requirements and regulations of these markets.

CareCapital, as the major shareholder, has been instrumental in advising Angelalign on international development, including the acquisition of Aditek, a leading Brazilian orthodontic brand.

Building Long-Term Corporate Value with ESG

Angelalign places a high priority on sustainable development and social responsibility. In line with this, we publishes our 2022 Environmental, Social and Governance Report which focuses on our social and environmental responsibilities. To ensure we are meeting our goals, we have worked with KPMG and Ernst & Young to evaluate and improve our internal control system, resulting in the establishment of a more robust risk management system.

To cultivate the next generation of orthodontic clinicians, we have established annual clinical training programs for orthodontic masters and doctoral students in partnership with leading foundations. We also provide orthodontic services to hundreds of professional athletes and coaches in competitive sports, sharing the transformative power of a confident smile. Additionally, we have launched programs to improve oral health awareness among children in underdeveloped areas. These social initiatives, which also include our support in the fight against the COVID-19 pandemic, are a vital part of our company's daily operations.

In 2022, we took part in China's first-ever volume-based central procurement program in orthodontics aimed at benefiting the public. Angelalign's top-quality products and services were recognized, and as a result, three of our product lines were selected, with one of our products ranked top among the most in-demand of all orthodontic products.

As a significant player in the global aligner industry, we recognize that as an industry, we have yet to fully meet the needs of the world's top orthodontists. To address this, we must become better listeners and innovators, particularly in reducing treatment cycles, especially for complex cases, and enhancing the patient experience. Despite our progress, there are still many leading orthodontists striving for better results and giving much constructive feedback. We believe we are at the beginning of a journey to meet the demands of both orthodontists and patients.

FENG Dai
Chairman of the Board of Directors

CHIEF EXECUTIVE OFFICER'S LETTER

LI Huamin (李華敏)
Founder, CEO, and Executive Director

Dear shareholders, business partners, and colleagues,

Hope this letter finds you well. This is the second annual report of Angelalign since its listing. At the time of writing, I am encouraged to see the economy and life are back on track with the special period of Covid-19 left behind us. Despite tough challenges, Angelalign having a steady run in 2022 gained stronger competitive edges over the year, setting the stage to embrace the recovery and growth of needs on clear aligner treatment in the medium and long term. On behalf of the company, I would like to extend my sincere gratitude to all our shareholders and partners for your understanding and support of Angelalign's growth and to the staff for all their hard work. My wholehearted thanks also go to the frontline healthcare professionals who spared no effort in the hospitals and practices over the past year.

The past year exposed us to the unprecedented external shocks. The complex evolution of the pandemic, enforcement of region-based centralized purchasing in orthodontics, and the changing macro-economy and consumer environment etc., resulted in enormous uncertainties, having posed deep impact on Angelalign's decision making and development in the future. Against tremendous uncertainties, we have been further upholding the principle of "Change" and "Unchange" in corporate development philosophy, so as to better accommodate an ever-changing environment, and to evolve and break new ground in a time of change.

During the reporting period, Angelalign's management and employees, with steady faith in and resolve to dentistry, sustained stable production, operation and customer services and maintained leadership on the market with 183,900 case shipments accomplished by leveraging nearly 20 years of abundant experience in digital orthodontics, agile and flexible operation strategy and strong execution. Also, with unremitting innovations to products, medical solutions, digital tools and technical protocols, we've been longing to provide comprehensive medical enablement for doctors and patients in all scenarios throughout the treatment, so that we could cement our moat against the changing market landscape and consumer habits, and take the high ground regardless of ups and downs of the industry.

Uphold the Customer-centric Value with Commitment to the Long Haul

As explained in last year's letter, Angelalign has been setting our sights on the long term. In face of the challenges, we are more determined to our strategic blueprint and development goals. Although the market environment hard to predict, we continued the positive approach to advance steadily, and upheld the value of "Customer-centric". We have sought and made breakthroughs in intelligent manufacturing, medical capability, product matrix, channel growth, and brand recognition, and have blazed a sustainable development trail underpinned by the twin drivers of medical science and intelligent technologies, turning Angelalign into a leading clear aligner treatment solution provider in China.

Commit to R&D Investment in Digital Innovation to Offer Doctors Comprehensive Enablement With Medical-oriented Intelligent Technical Services

In the course of development, we've successively defined our mission to "Bring People Confident Smiles with Technologies" with wish to lighten up the world of doctors, patients, employees, and shareholders with positive energy and smiles. Motivated by the mission, we have been unswervingly enforcing the corporate strategy to "empower dental professionals by digital technology-driven products and technological services throughout the entire clear aligner treatment process with the assurance of reliability, simplicity, efficiency and accuracy".

We are convinced that digitalization is a significant transformation and opportunity for the orthodontics industry and even the entire sector of dentistry. To harness the trend of digitization, we believe that only innovations that continuously create value for customers can stand the test of time. Therefore, targeting all scenarios from reception to diagnosis to treatment, we have established a whole package of digital orthodontic service solutions, by virtue of our unique technical capabilities built in years of inter-disciplinary practice in clinical dentistry, biomechanics, computer science, material science and intelligent manufacturing. For example, iOrtho, our open-source multi-functional service platform, is compatible with various intraoral scanners to facilitate the digital diagnosis and treatment for doctors. By integrating ME, the AI-based multimodal bio-data platform, with our medical technicians, we are able to assist doctors in the diagnosis and treatment planning process, which in turn allows for predictable, trackable, and quantifiable treatment outcomes. Leveraging our intelligent manufacturing capabilities, we have set up the production process and technique standard to customize clear aligners, thus delivering high-quality and traceable products to doctors. We have launched a product and technical solution of remote monitoring for dentistry to open up the last mile to dental digitalization, facilitate more efficient connection between doctors and patients, and shape a closed loop in orthodontic treatment.

Embrace Changes and Strengthen Operational Flexibility and Resilience to Seek Steady Business Growth

In 2022, the clear aligner business in the Chinese market struggled amid the unprecedented challenges brought by the fast-spreading Omicron variant and the pressures of an economic downturn and prudent consumer behaviors. In the fast-changing macro-environment, we not only prioritized customer value and corporate strategy, but also retained operational flexibility and resilience. With forward-looking insights, flexibly tuned strategies and quick execution, as well as refined operation and agile organization, we advanced steadily in business development:

- During the phased pandemic outbreak, without any interruption in intelligent manufacturing and supply chain, we ensured stable product supply to back normal operation. In particular, during the peak season between July and August, the Wuxi facility, facing market demand spikes, swiftly launched an emergency response plan amid the lockdown forced by the pandemic and stringently adhered to closed-loop management, resulting in zero delay of aligner deliver, and securing the treatment experience for doctors and patients.

- The post-pandemic era has promoted the digitalization of dental diagnosis and treatment. In respect of digital technical service, we launched an innovative and brand-new dental digital remote monitoring solution (hereinafter referred to as "MOOELI") in January 2023, which bridged the gap in patient remote monitoring in China's orthodontics, and optimized the digital experience ranging from diagnosis, to treatment, and to monitoring. Besides, the newly upgraded iOrtho 10.0 interaction system for doctors which coordinates with MOOELI in remote monitoring, intelligently connects patients with doctors and their team to ensure more accurate in-process monitoring and dental health care.

- Apart from external changes inflicted by the pandemic, we have noticed that facing macroeconomic and consumption changes, early-stage treatment showed more robust growth than adult patients. Thus, we decided to revamp our product portfolio and shift our focus to adapt to demographic changes. During the reporting period, for early stage treatment, with a focus on preventive and interceptive treatments, we launched functional treatment products, such as invisible tongue crib technology, tongue position orientation technology, and a new buccal-labial shield, to provide more comprehensive and reliable solutions for primary-dentition malocclusions. Meanwhile, to increase brand awareness, in the strategic partnership with "Hasbro", a world-renowned toy and entertainment company, we launched "Angelalign" x "Transformers" (變形金剛) and "Angelalign" x "My Little Pony" (小馬寶莉) co-branded child patient products and accessories. Through extensive co-brand Television Commercial and Key Vision advertising via all channels, the tentacles of "Angelalign" were spreading even wider in the sector of teenager and child dental care.

- For channel expansion, we strategically put forth more resources to the third- and fourth-tier emerging cities as early as in September 2021, so as to meet treatment requirements of patients from various market segments. By virtue of the prospective strategic blueprint designed by the management, and the strong execution of each team, we saw a progressive rise in case shipments in emerging market during the reporting period;

- In difficult times, we paid painstaking attention to refined operation. For instance, during the reporting period, we sorted out and optimized business processes with focus on customers' needs to increase human resource efficiency. Utilizing key projects, we established the mid-end architecture and enhanced cross-function project management mechanism for greater organizational synergy;

- In addition, with the centralized volume-based purchase ("centralized purchase") mechanism emerging as one of the mainstream purchasing models in public hospitals, Shaanxi province, together with other 15 provinces, issued the *Plan for the Implementation of the Joint Centralized Volume-based Purchase of Orthodontic Brackets for Provinces (Autonomous Regions and Corps) 《省際聯盟(區、兵團)口腔正畸托槽集中帶量採購工作實施方案》* on October 19, 2022, in an effort to promote the centralized purchase of high-valued medical consumables, including brackets and braceless clear aligners. We embraced this centralized purchase policy and won the bid in late December 2022 to promote the prevalence of clear aligner treatment services.

Accelerate the "Go Global" Drive and Keep Entrepreneurship Alive to Enhance the Company's Competitiveness in the Global Orthodontic Value Chain

We are firmly pressing ahead with our internationalization for which we have been devoted to enabling more doctors with our know-how and practice accumulated from the massive complex cases over a dozen of years, and to helping doctors and patient from all over the world gain access to our premium products and services. The Go Global drive is on track as one of the new growth engines in the company.

The year 2022 saw the launch of our global business, which sought to accelerate our global business presence by integrating localized development with investment and M&As. On October 28, 2022, we announced the acquisition of ADITEK DO BRASIL S.A. (formerly known as ADITEK DO BRASIL LTDA.) ("**Aditek**"), a leading orthodontic product maker from Brazil, with an expectation to enter the Brazilian orthodontics market and other potential emerging markets in South America by leveraging Aditek's rich resources and channel networks. Meanwhile, we located our subsidiaries in the USA, Europe, and Australia where we had in place infrastructure in accordance with the local laws and regulations and market environments of those countries. This helps to lay a solid foundation for the sustainable growth of our global business.

Build an Agile and Flexible Organizational Structure, and Shape a Diversified and Inclusive Corporate Culture

Over the past year, along with the progress in internationalization, business growth, and the M&A by the group, we have been working on a diversified corporate operation mechanism. This marks a new beginning for Angelalign's future growth.

We have fully realized that we need to implement our strategic target to "empower dental professionals by digital technology-driven products and technological services throughout the entire clear aligner treatment process with the assurance of reliability, simplicity, efficiency and accuracy", to make our corporate culture more inclusive, and more positive, to develop a more agile and more flexible organization, and to improve learning capability and coordination among teams and departments throughout the organization. This approach has helped us create value for our customers by putting a greater focus on customer experience and insights into customer needs.

Angelalign boasts a unique and people-oriented corporate culture, is committed to encouraging staff to uphold the corporate value of "Customer-centric, Integrity, Accountability, Cooperation, and Innovation", and emphasizes that every staff member is invested with a stake in the company's growth. In 2022, we unveiled the phase-one employee equity incentive plan after going public, which is aimed to share the company's growth and progress with employees. Going forward, we will continue to strengthen the equity incentive plan, so we can attract more global talent to foster the company's growth and long-term value.

Outlook and Acknowledgments

A stream of dynamic adjustments and innovative "changes" made to cope with market fluctuations over the past year are the embodiment of the "unchanged" faith in the global clear aligner industry, especially the low-penetration but high-growth potential Chinese market. Currently, by closely tracking future market changes, we are making predictions and adjustments dynamically to maintain operational flexibility and resilience of the company, seize the opportunity of market rebound, and enhance our core competitiveness while pursuing growth. To this end, we will continue our focus on the following actions and seek stable and sustainable progress in the course of business development:

- Continue R&D investment with focus on doctors' needs to innovate digital orthodontic solutions;

- Refine medical enablement for a better customer experience to extend the outreach of our products and technical services to wider groups;

- Upgrade intelligent manufacturing technology continuously to increase production capacity efficiency;

- Gradually facilitate China's digital orthodontics to reach out to the wider world, and

- Improve organizational capability with talent as the core in our development to realize shared growth between the company and the staff.

Based on good corporate governance, Angelalign will continue to redouble its efforts to shoulder its social responsibility while seeking measurable business performance. To contribute to society, the company will continue its commitments to the "Yulong Plan" (育龍計劃) to promote clear aligner technology and get involved in the growth of each doctor. Meanwhile, we will move forward with such public welfare programs as "Angel Loves Smiling" (天使真愛笑) and "Angelalign Baby Smile" (天使寶貝 Smile). This will accelerate the public science dissemination and education on child oral health, and increase the awareness of oral health among Chinese households.

Over the past two decades, we have been remaining true to our original aspiration facing both prosperity and adversity. Committed to the value of "Customer-centric", we will continue to forge ahead to constantly facilitate China's digital orthodontics to go global. On behalf of all my colleagues, I hereby express my sincere gratitude to all our shareholders and partners for their company in our journey. Look forward to creating even greater value for our doctors, patients, staff, and shareholders with more remarkable achievements.

LI Huamin (李華敏)
Founder, CEO, and Executive Director

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 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 page 25 of this annual report for more details.

Consolidated Statement of Profit or Loss (Selected Items)

	Year ended December 31,				
	2018	2019	2020	2021	2022
	(RMB in thousands)				
Revenue	488,483	645,898	816,528	1,271,677	**1,269,706**
Cost of revenue	(176,765)	(228,756)	(241,479)	(445,031)	**(484,016)**
Gross profit	311,718	417,142	575,049	826,646	**785,690**
Selling and marketing expenses	(81,439)	(122,645)	(148,835)	(236,516)	**(298,170)**
Administrative expenses	(107,702)	(136,544)	(154,423)	(183,185)	**(185,027)**
Research and development expenses	(50,163)	(80,905)	(93,479)	(123,094)	**(147,681)**
Net losses of impairment on financial assets	(3,684)	(2,512)	(10,148)	(245)	**(9,029)**
Other income	4,608	8,804	22,625	18,598	**27,108**
Other expenses	–	(2,000)	(6,000)	–	**–**
Other gains – net	1,933	2,851	3,096	16,070	**38,427**
Operating profit	75,271	84,191	187,885	318,274	**211,318**
Finance income	1,223	1,791	4,153	16,890	**42,289**
Finance costs	(1,354)	(1,142)	(1,154)	(1,230)	**(1,676)**
Finance income – net	(131)	649	2,999	15,660	**40,613**
Share of results of investments accounted for using the equity method	(363)	(348)	347	(1,850)	**(183)**
Profit before income tax	74,777	84,492	191,231	332,084	**251,748**
Income tax expense	(16,591)	(16,827)	(40,299)	(46,512)	**(38,591)**
Profit for the year	58,186	67,665	150,932	285,572	**213,157**
Profit attributable to					
– Owners of the Company	59,758	68,837	150,689	285,848	**213,781**
– Non-controlling interests	(1,572)	(1,172)	243	(276)	**(624)**
	58,186	67,665	150,932	285,572	**213,157**

Consolidated Statement of Financial Position (Selected Items)

	As of December 31,				
	2018	2019	2020	2021	2022
	(RMB in thousands)				
ASSETS					
Total non-current assets	99,687	197,214	206,431	407,603	**615,407**
Total current assets	372,813	655,575	1,003,708	3,733,241	**3,870,802**
Total assets	472,500	852,789	1,210,139	4,140,844	**4,486,209**
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital and share premium	—	—	486,669	3,118,030	**2,941,986**
Shares held for employee share scheme	(54,994)	(54,994)	(29,529)	(4,393)	**(1,098)**
Other reserves	240,034	307,823	(22,135)	(27,545)	**237,820**
Retained earnings	(18,530)	44,589	66,698	232,978	**428,058**
Non-controlling interests	(2,958)	(4,039)	(4,029)	(4,338)	**(4,569)**
Total equity	163,552	293,379	497,674	3,314,732	**3,602,197**
Liabilities					
Total non-current liabilities	59,792	88,337	36,747	127,643	**102,522**
Total current liabilities	249,156	471,073	675,718	698,469	**781,490**
Total liabilities	308,948	559,410	712,465	826,112	**884,012**
Total equity and liabilities	472,500	852,789	1,210,139	4,140,844	**4,486,209**

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 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, 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 annual report 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.

The Company confirms that during the Reporting Period, at the time of our subscription of wealth management product from each bank, the sum of the acquisition costs of (i) wealth management products to be acquired from such bank and (ii) wealth management products which were acquired from such bank which remain outstanding at the time of such subscription was no more than RMB200 million, and none of the respective ratios as calculated pursuant to Chapter 14 of the Listing Rules and related Frequently Asked Questions exceeded 5%.

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 annual report, 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 annual report, 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 SG 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 annual report, 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.

Directors

Executive directors and non-executive directors

Mr. FENG Dai (馮岱), aged 47, is our chairman of the Board and a non-executive Director, appointed in November 2018, and is primarily responsible for overall strategy planning, corporate governance and business direction of our Group. Mr. Feng has been appointed as the chairman of the Nomination Committee, effective from June 16, 2021. Mr. Feng joined our Group in May 2012. Currently, he also serves as chairman of certain of our subsidiaries, including Wuxi EA and Angelalign SG.

Mr. Feng is the co-founder and a managing director of CareCapital Advisors Limited (松柏投資管理(香港)有限公司), a global healthcare investment and operating group with oral care as a primary focus, since March 2015. He also serves as directors in the portfolio companies of CareCapital, including a director of Carestream Dental LLC, a leading global company in dental x-ray business, a director of Huikou Dental Hospital Group (惠州市口腔醫院有限公司), a leading regional dental hospital group based out of China, a director of the controlling shareholder of Neoss Limited, a leading dental implant company based out of UK and Sweden, and Co-Chairman of International Orthodontics Foundation Limited (國際正畸基金會), a not-for-profit organization devoted to improving orthodontic care worldwide. Mr. Feng also serves as an independent director of Wuxi Apptec. (無錫藥明康德新藥開發股份有限公司), a CRO company listed on the Stock Exchange (stock code: 02359) and the Shanghai Stock Exchange (stock code: 603259), since December 2018, and an independent director of Sling Group Holdings Limited (森浩集團股份有限公司), a company listed on the Stock Exchange (stock code: 08285), since December 2017. He has been the director of The Forsyth Institute (福賽斯牙科研究院) since February 2018. From April 2004 to December 2014, he served various positions, including associate, principal and managing director at Warburg Pincus Asia LLC, a leading global private equity firm.

Mr. Feng graduated from Harvard University (哈佛大學) with a bachelor's degree in engineering sciences in June 1997.

Ms. LI Huamin (李華敏), aged 50, is our executive Director and chief executive officer, and is primarily responsible for the overall strategy planning, corporate governance, business direction, and business management of our Group. Ms. Li has been appointed as a member of the Remuneration Committee, effective from June 16, 2021. Ms. Li together with a group of dental professionals and scientists co-founded our Group in 2003 and was appointed as an executive Director in November 2018. Ms. Li has also served as a director or general manager of certain of our subsidiaries, including Wuxi EA, Shanghai EA Medical Instruments Co., Ltd. (上海時代天使醫療器械有限公司) and Angelalign SG.

Ms. Li is a member of the National Technical Committee on Dental Materials and Devices of Standardization Administration of China (全國口腔材料和器械設備標準化技術委員會) (SAC/TC99). She has also been a director of China Oral Health Foundation (中國牙病防治基金會) since 2013, and was appointed as a member of the Fourth Subcommittee of Stomatological Devices of Chinese Stomatological Association (中華口腔醫學會第四屆口腔醫學設備器材分會) in 2020.

Ms. Li graduated from Nankai University (南開大學) with a bachelor's degree in auditing in June 1995, and obtained an MBA degree from Shanghai Jiao Tong University (上海交通大學) in June 2000.

Mr. HUANG Kun (黃琨), aged 40, is our non-executive Director, appointed in November 2018, and is primarily responsible for the overall strategy planning, corporate governance and business direction of our Group. Mr. Huang has been appointed as a member of the Remuneration Committee, effective from June 16, 2021. Mr. Huang joined our Group in January 2015. Currently, he also serves as a director of certain of our subsidiaries, including Wuxi EA and Angelalign SG.

Mr. Huang joined CareCapital Advisors Limited (松柏投資管理(香港)有限公司), a global healthcare investment and operating group with oral care as a primary focus, in April 2015, and is the co-founder and managing director. Mr. Huang currently also serves as directors in the portfolio companies of CareCapital, including the Chairman of Shanghai CareCapital Dental Devices Co., Ltd. (上海松佰牙科器械有限公司), a leading distribution group of dental products based out of China, a director of Purgo Biologics Inc., a leading company in dental bone regeneration products based out of South Korea, a director of Szechuan New Huaguang Medical Technology Limited (四川新華光醫療科技有限公司), a leading distributor of dental products based out of China, and Co-Chairman of International Orthodontics Foundation Limited (國際正畸基金會), a not-for-profit organization devoted to improving orthodontic care worldwide. Prior to that, Mr. Huang served as a vice president at Beijing Warburg Pincus Consulting Co., Ltd. (北京華平投資諮詢有限公司) from July 2011 to March 2015. Mr. Huang also served as a senior investment manager during his work at Orchid Asia Investment Consulting (Shanghai) Co., Ltd. (蘭馨投資諮詢(上海)有限公司) from June 2007 to June 2011.

Mr. Huang graduated from Tsinghua University (清華大學) with a bachelor's degree in finance in July 2005.

Mr. HU Jiezhang (胡杰章), aged 48, is our non-executive Director, and is primarily responsible for the overall strategy planning, corporate governance and business direction of our Group. Mr. Hu joined our Group since and was appointed as a non-executive Director in December 2020. Currently, he also serves as a director of certain of our subsidiaries, including Wuxi EA and Australian Angelalign SG.

Mr. Hu currently serves as a managing director of CareCapital Advisors Limited (松柏投資管理(香港)有限公司), a global healthcare investment and operating group with oral care as a primary focus, since January 2018, and as a director and the chief executive officer of Shanghai CareCapital Dental Devices Co., Ltd. (上海松佰牙科器械有限公司), a leading distribution group of dental products based out of China, since March 2020. Prior to that, Mr. Hu was a vice president at Zoom Commerce Ltd. (廣州市尊網商通信息科技有限公司) from June 2016 to January 2018. Mr. Hu also served as a vice president at Beyondsoft Corporation (博彥科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002649), from December 2012 to May 2016. Mr. Hu also worked for several other companies, including served as a vice president at Achievo Information Technology (Shenzhen) Co., Ltd. (大展信息科技(深圳)有限公司) from May 2007 to November 2012, as a general manager at Guangzhou Jie'ao Computer Technology Co., Ltd. (廣州市傑傲計算機科技有限公司) from February 2003 to April 2007, as a technical director at Zoom Commerce Ltd. (廣州市尊網商通信息科技有限公司) from November 1999 to January 2003.

Mr. Hu graduated from Nanjing University (南京大學) with a bachelor's degree in applied physics in July 1995.

Mr. SONG Xin (宋鑫), aged 36, is our executive Director and chief commercial officer, and is primarily responsible for the overall strategy planning, corporate governance, business direction, and sales management of our Group. Mr. Song has been appointed as a member of the Nomination Committee, effective from June 16, 2021. Mr. Song joined our Group in August 2011, and has served as the chief commercial officer since February 2018 and an executive Director since April 2021. Mr. Song has also served as a director in certain of our subsidiaries, including Wuxi EA, Shanghai EA Medical Instruments Co., Ltd. (上海時代天使醫療器械有限公司) and Angelalign SG.

Prior to joining our Group, Mr. Song had served as a regional manager at Guizhou Tongjitang Pharmaceutical Co., Ltd. (貴州同濟堂製藥有限公司) from March 2009 to July 2011.

Mr. Song graduated from Henan University of Technology (河南工業大學) with his bachelor's degree in bio-technology in July 2008, and is currently pursuing an EMBA degree at Fudan University (復旦大學).

Ms. DONG Li (董莉), aged 52, is our executive Director and chief financial officer. Ms. Dong leads the finance organization of the Group and is responsible for all aspects of the Group's financial operations including accounting, financial planning, reporting and analysis, business decision support, tax, internal control, treasury, and investor relations. Ms. Dong has been appointed as our executive Director and chief financial officer since April 2023. From June 2021 to April 2023, she served as our independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee.

Ms. Dong has been an independent non-executive director at Yixin Group Limited, a company listed on the Stock Exchange (stock code: 2858), since November 2017. She was also an independent non-executive director of 58.com Inc., a company previously listed on the New York Stock Exchange (ticker: WUBA), from April 2020 to September 2020. Prior to that, Ms. Dong served as a chief financial officer at RDA Microelectronics, Inc., a company previously listed on NASDAQ (ticker: RDA), from November 2007 to July 2015, and was appointed as its executive director from January 2014 to July 2015. Ms. Dong worked for Hewlett-Packard in China since 1992, and was the Finance Operations Manager of Hewlett-Packard Technology (Shanghai) Co., Ltd. when she left in 2005.

Ms. Dong graduated from Nanjing University of Science and Technology (南京理工大學) with a bachelor's degree in economics in July 1992. She further obtained an MBA degree from China Europe International Business School in April 2004. She is an accountant recognized by the Ministry of Finance of the People's Republic of China in October 1994.

Independent non-executive directors

Mr. HAN Xiaojing (韓小京), aged 68, is our independent non-executive Director, and is primarily responsible for supervising and providing independent opinion to our Board. Mr. Han has been appointed as our independent non-executive Director since May 2021. Mr. Han has been appointed as the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee, respectively, effective from June 16, 2021.

Mr. Han is the founding partner of Commerce & Finance Law Offices (北京市通商律師事務所) and has been an attorney there since May 1992. Mr. Han is admitted to practicing law in the PRC and has more than 30 years of experience in the legal profession. Mr. Han has also been an independent non-executive director at Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a real estate company listed on the Stock Exchange (stock code: 3377), Far East Horizon Limited (遠東宏信有限公司), a company listed on the Stock Exchange (stock code: 3360) and Vital Mobile Holdings Limited (維太創科控股有限公司), a company listed on the Stock Exchange (stock code: 6133), since June 2007, March 2011 and June 2019, respectively. He has also served as a supervisor at Ping An Bank Company Limited (平安銀行股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000001), since October 2020 and served as one of its independent directors from February 2014 to October 2020. Prior to that, he served as an independent director of Beijing Sanju Environmental Protection & New Materials Company Limited (北京三聚環保新材料股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300072), from April 2014 to September 2020, and as an outside director of China National Aviation Fuel Group Limited (中國航空油料集團有限公司), a Chinese state-owned enterprise in 2016 Fortune Global 500 list, since December 2017.

Mr. Han graduated from Hubei Finance College (湖北財經學院) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) with a bachelor's degree in law in July 1982. He further obtained a master's degree in law from China University of Political Science and Law (中國政法大學) in July 1985.

Mr. SHI Zi (石子), aged 53, is our independent non-executive Director, and is primarily responsible for supervising and providing independent opinion to our Board. Mr. Shi has been appointed as our independent non-executive Director since May 2021. Mr. Shi has been appointed as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee, respectively, effective from June 16, 2021.

Mr. Shi has been the executive director and general manager of Shenzhen Qianhai E-Cloud Technology Company Limited (深圳市前海逸雲科技有限公司) since January 2015. He also worked as a senior partner at Junsan Capital Management Company Limited (君盛投資管理有限公司) from September 2009 to September 2014 and a vice president of the group at SF Express (Group) Company Limited (順豐速運(集團)有限公司) from July 2007 to November 2009. Prior to that, Mr. Shi served as the director of the information technology department and the director of factory affairs at Hitachi Global Storage Technologies (Shenzhen) Company Limited (日立環球存儲科技(深圳)有限公司) (formerly known as Shenzhen IBM Technology Products Company Limited (深圳國際商業機器技術產品有限公司)) from January 1999 to July 2007.

Mr. Shi graduated from Tsinghua University (清華大學) with a bachelor's degree in electrical engineering in July 1993. He further obtained a master's degree in business administration from Tsinghua Shenzhen International Graduate School (清華大學深圳研究生院) in July 2006.

Mr. ZHOU Hao (周浩), aged 46, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee of our Company with effect from April 11, 2023.

Mr. Zhou has also served as an independent non-executive director of Meitu, Inc., a company listed on the Stock Exchange (stock code: 1357) since November 2016 and an independent non-executive director of Bairong Inc., a company listed on the Stock Exchange (stock code: 6608) since March 2021. From June 2011 to September 2019, Mr. Zhou was the chief financial officer of 58.com Inc., (NYSE: WUBA), a company that operates online marketplace serving local merchants and consumers in the PRC, and was subsequently re-designated as the head of international business in September 2019 and the chief strategic officer in April 2020. In November 2020, he was re-designated as the chief strategy officer of Anjuke (安居客), the housing subsidiary of 58.com Inc. and served the role until March 2023. Prior to that, in September 2010, Mr. Zhou joined CITIC Pharmaceutical Co Ltd. (中信醫藥實業有限公司), a pharmaceutical service provider that supplies medicine and related consumables to hospitals as the chief financial officer. From May 2009 to September 2010, Mr. Zhou was the vice president of finance and the chief financial officer at Wuxi PharmaTech (Cayman) Inc., (NYSE: WX). Before then, in January 2007, Mr. Zhou joined General Electric (China) Co., Ltd. (通用電氣(中國)有限公司) as a financial manager.

Mr. Zhou received his bachelor's degree from Shanghai International Studies University (上海外國語大學) in July 1998.

Senior Management

Ms. LI Huamin (李華敏), aged 50, is our executive Director and chief executive officer. Please refer to "Directors and Senior Management – Directors" for her biographical details.

Mr. TIAN Jie (田杰), aged 58, is our chief medical officer, and is primarily responsible for the overall medical matters of our Group. Mr. Tian joined our Group in January 2007 as our medical director. Mr. Tian has also served as senior management in certain of our subsidiaries, including Beijing EA Bio-tech Co., Ltd. (北京時代天使生物科技有限公司), Wuxi EA and Shanghai EA Medical Instruments Co., Ltd. (上海時代天使醫療器械有限公司).

Prior to joining our Group, Mr. Tian served as dentist and associate chief physician in the department of stomatology in No. 210 Hospital of People's Liberation Army (解放軍第 210 醫院) from July 1997 to March 2006. Mr. Tian also served as a dentist at The Fourth Military Medical University Stomatological Hospital (第四軍醫大學口腔醫院) from July 1989 to July 1997.

Mr. Tian received his bachelor's degree in stomatology from The Fourth Military Medical University (第四軍醫大學) in September 1989, where he also received his doctorate degree in orthodontics in August 1997. He received his professional qualification certificate for associate chief physician in December 2001, granted by the political department of Shenyang Military Region of the People's Liberation Army (中國人民解放軍瀋陽軍區政治部).

Mr. SONG Xin (宋鑫), aged 36, is our executive Director and chief commercial officer. Please refer to "Directors and Senior Management – Directors" for his biographical details.

Ms. DONG Li (董莉), aged 52, is our executive Director and chief financial officer. Please refer to "Directors and Senior Management – Directors" for her biographical details.

Mr. ZHU Lingbo (朱凌波), aged 39, is our senior vice president, board secretary and a joint company secretary, and is primarily responsible for financing, investment and M&A, portfolio management, international business development, investor relations, capital market activities and corporate governance related matters of our Group. Mr. Zhu joined our Group in October 2020, and has been our senior vice president and board secretary since then. Mr. Zhu has also served as senior vice president and board secretary of Wuxi EA since October 2020, and a director of Aditek, a leading manufacturer of orthodontic products in Brazil since January 2023 .

Mr. Zhu has more than 13 years of experience in corporate finance and capital market practices. Prior to joining our Group, Mr. Zhu worked as an investment banker, serving as a vice president or executive director at J.P. Morgan Securities (China) in Shanghai from July 2019 to October 2020 and at Goldman Sachs Gao Hua Securities in Beijing from July 2013 to July 2019. Prior to that, he worked as an investment analyst in Corporate Planning & Strategic Investment department at Sun Hung Kai Properties (Shanghai) in Shanghai from June 2009 to June 2011. Mr. Zhu also worked at KPMG Huazhen (Special General Partnership) in Shanghai from August 2006 to April 2008.

Mr. Zhu graduated from Fudan University (復旦大學) with a bachelor's degree in management in July 2006, and obtained an MBA degree from Kellogg School of Management at Northwestern University in June 2013. He was recognized as a Chartered Financial Analyst by CFA Institute in September 2010 and was also accredited as a non-practicing certified public accountant by the Chinese Institute of Certified Public Accountants in December 2010.

Joint Company Secretaries

Mr. ZHU Lingbo (朱凌波) is our senior vice president, board secretary and a joint company secretary. Please refer to "Directors and Senior Management – Senior Management" for his biographical details.

Ms. HO Wing Tsz Wendy (何詠紫) was appointed as a joint company secretary of our Company in September 2021. Ms. Ho is currently an executive director of Corporate Services of Tricor Services Limited, Asia's leading Business Expansion Specialist. Ms. Ho has been providing corporate secretarial and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Ho has over 25 years of experience in the corporate secretarial and compliance service field. Ms. Ho is currently acting as the company secretary or joint company secretary of a few listed companies on the Stock Exchange. Ms. Ho is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

The Board is pleased to present this Directors' Report together with the consolidated financial statements of the Group for the year ended December 31, 2022.

Principal Activities

The Company was incorporated in the Cayman Islands on November 29, 2018, as an exempted company with limited liability under the Cayman Companies Act. The Company is an investment holding company. The Group is a global service provider of clear aligner technology, with its operations substantially conducted through its subsidiaries in China, Australia, Europe and other countries and regions. The Company was listed on the Main Board of the Stock Exchange on June 16, 2021 with stock code 6699.

The activities and particulars of the Company's principal subsidiaries are set out in Note 36 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year ended December 31, 2022 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 5 to the consolidated financial statements. There were no significant changes in the nature of the Company's principal activities during the Reporting Period.

Business Review and Results and Future Development

A review of the business of the Group during the Reporting Period is provided in the section headed "Management Discussion and Analysis – Business Overview" of this annual report. An analysis of the Group's performance during the Reporting Period is provided in the section headed "Management Discussion and Analysis – Financial Review" of this annual report.

The results of the Group for the Reporting Period are set out in the consolidated financial statements in this annual report.

The future development in the Company's business is provided in the sections headed "Management Discussion and Analysis – Business Overview" and "Management Discussion and Analysis – Outlook" of this annual report.

Principal Risks and Uncertainties Facing the Group

We are subject to market risks brought by, among others, uncertainties of the economic outlook, evolving regulations and policies. Please refer to the section headed "Management Discussion and Analysis – Outlook" for more information.

Major Customers and Suppliers

For the Reporting Period,

(i) the Group's largest supplier accounted for 15.66% (2021: 17.8%) of its total purchases, and the five largest suppliers accounted for 41.53% of its total purchases (2021: 61.4%); and

(ii) the Group's largest customer accounted for 3.4% (2021: 3.6%) of its total sales, and the five largest customers accounted for 14.2% of its total sales (2021: 13.4%).

Save as two of our five largest customers, each of which is an entity controlled by CareCapital Group, none of the Directors or any of their close associates or any Shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers for 2022.

Key Relationships with its Employees, Customers and Suppliers

For details of relationship with the employees, customers and suppliers, please refer to "Major Customers and Suppliers," "Employees, Training and Remuneration Policies" and the "Environmental, Social and Governance Report" in this annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 12 to the consolidated financial statements.

Share Capital

On March 25, 2022 and May 27, 2022, the Company issued and allotted 403,467 shares and 25,642 shares as a result of grants of certain awards to our employees, respectively, to Cultivate Happiness Limited, an entity held by a trustee entrusted by the Group for the purpose of the Post-IPO RSU Scheme. Cultivate Happiness Limited shall abstain from voting unless as otherwise required by applicable laws and regulations.

Details of movements in the share capital of the Company during the Reporting Period are set out in Note 21 to the consolidated financial statements.

Debentures

The Company did not issue any debentures during the Reporting Period.

Distributable Reserves

The Company's reserves available for distribution to its Shareholders as of December 31, 2022 amounted to RMB2,941.9 million. Movement in the Company's reserves for the year ended December 31, 2022 are set out in Note 37 to the consolidated financial statements of the Group included in this annual report.

Bank and Other Borrowings

As of December 31, 2022, the Group had not recorded any bank and other interest bearing borrowings.

Equity-Linked Agreements

Save as disclosed in the section headed "Share Award Schemes" below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

Directors and Senior Management

The Directors and senior management during the Reporting Period and up to the date of this Directors' Report were:

Executive Directors

Ms. LI Huamin *(Chief Executive Officer)*
Mr. SONG Xin
Ms. DONG Li[1]

Non-executive Directors

Mr. FENG Dai *(Chairman of the Board)*
Mr. HUANG Kun
Mr. HU Jiezhang

Independent Non-executive Directors

Mr. HAN Xiaojing
Mr. SHI Zi
Mr. ZHOU Hao[2]

Senior Management

Ms. LI Huamin
Mr. TIAN Jie
Mr. SONG Xin
Ms. DONG Li[1]
Mr. ZHU Lingbo

(1) Ms. DONG Li has been re-designated from an independent non-executive Director to an executive Director and has been appointed as the chief financial officer of the Company with effective from April 3, 2023.
(2) Mr. ZHOU Hao has been appointed as an independent non-executive Director with effective from April 11, 2023.

Biographical details of Directors and senior management are set out in the section headed "Directors and Senior Management" of this annual report.

From the date of the Company's 2022 interim report on September 15, 2022 to the date of this annual report, save as disclosed in this annual report, there was no changes to information which are required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Directors' Service Contracts

Each of Ms. LI Huamin and Mr. SONG Xin, being our executive Directors, has entered into a service contract with our Company on May 20, 2021. Ms. DONG Li has entered into a service contract with our Company with effect from April 3, 2023. The service contracts with each of the executive Directors are for an initial term of three years commencing from the date of such appointment. We have issued letters of appointment to each of our non-executive Directors and two of our independent non-executive Directors with effect from May 20, 2021 and we have issued the letter of appointment to Mr. ZHOU Hao, our independent non-executive Director with effect from April 11, 2023. The letters of appointment with each of our non-executive Directors and independent non-executive Directors are for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of the Directors has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interest in Competing Business

Save as disclosed in the section headed "Relationship with our Controlling Shareholders – Non-competition Undertaking" in the Prospectus, none of the Directors were interested in any business which competes or is likely to compete with the businesses of the Group during the Reporting Period.

Significant Contracts

Save as disclosed in Note 34 to the consolidated financial statements of the Group included in this annual report, none of the Directors or their respective connected entities (as defined in the Listing Rules) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group subsisting during or at the end of the Reporting Period to which the Company or any of its subsidiaries was a party.

During the Reporting Period, save as disclosed in the section headed "Report of the Directors – Connected Transactions" and the section headed "Management Discussion and Analysis – Financial Review – Significant investments and acquisition of capital assets" of this annual report, the Group has not entered into any contract of significance with the controlling shareholders of the Company or any of their respective subsidiaries.

Connected Transactions

Among the related party transactions disclosed in Note 34 to the consolidated financial statements, during the Reporting Period, the following transactions constitute connected transactions for the Company as defined under the Chapter 14A of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules.

The Company confirmed that for the related party transactions falling under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules, it had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Continuing connected transactions

The following transactions constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules.

Clear Aligners Purchase and Sales Framework Agreement

In May 2021, Wuxi EA and CC Dental entered into a clear aligners purchase and sales framework agreement (the "**Clear Aligners Purchase and Sales Framework Agreement**"), pursuant to which, we agree to grant to CC Dental Group rights to sell our clear aligners and related services in regions in China as agreed between CC Dental Group and us from time to time, and CC Dental Group agrees to purchase from us and sell to third parties our clear aligners and related services accordingly. The Clear Aligners Purchase and Sales Framework Agreement has a term commencing from the date of signing to December 31, 2023. Please refer to "Connected Transactions" section in the Prospectus, the announcements of the Company dated October 21, 2021 and March 24, 2022, respectively, and the circular of the Company dated April 21, 2022 for details.

Fees charged by us for purchases of our clear aligners and related services shall be primarily determined based on the general guide on sales price of such goods as provided by us from time to time to the distributors (including independent distributors), with certain adjustments determined from time to time by the parties on an arm's length basis with reference to the sales volume and historical performance. We generally determine the general guide sales price of its clear aligner treatment products to distributors (including independent distributors) on an annual basis, mainly taking into account the estimated gross profit of its products and services for such year and the estimated market demand in such year. Based on the general guide, we adjust the sales price to distributors (including independent distributors) with reference to their coverage regions, type of their end customers, market positions, sales volume and historical performance. The pricing policy for the transactions between CC Dental Group and us is subject to the same pricing policy provided by us to other independent distributors. We generally determine, on annual basis, the sales price with the CC Dental Group based on arm's length negotiation after taking into account of primarily (i) the general guide sales price we provided to our purchasers (including independent purchasers) for the corresponding year; (ii) the total sales volume it agreed to purchase from us; (iii) the length of business relationship with such respective purchasers; (iv) the industry position and sales capacity of such respective purchasers; and (v) the discount range we generally provide to our purchasers. We generally settle payment directly with CC Dental Group for the goods purchase price and CC Dental Group is generally pay us on a monthly basis. Specific price and payment will be made according to the respective clear aligner purchase and sales contracts as further entered into between CC Dental Group and us under the Clear Aligners Purchase and Sales Framework Agreement, which shall generally be in line with the term and conditions we provide to a similar independent distributor.

In light of the rapid business growth of the Group, the annual caps for the transactions under the Clear Aligners Purchase and Sales Framework Agreement was revised to RMB40.0 million, RMB150.0 million and RMB210.0 million for the year of 2021, 2022 and 2023, respectively.

CC Dental Group is controlled by CareCapital Group, the controlling shareholder of the Company. Mr. FENG Dai, the chairman and a non-executive Director of the Company, is the ultimate controlling person of CareCapital Group. Accordingly, CC Dental Group is a connected person of the Company under Rule 14A.07 of the Listing Rules and the transactions with CC Dental Group constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The 2022 annual cap under the Clear Aligners Purchase and Sales Framework Agreement is RMB150.0 million. The actual aggregate transaction amount incurred in accordance with the Clear Aligners Purchase and Sales Framework Agreement for the year ended December 31, 2022 was RMB82.3 million.

Intraoral Scanner Purchase and Sales Framework Agreement

In May 2021, Wuxi EA and CC Dental entered into an intraoral scanner purchase and sales framework agreement (the "***Intraoral Scanner Purchase and Sales Framework Agreement***"), pursuant to which, CC Dental agrees to grant to us exclusive right to sell certain intraoral scanners manufactured by a subsidiary of CC Dental in China, and we agree to purchase from them and sell to third parties such intraoral scanners in China. The Intraoral Scanner Purchase and Sales Framework Agreement has a term of commencing from the date of signing to December 31, 2023. Please refer to "Connected Transactions" section in the Prospectus for details.

Fees charged for our purchase of intraoral scanners shall be primarily determined based on the general guide on the sales price of the goods as provided by the seller from time to time to the purchasers of such goods (including independent purchasers), with certain adjustment determined from time to time by the parties on an arm's length basis with reference to the market prices of such goods. We and the CC Dental Group determine, on annual basis, the sales price provided to us based on arm's length negotiation taking into account of primarily (i) the guide sales price for the types of scanners it provided to its purchasers (including independent purchasers) for the corresponding year; (ii) the total sales volume we agreed to purchase; (iii) our sales capacity and industry-leading position; and (iv) its policies on provision of sales price discounts. We generally order delivery of products after contracting with our customers and settle payment directly with CC Dental Group for the goods purchase price and pay each order by installments. The CC Dental Group agrees to provide product quality insurance in certain period after delivery of the products to us. Specific price, payment and insurance policy will be made according to the respective intraoral scanner purchase and sales contracts as further entered into between CC Dental Group and us pursuant to the Intraoral Scanner Purchase and Sales Framework Agreement.

CC Dental Group is controlled by CareCapital Group, the controlling shareholder of the Company. Mr. FENG Dai, the chairman and a non-executive Director of the Company, is the ultimate controlling person of CareCapital Group. Accordingly, CC Dental Group is a connected person of the Company under Rule 14A.07 of the Listing Rules and the transactions with CC Dental Group constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Our Directors estimate that the annual caps for the transactions under the Intraoral Scanner Purchase and Sales Framework Agreement for the year of 2021, 2022 and 2023 shall be RMB13.2 million, RMB13.2 million and RMB19.8 million, respectively.

Our Directors estimate that the total fees to be paid by our Group to CC Dental Group for purchases of products will not exceed RMB13.2 million for the year ended December 31, 2022. The actual transaction amount incurred in accordance with the Intraoral Scanner Purchase and Sales Framework Agreement for the year ended December 31, 2022 was nil.

Annual review by independent non-executive Directors and the auditor

The independent non-executive Directors have reviewed the continuing connected transactions mentioned above pursuant to Rule 14A.55 of the Listing Rules and confirmed that the aforesaid continuing connected transactions:

(i) were entered into in the ordinary and usual course of business of the Group;

(ii) were on normal commercial terms or better to the Group; and

(iii) were in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company has been engaged to report on the continuing connected transactions of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. The Company has provided a copy of the auditor's letter to the Stock Exchange. In respect of the aforesaid continuing connected transactions, the auditor of the Company has confirmed that:

(i) nothing has come to their attention that cause them to believe that the aforesaid continuing connected transactions have not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that such transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to their attention that causes them to believe that the aforesaid continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the aforesaid continuing connected transactions; and

(iv) with respect to the aggregate transaction amount of each of the aforesaid continuing connected transactions, nothing has come to their attention that causes them to believe that such actual transaction amounts have exceeded the relevant annual caps.

Internal control measures

The Company has adopted the following internal control and corporate governance measures to closely monitor connected transactions and ensure future compliance with the Listing Rules:

(i) the Company has adopted and implemented a management system on connected transactions and the Board and various internal departments of the Company are responsible for the control and daily management in respect of the continuing connected transactions;

(ii) the Board and various internal departments of the Company are jointly responsible for evaluating the terms of the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;

(iii) the Board and the finance department of the Company are regularly monitoring the connected transactions and the management of the Company will regularly review the pricing policies to ensure the connected transactions to be performed in accordance with the relevant agreements;

(iv) the Company has engaged external independent auditor which will, and the independent non-executive Directors also will, conduct annual review on the connected transactions to ensure that the transactions contemplated thereunder have been conducted pursuant to the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements; and

(v) the Company will continue to comply with the relevant requirements under Chapter 14A of the Listing Rules for the continuing connected transactions, and comply with the conditions prescribed under the wavier submitted to the Stock Exchange in connection with the continuing connected transactions in this regard.

Other connected transactions

Formation and capital increase of the Partnership

On January 28, 2022, the Company and certain affiliates of CareCapital Group, the controlling shareholder of the Company, have entered into a partnership agreement, pursuant to which, the Company and CareCapital Group 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. The Company will be the sole limited partner of the Partnership and has agreed to commit capital contribution of an aggregate of USD equivalent of HK$100 million to the Partnership. CC Founder Holdings LLC, a company controlled by CareCapital Group, will be the general partner responsible for the management and future investment of the Partnership and has agreed to commit capital contribution of an aggregate of USD equivalent of HK$10 million to the Partnership.

On October 28, 2022, the Company and CC Founder Holdings LLC have entered into an amended partnership agreement, pursuant to which, among others, the Company, as the sole limited partner of the Partnership, agreed to increase its limited partnership capital contribution in the Partnership to the amount of USD equivalent of HK$220 million, increasing by an aggregate amount of USD equivalent of HK$120 million from its previously committed amount. CC Founder Holdings LLC, as the sole general partner, agreed to commit capital contributions of up to an aggregate amount of the USD equivalent of HK$22 million.

The purpose of the formation and the capital increase of the Partnership is to allow the Company to benefit from tapping into CareCapital Group's global dental network and participating in the CareCapital Group-led investments in innovative and synergistic technologies and businesses across digital orthodontics value chain.

Please refer to the Company's announcement in respect of such formation on January 28, 2022 and October 28, 2022 for details.

Grant of RSUs to the connected grantee

On March 25, 2022, the Board has resolved to allot and issue 25,642 new Shares to the trustee underlying the restricted share units ("RSUs") proposed to grant to Ms. LI Huamin under the Post-IPO RSU Scheme, the executive Director and the chief executive officer of the Company, and such proposed RSU grants to Ms. Li was further approved by the independent Shareholders. The consideration of the RSU grants to Ms. Li was nil.

The purpose of the abovementioned RSU grants to Ms. Li is to recognize her contributions to the Group, maximize the motivation and secure her long-term support and commitment to the Group which is vital to the future development of the Group.

Please refer to the Company's announcement in respect of such grants on March 25, 2022 and the related circular on April 20, 2022 for details.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and five highest paid individuals are set out in Notes 38 and 8 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or other individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

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 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.

Environmental Policies and Performance

It is our corporate and social responsibility in promoting a sustainable and environmental-friendly environment. We strive to minimize our environmental impact and to build our corporation in a sustainable way.

We are subject to environmental protection and occupational health and safety laws and regulations in China. In 2022, we complied with the relevant environmental and occupational health and safety laws and regulations in China in all material aspects and we did not have any incidents or complaints that had a material and adverse effect on our business, results of operations and financial condition.

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 of the Listing Rules is set out in the section headed "Environmental, Social and Governance Report" of this annual report.

The Group's Subsidiaries and Facilities

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 36 to the consolidated financial statements.

As of December 31, 2022, we owned the land use rights of one parcel of land with a site area of approximately 68,883 square meters. As of the same date, we operated our businesses through six owned properties with a total gross floor area of approximately 475 square meters, and 20 leased properties with a total gross floor area of approximately 18,405 square meters. All such properties have been used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are primarily used as office premises, manufacturing facilities and research and development center for our business operations.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As of December 31, 2022, to the best knowledge of the Directors, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of Shares held	Approximate percentage of interest[1]
Mr. FENG Dai[2][6]	Interest in controlled corporation	100,000,000 (L)	59.26%
		7,200,000 (S)	4.27%
Ms. LI Huamin[3]	Founder of a trust; interest in controlled corporation	21,657,300 (L)	12.83%
	Beneficial owner	25,642 (L)	0.02%
Mr. HUANG Kun[4][7]	Interest in controlled corporation	717,200 (L)	0.42%
		500,000 (S)	0.30%
Mr. SONG Xin[5]	Interest in controlled corporation	1,415,300 (L)	0.84%

The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

(1) The calculation is based on the total number of 168,760,609 Shares in issue as of December 31, 2022, without taking into account any Shares that may be issued under the Share Award Schemes.

(2) CareCapital Orthotech Limited is wholly-owned by CareCapital EA, Inc., which is in turn owned by CareCapital Dental Holdings Limited and CareCapital Moonstone Holdings Limited, a wholly-owned subsidiary of CareCapital Dental Holdings Limited. CareCapital Dental Holdings Limited is controlled by CareCapital Management Group LLC, which is wholly-owned by Mr. FENG Dai, the ultimate controlling person of CareCapital Group. As such, Mr. Feng is deemed to be interested in all the shareholding of the Company held by CareCapital Orthotech Limited.

(3) Sky Honour Enterprises Limited is controlled by Shore Lead Limited, a company wholly-owned by Ms. LI Huamin. Ms. LI Huamin is the founder and settlor of her family trust. As such, Ms. Li is deemed to be interested in all the shareholding of the Company held by Sky Honour Enterprises Limited.

(4) Noble Affluent Limited is wholly-owned by Mr. HUANG Kun, and thus Mr. Huang is deemed to be interested in all the shareholding of the Company held by Noble Affluent Limited.

(5) Ascend Benefit Limited is wholly-owned by Mr. SONG Xin, and thus Mr. Song is deemed to be interested in all the shareholding of the Company held by Ascend Benefit Limited.

(6) Please refer to the DI filings in respect of the Company's securities by such person on November 15, 2022 and December 7, 2022 for details.

(7) Please refer to the DI filing in respect of the Company's securities by such person on November 17, 2022 for details.

Save as disclosed above, as of December 31, 2022, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which would be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As of December 31, 2022, to the best of knowledge of the Directors, the following persons, other than Directors or chief executive of the Company, had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of shares held	Approximate percentage of interest[1]
CareCapital Orthotech Limited[2]	Beneficial Owner	100,000,000 (L)	59.26%
		7,200,000 (S)	4.27%
CareCapital EA, Inc.[2]	Interest in controlled corporation	100,000,000 (L)	59.26%
		7,200,000 (S)	4.27%
CareCapital Moonstone Holdings Limited[2]	Interest in controlled corporation	100,000,000 (L)	59.26%
		7,200,000 (S)	4.27%
CareCapital Dental Holdings Limited[2]	Interest in controlled corporation	100,000,000 (L)	59.26%
		7,200,000 (S)	4.27%
CareCapital Management Group LLC[2]	Interest in controlled corporation	100,000,000 (L)	59.26%
		7,200,000 (S)	4.27%
Sky Honour Enterprises Limited[3]	Beneficial Owner	21,657,300 (L)	12.83%
Shore Lead Limited[3]	Interest in controlled corporation	21,657,300 (L)	12.83%
Vast Luck Global Limited[4]	Beneficial Owner	9,228,531 (L)	5.46%
		3,120,000 (S)	1.85%
Jovial Day Global Limited[4]	Interest in controlled corporation	9,228,531 (L)	5.46%
		3,120,000 (S)	1.85%
Mr. CHEN Kai[4]	Founder of a trust; interest in controlled corporation	9,228,531 (L)	5.46%
		3,120,000 (S)	1.85%
Morgan Stanley	Interest in controlled corporation	9,726,665 (L)	5.76%
		8,587,112 (S)	5.08%

The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

(1) The calculation is based on the total number of 168,760,609 Shares in issue as of December 31, 2022, without taking into account any Shares that may be issued under the Share Award Schemes.
(2) See "Report of the Directors — Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures" in this annual report for more information.
(3) See "Report of the Directors — Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures" in this annual report for more information.
(4) Vast Luck Global Limited is controlled by Jovial Day Global Limited, a company wholly-owned by Mr. CHEN Kai. Mr. Chen is the founder and settlor of his family trust. As such, Mr. Chen is deemed to be interested in all the shareholding of the Company held by Vast Luck Global Limited. Please refer to the DI filing in respect of the Company's securities by such person on December 13, 2022 for details.

Save as disclosed above, as of December 31, 2022, the Directors and the chief executive of the Company are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required to be recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this annual report during and at the end of the year ended December 31, 2022, neither the Company nor any of its subsidiaries were a party to any arrangement that would enable the Directors or any of their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of the shares in, or debentures of, the Company or any other body corporate.

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 circular dated April 21, 2022.

Share Award Schemes

Pre-IPO Share Award Schemes

The Shareholders have adopted and approved the Share Award Scheme I, Share Award Scheme II and Share Award Scheme III on December 21, 2020, as amended.

Summary of major terms of the Pre-IPO Share Award Schemes are as follows:

(i) Purposes of Pre-IPO Share Award Schemes

The purpose of the Pre-IPO Share Award Schemes is to, among others, motivate senior managers, core employees and other participants through the establishment of an incentive mechanism for sharing interests and risks among shareholders, senior managers and core employees, to provide such employees with the opportunity to participate in the growth and profitability of the Group, and to attract and retain talented personnel for the realization of the Group's long-term development goals.

(ii) Participants of Pre-IPO Share Award Schemes

The participants of Share Award Scheme I are senior management and core employees of the Group, determined by a committee or person as authorized by the Board (the "**ESOP Committee**") in its sole discretion with reference to the employee's working performance, contribution to the Company and other factors.

The participants of Share Award Scheme II and Share Award Scheme III – Pool A shall be determined by the ESOP Committee and shall: (1) be a senior manager, director of a department or core employee of the Company or its subsidiaries; (2) have positive contribution to the Company with outstanding working performance; and (3) be currently working for the Company or its subsidiaries with a signed employment contract.

The participants of Share Award Scheme III – Pool B shall be determined by the Board and shall be employees, executives, officers or directors (including independent non-executive directors) of the Company or any of the subsidiaries of the Group, any advisors, consultants, agents, suppliers, customers, distributors or such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group.

(iii) Maximum number of Shares

The aggregate numbers of Shares for all the restricted share units as the awards (the "**Awards**") pursuant to the Share Award Scheme I, Share Award Scheme II and Share Award Scheme III – Pool A are 19,069,300 Shares, 4,706,400 Shares and 5,289,900 Shares, respectively.

Unless further approval of the Board, the maximum number of Shares in respect of which options may be granted under the Share Award Scheme III – Pool B (the "**Options**") shall be the number of Shares as determined and approved by the Board from time to time (the "**Scheme Limit**"). As at the date ("**Offer Date**") of offering any proposed Options, the maximum number of Shares in respect of which Options may be granted is such number of Shares less the aggregate of the following Shares as at that Offer Date: (a) the number of Shares which have been issued and allotted pursuant to the exercise of any Options; and (b) the number of cancelled Shares.

(iv) Limit for each participant

Under the Pre-IPO Share Award Schemes, there is no specific limit on the maximum number of Awards and Options which may be granted to a single eligible participant. As at the date of this annual report, the Company has granted Options for 300,000 Shares as underlying shares and the Company will not grant additional Options under the Share Award Scheme III – Pool B after the Listing.

(v) Remaining life of the schemes and outstanding awards

Each of the Pre-IPO Share Award Schemes shall be valid and effective for a period of ten (10) years commencing on the respective adoption date of each scheme and has a remaining life of approximately eight years.

As of December 31, 2022, the Company has granted (1) Awards for the purchase of a total of 19,069,300 Shares to eligible participants under the Share Award Scheme I; (2) Awards for the purchase of a total of 4,706,400 Shares to eligible participants under the Share Award Scheme II; (3) Awards for the purchase of a total of 5,289,900 Shares to eligible participants under the Share Award Scheme III – Pool A; and (4) Options for the purchase of 300,000 Shares under the Share Award Scheme III – Pool B. As of December 31, 2022, all the Shares underlying the aforementioned Awards have been issued and none of the Shares underlying the aforementioned Options granted was issued. No further Awards or Options may be granted under the Pre-IPO Share Award Schemes after the Listing.

(vi) Exercise of options

Under the Share Award Scheme III – Pool B, the Option may be exercisable during the period to be notified by the Board to each grantee provided that such period of time shall not exceed a period of ten years commencing on the date upon which such option is deemed to be granted and accepted. The exercise price of such Options was US$1.2 per Share. Such exercise price was determined based on the grantee's work experience, responsibilities, and remuneration package and the Company's financial performance and potential growth.

(vii) Vesting condition

Under the Share Award Scheme I, the incentive Shares shall be subject to a lock-up period commencing from the date of grant of the Awards to the date that is the later of (i) expiry of the mandatory lock-up period under applicable laws and regulations or (ii) the date of initial public offering of the Shares. Upon and after expiry of the lock-up period, in compliance with relevant laws, regulations and regulatory documents, the disposal of Shares by each Participant shall be subject to certain further restrictions: (1) within one year, the number of disposed Shares shall not exceed 50% of the total number of incentive Shares held by him or her under the Share Award Scheme I; (2) within two years, the number of disposed Shares shall not exceed 80% of the total number of incentive Shares held by him or her under the Share Award Scheme I; and (3) after two years, all the incentive Shares held by him or her under the Share Award Scheme I are free to be disposed of.

The Awards under the Share Award Scheme II and the Share Award Scheme III — Pool A shall be subject to a vesting period of four (4) years starting from the date of grant.

Under the Share Award Scheme III – Pool B, the Company granted Options for 300,000 Shares as underlying Shares on October 9, 2020 and such Options shall vest in the following schedule: (i) 20% upon the Listing and (ii) each 20% on the last day of each year commencing from October 1, 2020.

(viii) Subscription price

No consideration is paid for grant of the Awards under the Share Award Scheme I, Share Award Scheme II and the Share Award Scheme III — Pool A. Such purchase prices were determined with reference to, among other things, the contributions made by the grantees, the purpose of the share award schemes, and prevailing compensation and pre-IPO share award schemes of similar positions in the market.

No consideration is paid for grant of the Options for 300,000 Shares as underlying Shares under the Share Award Scheme III – Pool B.

For more information on the Pre-IPO Share Award Schemes, please refer to "Appendix IV Statutory and General Information – D. Share Award Schemes" in the Prospectus.

Details of Awards and Options granted under the Pre-IPO Share Award Schemes are set out below:

Share Award Scheme I

Category/Name of Grantee	**Number of incentive Shares represented by Awards**
Directors, chief executive or substantial shareholders of the Company, or their respective associates	
Ms. LI Huamin *(executive Director and chief executive officer)*	10,843,900
Mr. SONG Xin *(executive Director and chief commercial officer)*	196,830
Mr. CHEN Kai *(substantial shareholder)*	6,436,100
Other employees	
22 employees	1,592,470

All the Awards had been granted and fully vested before the Listing and are fully vested under the Share Award Scheme I. No further Awards have been or will be granted under the Share Award Scheme I after the Listing.

Share Award Scheme II

Category/Name of Grantee	Number of incentive Shares represented by Awards
Directors, chief executive or substantial shareholders of the Company, or their respective associates	
Mr. SONG Xin *(executive Director and chief commercial officer)*	744,911
Other employees	
42 employees	3,961,489

All the Awards had been granted and fully vested before the Listing and are fully vested under the Share Award Scheme II. No further Awards have been or will be granted under the Share Award Scheme II after the Listing.

Share Award Scheme III – Pool A

Category/Name of Grantee	Number of incentive Shares represented by Awards
Directors, chief executive or substantial shareholders of the Company, or their respective associates	
Mr. SONG Xin *(executive Director and chief commercial officer)*	473,566
Mr. CHEN Kai *(substantial shareholder)*	417,100
Other employees	
73 employees	4,399,234

No further Awards have been or will be granted under the Share Award Scheme III – Pool A after the Listing.

Movements of the unvested Awards under the Share Award Scheme III – Pool A during the Reporting Period are set out below.

Category/ Name of Grantee	Grant date	Purchase price	Vesting period	Number of unvested Awards as of January 1, 2022	Vested and exercised during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Number of unvested Awards as of December 31, 2022	weighted average closing price of the Shares before vesting
Directors, chief executive or substantial shareholders of the Company, or their respective associates								
Mr. SONG Xin	October 1, 2019	nil	The unvested Awards will be vested on September 30, 2023.	89,381	67,035	–	22,346	HKD72.95
Other employees								
20 employees	October 1, 2019	nil	The unvested Awards will be vested on September 30, 2023.	1,219,482	914,603	18,634	286,245	HKD72.95

Share Award Scheme III – Pool B

Under the Share Award Scheme III – Pool B, options were granted to a senior management of the Company (who is not a Director, chief executive or substantial shareholder of the Company, or their respective associates) with rights to subscribe for an aggregate of 300,000 new Shares upon exercise of such options. No consideration is paid for grant of such Options.

No further Options have been or will be granted under the Share Award Scheme III – Pool B after the Listing.

Movements of the outstanding Options under the Share Award Scheme III – Pool B during the Reporting Period are set out below.

Grant date	Vesting period	Exercise period	Exercise price	Number of outstanding Options as of January 1, 2022	Exercised during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Number of outstanding Options as of December 31, 2022
October 9, 2020	Among the Options granted on October 9, 2020, 20% will be vested on September 30, 2023 and 20% will be vested on September 30, 2024.	The exercise period shall not exceed a period of ten years commencing on the date upon which such Option is deemed to be granted and accepted.	US$1.2 per Share	300,000	180,000	–	120,000

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was conditionally approved and adopted by the Shareholders on May 20, 2021. The terms of Post-IPO Share Option Scheme are subject to Chapter 17 of the Listing Rules. In light of the amendments to Chapter 17 of the Listing Rules and to bring the Post-IPO Share Option Scheme in alignment with the new listing rules, a resolution to amend the Post-IPO Share Option Scheme will be proposed at the AGM. Please refer to the announcements of the Company dated March 23, 2023.

Summary of major terms of the currently effective Post-IPO Share Option Scheme are as follows:

(i) Purposes of Post-IPO Share Option Scheme

The purpose of this Post-IPO Share Option Scheme is to attract, retain and motivate employees, Directors and such other participant, and to provide a means of compensating them through the grant of options pursuant to the terms of the Post-IPO Share Option Scheme (the "**Options**") for their contribution to the growth and profits of our Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of our Group.

(ii) Participants of Post-IPO Share Option Scheme

Participants of the Post-IPO Share Option Scheme included employees or directors of any member of the Group, and the number of share subscription will be determined by the Board.

(iii) Maximum number of Shares

The maximum number of Shares underlying all the options that may be granted under the Post-IPO Share Option Scheme is 4,974,213 Shares, representing 2.94% of the aggregate Shares in issue as at the date of this annual report. As of December 31, 2022, no option has been granted, vested, cancelled or lapsed since the adoption of the Post-IPO Share Option Scheme.

(iv) Limit for each participant

The total number of Shares issued and to be issued upon exercise of the Options granted to each participant (including exercised, canceled and outstanding Options) in any 12-month period shall not exceed 1% of the Shares in issue. Where Shares issued and to be issued upon exercise of all options already granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme of the Company (including options exercised, cancelled and outstanding) to a participant who is a substantial Shareholder or an independent non-executive Director, or any of his or her associate in the 12-month period up to and including the date of grant, (1) representing in aggregate more than 0.1% of the total number of Shares in issue; and (2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HKD5,000,000, the proposed grant of option must be approved by the Shareholders by poll in general meeting.

(v) Exercise of Options

An Option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during the period to be determined by our Board at its absolute discretion and notified by our Board to each participant who was granted the Options as being the period during which an Option may be exercised and in any event, such period shall not be longer than three years from the date upon which any particular Option is granted in accordance with the Post-IPO Share Option Scheme.

(vi) Vesting

Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules to which the Post-IPO Share Option Scheme may be subject, including the Listing Rules or regulations of any stock exchange on which the Shares may be listed and quoted. Furthermore, the Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option under the Post-IPO Share Option Scheme may or may not, at the discretion of the Board, be subject to any retention period.

(vii) Grant and acceptance of Options

The Board shall, subject to and in accordance with the Post-IPO Share Option Scheme and the Listing Rules, be entitled to, at any time on any business day during the period of the Post-IPO Share Option Scheme, grant an Option to any eligible participant whom the Board may in its absolute discretion select, based on such conditions as it may think fit, including, without limitation, any minimum period for which an Option must be held before it can be exercised and/or any performance targets which must be achieved before an Option can be exercised.

(viii) Subscription price

The subscription price shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option), but in any case the subscription price shall not be less than the higher of (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a Business Day, (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) Business Days immediately preceding the date of grant, and (c) the nominal value of a Share.

(ix) Remaining life of the Post-IPO Share Option Scheme and outstanding options

The Post-IPO Share Option Scheme will be valid and effective for a period of three years commencing on May 20, 2021. As of the date of this annual report, no option has been granted, vested, cancelled or lapsed since the adoption of the Post-IPO Share Option Scheme.

For further information of the Post-IPO Share Option Scheme, please refer to "Appendix IV Statutory and General Information – D. Share Award Schemes – 5. Post-IPO Share Option Scheme" in the Prospectus.

Post-IPO RSU Scheme

The Post-IPO RSU Scheme was conditionally approved and adopted by the Shareholders on May 20, 2021. The terms of Post-IPO RSU Scheme are subject to Chapter 17 of the Listing Rules. In light of the amendments to Chapter 17 of the Listing Rules and to bring the Post-IPO RSU Scheme in alignment with the new listing rules, a resolution to amend the Post-IPO RSU Scheme will be proposed at the AGM. Please refer to the announcement of the Company dated March 23, 2023.

Summary of major terms of the currently effective Post-IPO RSU Scheme are as follows:

(i) Purposes of Post-IPO RSU Scheme

The purpose of the Post-IPO RSU Scheme is to recognize the contributions by grantees and to give incentives thereto in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

(ii) Participants of Post-IPO RSU Scheme

Participants of the Post-IPO RSU Scheme included employees or directors of any member of the Group, and the number of share subscription will be determined by the Board.

(iii) Total number of Shares available for issue

The maximum aggregate number of Shares underlying all grants of RSUs pursuant to the Post-IPO RSU Scheme will not exceed 1,658,071 Shares, representing approximately 0.98% of the total issued Shares of the Company as at the date of this annual report. Such limit may be refreshed from time to time subject to prior approval from our Shareholders.

During the Reporting Period, an aggregate of 429,109 RSUs have been granted. As at the date of this annual report, there are 1,228,962 Shares available for issue under the Post-IPO RSU Scheme, representing 0.73% of the issued share capital of the Company as at the date of this annual report.

As at January 1, 2022 and December 31, 2022, there were 1,658,071 and 1,228,962 RSUs available for grant under the Post-IPO RSU Scheme respectively.

(iv) Limit for each participant

The maximum number of RSUs granted to each participant shall not exceed the scheme limit, being 1,658,071 Shares.

(v) Exercise period

RSUs held by a grantee that are vested as evidenced by the vesting notice may be exercised (in whole or in part) by the grantee (or his or her legal personal representative(s) in the case of death or incapacitation) serving an exercise notice in writing on the RSU trustee and copied to the Company.

In an exercise notice, the grantee (or his or her legal personal representative(s) in the case of death or incapacitation) shall request the RSU trustee to, and the administrator of the Post-IPO RSU Scheme (the "Administrator") shall direct and procure the RSU trustee to within five (5) business days, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the grantee which the Company has allotted and issued to the RSU trustee as fully paid up Shares or which the RSU trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the grantee (or his or her legal personal representative(s) in the case of death or incapacitation) paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU trustee or as the RSU trustee directs.

The grantee shall serve the exercise notice within three (3) months after receiving the vesting notice, provided that in the event that the grantee ceases to be an eligible person (as the case may be) by reason of death or incapacitation (provided that none of the events which would be a ground for termination of his or her employment prior to his or her death or incapacitation), the legal personal representative(s) of this grantee shall be entitled within a period of three (3) months from the date of death or incapacitation (or such longer period as the Administrator may determine) to exercise the RSUs in whole or in part (to the extent which have become vested and exercisable and not already exercised prior to such date of death or incapacitation). The RSU trustee will not hold the Shares underlying the RSUs vested for the grantee after this three (3) months period. If the exercise notice is not served during this three (3) months period or the Shares underlying the RSUs exercised cannot be transferred to the grantee (or his or her legal personal representative(s) in the case of death or incapacitation) due to the grantee (or his or her legal personal representative(s) in the case of death or incapacitation) not being able to provide sufficient information to effect the transfer, the RSUs vested or exercised (as the case may be) shall lapse unless otherwise agreed by the Administrator at its absolute discretion.

Notwithstanding anything herein to the contrary, a RSU may not be exercised unless such exercise (including, without limitation, the method of payment of exercise price, where applicable, for such Shares) is in compliance with all applicable laws (including, without limitation, the Listing Rules), as they are in effect on the date of exercise. No Shares shall be transferred to the grantee (or his or her legal personal representative(s) in the case of death or incapacitation) pursuant to the exercise of a RSU unless such transfer and such exercise comply with all applicable laws (including, without limitation, the Listing Rules).

(vi) Vesting period

The Administrator has the sole discretion to determine the vesting schedule and vesting criteria (if any) for any grant of RSU(s) to any grantee, which may also be adjusted and re-determined by the Administrator from time to time. The RSU trustee shall administer the vesting of RSUs granted to each grantee pursuant to the vesting period and vesting criteria (if any) determined by the Administrator.

Upon fulfillment or waiver of the vesting period and vesting criteria (if any) applicable to each of the grantees, a vesting notice will be sent to the grantee by the Administrator, or by the RSU trustee under the authorization and instruction by the Administrator confirming (a) the extent to which the vesting period and vesting criteria have been fulfilled or waived, and (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) the grantee will receive, provided that:

(a) the Awards shall be vested based on the vesting schedule and vesting criteria (if any) set forth in the grant letter. For avoidance of doubt, if the vesting of any portion of the granted RSUs is conditional upon both vesting schedule and performance based vesting criteria (if any), then failure by the grantee to fulfill any of the vesting conditions by their due date will render such portion of the granted RSUs unvested and un-exercisable; and

(b) subject to the occurrence of certain events that may cause all unvested RSUs and vested but unexercised RSUs automatically lapse, any portion of the RSUs which has already vested pursuant to its applicable vesting schedule and vesting criteria (if any) shall continue to be vested until it is exercised by the relevant grantee of such RSUs pursuant to the terms of the Post-IPO RSU Scheme.

(vii) Purchase price of RSU granted

The purchase price of the RSUs shall be such price as determined by the Board (or any duly authorized committee or person by the Board) in its absolute discretion at the time of the grant of the relevant RSUs and shall be stated in the letter containing the offer of the grant of the RSUs.

(viii) Remaining life of Post-IPO RSU Scheme and outstanding awards

Subject to the fulfillment of the conditions of the Post-IPO RSU Scheme and the termination clause, this Post-IPO RSU Scheme shall be valid and effective for a term of three years commencing on May 20, 2021.

For further information of the Post-IPO RSU Scheme, please refer to "Appendix IV Statutory and General Information – D. Share Award Schemes – 4. Post-IPO RSU Scheme" in the Prospectus as well as the Company's announcement dated March 25, 2022 relating to the grant of RSUs.

Details of RSUs granted under the Post-IPO RSU Scheme during the Reporting Period are set out below:

Category/Name of Grantee	Number of RSUs Granted	Grant Date	Vesting Period	Purchase Price	Performance Target	Fair Value of RSUs Granted[1]
Directors, chief executive or substantial shareholders of the Company, or their respective associates						
Ms. LI Huamin *(executive Director and chief executive officer)*	25,642	March 25, 2022	30% hare been vested on September, 2022, 30%, 20% and 20% shall vest on the date of September 30 of 2023, 2024 and 2025, respectively.	nil	No performance target is required.	HKD3.3 million
Other employees						
133 employees	403,467	March 25, 2022	*334,634 RSUs granted to the grantees shall vest as follows:* 30% hare been vested on September, 2022, 30%, 20% and 20% shall vest on the date of September 30 of 2023, 2024 and 2025, respectively. *68,833 RSUs granted to the grantees shall vest as follows:* 50%, 25% and 25% shall vest on the second, the third and the fourth anniversary of the employment date of each grantee respectively.	nil	No performance target is required.	HKD51.8 million

(1) The fair value of the RSUs at the grant date is calculated based on the closing price of the Shares on the grant date, being HKD128.5 per Share. For details of the accounting standard and policy adopted, please refer to Note 2.20 and Note 23 to the consolidated financial statements.

No RSUs were granted to related entity participant or service provider.

Movements of the unvested RSUs under the Post-IPO RSU Scheme are set out below:

Category/Name of Grantee	Grant date	Purchase price	Vesting period	Number of unvested Awards as of January 1, 2022	Vested and exercised during the Reporting Period	Number of unvested Awards as of December 31, 2022	weighted average closing price of the Shares before vesting	Lapsed/ cancelled during the Reporting Period
Directors, chief executive or substantial shareholders of the Company, or their respective associates								
Ms. LI Huamin	March 25, 2022	nil	30%, 20% and 20% of the RSUs granted shall vest on the date of September 30 of 2023, 2024 and 2025, respectively.	–	7,692	17,950	HKD72.95	–
Other employees								
133 employees	March 25, 2022	nil	*334,634 RSUs granted to the grantees shall vest as follows:*	–	94,500	211,384	HKD72.95	28,750
			30%, 20% and 20% of the RSUs granted shall vest on the date of September 30 of, 2023, 2024 and 2025, respectively.					
			68,833 RSUs granted to the grantees shall vest as follows:	–	–	40,783	–	28,050
			50%, 25% and 25% shall vest on the second, the third and the fourth anniversary of the employment date of each grantee respectively.					

The value of the number of Shares that may be issued in respect of the options and RSUs granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares of the relevant class in issue for the Reporting Period was 0.25%.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Save as disclosed in this annual report in the section headed "Management Discussion and Analysis – Financial Review – Significant investments and acquisition of capital assets", in the year ended December 31, 2022, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Use of Proceeds from the Global Offering

The Shares of the Company were listed on the Main Board of 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	1,312.8	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.

Litigation and Compliance

The Group is subject to various regulatory requirements and guidelines issued by regulatory authorities in China, such as laws and regulations relating to production and sales of medical devices in China. During the Reporting Period, the Group did not commit any material non-compliance of the laws and regulations, and did not experience any non-compliance incident, which taken as a whole, in the opinion of the Directors, is likely to have a material and adverse effect on our business, financial condition or results of operations.

Annual General Meeting

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.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the Cayman Companies Act which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities. If any of the Shareholders is unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, he or she is advised to consult an expert.

Permitted Indemnity Provision

The Company has maintained appropriate liability insurance policies for its Directors and senior management during the Reporting Period. Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his/her favour, or in which he/she is acquitted.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as of the date of this annual report, 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 Listing Rules.

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 report is based on the audited consolidated financial statements of the Group for the year ended December 31, 2022.

Auditor

PricewaterhouseCoopers was appointed as the auditor during the Reporting Period. The consolidated financial statements of the Group for the year ended December 31, 2022 have been audited by PricewaterhouseCoopers. There is no change of auditor of the Company since the Listing Date.

A resolution for the re-appointment of PricewaterhouseCoopers as the auditors of the Company will be proposed at the AGM.

Donation

During the year ended December 31, 2022, the Group donated RMB0.3 million, mainly medical supplies provided to doctors and communities for prevention and control of the pandemic.

Compliance with Non-Competition Undertakings

On May 20, 2021, Mr. FENG Dai, CareCapital Management Group LLC, CareCapital Dental Holdings Limited, CareCapital Moonstone Holdings Limited, CareCapital EA, Inc. and CareCapital Orthotech Limited (collectively, "**CareCapital**") entered into the deed of non-competition in favor of our Company (the "**Deed of Non-Competition**"), pursuant to which they have each undertaken to our Company that they will not and will use their best reasonable efforts to procure their close associates (except any member of our Group) not to commence, engage in, participate in or acquire any business ("**Restricted Business**") which competes with our core business of research and development, manufacture and marketing of clear aligners treatment solutions in China, subject to certain limited exceptions. For details of the Deed of Non-Completion, please refer to the section headed "Relationship with Controlling Shareholders – Non-Competition Undertaking" in the Prospectus.

The Company has received a written confirmation from CareCapital in respect of the compliance by them and their close associates with the terms of the Deed of Non-Competition. CareCapital have confirmed that they have complied with the undertaking under the Deed of Non-Competition during the year ended December 31, 2022.

The independent non-executive Directors have reviewed the Deed of Non-Competition and assessed whether CareCapital and their close associates have complied with the terms of the Deed of Non-Competition, and were satisfied that CareCapital has complied with his/its undertakings under the Deed of Non-Competition during the year ended December 31, 2022.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance practices. During the year ended December 31, 2022, the Company had complied with all the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules. Detailed information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report of this annual report.

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 annual report.

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 annual report, 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.

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 our Company, our staff and management team for their diligence, dedication, loyalty and integrity, and our Shareholders for their continuous support.

By order of the Board of Directors
Angelalign Technology Inc.

Mr. FENG Dai
Chairman

Hong Kong
March 23, 2023

The Board is pleased to present the Corporate Governance Report contained in the Company's annual report for the year ended December 31, 2022.

Cultures and Values

A healthy corporate culture across the Company is integral to attain its vision and strategy. It is the Board's role to foster a corporate culture and to ensure that the Company's vision and business strategies are aligned to it.

The Company strives to maintain high standards of business ethics and corporate governance across all its activities and operations. The Directors and management are all required to act lawfully, ethically and responsibly. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

The Company will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to achieve business objectives, while having due considerations from environment, social and governance aspects.

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

During the Reporting Period, the Company had complied with all the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

The Board

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Nomination Committee and the Remuneration Committee. The Board has delegated to these Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against the Directors, and will conduct an annual review on such insurance coverage.

Board Composition and Diversity

The current composition of the Board is as follows:

Executive Directors
Ms. LI Huamin *(Chief Executive Officer)*
Mr. SONG Xin
Ms. DONG Li[(1)]

Non-executive Directors
Mr. FENG Dai *(Chairman)*
Mr. HUANG Kun
Mr. HU Jiezhang

Independent Non-executive Directors
Mr. HAN Xiaojing
Mr. SHI Zi
Mr. ZHOU Hao[(2)]

Notes:

(1) Ms. DONG Li has been re-designated from an independent non-executive Director to an executive Director with effect from April 3, 2023.

(2) Mr. ZHOU Hao has been appointed as an independent non-executive Director with effect from April 11, 2023.

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

During the Reporting Period, the Board has met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing one-third of the Board. Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules by written confirmation and the Company considers each of them to be independent.

We have adopted the Board Diversity Policy which sets out the approach to achieve diversity on our Board in order to enhance the quality of its performance. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experiences, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Board and Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and monitor and report annually in our corporate governance report about the implementation of the Board Diversity Policy.

The Nomination Committee and the Board has reviewed the diversity of the Board and the Board Diversity Policy for the Reporting Period. As of December 31, 2022, the diversity profile of the Board is analyzed as follows: The Directors have a balanced mix of experiences, including overall management, business development, information technology, legal, and finance experiences. The Board has also maintained a gender balance with two female Directors and six male Directors. Furthermore, the age of the Directors ranges from 36 years old to 68 years old. The education background of the Directors includes bio-technology, finance, auditing, information technology and business administration to law, with degrees awarded by education institutions in the PRC, Hong Kong and the United States.

At present, the Nomination Committee considered that the Board is sufficiently diverse, including in terms of gender. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain continuous compliance by the Company with the board diversity requirement under the Listing Rules, including gender diversity.

Save as disclosed in the biographies of the Directors as set out in the section headed "Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Board	22.2%	77.8%
Senior management	40.0%	60.0%
Overall workforce	50.7%	49.3%

The Board targets to achieve and had achieved the gender diversity goal of the Board that there are at least two female Directors and considers that the above current gender diversity is satisfactory.

Board Independence Evaluation

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and that independent views are available.

The current composition of the Board, comprising one third of the Board being independent non-executive Directors, and the members of the Audit Committee are all independent non-executive Directors, exceeding the independence requirements under the Listing Rules. The remuneration of independent non-executive Directors are subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate.

The Company have established mechanism to ensure independent views and input are available to the Board. The Board and the Board committees have the right to seek the service of independent professional institutions according to the needs of the exercise of authority, performance of duties or businesses, and the reasonable expenses incurred thereon shall be borne by the Company.

The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board. The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views.

The Board has reviewed the implementation of the mechanisms in relation to the Board independence and considered it to be effective during the Reporting Period. The Board will continue to review the implementation and effectiveness of such mechanism on an annual basis.

Induction and Continuous Professional Development

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide the Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. The joint company secretaries of the Company update and provide the Directors with written training materials in relation to their roles, functions and duties from time to time.

According to the information provided by the Directors, the training received by the Directors during the Reporting Period is summarized as follows:

Name of Directors	Nature of continuous professional development courses(1)
Mr. FENG Dai	A
Ms. LI Huamin	A
Mr. HUANG Kun	A
Mr. HU Jiezhang	A
Mr. SONG Xin	A
Ms. DONG Li	A
Mr. HAN Xiaojing	A
Mr. SHI Zi	A

Note:

(1) "A" refers to attending training provided by lawyers or training related to the Company's business.

Appointment and Re-Election of Directors

Each of Ms. LI Huamin and Mr. SONG Xin, being our executive Directors, has entered into a service contract with our Company with effect from May 20, 2021. Ms. DONG Li has entered into a service contract with our Company with effect from April 3, 2023. The service contracts with each of the executive Directors are for an initial term of three years commencing from the effective date of such service contracts. We have issued letters of appointment to each of our non-executive Directors and two of our independent non-executive Directors on May 20, 2021, and we have issued a letter of appointment to Mr. ZHOU Hao, our independent non-executive Director on April 11, 2023. The letters of appointment with each of our non-executive Directors and independent non-executive Directors are for an initial fixed term of three years since the date of such letters of appointment. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

The Board shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Board has delegated certain of its responsibilities and authority for selection and nomination of Directors to the Nomination Committee. The Nomination Committee is responsible for reviewing the Board's composition, and for making recommendations to the Board on the appointment, re-election and succession planning of Directors, and the Board will determine the relevant matters after taking into account of the recommendations.

The Company has adopted a Director Nomination Policy which is contained in the terms of reference of the Nomination Committee that sets out the selection criteria and process in relation to nomination of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to gender, age, cultural and educational background, professional experience or diversity needed in the future, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Nomination Committee shall:

(i) use open advertising or the services of external advisors to facilitate the search;

(ii) consider candidates from a wide range of backgrounds; and

(iii) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position.

During the Reporting Period, the retired and re-elected Directors nominated by the Nomination Committee and recommended by the Board were subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Nomination Procedures

Subject to the Articles of Association, the following nomination procedures should be followed:

(i) the Nomination Committee shall review the structure, size, composition (including the skills, knowledge and experience) and diversity (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) the Nomination Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession plans for Directors, in particular the chairman and the chief executive officer. The Nomination Committee shall make recommendations on appointment of Directors with due regard to the diversity policy of the Company and in accordance with the challenges and opportunities faced by the Company;

(iii) the Nomination Committee shall identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorship. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;

(iv) the Nomination Committee shall before making any appointment recommendations to the Board, evaluate the balance of Directors based on (including but not limited to) gender, age, cultural and educational background, professional experience or diversity needed in the future, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;

(v) the Board shall deliberate and decide on the appointment based on the recommendation of the Nomination Committee;

(vi) appointments of Directors should be confirmed by a letter of appointment or Director service agreement, as appropriate, setting out the key terms and conditions of the appointment of Directors;

(vii) pursuant to Rule 13.74 of the Listing Rules, where shareholders are required to vote on electing or re-electing Directors, the circular accompanying the notice of the relevant general meeting should include all information of the candidates required under Rule 13.51(2) of the Listing Rules;

(viii) a shareholder shall be entitled to serve a notice to the company secretary within the lodgment period of its intention to propose a resolution to elect a person as a Director, without recommendation of the Board or nomination of the Nomination Committee, other than those candidates set out in the shareholder circular. The particulars of the candidates proposed shall be sent to all shareholders for information by a supplementary circular;

(ix) a candidate shall be entitled to withdraw his/her candidature at any time before the general meeting by serving a notice, in writing, to the company secretary; and

(x) the Board shall have the final decision on matters relating to its recommendation of candidates to stand for election at any general meeting.

Attendance Records at the Meetings of the Board and General Meeting

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are dispatched at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the joint company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

During the year ended December 31, 2022, the Company held six Board meetings in total and the attendance of individual Director at the Board meetings are set out in the table below:

Directors	Number of Actual Attendance at Board Meetings/Number of Required Attendance at Board Meetings	Number of Actual Attendance at General Meeting/Number of Required Attendance at General Meeting
Mr. FENG Dai	6/6	1/1
Ms. LI Huamin	6/6	1/1
Mr. HUANG Kun	6/6	1/1
Mr. HU Jiezhang	6/6	1/1
Mr. SONG Xin	6/6	1/1
Ms. DONG Li	6/6	1/1
Mr. HAN Xiaojing	6/6	1/1
Mr. SHI Zi	6/6	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the year.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, each of the Directors has confirmed that he or she has complied with the requirements as set out in the Model Code during the Reporting Period.

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Functions

The Board confirmed that corporate governance should be the collective responsibility of the Directors, which includes:

(i) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(ii) to review and monitor the training and continuous professional development of the Directors and senior management;

(iii) to develop, review and monitor the codes of conduct and compliance manuals applicable to employees and the Directors;

(iv) to develop and review the Company's corporate governance policies and practices, make recommendations and report on related issues to the Board; and

(v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board Committees

Our Company has established three committees under the Board pursuant to the corporate governance practice requirements under the Listing Rules, including the Audit Committee, Remuneration Committee and Nomination Committee.

Audit Committee

As of the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. ZHOU Hao, Mr. HAN Xiaojing and Mr. SHI Zi. Mr. ZHOU Hao, who was appointed as the chairman of the Audit Committee on April 11, 2023, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. Ms. DONG Li ceased to be the chairwoman of the Audit Committee with effect from April 3, 2023.

The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company. The Audit Committee's duties and powers include, among others:

(i) make recommendations to the Board on the appointment, re-appointment, and/or removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and consider any questions of resignation or dismissal of that auditor;

(ii) monitor the integrity of financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

(iii) oversee the Company's financial reporting system, risk management and internal control procedures; and

(iv) perform the Company's corporate governance functions, including reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and the training and continuous professional development of Directors and senior management.

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.

During the Reporting Period, the Audit Committee held five meetings to discuss and consider the following: (i) reviewing the annual financial statements, annual results announcement and annual report of the Group for the year ended December 31, 2021, and the interim financial statements, interim results announcement and interim report of the Group for the six months ended June 30, 2022; (ii) recommending to the Board on the appointment of the auditor of the Company for the fiscal year ended December 31, 2022 and reviewing the report on the 2022 audit plan; and (iii) reviewing the Company's financial reporting process, risk management, internal control system and internal audit function, etc.

During the Reporting Period, the attendance of these meetings by the Audit Committee members is set out in the table below:

Name of committee members	**Number of attendance/ required attendance**
Ms. DONG Li[(1)]	5/5
Mr. HAN Xiaojing	5/5
Mr. SHI Zi	5/5

Note:

(1) Ms. DONG Li ceased to be the chairwoman of the Audit Committee with effect from April 3, 2023.

Nomination Committee

As of the date of this annual report, the Nomination Committee comprises a non-executive Director, namely Mr. FENG Dai, an executive Director, namely Mr. SONG Xin, and three independent non-executive Directors, namely Mr. HAN Xiaojing, Mr. SHI Zi and Mr. ZHOU Hao. Mr. FENG Dai, chairman of the Board, is the chairman of the Nomination Committee. On April 11, 2023, Mr. ZHOU Hao was appointed as a member of the Nomination Committee. Ms. DONG Li ceased to be a member of the Nomination Committee with effect from April 3, 2023.

The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company. The Nomination Committee's duties and powers include, among others:

(i) review the structure, number and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's strategy;

(ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) assess the independence of independent non-executive Directors;

(iv) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer;

(v) review the Board Diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and

(vi) where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, the reasons why the Board believe he/she should be elected and the reasons why the Board consider the individual to be independent should be set out in the circular to Shareholders and/or an explanatory statement accompanying the notice of the relevant general meeting.

The Nomination Committee assesses, selects, and recommends candidates for directors to the Board on criteria such as credibility, success, and experience in the Company's industry, time available to be invested, benefits of sectors represented by the candidates, and the diversity the candidates will bring to the Board. The recommendations of the Nomination Committee will then be put to the Board for decision.

During the Reporting Period, the Nomination Committee held one meeting to discuss and consider the following: (i) the Directors nomination policy and the structure, number and composition (including the skills, knowledge, experience and diversity) of the Board; (ii) Board Diversity Policy; (iii) the independence of independent non-executive Directors; and (iv) the retiring and re-election of Directors, etc.

During the Reporting Period, the attendance of these meetings by the Nomination Committee members is set out in the table below:

Name of committee members	Number of attendance/ required attendance
Mr. FENG Dai	1/1
Mr. SONG Xin	1/1
Ms. DONG Li[1]	1/1
Mr. HAN Xiaojing	1/1
Mr. SHI Zi	1/1

Note:

(1) Ms. DONG Li ceased to be a member of the Nomination Committee with effect from April 3, 2023.

Remuneration Committee

As of the date of this annual report, the Remuneration Committee comprises, an executive Director, namely Ms. LI Huamin, a non-executive Director, namely Mr. HUANG Kun, and three independent non-executive Directors, namely Mr. HAN Xiaojing, Mr. SHI Zi and Mr. ZHOU Hao. Mr. HAN Xiaojing is the chairman of the Remuneration Committee. On April 11, 2023, Mr. ZHOU Hao was appointed as a member of the Remuneration Committee. Ms. DONG Li ceased to be a member of the Remuneration Committee with effect from April 3, 2023.

The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company. In light of the amendments to Chapter 17 of the Listing Rules and to bring the terms of reference of the Remuneration Committee in alignment with the new listing rules, the Board has approved to amend the terms of reference of the Remuneration Committee. The amended and restated Remuneration Committee's duties and powers include, among others:

(i) make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(iii) determine, with delegated responsibility from the Board, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(iv) make recommendations to the Board on the remuneration of non-executive Directors;

(v) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group, assess the performance of executive Directors, approve the terms of executive Directors and service contracts;

(vi) review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(vii) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(viii) ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration; and

(ix) review and approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, the Remuneration Committee held two meetings to discuss and consider the following: (i) reviewing and making recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management; (ii) reviewing and approving the remuneration structure adjustment of the management and executive Directors; and (iii) reviewing and approving the grant of Awards under the Post-IPO RSU Scheme, etc.

During the Reporting Period, with respect to the RSU grants to Ms. LI Huamin, who is a connected grantee, under the Post-IPO RSU Scheme (including issue and allotment of new Shares thereunder), the Remuneration Committee has reviewed the proposal and held discussion with the Board. Taking into consideration that the RSUs to be granted to Ms. Li are in addition to the original remuneration packages of her aiming to reward her past contributions to the Group's business performance and secure her long-term support and commitment to the Group, and after review of the remuneration policy of the Company and analysis of recent market practice, the Remuneration Committee is of the view that the original remuneration package together with the number of RSUs to be granted to Ms. Li are in line with recent market practice. The Remuneration Committee further considers that the purpose of the RSU grants to Ms. Li is to (i) recognize her contributions to the Group; (ii) encourage, motivate and retain the grantee, whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (iii) closely align the interests and benefits of and risk sharing among the Shareholders, the Company and the connected grantee in order to maximize the motivation of the Directors and senior management. As the Group's business is undergoing rapid expansion, the Remuneration Committee believes that the RSU grants to Ms. Li serves as an important incentive to motivate the core management to bring a higher return to the Company. In addition, the dilution effect of the shareholding of existing Shareholders is also immaterial.

During the Reporting Period, attendance of the members of the Remuneration Committee at the meetings is set out in the table below:

Name of committee members	Number of attendance/ required attendance
Mr. HAN Xiaojing	2/2
Ms. LI Huamin	2/2
Mr. HUANG Kun	2/2
Ms. DONG Li(1)	2/2
Mr. SHI Zi	2/2

Note:

(1) Ms. DONG Li ceased to be a member of the Remuneration Committee with effect from April 3, 2023.

Remuneration of Directors and Senior Management

The remuneration of the Directors of the Company for the year ended December 31, 2022 is set out in Note 38 to the consolidated financial statements.

The remuneration of senior management of the Company for the year ended December 31, 2022 falls under the following bands:

Band of remuneration	Number of individuals
RMB1,000,001 to RMB3,000,000	3
Above RMB3,000,000	1

Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibilities for the preparation of the financial statements for the year ended December 31, 2022 which give a true and fair view of the state of affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the Board with such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report of this annual report.

Dividend Policy

The Company has adopted a dividend policy. The determination to pay dividends will be made at the discretion of the Directors, subject to the Listing Rules, and will depend upon, among others, the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on the payment of dividends, and other factors that the Directors may consider relevant. The Company in general meeting may from time to time by ordinary resolution declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board, provided always that in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. The Company does not have a pre-determined dividend payout ratio and will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific period.

Risk Management and Internal Control

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Board oversees risk management functions directly and also through the Audit Committee and the senior management, and will assess the effectiveness of the risk management and internal control systems at least once a year.

The Audit Committee assists the Board in leading the management, monitoring and overseeing the risk management and internal control systems. The senior management is responsible for the overall implementation of risk management and internal control plans and policies determined by the Board and managing the risks in connection with all of the Company's business operations. The senior management identifies, assess and take measures against any significant risks that the Company is facing, and reports to the Board on a periodical basis.

The internal control department oversees and monitors the risk management and internal control systems. It identifies any material risks and makes recommendations on the improvement and rectification plans and measures with regard to the identified issues to ensure that the planned remedial measures have been duly implemented.

During the Reporting Period, we have voluntarily engaged an independent internal audit consultant to perform independent audit on the effectiveness and completeness of the risk management and internal control system.

Risk Management

The Company has established a risk management system which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes. The Company, on a regular basis, identifies and assesses risk factors that may negatively affect the achievement of its objectives, and formulates appropriate response measures.

The Company has adopted the following dynamic risk management process in response to the ever-changing risk landscape:

(i) Business and functional departments identify, assess, respond to risks in the course of daily operation and establish control measures to mitigate risks in a systematic manner.

(ii) The internal control department establishes internal control and compliance framework, provides guidance and advisory, oversee, assess and monitor the internal control and compliance status, and escalate concerns and communicate results to the senior management.

(iii) The independent internal audit consultant performs the independent review of effectiveness of internal control, and directly reports its findings and follow-up status to the Audit Committee periodically.

(iv) The Audit Committee, on behalf of the Board, assesses and determines the nature and level of the risks that the Company is willing to take in order to achieve its business objectives and formulates appropriate response strategies which includes designating responsible departments for handling each significant risk. The Audit Committee provides guidance to the Company's management to implement effective risk management system with supports from the internal audit department.

Internal Control

The Company has always valued the importance of the internal control systems, and has complied with the requirements under the Corporate Governance Code and Appendix 16 Disclosure of Financial Information of the Listing Rules.

The management of the Company is responsible for the design, implementation and maintenance of the effectiveness of the internal control systems. The Board, assisted by the Audit Committee, is responsible for monitoring and overseeing the performance of management over the internal control system to ensure that it is appropriate and effective.

The Company's internal control systems clearly define the roles and responsibilities of each party as well as the authorizations and approvals required for key actions of the Company. Policies and procedures are put in place for the key business processes. This information is also clearly conveyed to employees of the Company in practice and plays an important role in the internal control systems. All employees must strictly follow the policies which cover, amongst other things, financial, legal and operational issues that set the control standards for the management of each business process.

In addition, the independent internal audit consultant supervises the establishment of the risk management and internal control systems set up by management, ensures that management has implemented appropriate measures and reports its independent review of risk management and internal control of the Company to the Audit Committee periodically.

Review of Risk Management and Internal Control

The Audit Committee, on behalf of the Board, continuously reviews the risk management and internal control systems.

The review process comprises, among other things, of meetings with management of business and functional departments, internal control department, legal and compliance department, and the external auditors, reviewing the relevant work reports and information of key performance indicators, independent internal audit review and external auditors' assessment on internal control and discussing the major risks with the senior management of the Company.

The Board is of the view that throughout the Reporting Period, the risk management and internal control systems of the Group are effective and adequate.

In addition, the Board believes that the Company's accounting and financial reporting functions have been performed by staff with appropriate qualifications and experience and that such staff receive appropriate and sufficient training and development. Based on the work report from the Audit Committee, the Board also believes that the Company's internal control and internal audit functions are adequate with sufficient resources and budget. The relevant staff have appropriate qualifications and experience, and receive sufficient training and development.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings by the independent internal audit consultant, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Arrangements are put in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

Inside Information

The Company has also implemented proper procedures and internal controls for the handling and dissemination of inside information, including, among others, establishing a policy on the disclosure of inside information to ensure that all current and prospective investors of the Company, market participants and the public are provided with appropriate information relating to the Group in a timely and simultaneous manner. The policy has been communicated to all relevant staff and related training has also been provided to them.

Whistle-blowing Mechanism

A whistle-blowing mechanism has been set up to encourage and allow employees to raise concerns about possible improprieties in matters of financial reporting, compliance, and other malpractices at the earliest opportunity. The Audit Committee has the overall responsibility for the management of the mechanism and has delegated day-to-day responsibility of overseeing and implementing such policy to the management of the Group. If any employee believes reasonably and in good faith that malpractice exists in the workplace, he/she should report to the management or Audit Committee by email immediately. All reports are treated confidentially and the Group makes every effort to keep the employee's identity confidential.

Anti-corruption Training

To strengthen understanding of relevant applicable laws and regulations, training regarding ethical business conduct covering topics such as integrity and discipline, confidentiality and conflict of interest is provided to our employees.

Auditor's Remuneration

The auditor's approximate remuneration in respect of the audit and non-audit services provided to the Company for the Reporting Period is as follows:

Type of services	**Amount**
	(RMB' 000)
Audit services	4,450
Non-audit services:	
– Tax advisory	796
– Environmental, social and corporate governance advisory	210
– Financial due diligence in relation to the acquisition of Aditek	574
Total	6,030

Joint Company Secretaries

Mr. ZHU Lingbo ("**Mr. Zhu**"), a joint company secretary, senior vice president and board secretary of the Company, is responsible for making recommendations to the Board on corporate governance matters, and ensuring compliance with the policies and procedures of the Board and applicable laws, rules and regulations.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. HO Wing Tsz Wendy ("**Ms. Ho**"), representatives of Corporate Services of Tricor Services Limited (a corporate service provider), as another joint company secretary of the Company to assist Mr. Zhu in performing his duties as the company secretary of the Company. The primary corporate contact person of Ms. Ho at the Company is Mr. Zhu, one of the joint company secretaries of the Company. In connection with the joint company secretaries arrangement, the Company has been granted by the Stock Exchange a waiver from strict compliance with the qualification requirement of company secretary under the Listing Rule for Mr. Zhu, which shall last for three-year and will be revoked immediately if and when Ms. Ho ceases to provide such assistance or if there are material breaches of the Listing Rules by us. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Zhu will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

During the Reporting Period, Mr. Zhu and Ms. Ho had undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Communication with Shareholders and Investor Relationship

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance, and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions.

The annual general meeting provide opportunity for Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board Committees of the Company will attend the annual general meeting to answer Shareholders' questions. The auditor will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies, and auditor's independence.

To promote effective communication and to build an inter-relationship and communication channel between the Company and the Shareholders, the Company adopts a Shareholders' communication policy and maintains a website at www.angelalign.com, where the up-to-date information on the Company's business operations and developments, financial information, corporate governance practices, and other information are available for public access. The Board reviewed the implementation and effectiveness of the Shareholders' communication policy and the results were satisfactory.

Shareholders' Rights

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening an Extraordinary General Meeting and Putting Forward Proposals

Any one or more Shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of voting rights, on a one vote per share basis of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, to require an extraordinary general meeting to be convened by the Company for the transaction of any business specified in such requisition and add the resolutions to the meeting agenda; and such meeting shall be held within 21 days after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting to be held within a further 21 days, the requisitionist(s) himself/herself (themselves) or any of them representing more than one-half of the total voting rights of all of them may do so in the same manner provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene such general meeting shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board may send their enquiries to the Office of the Board at the Company's headquarters through telephone at +86 (21) 5656 1919 and email at investors@angelalign.com.

Amendments to Constitutional Document

On May 26, 2022, the second amended and restated memorandum and articles of association of the Company was approved and adopted by the Shareholders in order to (i) conform to the core standards set out in Appendix 3 of the Listing Rules; (ii) update the then existing Articles of Association according to the relevant requirements of the Listing Rules and the applicable laws of the Cayman Islands; and (iii) to make some housekeeping amendments.

Save as disclosed above, there has been no change in the Articles of Association of the Company during the Reporting Period and up to the date of this annual report.

About the ESG Report

Angelalign Technology Inc. ("**the Company**" or "**Angelalign**") and its subsidiaries ("**the Group**" or "**We**") hereby release the 2022 Environmental, Social and Governance ("**ESG**") Report, which is our second ESG report to present our ESG strategy, philosophy and practice.

Reporting Scope

The ESG Report is an annual report dated from January 1, 2022 to December 31, 2022 (the "**Reporting Period**"). To ensure the completeness and coherence of the statements, some of the contents may be beyond the aforementioned timeframes.

Compared with 2021, as our Chuangmei Center in Wuxi (無錫) was officially put into operation in 2022, this report includes Chuangmei Center in the reporting scope of environmental KPIs (Key Performance Indicators) in this reporting period. Other information and KPIs disclosed in the ESG Report cover the Company and its subsidiaries, which are consistent with those disclosed in the annual report.

Data Description

The data and information of the ESG Report are from our internal statistical reports or official documents, and the amount of currency involved is denominated in RMB.

Reporting Principles

The ESG Report is prepared in accordance with the provisions of the "Environmental, Social and Governance Reporting Guide" (環境、社會及管治報告指引) (the "ESG Guide") in Appendix 27 to the Main Board Listing Rules (主板上市規則) of The Stock Exchange of Hong Kong Limited, and in the following reporting principles:

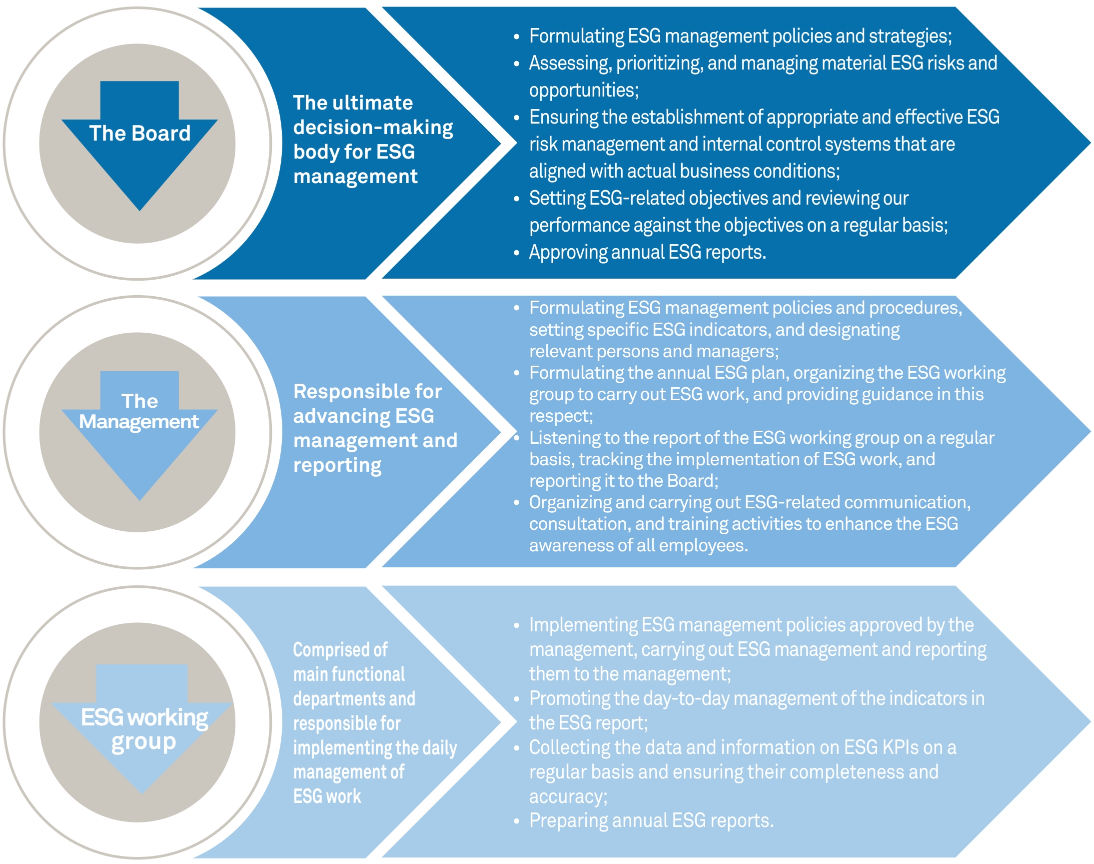
- **Materiality:** We identify important ESG issues through stakeholder engagements and materiality assessments, and make targeted disclosures in the ESG Report;
- **Balance:** The ESG Report faithfully presents our environmental and social performance;
- **Quantitative:** The ESG Report discloses the standards, methods and sources of the conversion factors adopted for emission and energy data report;
- **Consistency:** The KPIs and statistical methods of the 2022 ESG Report are consistent with those set forth in the 2021 ESG Report to facilitate comparability.

ESG Management

In 2022, against the COVID-19 pandemic and the complexity and variability of the global macro environment, Angelalign has always determined to develop, and responded to the challenges of the external environment with active persistence. Fully aware of the importance of sustainable development, we integrated the ESG factors into our business strategy and daily operations to ensure orderly business development and timely delivery of products. Adhering to the core value of "putting people first", we worked together with doctors, patients, employees and other stakeholders to overcome difficulties and practice our social responsibility. This helped realize our sustainable development and contributed our share to the sustainable development of the society.

ESG governance structure

We constantly improve the sustainable management system and the awareness of ESG management. We have established a tertiary ESG governance structure consisting of the Board, the management and the ESG working group, determining the main responsibilities of each tier to implement and monitor ESG work in a top-down manner.



The tertiary ESG governance structure of Angelalign and the responsibilities of each governance level

Stakeholder engagement

Stakeholder engagement is important for us to obtain constructive opinions and advice from all parties and for our long-term development. Through research and analysis, we have identified such key stakeholders as governments and regulators, shareholders and investors, employees, clients, suppliers, communities and the media. We have also established a diversified communication system under which we maintain contact with stakeholders and discuss about the ESG issues of their concern, to meet their expectations and address their concerns.

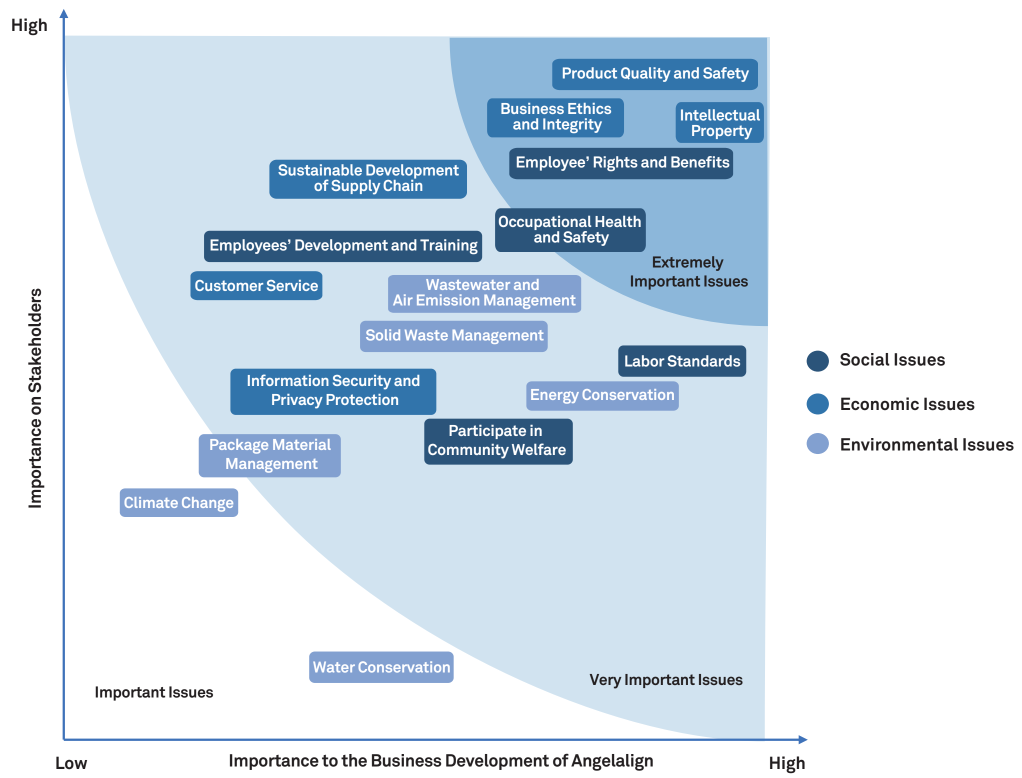
Stakeholder	Expectation and Concern	Communication Channel
Governments and regulators	Operation compliance Strict compliance with regulatory requirements Anti-corruption	Due diligence and investigation Reporting Official communications
Shareholders and investors	Returns on investments Compliance management Corporate Governance Information disclosure	Announcements and circulars Financial reporting General meetings Receptions Roadshows
Employees	Employee rights and benefits Remuneration and welfare Talent development Occupational health and safety	Surveys on employee satisfaction Employee training Internal announcements and emails Employee care activities Employee publication
Clients	Product quality and safety Protection of consumer rights Compliance advocacy	Client surveying Satisfaction survey Channel for complaints
Suppliers	Commercial ethics Win-win cooperation	Business visits Routine meetings Academic conferences
Communities and media	Contributions to community development Healthy community Raising public awareness	Charitable services Volunteering activities Media publication and communication

Materiality assessment

We determine important ESG issues and key areas of ESG work based on the "materiality" principle in the ESG Guide and by going through the materiality assessment procedures:

Step 1 – Identifying ESG issues	Step 2 – Assessing the materiality	Step 3 – Verifying the assessment results
• According to the ESG Guide, we identified 17 ESG issues relevant to us by comprehensively considering the characteristics of the industry as well as our operational characteristics and strategic direction.	• We invited key internal and external stakeholders to assess the materiality of ESG issues through online questionnaires. We conducted analysis from the two dimensions of "importance to the business development of Angelalign" and "impact on stakeholders" to form a materiality assessment matrix to prioritize ESG issues.	• With reference to the opinions of the third-party, the management discussed the materiality assessment results, reported them to the Board and finally prioritize them.

In 2022, there was no material change in the Group's business mode. After reviewing the ESG issues and materiality assessment results, the Company has adopted the following ESG materiality matrix:



The materiality Assessment Results of Angelalign

Stabilizing Production, Ensuring High-quality Delivery

We endeavor to tide over the pandemic and stabilize production by practicing the mission that "Bring people confident smiles with technologies" and adhere to our original intention of "Customer first". With product delivery and quality guaranteed, we stay focus on product innovation, customer service and sustainable procurement to provide customers with better quality products and services.

Production guarantee and quality control

We attach great importance to product quality and are always committed to providing customers with reliable products. In the process of operation, we strictly follow the requirements of the Product Quality Law of the People's Republic of China (中華人民共和國產品質量法), the Provision for Supervision and Administration of Medical Devices (醫療器械生產監督管理辦法), Good Manufacturing Practice for Medical Devices (醫療器械生產質量管理規範) and other relevant laws and regulations, and carry out product life cycle quality control covering product design and development, raw material procurement, and production and sales processes, to ensure timely delivery.

Stabilizing production to ensure delivery

Ensuring production has become a top priority against the continuing challenges of the pandemic. In 2022, when the pandemic broke out, we have held several special meetings to cope with the pandemics, and quickly formulated multiple emergency plans and measures, to ensure production efficiency and output. In order to achieve high-quality delivery of products, our Huishan Production Center and Chuangmei Center have volunteered to organize production. Employees of all departments have maintained high quality work and manage to eliminate production bottlenecks. When Huishan Production Center and Chuangmei Center started closed-loop management due to the pandemic in the same year, the delivery of our products has been completed smoothly with high quality. No order was delayed. During the Reporting Period, Huishan Production Center and Chuangmei Center also set a number of production records.

Enhancing quality control

In 2022, based on the ISO 9001 quality management system, ISO 13485 medical device quality management system and China's Good Manufacturing Practice of Medical Products ("**GMP**") as well as the standards and regulations of the United States, the European Union and other exporting countries, the Group further refined the quality management system covering the whole life cycle of products and strictly controlled each process, so that the whole process could be tracked. During the Reporting Period, our Chuangmei Center successfully obtained ISO 13485 medical device quality management system certification and Huishan Production Center passed the BSCI Social responsibility certification for the first time, obtaining a class C certification.

We continued optimizing the quality management system. We managed the whole process of design and development, raw material purchase, production and service control, quality verification and risk management. In 2022, we strengthened the quality management of front-end processes such as Research and Development (R&D) processes, production-supporting software and medical protocol design, and developed new product introduction (NPI) processes. This aimed to ensure that the R&D results are feasible for stable mass production and the results could meet the delivery standards through project input, review management, data management and trial production process. For nonconforming products, we conducted timely review and took corrective measures to prevent their unintended use or delivery.

In addition, we evaluated the effectiveness of the implementation of the quality management system through feedback collection, customer complaint handling, internal audit, nonconforming product control, data statistical analysis, corrective and preventive measures, annual management review and other ways, in order to constantly improve the quality management system. We carried out annual internal audits on the quality management system. If any non-compliance items were discovered, rectification action would be taken at the first time.

In March 2022, we won the "Quality Management Excellence Award" of Wuxi Mayor Quality Award for 2021, which is a recognition of our superior performance in quality management by the society.

Product tracing and recall

According to the Measures for the Administration of Medical Device Recalls (醫療器械召回管理辦法), and the requirements of ISO13485, GMP and other regulations and standards, we have formulated and improved the Product Recall Procedure (產品召回程序) and the Release and Implementation Procedure of Advisory Notice (忠告性通知發布與實施程序) to provide requirements of and procedures for product recall in China and foreign markets. As a result, in the event of any form of product change or quality problems, we can notify customers in time and recall products immediately if necessary. We have also established a comprehensive product tracing system, based on which the production records of each batch of products can be traced back to raw materials, equipment, personnel and other information. Therefore, in the case of customer complaints and adverse events, we can find out the causes and take timely measures.

During the Reporting Period, we had no product recalls due to safety or health problems.

Constant investment in R&D and innovation

As an enterprise driven by scientific and technological innovation, we strive to create value by developing innovative and diversified clear aligner solutions for customers. We have formulated the "Three major R&D Strategies" ("Utilize cutting-edge theories and technologies, Implement an R&D talent strategy, and Strengthen domestic and international collaborations"), established the Digital Stomatology Research Institute, developed various technologies and data platforms, and made constant investment in R&D. We grant cash rewards to patent inventors in accordance with the Provisions of the Measures for Patent Award of Angelalign, to kindle the enthusiasm of the R&D team, which injects a constant stream of impetus for technological innovation and development.

During the Reporting Period, due to continuous iteration and upgrading of innovative technology, our products have been included in the Catalogue of Innovative Products for Promotion and Application of Wuxi and the Directory of Excellent Products for Promotion of Jiangsu Province in information consumption key fields. In addition, with "the innovative application of industrial Internet platforms for clear aligners of Angelalign", we have been selected on the 2022 list of innovation pilot applications of industrial Internet platforms issued by the Ministry of Industry and Information Technology.

Intelligent manufacturing

We have kept accumulating and upgrading our intelligent manufacturing technologies, promoting the production model of "mass customization" and expanding production capacity, in order to ensure the sustainable business growth. We have equipped all production facilities with advanced intelligent manufacturing technologies, to control the quality of clear aligners and satisfy customer requirements. In addition, we have used intelligent innovation technology to upgrade the information system, process and equipment technology of the existing automated production line:

- Digitally expanding the Manufacturing Execution System ("**MES**") to realize visual management of data in the production process;

- Deploying a next-generation intelligent aligner hot-forming polymeric sheet system for clear aligners and applying the computer visual technology, to achieve quality control in process and production;

- Adopting an automatic outer packaging system to make product outer packaging more automated.

In 2022, we have been recognized by various authorities in the field of intelligent manufacturing, and selected into the List of Excellent Scenes of Intelligent Manufacturing for 2022 by the Ministry of Industry and Information Technology with "Advanced process control". Huishan Production Center was awarded the "Intelligent Manufacturing Demonstration Plant of Jiangsu Province" by Jiangsu Provincial Department of Industry and Information Technology and selected as a "Pilot Plant for the Implementation of Management System Standards for the Integrating Informatization and Industrialization".

Promoting digital diagnosis and treatment

As a leading enterprise in the industry, under the context of regular pandemic prevention and control, we have actively promoted the digitalization of the whole process of oral diagnosis and treatment. Through digital imaging, digital orthodontic intelligent service platforms, intelligent diagnosis treatment planning, remote monitoring and communication between dental professionals and patients and other services, we have striven to enable the accessibility of digital technology and services to doctors and patients in an all-round way.

Leading new industry ecosystem

We always hope to lead the sustainable development of the industry through our professional strengths by taking medical science as the basis. Therefore, we highly value industry-academia-research cooperation and promote scientific research and their industrial application, to boost industrial technological innovation. Since 2014, we have organized the A-Tech Forum on an annual basis. On the forum, authorities and experts from all over the world gather together to share, discuss about and exchange ideas and thoughts on the most edge-cutting orthodontic technology and the latest innovations, to promote the innovative development of the dentistry industry. The A-Tech Forum has become an important international communication platform for "academy, exploration and cooperation" in the field of orthodontics and strengthened our brand influence on scientific and technological innovation. In June 2022, we organized and hosted the 9th A-Tech Forum via live streaming.

2022 A-Tech Forum of "Together to the Future"

In addition, since 2015, through the "Joint Innovation A+" Plan, we have cooperated with China's most renowned stomatology hospitals, higher education institutions, medical schools and other research institutions, including Zhejiang University, Ninth People's Hospital, Shanghai Jiaotong University School of Medicine and Sichuan University Huaxi Stomatology Hospital, in promoting the innovation in the products, technologies and materials related to clear aligners. Fortunately, we have made ground-breaking innovation in a number of fields.

In 2022, we collected application guidelines for the special scientific research project of "Joint Innovation A+" as well as clinical research topics for dental practitioners and institutions, in order to jointly explore innovative methods and technologies of clear aligners, and promote the innovative development of dental medical treatment.

We participate in a wide range of industrial activities, aiming to promote efficient interaction and technological innovation in the industry. In 2022, we participated in different conferences/campaigns, including the Dental South China, the second Academic Conference of Young and Middle-aged Orthodontists, and the 21st Annual Meeting of the Chinese Orthodontic Society to share edge-cutting technologies of extraction and orthodontics, and to discuss the development direction of innovative technologies of clear aligners with the doctor participants.

In addition, we also participate in the formulation of industry standards, committed to promoting the development of the clear aligner industry. In 2022, YYT 1819 Dentistry Diaphragms for Orthodontic Aligner, the first domestic industry standard in the field of the clear aligner, was jointly drafted by the Oral Medical Device Testing Center of Peking University School of Stomatology and us, and then officially promulgated by the National Medical Products Administration.

2022 Dental South China

A special session for Angelalign at the second Academic Conference of Young and Middle-aged Orthodontists

Improving customer service quality

"Customer first" is an important part of the corporate values of Angelalign. We pay close attention to customers' opinions and feedback attach importance to every customer request, and do our best to provide them with high-quality services. In strict compliance with the Law of the People's Republic of China on the Protection of the Consumers Rights and Interests (中華人民共和國消費者權益保護法) and other laws and regulations, we have formulated the Customer Service Management System (客戶服務管理制度), Angelalign Regulations on Complaint Handling (時代天使投訴處理規範) and other internal policies and systems to standardize the service process and complaint handling process, in order to provide the accurate, timely and effective solutions to customers' problems, and enhance customer experience and satisfaction.

We take customers' feedbacks seriously and constantly improve our internal customer service management system. We take the initiative to understand needs and expectations by collecting their feedbacks through the WeChat group, customer communication system, corporate hotline, corporate customer service email and other channels, and take corresponding action based on customers' comments and suggestions. According to the Angelalign Regulations on Complaint Handling (時代天使投訴處理規範), we classify and manage the complaints by different dimensions such as complaint severity, complainants and potential risks, in order to handle all complaints in time.

Meanwhile, we regularly organize meetings on customer satisfaction analysis, service quality inspection and service quality analysis to summarize complaints and suggestions of customers. Accordingly, we make timely rectifications and continuously refined the complaint management mechanism, to improve customer satisfaction and trust. We regularly train customer service staff to strengthen their business skills and improve their service awareness and service standards, to further improve customer service quality.

During the Reporting Period, we have received and handled 2,245 complaints with a resolution rate of 100%.

Building a sustainable supply chain

A stable supply chain is the decisive factor to ensure the robust operation of companies. Adhering to principles of balancing efficiency, services and quality in procurement, we cooperate with our supplier partners to jointly construct a responsible and sustainable supply chain. During the pandemic outbreak in Shanghai in 2022, we maintained close communications and cooperation with suppliers to keep raw material procurement stable.

We strictly implement the provisions on suppliers' approval, regular review and assessments, change, termination and other stages in the Policy on Supplier Audit Management (供應商審核管理制度) and the Procurement Management Policy (採購管理制度). We carry out the lifecycle quality management on suppliers to ensure that the appropriate materials are procured and the procurement process is standardized.

As of the end of the Reporting Period, we had a total of 398 long-term suppliers partnerships. The following table shows the number of suppliers by region:

Region	Number
East China	318
South China	29
North China	33
Other regions	18

- *Approval*

  To ensure product quality, we always choose suppliers based on the quality of materials and services provided, classify suppliers by material type, service type, the degree of impact on final products, and manage suppliers with pertinence. In the screening stage, we require all potential suppliers to provide relevant documents such as business licenses and quality certification. In addition, we prioritize selecting reputable and environment-friendly suppliers in the industry. Furthermore, we conduct strict on-site inspections on our key suppliers whose products directly affect the quality, main features and performance indicators of the final products, to ensure that they are able to deliver satisfactory products and services. The suppliers can only be included in list of qualified suppliers after the inspection and review is approved. After the approval of suppliers, we will set up supplier files and maintain the relevant materials regularly.

- *Regular review and evaluation*

  In addition to classified management of suppliers of different grades, regular on-site inspection and performance appraisal, we perform comprehensive annual evaluation of suppliers from the aspects of the quality, technicality and delivery capacity of materials and services with the Supplier Performance Appraisal Form (供應商績效評價表). If the comprehensive score of a supplier performance appraisal is lower than the required threshold, we will formulate a supplier development plan based on the supplier's performance, provide reasonable suggestions, and urge them to make rectifications within a prescribed time limit. If the suppliers have material defects that may affect the quality of our purchase, we will consider suspending the purchase and assess the risk to which products are exposed due to the use of the purchase.

- *Change and termination management*

  Prior to making any change that may lead to the failure of the purchased products to meet the specified requirements, the suppliers shall notify us of the relevant change in writing in advance. After that, the suppliers shall initiate the change in accordance with the Change Notification Procedure (變更通知程序) to ensure the quality of the purchased materials.

  When a supplier is no longer suitable due to quality problems, its own reasons or other reasons, we will appraise the supplier before terminating partnership with it, and will remove it from the supplier list after obtaining relevant approval.

Compliance Management, Responsibility First

We stay true to the bottom line of compliance management while strictly complying with relevant laws and regulations. To that end, we will further improve the construction of our compliance system by integrating the corporate culture featuring integrity, honesty, fairness and justice into all aspects of management and operation. This will help further improve our ability to prevent and respond to major compliance risks, in order to lay a solid foundation for our sustainable development.

Business ethics management

Bearing in mind our concept of business integrity, we strictly comply with relevant laws and regulations on anti-corruption, anti-extortion and anti-fraud, such as the Criminal Law of the People's Republic of China (中華人民共和國刑法), Anti-Unfair Competition Law of the People's Republic of China (中華人民共和國反不正當競爭法) and the Interim Provisions on Banning Commercial Bribery (關於禁止商業賄賂行為的暫行規定), for putting an end to any form of corruption and bribery. During the Reporting Period, no corruption lawsuit was brought against us.

We have established a monitoring system for implementing systematic anti-bribery and anti-corruption procedures and policies, which will help reduce the risks of violating of laws and regulations by employees and enterprises, and thus fostering a positive and transparent working atmosphere. In 2022, we have formulated the Management Policy for Conflicts of Interest of Management (管理層利益衝突管理制度), which defines the situations and handling principles for internal and external conflicts of interest of the management and effectively prevents conflicts of interest between the management and the Company. Also, we amended the Sunshine Practice Management Policy (陽光從業管理制度) in order to further clarify the management responsibilities of all departments, to improve the integrity management system of the Company, and to provide online training to all employees for their better understanding and implementing the policy. For the sake of corporate culture featuring integrity, honesty, fairness and justice, all employees are required to sign the Integrity Practice Commitment Declaration Form (員工廉潔從業承諾書), which clearly prohibits any form of bribery, soliciting or accepting bribes, and regulates employees to properly deal with conflicts of interest. In addition, we extend the requirements of integrity and professional ethics to the supply chain, requiring suppliers to sign the Sunshine Agreement (陽光協議), to jointly build a defense line against corruption.

We attach great importance to fostering anti-corruption culture, requiring the Board, the management and all employees to maintain a law-abiding, incorruptible, honest and self-disciplined personal conduct and work style. We issue Monthly Compliance Questionnaires (月度合規問卷) to employees from key departments for their self-examination, so as to help them better understand our core values and ethical bottom line, and thus further strengthen the compliance awareness and risk identification ability of all employees. In order to further reduce the risk of violating laws and regulations by our employees and the Company, we held a series of training sessions for all employees and the management in 2022, effectively improving the compliance awareness of all employees.

We encourage our employees to participate in building our business ethics and compliance culture in an all-round way. We put in place a comprehensive whistleblower mechanism by setting up reporting email addresses and telephone numbers to support real-name or anonymous reports of illegal and dishonest acts, while keeping the reporting information and the identities of the whistleblowers confidential. After receiving the report, the relevant departments will launch an investigation within three working days. Once the reported matter is verified, we will take such strict measures as fines, demerits, termination of labor contracts, and handing it over to judicial authorities.

Responsible Marketing

Fair trading and accurate advertising are crucial to maintaining our reputation. With that in mind, we rigorously implement the requirements of relevant laws and regulations such as the Advertisement Law of the People's Republic of China (中華人民共和國廣告法) and the Interim Measures for the Administrative of Censorship of Advertisements on Drugs, Medical Devices, Dietary Supplements and Formula Foods for Special Medical Purpose (藥品, 醫療器械, 保健食品, 特殊醫學用途配方食品廣告審查管理暫行辦法), and practice responsible marketing, to avoid misleading the clients by exaggeration or false dissemination. All these efforts will help protect clients' rights and interests, which in turn will reinforce our brand image. To carry out our sales and marketing practices in accordance with laws and regulations, social norms and ethical standards, we have organized compliance training for further standardizing external publicity and marketing activities during the Reporting Period.

We develop and implement a strict advertising review process for the pre-review and final review of all promotional materials released to the public. The promotional materials can only be submitted to the Market Supervision Administration after the final approval of the Ministry of Justice. All other promotional materials and channels released by third-party platforms, self-media and other partners shall also be approved by us in writing before they can be used.

Advertising review process

In addition, we follow closely to the changes in the latest laws and regulations on brand logos, and update and release the Opinions on the Use of Brand and Product Logos (品牌及產品標識使用意見) and the Opinions on the Use of Technical Logos (技術類標識使用意見) based on the actual operations of the Company, to ensure the standardized and orderly use of brand logos.

Information Security Management

We attach great importance to the protection of business information and customer information and their privacy security. We have made further efforts in improving the information security management system and integrated information security management and privacy protection into every aspect of the operation while strictly abiding by domestic laws and regulations such as Civil Code of the People's Republic of China (中華人民共和國民法典), Cybersecurity Law of the People's Republic of China (中華人民共和國網絡安全法), Personal Information Protection Law of the People's Republic of China (中華人民共和國個人信息保護法) and other overseas laws and regulations such as the GDPR. During the Reporting Period, we have been certified with ISO/IEC 27701 Privacy Information Management System and ISO/IEC 27001 Information Security Management System, and our core business systems have been certified as Grade III for Protection of Information System by the State (國家信息系統安全等級保護).

We implement the system of information security and privacy management. To that end, we have formulated a series of systems, including Regulations on Data Security Management (數據安全管理規定), Regulations on Information Asset Security Management (信息資產安全管理規定), and Rules for the Implementation of Data Backup (數據備份實施細則), categorizing data and information by their importance and confidentiality, and clarifying the requirements for the acquisition, processing, transmission and storage of all types of data and information, which ensures information security in all aspects, to avoid business interruption or loss due to information system failure, data loss, and sensitive information leakage. All these efforts secure the confidentiality, integrity and availability of all kinds of data. In addition, with our new data loss prevention (DLP) products, and disaster recovery drills and security drills, we have further improved our management of data and information systems, and thus ensured the protection of data and information security of the Company's operation and maintenance system in an all-round way.

In order to effectively protect the security of customer information, we have launched the PDS system in 2022, which encrypts and desensitizes users' privacy information to prevent their personal privacy being infringed. On WeChat Mini Programs, apps and other online platforms, we have published personal privacy protection policies, covering the purpose, method and scope of personal information collected and used by us, the personal privacy protection measures, and in a reminder for clients to read the policies. We do not collect personal information without authorization by the customers.

We require all our employees to consciously implement various information security regulations, correctly identify the potential security risks and report information security incidents in a timely manner. In order to improve employees' awareness of information security, we carry out annual information security training for all employees, and require new employees to participate in pre-job data security training, all of which will facilitate a more faithful implementation of such information security policies.

Intellectual property protection

Staying true to the concept of intellectual property protection, we were working more on the standardization, institutionalization and refinement of the management and use of intellectual property by strictly implementing the Patent Law of the People's Republic of China (中華人民共和國專利法), the Trademark Law of the People's Republic of China (中華人民共和國商標法) and other relevant laws and regulations on intellectual property and trademarks. Moreover, we have established the intellectual property protection system and formulated relevant internal policies such as the Control Procedure for the Acquisition of Intellectual Property (知識產權獲取控制程序), the Control Procedure for the Maintenance of Intellectual Property (知識產權維護控制程序), the Procedures for the Dispute Resolution of Intellectual Property (知識產權爭議處理程序) and the Measures for Trademark Management (商標管理辦法). We encourage innovative research and development and intellectual property applications. As of December 31, 2022, we had 406 trademarks, 143 patents, 16 software copyrights and 35 domain names registered worldwide.

As an innovation-driven company, we are committed to further improving our internal intellectual property management, maintenance and application, which serve as the foundations for solidifying our core competitiveness. During the Reporting Period, we have carried out training on patent basics for further strengthening employees' awareness of intellectual property protection.

Always Striving for Green Development

Coping with the challenge of climate change globally, the Group has always consisted on green operation and takes protecting the ecological environment as one of our major responsibilities. To that end, we strictly comply with environment-related laws and regulations such as Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Law of People's Republic of China on Environmental Impact Appraisal (中華人民共和國環境影響評價法), and Environmental Protection Tax Law of the People's Republic of China (中華人民共和國環境保護稅法). Also, we have set up a Safety and Environmental Protection Department to manage our environmental affairs in an all-round way. We have established a sound environmental management system and integrating the concept of sustainable development into our daily production and operation to follow the call for low-carbon activities.

Facing the challenges imposed by COVID-19, we remain committed to green development. Aiming at "strengthening green operations by promoting energy conservation and emission reduction, and reducing resource consumption, for ensuring compliant emissions", we actively fulfill our environmental protection responsibilities and promote energy conservation and emission reduction, for the sake of building an environmentally friendly business development model.

Resources conservation

To regulate the use of resources, we have developed the Energy and Water Conservation Management System (節能節水管理制度), which will help improve the utilization of resources and reduce the waste of energy and resources, hence enabling us to move faster to a conservation-oriented enterprise. The main resources we use in our production include electricity, water and packaging materials.

In line with the principles of environmental protection and conservation, while focusing on our customers' experience, we work more on improving our product packaging design for the best use of packaging materials and thus to reduce the negative impacts on the environment. We constantly upgrade our production equipment and explore new technologies for energy reuse for less energy consumption in the production process. We collect waste heat from the air compressor for heating in the polishing workshop in winter to reasonably utilize energy waste and helps reduce electricity costs.

We attach importance to the management and promotion of low-carbon and energy-saving concept, and advocate adopting "green office" measures for reducing the negative impact on the environment in our daily operation. Following the call for energy conservation throughout the country, we formulated a series of energy-saving measures themed "Green and low-carbon, energy saving first", and issued the Initiative on Low-carbon Office of Angelalign《時代天使低碳辦公倡議書》in 2022. "Green office" measures such as garbage sorting, encouraging employees to reduce the use of disposable cutlery, installation of energy-saving LED office lights and printing on double-sided paper were adopted to implement the concept of low-carbon and environmental protection in practice.

Our key performance indicators for the use of resources for the Reporting Period are as follows:

Use of Resources	**2022**
Electricity (MWh)	9,726.0
Total indirect energy (MWh)	9,726.0
Total energy consumption (MWh)	9,726.0
Energy consumption intensity (MWh/RMB mn in sales revenue)	7.7
Total water consumption (t)	64,317.0
Total water consumption intensity (t/RMB mn in sales revenue)	50.7
Total packaging materials (t)	309.7
Cartons (t)	309.7
Packaging materials intensity (t/RMB mn in sales revenue)	0.2

Notes:

1. Our water sources are all municipal water, so we are assured of adequate and suitable water.

2. Since there are no other environment and natural resources involved in our operations, Aspect A3 (Environment and natural resources) and A3.1 (Description of the significant impacts of business activities on the environment and natural resources and actions taken to manage such impacts) are not applicable.

Reducing emission impact

We are committed to minimizing the negative impact on the environment by reducing emissions. Therefore, we strictly comply with the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國大氣污染防治法), the Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法), the Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法) and other relevant laws and regulations. Moreover, we control the emissions of wastewater, exhaust gas, solid waste and noise, implement effective emission control measures, and regularly employ third-party professional testing agencies to evaluate and supervise the emission levels of our business operations, in order to ensure that all emissions meet the relevant standards.

Wastewater and exhaust gas management

Our wastewater is mainly generated from production, which shall be treated to meet the standards in the wastewater treatment station on our premises before being discharged into the municipal sewerage network.

Our main exhaust gases are non-methane hydrocarbons ("**NMHC**") from the cleaning process and particulate matters from the polishing process, all of which are treated by exhaust gas treatment facilities and then discharged when the standard is met. We have installed a "monitoring and alarm device" network on the exhaust gas treatment facilities to realize real-time and accurate monitoring of the operation of exhaust gas treatment facilities, which will prompt us taking measures once abnormalities occur. Meanwhile, in order to reduce the production and emission of NMHC, we continue to explore new materials and technologies, and use low-volatile cleaning agents instead of high volatile cleaning agents in addition to the regular maintenance of the air emission treatment facilities and the enhanced workshop management to reduce untreated emissions. All these efforts aim at reducing NMHC production and emissions.

In 2022, we continued to upgrade our facilities to optimize exhaust gas treatment throughout the entire process cycle from emission collection to back-end treatment:

- Installing the post-treatment cleaning equipment with baffles to reduce exhaust gas escape and thus improve NMHC collection efficiency;

- Optimizing the exhaust gas treatment facilities of Chuangmei Center, and using the "two-stage water spray + two-stage activated carbon adsorption" treatment process to improve the efficiency of NMHC treatment;

Our key performance indicators for wastewater and exhaust gas for the Reporting Period are as follows:

Emissions	**2022**
Wastewater volume (t)	51,453.5
NMHC (t)	0.2
Particulate matter (t)	0.2

Note: Our total emissions of NMHC and particulate matter are equal to the emission rates of NMHC and particulate matter multiplied by the operating hours of the exhaust treatment facilities during the Reporting Period where the emission rates were tested by a third-party professional testing company.

Waste management

Our waste is mainly derived from hazardous waste and general solid waste generated in the production and R&D processes. By formulating and implementing systems such as the Solid Waste Management System (固體廢物管理制度) and Solid Waste Operation Guideline (固體廢物作業指導書), we have clarified and standardized the waste disposal process and methods, ensuring the compliant waste disposal. For hazardous waste, we regulate the management of hazardous waste by classified storage, posting signs, regularly entrusting disposal units with hazardous waste disposal qualifications for disposal, and timely and truthfully record the hazardous waste ledger while strictly following the requirements of relevant laws and regulations; for general solid waste, we outsource all the treatment.

Our key performance indicators for hazardous and non-hazardous waste emissions for the Reporting Period are as follows:

Waste	**2022**
Total hazardous wastes (t)	528.1
Cleaning waste liquid (t)	456.6
Activated carbon (t)	33.7
Resin drum (t)	37.7
Hazardous waste intensity (t/RMB mn in sales revenue)	0.4
Total non-hazardous waste (t)	356.6
Photochemical model (t)	347.8
Gypsum model (t)	8.8
Non-hazardous waste intensity (t/RMB mn in sales revenue)	0.3

Note: Our hazardous waste types and emissions are sourced from the Circulate Forms for Transferring Hazardous Wastes (危險廢物轉運聯單).

Noise management

We regularly monitor the noise conditions and promptly take various effective sound insulation measures, such as equipping the cover plate of the air compressor shells with sound insulation cotton and cutting down the noise of the sorting workshop by reducing the sound of the equipment valves and installing buffer pads to rigorously comply with the Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法) and Emission Standard for Industrial Enterprises Noise at Boundary (工業企業廠界環境噪聲排放標準). All these efforts are aimed at ensuring that the noise generated from production workshops and workplaces meets the emission standards, thus to reduce and prevent the impact of noise on the environment.

Addressing climate change

At present, climate change has gradually become a systemic challenge faced by all countries, industries and enterprises around the world. We pay close attention to climate change trends and relevant policies and action plans at home and abroad in order to minimize the adverse impacts of climate change on our business operations.

We actively identify operational risks arising from extreme weather and natural disasters such as typhoons, heavy rains and floods. Also we formulate the Extreme Weather Emergency Response Plan (極端天氣應急預案) to prevent and control the adverse impact from extreme weathers, so as to ensure the safety of personnel and minimize losses the extreme. In 2022, to cope with typhoons, we quickly formulated emergency plans, organized safety inspections, and provided emergency supplies in advance for reducing the impact of extreme weather. During the Reporting Period, we have not experienced any significant impact on our business operations or financial performance as a result of climate change or extreme weather conditions.

Our greenhouse gas emissions are primarily from electricity consumption in our production centers (Scope 2: Energy indirect greenhouse gas emissions). In our production and operations, we take various measures to improve energy efficiency and reduce greenhouse gas emissions.

Our key performance indicators for greenhouse gas emission for the Reporting Period are as follows:

Greenhouse gas emissions	**2022**
Energy indirect greenhouse gas emissions (Scope 2) (t CO_2e)	6,842.2
Total greenhouse gas emissions (t CO_2e)	6,842.2
Greenhouse gas emission intensity (t CO_2e/RMB mn in sales revenue)	5.4

Note: Greenhouse gas accounting is presented in terms of carbon dioxide equivalents. The carbon dioxide emission factors of our purchased power are derived from the average carbon dioxide emission factors of the East China regional power grid in China Regional Power Grid Average Carbon Dioxide Emission Factors in 2012 (2012年中國區域電網平均二氧化碳排放因子).

Joining Hands with Employees, Caring for Partners

We always regard talents as the core competitiveness of our sustainable development. We adhere to the people-oriented principle, protect the legitimate rights and interests of employees, and secure the safety and health of employees. Moreover, we improve the diversified training system and clear channels for promotion, to help employees achieve their career development. During the period of lockdown in Shanghai due to the pandemic, we paid close attention to both the physical and mental health of our employees, cared for them in all rounds, and worked with them to overcome the difficulties together.

Caring for employees in all rounds, fighting against COVID-19 pandemic all together

To create a dedicated and happy working atmosphere, we not only care for employees in daily work and life, but also help each other in difficult times, all of which create a warm and friendly working environment. Since the outbreak of the pandemic in Shanghai, we have responded quickly and formulated a series of emergency measures. Under the leadership of the pandemic prevention and control team, we have worked on pandemic prevention and logistical support in a stable and orderly manner, to try our best to ensure the physical and mental health and normal life of our employees.

Securing supply of materials

In the early days of the pandemic, we stocked up pandemic prevention materials, food and daily necessities, making full preparations for the potential lockdown. During the lockdown, we continued to care about the needs of our employees all the time. Through the efforts of various parties, we distributed fruits and vegetables to every employee and opened the internal purchase channel on relevant platforms. In particular, we have distributed food and pandemic prevention materials to pregnant women and other special employees for many times to ensure the health and life stability of employees.

Creating a relaxed remote environment

In addition to ensuring employees' basic living needs, we organized a number of online activities with different themes during the pandemic lockdown period, such as online fitness classes, "the most inspiring desk at home" competition, online party, etc. These efforts help realize our real-time attention to employees' physical and mental health, and ensure smooth internal communication, so that everyone can relax while working at home, and feel the care and warmth of the Company.

Ensuring workplace safety

In the early days of the pandemic, we carried out strict and intensive daily disinfection, arranged nucleic acid testing for all our employees once a week, and worked out an emergency response plan. These measures guaranteed the safety of employees and eliminated the possibility of outbreaks in crowded workplaces. To help employees master the correct knowledge of pandemic prevention and improve their awareness of pandemic prevention, we launched a series of publicity activities called "Guidelines for Pandemic Prevention (防疫注意事項指南)", which provides employees with correct guidance in terms of daily disinfection and prevention, thus avoiding infection risks from daily activities. Since the resumption of work, we have adopted a series of measures to ensure workplace safety:

- Teaming up security personnel and establishing a pandemic safety notification mechanism for each department;
- Setting up disinfection points and the red, yellow and blue isolation areas in the office, and ordering meals for employees according to the requirements of the government;
- Implementing strict visitor management and requiring external personnel to conduct antigen detection in advance and make registration.

Caring more for employees in daily work

We provide daily care for our employees in all rounds, including but not limited to holiday gifts, high-temperature allowance, transportation allowance, afternoon tea, oversea travel refueling pack, etc. In order to enrich the cultural life of employees and create a pleasant working atmosphere, we actively organize various activities such as holiday activities, staff birthday parties, and care for women activities, in an effort to improve team cohesion, and enhance the employees' sense of identity and belonging. In 2022, we organized Mid-Autumn Festival fete, Christmas activities, Family Day, sports day and various sports activities for the sake of creating a colorful career environment and an atmosphere of dedication and happiness for our employees.

Hiking Team Building Activity

Family Day

Protecting employees' rights and interests

It is our basic principle to ensure compliance of employment. In strict compliance with the Labor Law of the People's Republic of China (中華人民共和國勞動法), the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) and other laws and regulations, we have formulated relevant provisions in our Employee Handbook (員工手冊) for recruitment and hiring, attendance and leave, compensation and benefits, training and development, performance appraisal, equal opportunity, diversity, and anti-discrimination.

We have formulated the Recruitment Management System (招聘管理制度) and Internal Recommendation System (內部推薦制度), constantly optimizing our internal and external recruitment channels and processes based on the actual experience, in order to improve the efficiency and quality of external and internal recruitment, and ensure the introduction of diversified talent through a variety of recruitment channels. During the Reporting Period, we carried out school-enterprise cooperative recruitment projects with 8 colleges and universities, and continuously enriched the ways of talent introduction through "modern apprenticeship training class", "Internship base cooperation", and campus activities sponsorship. During the pandemic, in order to reduce the risks of cross-infection caused by personnel gathering, we initiated contact-free recruitment to protect the health of candidates to the greatest extent through online digital management tools.

We are committed to creating an equal and fair working environment for our employees, so as to ensure that every employee can get the same respect and opportunity in their work. When hiring employees, we prohibit any form of discrimination in terms of race, color, religion, gender, sexual orientation, ethnicity, nationality, age, marital status, disability, etc. In order to promote the humanitarian spirits of helping the disabled and of social care, we provided employment, including Shanghai social welfare security and provident fund, for 5 disabled people during the Reporting Period, so as to guarantee their rights and interests to participate in social life on an equal footing.

We resolutely resist and strictly prohibit such illegal employment practices as child labour and forced labor. In order to ensure that our employment is in compliance with the Provisions on the Prohibition of Using Child Labor (禁止使用童工規定), we will check the applicant's valid identification to ensure that the applicant is of legal employment age when they are hired, and conduct background checks on candidates in accordance with the Recruitment Management System to prevent careless recruitment of child labor.

We strictly follow the procedures for departure (including resignation and dismissal) in accordance with the laws and regulations related to labor contracts, and implement the Entry and Exit Management System (入離職管理制度) to strictly regulate the entry and exit management standard process, so as to ensure that employees' rights and interests are not infringed.

We have formulated the Attendance Management System (考勤管理制度) and advocate a "method – and efficiency-oriented working mode". In principle, employees are not encouraged to work overtime. All employees are entitled to national statutory holidays and paid annual leave, bereavement leave, wedding leave, maternity leave, personal leave and sick leave.

As of December 31, 2022, we had 2,144 employees, all of whom were full-time.

Employees category		Number of employees	Percentage of employees	Employee turnover rate
Gender	Male	1,057	49.30%	21.2%
	Female	1,087	50.70%	24.4%
Age groups	<30 years old	1,216	56.72%	22.7%
	30-40 years old	802	37.41%	23.0%
	≧40 years old	126	5.88%	22.3%
Region	Shanghai	450	20.99%	19.7%
	Wuxi	1,073	50.05%	24.9%
	Other regions	621	28.96%	21.7%

Note: Employee turnover rate = the number of departed employees during the Reporting Period/the average number of employees in the Reporting Period, and the statistical range of the number of departed employees include resignations and those who retire and terminate their employment relationship. The average number of employees in the Reporting Period = (Number of employees at the beginning of the Reporting Period + number of employees at the end of the Reporting Period)/2

During the Reporting Period, we issued the Compensation and Welfare Management System (薪酬福利管理制度) and established a market competitive compensation and welfare system and equity incentive plan based on basic salary, position salary, allowance and performance bonus to attract and retain outstanding talents according to the characteristics of different positions and geographical areas. In order to further improve management, we have formulated the Performance Management System (績效管理制度) and the Management Measures for Performance Appraisal and Bonus Payment (績效考核及獎金發放管理辦法), constantly improving the assessment mechanism and indicators, conducting regular performance appraisals for employees in each position and rewarding those with excellent performance in various forms, including cash rewards.

Talent development and cultivation

To facilitate business development, we attach great importance to the capacity building of employees and the construction of the Company's talent pool. We have formulated and implemented the Employee Promotion Policy (員工晉升政策), built a dual-track job ranking system for the management and the professionals, and clarified the criteria, evaluation and promotion process of different career development channels, ensuring fair and equitable promotion opportunities for every employee, and effectively guiding their career development.

With the mission to "provide opportunities and room for the sustainable development of employees", we have formulated the Training Management System and created a training system with the characteristics of Angelalign. By providing a variety of training courses, we constantly stimulate employees' potential and accelerate their career growth. At present, a training mechanism based on the two systems of induction training and on-the-job training has been formed. By integrating internal and external resources, we provide employees with opportunities to improve their professionalism and enhance their professional skills, and help them grow together with us.

- **Induction training:** From the date of arrival to the expiry of probation, we arrange business training and company rules and regulations training for new employees to accelerate their role transformation. In addition, we have formulated New Employee Training System (新員工培訓制度) to specify the standards and procedures for new employees' on-the-job training in detail.

- **On-the-job training:** Each department shall formulate specific annual training plans to provide flexible and practical business training for on-duty employees. On-the-job training falls in various forms, such as cross-training, business improvement training and training on new specifications and technologies. In 2022, we enriched the training forms and contents, and stimulated the enthusiasm of employees for learning by teaching through lively activities. We also invited external lecturers to give lectures, which further improved the staff's business ability.

During the Reporting Period, the coverage rate of employee training was 100% for both online and offline, with a total of 90,233 hours spent on centralized training.

Trainings

Category	Indicators	2022 Average training hours
Gender	Male	47.0
	Female	37.3
Rank	Management	13.2
	General staff	44.0

Guarding the well-being of employees

We attach great importance to occupational health and safety, giving top priority to the protection of employees' lives and health. Committed to creating a healthy and safe working environment for employees, we have established a sound employee safety management system in accordance with the Work Safety Law of the People's Republic of China (中華人民共和國安全生產法), the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法) and other relevant laws and regulations, and in line with the characteristics of our operations. In the past three years during the Reporting Period, we did not have any work-related deaths of employees. During the Reporting Period, we lost a total of 274.5 working days due to work-related injuries, of which 212.5 days were due to traffic accidents.

Safety production management

In order to ensure production safety, based on the principle of "people-oriented, life first", we have formulated the Safety Production Responsibility System (安全生產責任制) and the safety production policy of "safety first, precaution crucial, and comprehensive management" to strictly regulate our production safety behavior. We have established the Safety and Occupational Health Committee consisting of the Vice President, Safety and Environmental Protection Department members and managers of each department to implement and strengthen the supervision and management of safety risks and employees' health in all aspects.

In addition, to strictly implement the safety production requirements, we have formulated the Safety Hazard Investigation and Management System (安全隱患排查治理制度), classified accident hazards, and organized specialists to carry out investigations of potential accident hazards and management in each production area and other key areas to realize closed-loop management of security hazard screening and troubleshooting.

We have installed scientific and effective occupational disease protection devices at workplaces for employees who are exposed to the occupational hazards, including dust, noise, ionizing radiation, and ethyl acrylate, and we have provided them with personal protective equipment in line with national and industry standards, organized regular health checkups and occupational disease checkups for them, and kept an eye on employees' physical conditions, in order to ensure their health and constantly improve occupational health and safety management.

Safety training drills

To reduce safety risks from the source and prevent safety accidents, we take the initiative to improve the safety awareness of employees, organize safety education, training and emergency drills for all employees, and strengthen the publicity on emergency rescue laws, regulations, accident prevention, risk avoidance, disaster avoidance, firefighting, general knowledge of self-rescue and mutual rescue, so as to improve the awareness and emergency response capability of employees and ensure the safety of the employees, the equipment, facilities and assets.

Based on the characteristics of our operations and the actual conditions of the Company, we put forward clear and specific safety training requirements for the persons in charge, safety management personnel, special equipment operators, special operators and other employees. For other employees, we have built a characteristic tertiary safety education and training system.

Plant

- Responsibilities and obligations of employees under the PRC Work Safety Law (中華人民共和國安全生產法)
- Safety management regulations and systems
- Accident emergency response process
- Main hazard sources and safety protection measures
- Basic knowledge of production safety and accident case sharing

Department

- Safety regulations and procedures of the department/workshop
- The layout and working environment of the department/workshop
- Main sources of danger, possible injuries and protective measures in the department/workshop
- Main occupational hazards and protective measures in the workshop
- Lessons learned from historical accident cases in the department/workshop

Group

- Post operation procedures(theory + field practice)
- Safety production duties of the post and labor discipline
- Risk points, protective measures and safety precautions of the post; occupational hazards and protective measures
- Personal protective equipment requirements for the post
- Emergency stop and disposal process for accident/incident scenarios

To cope with emergencies and improve employees' first-aid ability, we assign employees to professional institutions for first-aid knowledge training and obtain relevant first-aid skills certificates. During the Reporting Period, we organized fire evacuation drills to enable employees to personally experience fire scenes through simulated props, and improve their fire safety awareness and emergency evacuation ability.

Public Welfare, Transmitting Warmth Trough Public Services Activities

In order to spread kindness through public welfare, we aspire to take concrete actions to serve social livelihood. We took an active part in public welfare activities, fulfilled our social responsibility to fight the pandemic and overcome difficulties together, and made our own contributions to the common prosperity of the country.

Fighting COVID-19, Protecting Shanghai Together

In 2022, faced with sudden difficulties and challenges, we always rewarded our customers and the society with the most sincere care.

Donating supplies to offer warmth

To fight against the pandemic, we donated masks and other medical supplies to doctors during the lockdown period. In Hong Kong, we donated N95 masks, rapid test kits and other supplies to the Hong Kong Society of Orthodontics and the Hong Kong Society of Dentists, so as to protect the medical workers at the front line of pandemic prevention. In Shanghai, we donated pandemic prevention gift kits to Dinghai Community, Yangpu District to provide security for families losing their only children, elderly people living on subsistence allowances and families living in extreme poverty, to help them fight the pandemic together.

Voluntary activities to show love

After the outbreak of the pandemic, the nurses of Tianzhi Clinic, a subsidiary of Angelalign, overcame difficulties and made full use of their professional advantages to fight against the pandemic on the front line. They assisted the community workers in nucleic acid testing for many times and contributed to the sampling work of several neighboring communities.

We encouraged our employees to take an active part in the fight against COVID-19 and work together with the community to overcome the difficulties on the basis of ensuring their own protection. Our employees took the initiatives to join the volunteers of the community, assisting the neighborhood committee in the delivery of materials, community disinfection and other work, providing security for families with only child loss, elderly people living on subsistence allowances, families living in extreme poverty and other disadvantaged groups, and helping them jointly fight the pandemic and protect the safety of the city.

Exerting advantages and contributing to the society

Yulong Plan (育龍計劃)

To promote the healthy development of clear aligner industry in China, we actively responded to the policy of China's Oral Health Action Plan (2019-2025) (健康口腔行動方案(2019-2025)) and partnered with the China Oral Health Foundation (中國牙病防治基金會) on the three-year "Yulong Plan" project in September 2019, which provides clinical skill training on standardized clear aligner technology for master and doctoral students of orthodontic specialty in dental colleges and universities, builds a guided growth education platform, and helps cultivate next generation practical dental clinical orthodontic talents for the state.

Over the past three years, a total of 183 "trainees" under "Yulong Plan" have completed their own clear aligner cases under the guidance of their mentors. In December 2022, the conclusion meeting of the first phase and excellent case review of "Yulong Plan" was held, on which 60 excellent cases were selected. The second phase of "Yulong Plan" was launched in 2022. We will continue to cultivate orthodontic talents and contribute to the development of the industry.

Champion Smile Program (冠軍微笑計劃)

The "Champion Smile Program" is a public benefit project jointly launched by Angelalign and the General Administration of Sport of China (國家體育總局). It aims to provide professional oral care and orthodontic services for athletes and coaches, and show more "Chinese smiles" on the world stage.

Champion Smile Program

We have cooperated with outstanding partners across the country to establish the Champion Cooperation Clinic, providing professional oral examination services for several sports teams in the training base of the General Administration of Sports of China (國家體育總局). Since we launched the "Champion Smile Program" in September 2017, we have helped hundreds of national team athletes and coaches with professional orthodontic services.

Angel Loves Smiling (天使真愛笑)

By integrating our advantages in products, technologies and services, we launched the "Angel Loves Smiling" public welfare project together with the Shanghai Adream Charitable Foundation (上海真愛夢想公益基金會). Focusing on the vision of "protecting the innocent smile of Chinese children", we have, by combining ideological education and protective practice, improved the oral health level and oral health awareness of children in underdeveloped areas, so as to help realize the long-term goal of improving the oral health status of all Chinese people.

Organizing oral knowledge video viewing activities for children

The program broadcasted a series of videos of oral knowledge for children through various channels, such as the school where the "Dream Center" of Adream is located and through cooperative oral organizations of Angelalign, so as to popularize the scientific concept of children's oral health, enable more children to develop good oral behavior habits that will benefit them in their whole life, and cause more parents to pay more attention to the prevention, protection and treatment of oral health, which is conducive to reducing the cost burden caused by oral diseases. In addition, special oral care packages were distributed to children at the schools where they watched the videos, which contained dental care manuals and various dental tools to help children develop good oral care habits through the "integration of knowledge and practice". As of the end of 2022, three oral knowledge videos had been recorded and promoted, covering 53 schools, and more than 2,600 care packages had been distributed.

"Angel Baby Smile" program, as part of the "Angel Loves Smiling" public welfare project, conveys the scientific idea of pedodontics through the joint efforts of more organizations and families, guides the children to participate in public charity activities and help the peers in remote areas, and encourages them to pass on positive social energy with practical actions. As of the end of 2022, "Angel Baby Smile" program had attracted more than 100 organizations to participate in, with an aim to light up more Chinese children's healthy smiles through the power of public welfare.

As a leading provider of clear aligner solutions in China, we always pay attention to children's oral health and are committed to raising children's oral health awareness through public welfare activities. The "Angel Loves Smiling" public welfare project will help more school-age children and their parents improve their awareness and ability to prevent oral diseases, and help children develop good oral behavior habits.

Appendix: ESG Index

Aspects	Description	Corresponding chapters
A1	**Emissions**	Always Striving for Green Development
Disclosures	Information on: (a) the policies; and (b) and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Always Striving for Green Development
A1.1	The types of emissions and respective emissions data.	Reducing emission impact
A1.2	Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions from energy use in total and intensity.	Addressing climate change
A1.3	Total hazardous waste produced and intensity.	Reducing emission impact
A1.4	Total non-hazardous waste produced and intensity.	Reducing emission impact
A1.5	Description of emission target(s) set and steps taken to achieve them.	Always Striving for Green Development
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Always Striving for Green Development Reducing emission impact
A2	**Use of Resources**	Always Striving for Green Development
General Disclosures	Policies on the efficient use of resources, including energy, water and other raw materials.	Resources conservation
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Resources conservation
A2.2	Water consumption in total and intensity.	Resources conservation
A2.3	Description of energy use efficiency target(s) and steps taken to achieve them.	Always Striving for Green Development Resources conservation
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and steps taken to achieved them.	Always Striving for Green Development Resources conservation
A2.5	Total packaging material used for finished products and with reference to per unit produced.	Resources conservation

Aspects	Description	Corresponding chapters
A3	**Environment and Natural Resources**	Always Striving for Green Development
General Disclosures	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Always Striving for Green Development
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Always Striving for Green Development
A4	**Climate Change**	Addressing climate change
General Disclosures	Identification of policies on the significant climate-related issues which have impacted, and those which may impact, the issuer	Addressing climate change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer and the actions taken to manage them.	Addressing climate change
B1	**Employment**	Joining Hand with Employees, Caring for Partners
General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Joining Hand with Employees, Caring for Partners
B1.1	Total workforce by gender, employment type, age group and geographical region.	Protecting employees' rights and interests
B1.2	Employee turnover rate by gender, age group and geographical region.	Protecting employees' rights and interests
B2	**Health and Safety**	Guarding the well-being of employees
General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Guarding the well-being of employees
B2.1	Number and rate of work-related fatalities in each of the past three years (including the reporting year).	Guarding the well-being of employees
B2.2	Lost days due to work injury.	Guarding the well-being of employees
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Guarding the well-being of employees

Aspects	Description	Corresponding chapters
B3	**Development and Training**	Talent development and cultivation
General Disclosures	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent development and cultivation
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent development and cultivation
B3.2	The average training hours completed per employee by gender and employee category.	Talent development and cultivation
B4	**Labour Standards**	Protecting employees' rights and interests
General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Protecting employees' rights and interests
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Protecting employees' rights and interests
B4.2	Description of steps taken to eliminate such practices when discovered.	Protecting employees' rights and interests
B5	**Supply Chain Management**	Building a sustainable supply chain
General Disclosures	Policies on managing environmental and social risks of the supply chain.	Building a sustainable supply chain
B5.1	Number of suppliers by geographical region.	Building a sustainable supply chain
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Building a sustainable supply chain
B5.3	Description of practices relating to identifying environmental and social risks at each link of the supply chain where the practices are being implemented, how they are implemented and monitored.	Building a sustainable supply chain
B5.4	Description of practices relating to selecting suppliers to promote the use of green products and services where the practices are being implemented, how they are implemented and monitored.	Building a sustainable supply chain

Aspects	Description	Corresponding chapters
B6	**Product Responsibility**	Stabilizing Production, Ensuring High-quality Delivery
General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Stabilizing Production, Ensuring High-quality Delivery Compliance Management, Responsibility First
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Improving customer service quality
B6.2	Number of products and service related complaints received and how they are dealt with.	Improving customer service quality
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual property protection
B6.4	Description of quality assurance process and recall procedures.	Production Guarantee and quality control Improving customer service quality
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Information Security Management
B7	**Anti-corruption**	Business ethics management
General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Business ethics management
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Business ethics management
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business ethics management
B7.3	Description of anti-corruption trainings provided to directors and employees	Business ethics management

Aspects	Description	Corresponding chapters
B8	**Community Investment**	Public Welfare, Transmitting Warmth Trough Public Service Activities
General Disclosures	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Public Welfare, Transmitting Warmth Trough Public Service Activities
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Public Welfare, Transmitting Warmth Trough Public Service Activities
B8.2	Resources contributed (e.g. money or time) to the focus area.	Public Welfare, Transmitting Warmth Trough Public Service Activities

"AGM"	the annual general meeting of the Company to be held on June 29, 2023 or any adjournment thereof
"Aditek"	ADITEK DO BRASIL S.A. (formerly known as ADITEK DO BRASIL LTDA.)
"Angelalign SG"	Angelalign Technology Pte. Ltd., a wholly-owned subsidiary of the Company in Singapore
"Articles of Association" or "Articles"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board Committees"	collectively, the Audit Committee, the Remuneration Committee and the Nomination Committee
"Board of Directors" or "Board"	the board of directors of our Company
"CareCapital Group"	Mr. FENG Dai and the entities controlled by him directly or indirectly for holding interests in the Company under the trade name of CareCapital, including CareCapital Management Group LLC, CareCapital Dental Holdings Limited, CareCapital Moonstone Holdings Limited, CareCapital EA, Inc. and CareCapital Orthotech Limited
"CareCapital Holdings"	CareCapital Dental Holdings Limited, a limited liability company incorporated under the laws of Cayman Islands on April 15, 2015 and a controlling shareholder
"Cayman Companies Act"	the Companies Act (As Revised) of the Cayman Islands as amended, supplemented, or otherwise modified from time to time
"CC Dental"	Shanghai CareCapital Dental Devices Co., Ltd. (上海松佰牙科器械有限公司)
"CC Dental Group"	CC Dental and its subsidiaries and associates
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China," "Mainland China" or "PRC"	People's Republic of China, excluding, for the purposes of this annual report and for geographical reference only and except where the context requires otherwise, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company," "our Company," "Angelalign," "Group," "our Group," "we" or "us"	Angelalign Technology Inc. (時代天使科技有限公司), an exempted company incorporated under the laws of Cayman Islands with limited liability on November 29, 2018, and, except where the context indicated otherwise, all of its subsidiaries, or with respect to the period before our Company became the holding company of our current subsidiaries, the business operated by our present subsidiaries or their predecessors (as the case may be)

"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"COVID-19"	an infectious disease caused by a newly discovered coronavirus (severe acute respiratory syndrome coronavirus)
"Director(s)"	the director(s) of our Company
"Global Offering"	the Hong Kong public offering and the international offering of the Company
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"KOL"	key opinion leader
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	June 16, 2021
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Post-IPO Share Award Schemes"	collectively, the post-IPO RSU scheme and the post-IPO share option scheme as adopted by the Company on May 20, 2021, as amended, the principal terms of which are summarized in "Statutory and General Information – D. Share Award Schemes" in Appendix IV to the Prospectus
"Pre-IPO Share Award Schemes"	collectively, the share award scheme I, the share award scheme II and the share award scheme III as adopted by the Company in December 2020, as amended, the principal terms of which are summarized in "Statutory and General Information – D. Share Award Schemes" in Appendix IV to the Prospectus
"Post-IPO RSU Scheme"	the post-IPO RSU scheme as adopted by the Company on May 20, 2021, as amended

"Post-IPO Share Option Scheme"	the post-IPO Share Option Scheme as adopted by the Company on May 20, 2021, as amended
"Prospectus"	the prospectus of the Company dated June 3, 2021
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2022
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of our Share(s)
"Share Award Schemes"	the Pre-IPO Share Award Schemes and the Post-IPO Share Award Schemes
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"USD" or "US$"	US dollars, the lawful currency of the United States
"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Wuxi EA"	Wuxi EA Medical Instruments Technologies Limited (無錫時代天使醫療器械科技有限公司), a company incorporated under the laws of the PRC with limited liability on February 10, 2010 and a wholly-owned subsidiary of the Company

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Angelalign Technology Inc.
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Angelalign Technology Inc. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 129 to 208, comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to measurement of revenue from rendering of clear aligner treatment solutions.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of revenue from rendering of clear aligner treatment solutions	
Refer to note 2.22(a), 4(a) and note 5 to the consolidated financial statements. For the year ended December 31, 2022, revenue of the Group from rendering of clear aligner treatment solutions amounted to RMB1,209,582,000, representing approximately 95% of the Group's total revenue. Revenue from rendering of clear aligner treatment solutions is recognised over time by reference to the progress towards complete satisfaction of respective performance obligations during the reporting period. The progress towards complete satisfaction of the performance obligation is measured using output method by reference to the value of deliverables transferred (i.e. treatment planning service provided and clear aligners delivered) to customers to date relative to the remaining value of deliverables promised under each contract. The value of deliverables was determined with reference to the standalone contract price of treatment planning service and clear aligners and the estimated total number of clear aligners to be provided under each contract, which is estimated based on the historical number of clear aligners delivered for completed cases.	To address this key audit matter, we performed audit procedures as follows: (i) Understood, evaluated and tested on sample basis the key internal controls over the recognition of revenue from rendering of clear aligner treatment solutions and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. (ii) Assessed the reasonableness of management's judgements and estimates used to determine the value of deliverables transferred to customer and the estimated total number of clear agliners applied in the output method with reference to the terms of contracts with customers, standalone contract price of treatment planning service and clear aligners in each contract, historical experience and actual number of clear alingers delivered for completed cases. (iii) Tested the actual number of clear aligners delivered for the completed cases on sample basis by tracing to the sales contracts and delivery notes to test the reliability of historical data used. (iv) Compared the total number of clear aligners actually delivered for completed cases against management's prior estimations to assess the reasonableness of management's historical estimation on the estimated total number of clear agliners to be delivered.

Key Audit Matter(Continued)	How our audit addressed the Key Audit Matter (Continued)
Significant management's judgements and estimation were required in determining the accuracy of the progress towards complete satisfaction of the performance obligation of each contract at the reporting date, including value of deliverables transferred to customer and estimated total number of clear agliners promised in each contract, which are subject to high degree of estimation uncertainty. Therefore, measurement of revenue from rendering of clear aligner treatment solutions is considered a key audit matter.	(v) Tested, on sample basis, the treatment planning service provided and number of clear agliners delivered to customers in the year by tracing to the supporting documents, such as the sales contracts, dental professionals' acceptance records and delivery notes. (vi) Checked the mathematical accuracy of the calculation of the progress towards complete satisfaction of the performance obligation. Based on the results of the work performed above, we found management's judgements and estimates involved in measurement of revenue from rendering of clear aligner treatment solutions were supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Angelalign Technology Inc. 2022 annual report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the results highlights, management discussion and analysis prior to the date of this auditor's report. The remaining other information, including the corporate information, chairman's letter, chief executive officer's letter, directors and senior management, report of the directors, corporate governance report, environmental, social and governance report and the other sections to be included in the annual report, is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael W.H. Chan.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 23, 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Revenue	5	1,269,706	1,271,677
Cost of revenue	7	(484,016)	(445,031)
Gross profit		785,690	826,646
Selling and marketing expenses	7	(298,170)	(236,516)
Administrative expenses	7	(185,027)	(183,185)
Research and development expenses	7	(147,681)	(123,094)
Net impairment losses on financial assets	3.1 (b)	(9,029)	(245)
Other income	6	27,108	18,598
Other gains – net	6	38,427	16,070
Operating profit		211,318	318,274
Finance income	9	42,289	16,890
Finance costs	9	(1,676)	(1,230)
Finance income – net	9	40,613	15,660
Share of results of investments accounted for using the equity method	20	(183)	(1,850)
Profit before income tax		251,748	332,084
Income tax expense	10	(38,591)	(46,512)
Profit for the year		213,157	285,572
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

	Note	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	11	**1.28**	1.93
– Diluted	11	**1.27**	1.79

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

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	12	**347,311**	248,310
Right-of-use assets	13	**81,967**	85,649
Intangible assets	14	**16,205**	8,304
Investments accounted for using the equity method	20	**14,448**	14,631
Prepayments for non-current assets	16	**15,150**	36,667
Deferred tax assets	29	**19,099**	14,042
Financial asset at fair value through profit or loss	19	**121,227**	–
		615,407	407,603
Current assets			
Inventories	18	**113,156**	28,246
Trade and other receivables	16	**108,270**	78,012
Cash and cash equivalents	17	**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	21	**110**	110
Share premium	21	**2,941,876**	3,117,920
Shares held for employee share scheme	21	**(1,098)**	(4,393)
Other reserves	22	**237,820**	(27,545)
Retained earnings	24	**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	26	55,719	80,126
Lease liabilities	27	14,858	15,543
Deferred income	28	31,212	31,974
Deferred tax liabilities	29	733	–
		102,522	127,643
Current liabilities			
Trade and other payables	25	365,612	299,191
Contract liabilities	26	359,656	370,762
Current income tax liabilities		40,619	12,309
Lease liabilities	27	13,346	14,744
Deferred income	28	2,257	1,463
		781,490	698,469
Total liabilities		884,012	826,112
Total equity and liabilities		4,486,209	4,140,844

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 129 to 208 were approved by the Board of Directors on March 23, 2023 and were signed on its behalf.

Ms. Li Huamin

Director

Mr. Huang Kun

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company							
		Share capital RMB'000	Share premium RMB'000	Shares held for employee share scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2022		110	3,117,920	(4,393)	(27,545)	232,978	3,319,070	(4,338)	3,314,732
Comprehensive income									
Profit for the year		–	–	–	–	213,781	213,781	(624)	213,157
Other comprehensive income									
– Currency translation differences		–	–	–	230,698	–	230,698	393	231,091
Total comprehensive income for the year		–	–	–	230,698	213,781	444,479	(231)	444,248
Transactions with owners in their capacity as owners									
Transfer of share held for employee share scheme upon vesting	21(b)	–	–	3,295	(3,295)	–	–	–	–
Shares issued for restricted share award scheme		*	–	*	–	–	–	–	–
Equity-settled share-based payment transactions	23	–	–	–	19,261	–	19,261	–	19,261
Appropriation to statutory reserves	22	–	–	–	18,701	(18,701)	–	–	–
Dividend declared	21(a)(ii)	–	(176,044)	–	–	–	(176,044)	–	(176,044)
Total transactions with owners in their capacity as owners		–	(176,044)	3,295	34,667	(18,701)	(156,783)	–	(156,783)
Balance at December 31, 2022		110	2,941,876	(1,098)	237,820	428,058	3,606,766	(4,569)	3,602,197

* The balance represents an amount less than RMB1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

		Attributable to owners of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for employee share scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2021		97	486,572	(29,529)	(22,135)	66,698	501,703	(4,029)	497,674
Comprehensive income									
Profit for the year		–	–	–	–	285,848	285,848	(276)	285,572
Other comprehensive income									
– Currency translation differences		–	–	–	(32,022)	–	(32,022)	(33)	(32,055)
Total comprehensive income for the year		–	–	–	(32,022)	285,848	253,826	(309)	253,517
Transactions with owners in their capacity as owners									
Share issued in the Initial Public Offerings ("IPO")	21(a)	11	2,403,275	–	–	–	2,403,286	–	2,403,286
Share issuance costs	21(a)	–	(119,286)	–	–	–	(119,286)	–	(119,286)
Shares issued upon over-allotment options exercised	21(a)	2	363,756	–	–	–	363,758	–	363,758
Share issuance cost of over-allotment	21(a)	–	(16,397)	–	–	–	(16,397)	–	(16,397)
Transfer of share held for employee share scheme upon vesting	21(b)	–	–	25,136	(25,136)	–	–	–	–
Contributions from the shareholders of the Company		–	–	–	5,344	–	5,344	–	5,344
Equity-settled share-based payment transactions	23	–	–	–	26,454	–	26,454	–	26,454
Appropriation to statutory reserves	22	–	–	–	19,950	(19,950)	–	–	–
Dividend declared		–	–	–	–	(99,618)	(99,618)	–	(99,618)
Total transactions with owners in their capacity as owners		13	2,631,348	25,136	26,612	(119,568)	2,563,541	–	2,563,541
Balance at December 31, 2021		110	3,117,920	(4,393)	(27,545)	232,978	3,319,070	(4,338)	3,314,732

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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	32(a)	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	32(a)	1,319	643
Investments in joint ventures	20	–	(2,922)
Proceeds from disposal of a joint venture	20	*	–
Purchases of financial assets at fair value through profit or loss	19	(3,167,912)	(300,000)
Proceeds from disposals of financial assets at fair value through profit or loss	19	3,076,378	301,816
Consideration paid for the acquisition of subsidiaries	30	(3,142)	(3,239)
Loan provided to a third party		(13,317)	–
Loans repaid by related parties		–	4,523
Interest received	9	42,289	16,890
Net cash used in investing activities		(159,774)	(182,050)
Cash flows from financing activities			
Issue of ordinary shares pursuant to the IPO	21(a)	–	2,403,286
Issue of new ordinary shares pursuant to the over-allotment	21(a)	–	363,758
Payments for listing expenses		–	(115,430)
Payments for listing expenses of over-allotment	21(a)	–	(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	9	(51)	–
Repayments of a bank borrowing		(2,851)	–
Principal elements of lease payments		(15,892)	(11,955)
Interest paid of lease liabilities	9	(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

* The balance represents an amount less than RMB1,000

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

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

The consolidated financial statements for the year ended December 31, 2022 is presented in Renminbi ("RMB") and rounded to nearest thousand yuan, unless otherwise stated, and was approved for issue by the Board of Directors on March 23, 2023.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

(b) Historical cost convention

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(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

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting

2.2.1 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.

2.2.2 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 2.2.4), after initially being recognized at cost.

2.2.3 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 2.2.4), after initially being recognized at cost in the consolidated statement of financial position.

2.2.4 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.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.4 Equity method (continued)

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 2.10.

2.2.5 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.

2.3 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.

2.4 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 Hong Kong dollar ("HKD"). The Company's primary subsidiaries were incorporated in the People's Republic of China (the "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.

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(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.

2.5 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.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

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.

2.6 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.

2 Summary of significant accounting policies (continued)

2.6 Intangible assets (continued)

(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.

2.7 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.

2 Summary of significant accounting policies (continued)

2.8 Financial assets

2.8.1 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.

2.8.2 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.

2.8.3 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.

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

2.8.3 Measurement (continued)

Debt instruments (continued)

- 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.

2.9 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.

2.10 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. Note 3 details how the Group determines 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.

2 Summary of significant accounting policies (continued)

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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 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.

2 Summary of significant accounting policies (continued)

2.16 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.

2.17 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.

2.18 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.

2 Summary of significant accounting policies (continued)

2.18 Current and deferred income tax (continued)

(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.

2.19 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.

2 Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

(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 are 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.

2 Summary of significant accounting policies (continued)

2.20 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.

2 Summary of significant accounting policies (continued)

2.20 Share-based payments (continued)

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).

2.21 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.

2.22 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.

2 Summary of significant accounting policies (continued)

2.22 Revenue recognition (continued)

(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.

2 Summary of significant accounting policies (continued)

2.22 Revenue recognition (continued)

(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.

2.23 Interest income

Interest income is recognized using the effective interest method.

2.24 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.

2 Summary of significant accounting policies (continued)

2.24 Leases (continued)

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.

2 Summary of significant accounting policies (continued)

2.24 Leases (continued)

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.

2.25 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.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group's businesses are principally conducted in RMB and has entities operating in United States dollar ("USD"). The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and financial assets at FVPL denominated in USD. The Group is subject to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are denominated in non-RMB and net investment in foreign operations.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group did not have other significant exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of consolidated statements of financial position are as follows:

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Assets		
USD	**2,510,757**	2,652,577
Others	**936**	–
	2,511,693	2,652,577
Liabilities		
USD	**15,092**	6,496
Others	**23**	169
	15,115	6,665

As at December 31, 2022, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the pre-tax profit would have been approximately RMB125,177,000 higher/lower for the year ended December 31, 2022 (2021: RMB132,304,000 higher/lower).

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, details of which have been disclosed in Note 17. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of interest-bearing assets are not expected to change significantly.

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

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

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

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

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

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

- internal credit rating

- external credit rating

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

- actual or expected significant changes in the operating results of the debtor

- significant increases in credit risk on other financial instruments of the same debtor

- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

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

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables

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

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

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

	Within 60 days	61 to 180 days	181 to 365 days	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade receivables							
At December 31, 2022							
Provision on collective basis							
Expected loss rate	0.00%	1.68%	1.73%	18.88%	74.55%	100.00%	
Gross carrying amount (RMB'000)	25,348	21,665	9,351	6,701	4,499	17,143	84,707
Loss allowance provision (RMB'000)	–	(364)	(162)	(1,265)	(3,354)	(17,143)	(22,288)
At December 31, 2021							
Provision on collective basis							
Expected loss rate	0.00%	1.51%	2.35%	15.54%	73.72%	100.00%	
Gross carrying amount (RMB'000)	12,127	6,436	6,345	9,830	9,551	9,765	54,054
Loss allowance provision (RMB'000)	–	(97)	(149)	(1,528)	(7,041)	(9,765)	(18,580)

The Group takes into account the changes in its clients' operating performance and future recoverability of trade receivables. When consider a significant increase in credit risk, The Group makes individual assessment on such receivables.

Trade receivables subjected to individual provision

At December 31, 2022	
Gross carrying amount (RMB'000)	5,117
Loss allowance provision (RMB'000)	(5,117)
Expected loss rate	100.00%

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

The loss allowance provision for trade receivables as at December 31, 2022 reconciles to the opening loss allowance for that provision as follows:

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
At the beginning of the year	**18,580**	18,344
Provision for loss allowance recognized in profit or loss	**8,825**	236
At the end of the year	**27,405**	18,580

(ii) Other financial assets at amortized cost

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

As at December 31, 2022, the internal credit rating of such receivables was performing. The Group has assessed that there is no significant increase of credit risk for other receivables. Thus, the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

The loss allowance provision for other receivables (excluding prepayments) as at December 31, 2022 reconciles to the opening loss allowance for that provision as follows:

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
At the beginning of the year	**94**	85
Provision for loss allowance recognized in profit or loss	**204**	9
At the end of the year	**298**	94

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2022				
Lease liabilities	**14,656**	**10,575**	**4,875**	**30,106**
Trade and other payables excluding non-financial liabilities	**187,531**	**–**	**–**	**187,531**
Total	**202,187**	**10,575**	**4,875**	**217,637**
As at December 31, 2021				
Lease liabilities	16,153	9,524	6,900	32,577
Trade and other payables excluding non-financial liabilities	143,927	–	–	143,927
Total	160,080	9,524	6,900	176,504

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statements of financial position.

As at December 31, 2022, the Group maintained at net cash position (2021: same).

3 Financial risk management (continued)

3.3 Fair value estimation

The Group made judgements and estimates in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's policies are to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the year. There were no transfers between levels 1, 2 and 3 during the year ended December 31, 2022.

Specific valuation techniques used to value financial instruments include:

Quoted market prices or dealer quotes for similar instruments; and

Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and expected rate of return.

As at December 31, 2022, the Group had no level 1 and level 2 financial instruments (2021: none).

During the year ended December 31, 2022, the Group purchased wealth management products with variable return based on forward exchange rates or gold prices at certain dates. The Group classified these wealth management products into level 2 financial instruments as the inputs included were observable for the assets. For the investment in unlisted equity investment, more than one significant inputs were not based on observable market data and the instrument was classified to level 3.

During the year ended December 31, 2021, the Group purchased wealth management products with variable return estimated based on the discounted expected cashflow with one or more of the significant inputs was not based on observable market data and the instruments were classified in level 3.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial instruments in level 3

The following table presents the changes in level 3 instruments during the year.

	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	–	300,000
Realized fair value gains recognized in profit or loss	–	1,816
Disposals	–	(301,816)
Balance at the end of the year	–	–
Investment in unlisted equity investment		
Balance at the beginning of the year	–	–
Additions	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	–

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Valuation inputs and relationships to fair value

The fair value of financial instruments in level 2 is determined using valuation techniques with the use of observable market data such as the future cash flows based on forward exchange rates or gold price and observable yield curve.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at December 31, 2022 RMB'000	2021 RMB'000	Un-observable inputs	Range of inputs 2022	2021	Relationship of unobservable inputs to fair value
Investment in unlisted equity investment	121,227	NA	Expected volatility	49.5%	NA	Increased expected volatility (+100 basis points (bps)) and risk-free interest rate (+100 bps) would decrease fair value by RMB595,000; lower expected volatility (-100 bps) and risk-free interest rate (-100 bps) would increase fair value by RMB627,000.
			Risk-free interest rate	4.03%	NA	
Wealth management products with variable return	–	–	Expected return rate	NA	1.32%-3.41%	NA

(i) Valuation processes

The Group has a team that manages the valuation of level 2 and level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case-by-case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 2 and level 3 instruments. External valuation experts will be involved when necessary.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Expected volatility for investment in unlisted equity investment are estimated based on average volatility for similar types of companies.
- Risk-free interest rate for investment in unlisted equity investment are derived from interest rates on treasury bonds over the same period.
- Expected return rate for wealth management products with variable return are estimated based on the expected return clause of the product contracts.

The carrying amounts of the Group's financial assets and liabilities, including cash and cash equivalents, amounts due from related parties, trade and other receivables (excluding prepayments) less allowance for impairment, trade and other payables (excluding non-financial liabilities) and amounts due to related parties approximated their fair values due to their short maturities.

4 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.

4 Critical accounting estimates and judgements (continued)

(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 experience, existing market conditions as well as forward looking estimates at the end of the year. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(b).

(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 assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions, see Note 3.3.

5 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".

5 Revenue and segment information (continued)

(a) Unsatisfied long-term contracts

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

	As at December 31, 2022 RMB'000	As at December 31, 2021 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.

6 Other income and other gains – net

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 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

7 Expenses by nature

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

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Changes in inventories of finished goods and work in progress	2,093	(131)
Raw materials and consumables used and other inventories	233,384	255,419
Employee benefit expenses (Note 8)	541,366	400,366
Advertising and promotion expenses	85,340	98,939
Depreciation and amortization	65,225	39,159
Professional service and consulting fees	44,301	29,807
Delivery costs	33,018	30,889
Outsourcing costs	24,707	23,282
Short-term lease and variable lease expenses	10,299	10,733
Travelling expenses	12,370	7,007
Utility costs	8,117	4,368
Office expenses	7,329	6,270
Taxes and surcharges	6,961	8,154
Entertainment expenses	6,668	4,096
Recruitment expenses	4,766	4,636
Listing expenses	–	35,429
Auditor's remuneration		
– Audit services	4,450	3,500
– Non-audit services	1,580	2,811
Others	22,920	23,092
	1,114,894	987,826

8 Employee benefit expenses (including directors' emoluments)

(a) Employee benefit expenses are analysed as follows:

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Salaries, wages and bonuses	425,367	304,933
Share-based compensation expenses (Note 23)	19,261	26,454
Pension costs – defined contribution plans	38,193	20,569
Other social security costs, housing benefits and other employee benefits	58,545	48,410
	541,366	400,366

8 Employee benefit expenses (including directors' emoluments) (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the include two (2021: three) directors whose emoluments are reflected in the analysis shown in Note 38(a). The emoluments payable to the remaining three (2021: two) individuals during the year are as follows:

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Salaries, wages and bonuses	**5,794**	2,532
Pension costs – defined contribution plans	**167**	113
Other social security costs, housing benefits and other employee benefits	**192**	132
Share-based compensation expenses	**1,335**	2,645
	7,488	5,422

The emoluments fell within the following bands:

Number of individuals

	Year ended December 31, 2022	Year ended December 31, 2021
Emolument bands		
HKD2,000,001 – HKD2,500,000	**1**	–
HKD2,500,001 – HKD3,000,000	**–**	1
HKD3,000,001 – HKD3,500,000	**2**	–
HKD3,500,001 – HKD4,000,000	**–**	1
	3	2

During the year ended December 31, 2022, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9 Finance income – net

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Finance income:		
Interest income on bank deposits	42,289	16,890
Finance costs:		
Interest expense on lease liabilities (Note 27)	(1,625)	(1,230)
Interest expense on a bank borrowing	(51)	–
Finance income – net	40,613	15,660

10 Income tax expense

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 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 (Note 29)		
– PRC corporate income tax	(5,057)	(4,475)
– Withholding tax on undistributed profits	–	(6,000)
	(5,057)	(10,475)
	38,591	46,512

10 Income tax expense (continued)

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 RMB'000	Year ended December 31, 2021 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.

10 Income tax expense (continued)

(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.

11 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 for the year ended December 31, 2022 which were the restricted shares and share options granted before IPO ("the Pre-IPO Share Award Schemes II) (Note 23(a)) and the restricted shares granted after IPO ("the Post-IPO RSU Scheme II) (Note 23(b)).

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

12 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

	Buildings RMB'000	Plant and machinery RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	CIP RMB'000	Total RMB'000
Year ended December 31, 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

12 Property, plant and equipment (continued)

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

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 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

13 Right-of-use assets

	Office premises RMB'000	Land use rights RMB'000	Total RMB'000
At January 1, 2021			
Cost	27,833	59,413	87,246
Accumulated depreciation	(14,305)	(2,182)	(16,487)
Net book amount	13,528	57,231	70,759
Year ended December 31, 2021			
Opening net book amount	13,528	57,231	70,759
Additions	28,900	–	28,900
Early termination of lease contracts	(816)	–	(816)
Depreciation	(12,006)	(1,188)	(13,194)
Closing net book amount	29,606	56,043	85,649
At December 31, 2021			
Cost	58,365	59,413	117,778
Accumulated depreciation	(28,759)	(3,370)	(32,129)
Net book amount	29,606	56,043	85,649
Year ended December 31, 2022			
Opening net book amount	29,606	56,043	85,649
Additions	13,809	–	13,809
Depreciation	(16,303)	(1,188)	(17,491)
Closing net book amount	27,112	54,855	81,967
At December 31, 2022			
Cost	61,487	59,413	120,900
Accumulated depreciation	(34,375)	(4,558)	(38,933)
Net book amount	27,112	54,855	81,967

13 Right-of-use assets (continued)

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

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Cost of revenue	6,193	6,202
Selling and marketing expenses	1,881	614
Administrative expenses	7,717	5,926
Research and development expenses	1,700	452
	17,491	13,194

14 Intangible assets

	Goodwill RMB'000	Software RMB'000	Patents RMB'000	Customer relationship RMB'000	Others RMB'000	Total RMB'000
At January 1, 2021						
Cost	27	15,055	1,570	–	3,880	20,532
Accumulated amortization	–	(9,047)	(1,417)	–	(3,880)	(14,344)
Net book amount	27	6,008	153	–	–	6,188
Year ended December 31, 2021						
Opening net book amount	27	6,008	153	–	–	6,188
Additions	–	4,210	–	–	–	4,210
Amortization	–	(2,010)	(84)	–	–	(2,094)
Closing net book amount	27	8,208	69	–	–	8,304
At December 31, 2021						
Cost	27	19,265	1,570	–	3,880	24,742
Accumulated amortization	–	(11,057)	(1,501)	–	(3,880)	(16,438)
Net book amount	27	8,208	69	–	–	8,304
Year ended December 31, 2022						
Opening net book amount	27	8,208	69	–	–	8,304
Acquisition of a subsidiary (Note a)	2,937	–	–	2,442	–	5,379
Additions	–	605	5,000	–	–	5,605
Amortization	–	(2,361)	(722)	–	–	(3,083)
Closing net book amount	2,964	6,452	4,347	2,442	–	16,205
At December 31, 2022						
Cost	2,964	19,870	6,570	2,442	–	31,846
Accumulated amortization	–	(13,418)	(2,223)	–	–	(15,641)
Net book amount	2,964	6,452	4,347	2,442	–	16,205

14 Intangible assets (continued)

(a) On December 31, 2022, the Group completed the acquisition of a 100% interest of Orthodontic Aligners Australia Pty Ltd. with consideration of Australian dollar ("AUD") 949,000 (approximately RMB4,473,000). Management has engaged an independent qualified valuer to assist them in identifying intangible assets and to perform the valuations of the identified assets and liabilities of the acquired company at the acquisition date and, based on which, management performed a purchase price allocation for the acquisition, which resulted in recognition of customer relationship of RMB2,442,000. Goodwill of RMB2,937,000, being the excess of considerations transferred to the acquirees over the fair value of identified net assets acquired, was recognized (Note 30).

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

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Cost of revenue	466	470
Selling and marketing expenses	69	59
Administrative expenses	1,324	1,144
Research and development expenses	1,224	421
	3,083	2,094

15 Financial instruments by category

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Financial assets		
Financial assets at amortized cost		
Cash and cash equivalents	3,649,376	3,626,983
Trade and other receivables excluding non-financial assets	87,014	41,732
	3,736,390	3,668,715
Financial assets at FVPL	121,227	–
	3,857,617	3,668,715
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables excluding non-financial liabilities	187,531	143,927
Lease liabilities	28,204	30,287
	215,735	174,214

16 Trade and other receivables

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Included in current assets		
Trade receivables (Note (a))		
– Due from third parties	87,848	52,430
– Due from related parties (Note 34(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 receivables	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 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. More information refer to Note 39.

16 Trade and other receivables (continued)

(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. Movements in the provision for impairment of trade receivables are disclosed in Note 3.1(b).

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

16 Trade and other receivables (continued)

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 ("BRL")	13,317	–
USD	4,698	–
Others	643	–
	25,407	21,331

17 Cash and cash equivalents

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Cash at banks	3,649,321	3,626,978
Cash on hand	55	5
Cash and cash equivalents	3,649,376	3,626,983

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

17 Cash and cash equivalents (continued)

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

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
RMB	**1,125,041**	972,647
USD	**2,504,221**	2,652,986
Others	**20,114**	1,350
	3,649,376	3,626,983

18 Inventories

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
At cost:		
Raw materials	**112,976**	25,973
Work in progress	**–**	929
Finished goods	**180**	1,344
	113,156	28,246

The costs of inventories recognized in the consolidated statements of comprehensive income are disclosed in Note 7.

19 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.

For information about the methods and assumptions used in determining fair value see Note 3.3.

20 Investments accounted for using the equity method

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Joint ventures (Note a)	8,531	8,229
Associate (Note b)	5,917	6,402
	14,448	14,631

(a) Investments in joint ventures

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Balance at the beginning of the year	8,229	7,269
Addition	–	2,922
Disposal (i)	–	–
Share of results of the joint ventures	302	(1,673)
Reclassification as amounts due to related parties	–	(289)
At the end of the year	8,531	8,229

(i) In June 2022, the Group disposed its 70% interest in Shanghai Junxiao Clinic Co., Ltd. ("Shanghai Junxiao") to a third party at cash consideration of RMB1. The excess in the Group's 70% equity interest of Shanghai Junxiao over the consideration, amounting to RMB1 was credit to other gain.

(b) Investment in an associate

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Balance at the beginning of the year	6,402	6,579
Share of results of an associate	(485)	(177)
At the end of the year	5,917	6,402

20 Investments accounted for using the equity method (continued)

(c) Set out below are the joint ventures and associate of the Group. The joint ventures and associate as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the Group's proportion of ownership interest is the same as the proportion of voting rights held by the Group. None of the following joint ventures and associate is material to the Group. There were no contingent liabilities relating to the Group's interest in the joint ventures and associate as at December 31, 2022.

Name	Place of incorporation	Percentage of ownership interest attributable to the Group As at December 31, 2022	2021	Nature of relationship	Principal activities
Shanghai Junxiao (note a(i))	Shanghai, the PRC	N/A	70%	Joint venture	Dental clinics
Wuxi Beifurui Education Consulting Company Limited ("Wuxi Beifurui")	Jiangsu Province, the PRC	50%	50%	Joint venture	Provision of education, consultancy and training services
Guangzhou Shengshi Oral Outpatient Department Company Limited	Guangdong Province, the PRC	40%	40%	Joint venture	Dental clinics
Guangzhou Yuelu Oral Cavity Company Limited	Guangdong Province, the PRC	30%	30%	Associate	Dental clinics

21 Share capital and premium and shares held for employee share scheme

(a) Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares USD	Share capital RMB'000	Share premium RMB'000
Issued:				
At January 1, 2021	1,489,775	14,898	97	486,572
Share subdivision on May 20, 2021	147,487,725	–	–	–
Shares issued in the IPO	16,829,600	1,683	11	2,403,275
Share issuance costs	–	–	–	(119,286)
Shares issued upon over-allotment	2,524,400	252	2	363,756
Share issuance cost of over-allotment	–	–	–	(16,397)
At December 31, 2021	168,331,500	16,833	110	3,117,920
At January 1, 2022	**168,331,500**	**16,833**	**110**	**3,117,920**
Issue of new shares (i)	**429,109**	**43**	*	–
Dividends (ii)	–	–	–	**(176,044)**
At December 31, 2022	**168,760,609**	**16,876**	**110**	**2,941,876**

* The balance represents an amount less than RMB1,000.

21 Share capital and premium and shares held for employee share scheme (continued)

(a) Share capital and premium (continued)

(i) On March 25, 2022 and May 27, 2022, the Company issued and allotted 403,467 shares and 25,642 shares respectively to Cultivate Happiness Limited, an entity held by a trustee entrusted by the Group for the purpose of the Post-IPO RSU Scheme (Note 23(b)).

(ii) On March 24, 2022, the Board recommended the payment of a special final dividend of HKD1.22 per share (equivalent to approximately RMB176,044,000) for the year ended December 31, 2021 out of the share premium account of the Company, which was approved by the shareholders of the Company at the annual general meeting held on May 26, 2022 and paid on June 24, 2022.

(b) Shares held for employee share scheme

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Balance at the beginning of the year	4,393	29,529
Shares issued for restricted share award scheme (Note 23(b))	*	–
Transfer of shares held for employee share scheme upon vesting (Note 23)	(3,295)	(25,136)
Balance at the end of the year	1,098	4,393

* The balance represents an amount less than RMB1,000.

22 Other reserves

	Capital reserves RMB'000	Statutory reserves RMB'000 (Note (a))	Share-based payment reserves RMB'000 (Note (23))	Currency translation reserves RMB'000	Others RMB'000	Total RMB'000
Balance at January 1, 2021	(196,689)	37,552	137,562	(888)	328	(22,135)
Currency translation differences	–	–	–	(32,022)	–	(32,022)
Contributions from the shareholders of the Company	5,344	–	–	–	–	5,344
Transfer of shares held for employee share scheme upon vesting (Note 21(b))	–	–	(25,136)	–	–	(25,136)
Share-based payments (Note 23)	–	–	26,454	–	–	26,454
Appropriation to statutory reserves (Note (a))	–	19,950	–	–	–	19,950
Balance at December 31, 2021	(191,345)	57,502	138,880	(32,910)	328	(27,545)
Balance at January 1, 2022	(191,345)	57,502	138,880	(32,910)	328	(27,545)
Currency translation differences	–	–	–	230,698	–	230,698
Transfer of shares held for employee share scheme upon vesting (Note 21(b))	–	–	(3,295)	–	–	(3,295)
Share-based payments (Note 23)	–	–	19,261	–	–	19,261
Appropriation to statutory reserves (Note (a))	–	18,701	–	–	–	18,701
Balance at December 31, 2022	(191,345)	76,203	154,846	197,788	328	237,820

22 Other reserves (continued)

(a) In accordance with the PRC Company Law and the articles of association of the Group's PRC subsidiaries, the PRC subsidiaries are required to appropriate 10% of their profits after tax, as determined in accordance with Accounting Standards for Business Enterprises and other applicable regulations, to the statutory surplus reserve until such reserve reaches 50% of its registered capital. The appropriation to the reserve must be made before any distribution of dividends to shareholders of the PRC subsidiaries. Apart from the statutory surplus reserve, discretionary surplus reserve can be appropriated according to the resolution of shareholders' meeting. The surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalized as the PRC subsidiaries' capital provided that the amount of surplus reserve remaining after the capitalization shall not be less than 25% of its capital.

23 Share-based payments

(a) The Pre-IPO Share Award Schemes

(i) On December 21, 2020, the Company issued 29,893,400 shares (after the effect of share subdivision), with par value of USD0.0001 each, to several offshore holding companies established or used by certain directors, senior management and employees for the purpose of holding their respective corresponding equity interests in Wuxi EA for incentive purposes prior to the reorganization for the purpose of the IPO of the Company. As at December 31, 2022, 29,569,400 shares of the Company were vested, and the remaining 324,000 shares will be vested on September 30, 2023.

(ii) On December 31, 2020, the Company issued an aggregate of 460,000 new shares (after the effect of share subdivision), with par value of USD0.0001 each to certain directors, senior management and employees of the Company for incentive purposes. As at December 31, 2022, 456,750 shares of the Company were vested, and the remaining 3,250 shares will be vested on September 30, 2023.

(iii) On October 9, 2020, the Company granted 3,000 share options to a senior management, with exercise price of USD120 per share. Such options shall be vested in the following schedule: (i) 20% when IPO completed and (ii) each 20% on the last day of each year commencing from October 1, 2020. Effective from May 20, 2021, these share options were subdivided into 300,000 shares with exercise price of USD1.2 per share. As at December 31, 2022, 180,000 shares of the Company were vested, the remaining 60,000 shares and 60,000 shares will be vested on October 31, 2023 and October 31, 2024, respectively.

23 Share-based payments (continued)

(b) The Post-IPO RSU Scheme

On March 25, 2022, the Board of Directors granted the Post-IPO RSU Scheme to among other things, recognize the contributions by, and to encourage, motivate, retain the directors, senior management, and employees, whose contributions are beneficial to the continual operation, development and long-term growth of the Group, and closely align the interests and benefits of and risk sharing among the shareholders. On the same day, the Company granted 403,467 award shares to 133 eligible participants and 25,642 award shares to Ms. Li Huamin, an executive director (together, the "Grantee") under the scheme at nil consideration, respectively. The granted shares to Ms. Li Huamin were approved on the annual general meeting on May 26, 2022.

Pursuant to the Post-IPO RSU Scheme, 429,109 new shares were issued and allotted to Cultivate Happiness Limited, which will hold such shares on behalf of the relevant eligible participants on trust, until such shares are vested. Cultivate Happiness Limited is controlled and consolidated by the Group as a structured entity and the above new shares issued are recorded as shares held for employee share scheme.

The restricted shares granted to the eligible participants will be vested based on the following rates for the relevant financial year: (i) For 68,833 granted shares, 50%, 25% and 25% of the shares will be vested on the second, third and fourth anniversary of the employment date of each Grantee. (ii) For 360,276 shares (including the shares granted to Ms. Li Huamin), 30%, 30%, 20% and 20% will be vested on the dates of September 30, 2022, 2023, 2024 and 2025, respectively. 98,050 shares of the Company were vested on the date of September 30, 2022.

The fair value of the restricted shares at grant date was determined with reference to the market price of the Company's shares on the respective grant dates.

The Group has to estimate the expected percentage of eligible participants that will stay within the Group (the "Expected Retention Rate") of the restricted share award scheme in order to determine the amount of share-based payment expenses charged to the consolidated statements of comprehensive income. As at December 31, 2022, the Expected Retention Rate was assessed to be 92%.

The total share-based compensation expenses recognized are as follows:

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Expenses arising from equity-settled share-based payment transactions	**19,261**	26,454

24 Retained earnings

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
At the beginning of the year	**232,978**	66,698
Profit for the year	**213,781**	285,848
Appropriation to statutory reserves	**(18,701)**	(19,950)
Dividends	**–**	(99,618)
At the end of the year	**428,058**	232,978

25 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 (Note 30)	**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

25 Trade and other payables (continued)

(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).

26 Contract liabilities

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

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Included in current liabilities		
Clear aligner treatment solutions	**358,814**	369,443
Other services	**842**	1,319
	359,656	370,762
Included in non-current liabilities		
Clear aligner treatment solutions	**55,719**	80,126

(a) Significant changes in contract liabilities

Contract liabilities of the Group mainly arose from the advance payments made by customers while the underlying goods or services are yet to be provided. During the year, the contract liabilities decreased due to decrease in number of new contracts entered with customers compared with the year 2021, which resulted in decrease in advanced payments received.

26 Contract liabilities (continued)

(b) Revenue recognized in relation to contract liabilities

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

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year		
– Clear aligner treatment solutions	369,443	397,919
– Other services	1,319	1,773
	370,762	399,692

27 Lease liabilities

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Minimum lease payments due		
– Within 1 year	14,656	16,153
– Between 1 and 2 years	10,575	9,524
– Between 2 and 5 years	4,875	6,900
	30,106	32,577
Less: future finance charges	(1,902)	(2,290)
Present value of lease liabilities	28,204	30,287
Within 1 year	13,346	14,744
Between 1 and 2 years	10,042	8,851
Between 2 and 5 years	4,816	6,692
	28,204	30,287

27 Lease liabilities (continued)

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Interest expense (included in finance costs-net)	**1,625**	1,230
Variable terms lease expenditure for equipment	**9,608**	10,158
Short-term lease expenditure for office premises, dormitories and equipment	**691**	575
	10,299	10,733
Cash outflow for lease payments	**17,517**	13,185
Cash outflow for short-term lease and variable terms lease	**8,588**	9,544
	26,105	22,729

The Group leases various properties and equipment to operate its businesses and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. No extension options are included in such property and equipment leases across the Group.

Some devices leases contain variable payment terms that are linked to the production of aligners. Variable lease payments that depend on production of aligner are recognized in profit or loss in the period in which the condition that triggers those payments occurs. For the year ended December 31, 2022, a 5% increase in production of clear aligners in the Group with such variable lease contracts would lead to the increase of total lease payments by approximately RMB480,000 (2021: RMB508,000).

28 Deferred income

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Government grants		
– To be realized within 12 months	**2,257**	1,463
– To be realized after more than 12 months	**31,212**	31,974
	33,469	33,437

The Group's deferred income mainly represents government grants received from governmental authorities in relation to the construction of Chuangmei Center in Wuxi City and certain plant and equipment. The Group's deferred income is credited to profit or loss over the estimated useful lives of the related assets to match the depreciation expense of assets.

29 Deferred income tax

(a) Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
The balance comprises temporary differences attributable to:		
Net impairment on financial assets	**5,471**	3,777
Unused tax losses	**5,259**	1,622
Deferred income	**7,450**	7,498
Others	**919**	1,145
	19,099	14,042

The movement in deferred tax assets is as follows:

	Net impairment on financial assets RMB'000	Unused tax losses RMB'000	Impairment for non-current assets RMB'000	Deferred income RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2021	3,267	2,809	134	1,258	2,105	9,573
Credited/(charged) to the consolidated statements of comprehensive income	510	(1,187)	(134)	6,240	(954)	4,475
Early termination of lease contracts	–	–	–	–	(6)	(6)
As at December 31, 2021	3,777	1,622	–	7,498	1,145	14,042
As at January 1, 2022	**3,777**	**1,622**	**–**	**7,498**	**1,145**	**14,042**
Credited/(charged) to the consolidated statements of comprehensive income	**1,694**	**3,637**	**–**	**(48)**	**(226)**	**5,057**
As at December 31, 2022	**5,471**	**5,259**	**–**	**7,450**	**919**	**19,099**

29 Deferred income tax (continued)

(a) Deferred tax assets (continued)

Deferred tax assets are recognized for tax losses carry-forward to the extent that the realization of the related tax benefits through the future taxable profits is probable. For the year ended December 31, 2022, the Group did not recognize deferred tax assets in respect of losses amounting to RMB2,589,000 (2021: RMB198,000), due to the unpredictability of future profit streams, that can be carried forward against future taxable income.

The expiry of the deductible tax losses that are not recognized as deferred tax assets is analyzed below:

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Indefinite	**12,641**	10,052

(b) Deferred tax liabilities

The analysis of deferred tax liabilities is as follows:

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
The balance comprises temporary differences attributable to:		
Intangible asset	**733**	–

The movement in deferred tax assets is as follows:

	Withholding income tax on profits to be distributed in future RMB'000
As at January 1, 2021	6,000
Credited to the consolidated statements of comprehensive income	(6,000)
As at December 31, 2021	–

	Intangible asset RMB'000
As at January 1, 2022	**–**
Acquisition of a subsidiary	**733**
As at December 31, 2022	**733**

30 Business combination

(a) Acquisition of 100% interest in Orthodontic Aligners Pty Ltd

In 2022, the Group entered into a share purchase agreement to acquire the entire equity interest in Orthodontic Aligners Pty Ltd for a cash consideration of the AUD949,000 (equivalent of RMB4,473,000).

The acquisition was completed on December 31, 2022, and after the acquisition, Orthodontic Aligners Pty Ltd became an indirect wholly-owned subsidiary of the Company, and the financial results of it was consolidated into the financial statements of the Group.

The fair values of the identifiable assets and liabilities of the Orthodontic Aligners Pty Ltd as at the date of the acquisition are set out as follows:

	Fair value
	RMB'000
Customer relationship	2,442
Trade and other receivables	951
Cash and cash equivalents	903
	4,296
Deferred tax liabilities	(733)
Trade and other payables	(2,027)
	(2,760)
Fair value of net identifiable assets	1,536
Goodwill	2,937
Total purchase consideration	4,473
Total purchase consideration comprises:	
Cash paid during the year ended December 31, 2022	3,131
Other payable (Note 25)	1,342

The goodwill is attributable to the sales channels and synergies of the acquired business. None of the goodwill is expected to be deductible for tax purposes.

30 Business combination (continued)

(a) Acquisition of 100% interest in Orthodontic Aligners Pty Ltd (continued)

(i) Acquisition related cost

Acquisition-related costs of RMB170,000 are included in administrative expenses in profit or loss for the year ended December 31, 2022.

(ii) Revenue and profit contribution

If the acquisition had occurred on January 1, 2022, consolidated revenue and consolidated loss for the year ended December 31, 2022 would have been RMB5,547,000 and RMB657,000, respectively.

(b) Acquisition 100% interest of SF 573 Participações Societárias S.A.

In 2022, the Group entered into a share purchase agreement to acquire the entire equity interest in SF 573 Participações Societárias S.A. for a cash consideration of the BRL8,000 (equivalent of RMB11,000). SF 573 Participações Societárias S.A. has no business operation before acquisition.

The acquisition was completed on November 21, 2022. After the acquisition, SF 573 Participações Societárias S.A. changed its name to Angelalign Brasil S.A., Angelalign Brasil S.A. became an indirect wholly-owned subsidiary of the Company and the financial results of it was consolidated into the financial statements of the Group.

31 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).

32 Cash flow information

(a) Reconciliation of profit before income tax to cash generated from operations:

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Profit before income tax	**251,748**	332,084
Adjustments for:		
Interest income (Note 9)	**(42,289)**	(16,890)
Interest expense (Note 9)	**1,676**	1,230
Gains on financial assets at fair value through profit or loss (Note 6)	**(28,671)**	(1,816)
Depreciation of property, plant and equipment (Note 12)	**44,651**	23,871
Depreciation of right-of-use assets (Note 13)	**17,491**	13,194
Amortization of intangible assets (Note 14)	**3,083**	2,094
Losses on disposal of property, plant and equipment (Note 6)	**282**	96
Gains on early termination of a lease contract	**–**	(10)
Net impairment losses on financial assets (Note 3.1(b))	**9,029**	245
Share-based compensation expenses (Note 23)	**19,261**	26,454
Share of results of investments accounted for using the equity method (Note 20)	**183**	1,850
Operating cash flows before changes in working capital	**276,444**	382,402
Changes in working capital (excluding the effects of business combination):		
Inventories	**(84,910)**	(8,332)
Trade and other receivables	**(21,604)**	24,385
Trade and other payables	**48,359**	78,403
Contract liabilities	**(35,513)**	32,272
Cash generated from operations	**182,776**	509,130

In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Net book amount (Note 12)	**1,601**	739
Losses on disposal of property, plant and equipment (Note 6)	**(282)**	(96)
Proceeds from disposal of property, plant and equipment	**1,319**	643

32 Cash flow information (continued)

(b) Non-cash transaction

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Acquisition of new lease contracts	13,809	28,900

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in the debt for each of the year presented.

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Cash and cash equivalents	3,649,376	3,626,983
Lease liabilities	(28,204)	(30,287)
Net cash	3,621,172	3,596,696

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents RMB'000	Lease liabilities RMB'000	Amounts due to related parties RMB'000	Total RMB'000
Net debt as at January 1, 2021	877,578	(14,168)	(5,940)	857,470
Cash flows	2,782,907	13,185	139	2,796,231
Acquisition of new lease contracts	–	(28,900)	–	(28,900)
Early termination of lease contracts	–	826	–	826
Interest paid	–	(1,230)	–	(1,230)
Exemption of debt	–	–	5,512	5,512
Reclassification to investments in joint ventures	–	–	289	289
Exchange differences	(33,502)	–	–	(33,502)
Net debt as at December 31, 2021	3,626,983	(30,287)	–	3,596,696
Net debt as at January 1, 2022	3,626,983	(30,287)	–	3,596,696
Cash flows	(206,516)	17,517	–	(188,999)
Acquisition of new lease contracts	–	(13,809)	–	(13,809)
Interest paid	–	(1,625)	–	(1,625)
Exchange differences	228,909	–	–	228,909
Net debt as at December 31, 2022	3,649,376	(28,204)	–	3,621,172

33 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, see Note 13 and Note 27 for further information.

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 (Note 19(b))	87,510	–
Property, plant and equipment	17,626	100,622
Acquisition of a subsidiary	118,062	–
Intangible assets	–	987
	223,198	101,609

34 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

34 Related party transactions (continued)

(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 RMB'000	Year ended December 31, 2021 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 Ieye	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 Ieye	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.

34 Related party transactions (continued)

(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

34 Related party transactions (continued)

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

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	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.

35 Contingent liabilities

The Group did not have any material contingent liabilities as at December 31, 2022.

36 Subsidiaries

The following is a list of principal subsidiaries at December 31, 2022 and 2021, all of these are limited liability companies:

Name of subsidiaries	Place and date of incorporation/ Acquisition	Principal activities and place of operation	Registered/issued and paid up capital	Attributable equity interest to the Group As at December 31, 2022	Attributable equity interest to the Group As at December 31, 2021
Wuxi EA	PRC, February 10, 2010	Product design, manufacturing, research and development of clear aligner treatment solutions, PRC	USD56,000,000/ USD56,000,000	100%	100%
Beijing EA Bio-Tech Co., Ltd. (北京時代天使生物科技有限公司)	PRC, June 27, 2003	Sales and marketing of clear aligner treatment solutions, PRC	RMB19,300,000/ RMB19,300,000	100%	100%
Shanghai EA	PRC, September 5, 2011	Product design, sales and marketing, research and development of clear aligner treatment solutions, PRC	RMB30,000,000/ RMB30,000,000	100%	100%
Shuyang EA Medical Instruments Co., Ltd.* (沭陽時代天使醫療器械有限公司)	PRC, January 6, 2017	Sales and marketing of clear aligner treatment solutions, PRC	RMB1,000,000/ RMB1,000,000	100%	100%
Wuxi Fuchi Management Consulting Co., Ltd.* (無錫富馳管理諮詢有限公司)	PRC, July 14, 2016	Investment holdings, PRC	RMB10,000,000/ RMB10,000,000	100%	100%
Shanghai Tianzhi Clinic Co., Ltd. (上海天智口腔門診部有限公司)	PRC, May 21, 2013	Dental clinics, PRC	RMB3,000,000/ RMB3,000,000	70%	70%
China Target Management Limited (創泰管理有限公司)	Hong Kong, January 11, 2016	Trading of raw materials, Hong Kong	HKD12,449,701/ HKD12,449,701	100%	100%
Gecho Holding GmbH	Germany, February 19, 2016	Research and development of clear aligner treatment solutions, Germany	EUR25,000/ EUR25,000	100%	100%
Smile Development Group Limited	Cayman, June 8, 2016	Investment holdings, Cayman	USD50,000/ USD50,000	67%	67%
Smile Development Corp(i)	United States, June 20, 2016	Research and development of clear aligner treatment solutions, United States	USD0.1/USD0.1	NA	67%
Wuxi EA Bio-Tech Co., Ltd.* (無錫時代天使生物科技有限公司)	PRC, July 11, 2018	Manufacturing, research and development of clear aligner treatment solutions, PRC	RMB200,000,000/ RMB160,800,000	100%	100%
Guangzhou Xuhong Technology Co., Ltd.* (廣州旭弘科技有限公司)	PRC, July 12, 2018	Product design of clear aligner treatment solutions, PRC	RMB4,285,710/ RMB3,000,000	70%	70%

36 Subsidiaries (continued)

Name of subsidiaries	Place and date of incorporation/ Acquisition	Principal activities and place of operation	Registered/issued and paid up capital	Attributable equity interest to the Group As at December 31, 2022	Attributable equity interest to the Group As at December 31, 2021
Angelalign Technology Pte. Ltd. ("Angelalign SG")	Singapore, January 19,2022	Sales and marketing of clear aligner treatment solutions, Singapore	USD 1,000,000/ USD1,000,000	100%	NA
Orthodontic Aligners Australia Pty Ltd.	Australia, 31 December, 2022	Sales and marketing of clear aligner treatment solutions, Australia	nil/nil	100%	NA
Australian Angelalign Technology Pty Ltd.	Australia, 29 April, 2022	Investment holdings, Australia	AUD 2,000,000/ AUD 2,000,000	100%	NA
Europe Angelalign Technology B.V.	Netherlands, 22 September,2022	Investment holdings, Netherlands	EUR 10,000,000/ EUR 500,000	100%	NA
Angelalign France Technology	France, 5 December,2022	Sales and marketing of clear aligner treatment solutions, France	EUR 2,000,000/ EUR 1,000,000	100%	NA
UK Angelalign Technology Ltd.	The United Kingdom ("UK"), 17 October, 2022	Sales and marketing of clear aligner treatment solutions, UK	GBP 1,000,000/ nil	100%	NA
USA Angelalign Technology Corp	The United States ("USA"), 30 April, 2022	Sales and marketing of clear aligner treatment solutions, USA	USD 10,000,000/ USD 1,000,000	100%	NA
Angelalign Brasil S.A.	Brasil, 21 November, 2022	Investment holdings, Brasil	BRL 10,880,400/ BRL 10,230,000	100%	NA

* The English names of the subsidiaries represent management's best efforts in translating their Chinese names as they do not have official English names.

(i) In December 2022, The Group completed the procedures relating to the registration of cancellation of the subsidiary Smile Development Corp.

37 Balance sheet and reserve movement of the Company

	Note	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries	(c)	693,057	456,672
Property, plant and equipment		36	35
Right-of-use assets		147	–
Financial asset at fair value through profit or loss	19	121,227	–
		814,467	456,707
Current assets			
Cash and cash equivalents		2,194,618	2,618,112
Trade and other receivables		180,929	927
		2,375,547	2,619,039
Total assets		3,190,014	3,075,746
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	110	110
Share premium	21	2,941,876	3,117,920
Other reserves	(a)	239,996	(16,938)
Accumulated losses	(b)	(49,219)	(79,543)
Total-equity		3,132,763	3,021,549
Liabilities			
Current liabilities			
Other payables		57,095	54,197
Lease liabilities		156	–
		57,251	54,197
Total liabilities		57,251	54,197
Total equity and liabilities		3,190,014	3,075,746

The balance sheet of the Company was approved by the Board of Directors on March 23, 2023 and were signed on its behalf.

Ms. Li Huamin *Director*

Mr. Huang Kun *Director*

37 Balance sheet and reserve movement of the Company (continued)

(a) Other reserves

	Share-based payment reserves RMB'000	Currency translation reserves RMB'000	Total RMB'000
Balance at January 1, 2021	4,050	6	4,056
Currency translation differences	–	(29,695)	(29,695)
Equity-settled share-based payment transactions	8,701	–	8,701
Balance at December 31, 2021	12,751	(29,689)	(16,938)
Balance at January 1, 2022	**12,751**	**(29,689)**	**(16,938)**
Currency translation differences	**–**	**237,673**	**237,673**
Equity-settled share-based payment transactions	**19,261**	**–**	**19,261**
Balance at December 31, 2022	**32,012**	**207,984**	**239,996**

(b) Accumulated losses of the company

	Accumulated losses RMB'000
Balance at January 1, 2021	(22,872)
Profit for the year	42,947
Dividend declared	(99,618)
Balance at December 31, 2021	(79,543)
Balance at January 1, 2022	**(79,543)**
Profit for the year	**30,324**
Balance at December 31, 2022	**(49,219)**

37 Balance sheet and reserve movement of the Company (continued)

(c) Investment in subsidiaries

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Capital injection to subsidiaries	**217,286**	–
Deemed contribution	**443,921**	443,921
Equity-settled share-based payment transaction	**31,850**	12,751
	693,057	456,672

38 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and chief executive is set out below:

For the year ended December 31, 2022:

Name	Fees RMB'000	Salaries, wages and bonuses RMB'000	Share-based compensation expenses RMB'000	Pension costs – defined contribution plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
Year ended December 31, 2022						
Executive directors						
Ms. LI Huamin	–	3,501	1,351	63	76	4,991
Mr. SONG Xin	–	2,500	–	63	71	2,634
Non-executive directors						
Mr. FENG Dai	–	–	–	–	–	–
Mr. HUANG Kun	–	–	–	–	–	–
Mr. HU Jiezhang	–	–	–	–	–	–
Independent non-executive						
Ms. DONG Li	1,112	–	–	–	–	1,112
Mr. HAN Xiaojing	685	–	–	–	–	685
Mr. SHI Zi	513	–	–	–	–	513
	2,310	6,001	1,351	126	147	9,935

38 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

For the year ended December 31, 2021:

Name	Fees	Salaries, wages and bonuses	Share-based compensation expenses	Pension costs – defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2021						
Executive directors						
Ms. LI Huamin	–	3,230	12,700	57	69	16,056
Mr. CHEN Kai	–	1,228	9,867	18	22	11,135
Mr. SONG Xin	–	2,036	139	56	64	2,295
Non-executive directors						
Mr. FENG Dai	–	–	–	–	–	–
Mr. HUANG Kun	–	–	–	–	–	–
Mr. HU Jiezhang	–	–	–	–	–	–
Independent non-executive						
Ms. DONG Li	510	–	–	–	–	510
Mr. HAN Xiaojing	408	–	–	–	–	408
Mr. SHI Zi	255	–	–	–	–	255
	1,173	6,494	22,706	131	155	30,659

During the year ended December 31, 2022, no emoluments were paid by the Group to directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 34, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

39 Subsequent events

On October 28, 2022, Angelalign SG, the wholly-owned subsidiary of the Company, entered into a share purchase agreement (the "Share Purchase Agreement") with Aditek, a leading manufacturer of orthodontic products in Brazil. Pursuant to the Share Purchase Agreement, Angelalign SG agreed to, among others, acquire 51% of the total enlarged share capital of Aditek at the consideration of approximately USD19,390,000 (equivalent to approximately RMB131,379,000). Details of the 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 share purchase agreement, the contracted 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.

ANGELALIGN TECHNOLOGY INC.
時代天使科技有限公司