ANGELALIGN TECHNOLOGY INC.
時代天使科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6699)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The board (the "**Board**") of directors (the "**Directors**") of Angelalign Technology Inc. (the "**Company",** together with its subsidiaries, the **"Group**") is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2023 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2022, which have been reviewed by the Company's audit committee (the "**Audit Committee**").

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

RESULTS HIGHLIGHTS

- In the year ended December 31, 2023, our business in Mainland China, or our domestic business, continued to lead the market with a steady growth in case shipments, revenue and profits as well as our continued No.1 market share position in Mainland China.

  In the year ended December 31, 2023, our business outside Mainland China, or our international business, also achieved major breakthroughs, becoming a significant growth engine for us. Since officially launching our international operation in 2023, we have successfully entered more than 30 countries and regions.

- Our total case shipments increased by 33.2% from approximately 183,900 in the year ended December 31, 2022 to approximately 245,000 in the year ended December 31, 2023.

  (i) In the domestic market, our case shipments increased by 15.3% to approximately 212,000 in the year ended December 31, 2023.

  (ii) In the international markets, our case shipments reached 33,000 in the year ended December 31, 2023.

- Our revenue for the year ended December 31, 2023 was approximately RMB1,476.0 million, representing an increase of 16.2% from approximately RMB1,269.7 million for the year ended December 31, 2022. The growth of our revenue was less than the growth of the amount of our case shipments, primarily due to a decrease in the revenue recognized with the subsequent delivery of clear aligners for the case shipments initiated in prior periods.

(i) Our revenue in the domestic market increased from approximately RMB1,261.4 million in the year ended December 31, 2022 to approximately RMB1,330.7 million in the year ended December 31, 2023.

(ii) Our revenue in the international markets was approximately RMB145.3 million in the year ended December 31, 2023.

- Our gross profit for the year ended December 31, 2023 was approximately RMB920.7 million, representing an increase of 17.2% from approximately RMB785.7 million for the year ended December 31, 2022. Our gross profit margin for the year ended December 31, 2023 was approximately 62.4%, comparing to approximately 61.9% for the year ended December 31, 2022.

- Our adjusted net profit for the year ended December 31, 2023 was approximately RMB178.9 million, representing a decrease of 16.0% from approximately RMB213.0 million for the year ended December 31, 2022, primarily due to our investment in the international business.[(1)]

(i) Our adjusted segment profit in the domestic market increased by 29.9% from approximately RMB197.3 million in the year ended December 31, 2022 to RMB256.2 million in the year ended December 31, 2023, benefiting from operating leverage as a result of the growth in the Group's total revenue driven by international expansion.[(2)]

(ii) Our adjusted segment profit margin in the domestic market for the year ended December 31, 2023 was approximately 19.3%, comparing to approximately 15.6% for the year ended December 31, 2022.[(2)]

(iii) Our adjusted segment loss in the international markets was approximately RMB211.4 million in the year ended December 31, 2023.[(2)]

- Our net cash generated from operating activities for the year ended December 31, 2023 was approximately RMB165.9 million, representing an increase of 12.9% from approximately RMB146.9 million for the year ended December 31, 2022.

- The Board has resolved to recommend the payment of a special final dividend of Hong Kong Dollar ("**HKD**")1.1 per ordinary share of the Company (the "**Share**") for the year ended December 31, 2023.

Note

(1) Adjusted net profit is re-defined as net profit with adjustments of share-based payments, unrealized fair value (losses)/gains recognized in profit or loss in relation to unlisted equity investment, amortization in relation to acquisition and net foreign exchange gains. Please refer to pages 3 to 4 of this announcement for more details.

(2) Adjusted segment profit/loss and adjusted segment profit margin is defined as segment profit/loss and segment profit margin with adjustments of respective share-based payments. Please refer to pages 3 to 4 of this announcement for more details.

NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with the IFRS, we use adjusted EBITDA and adjusted net profit as additional financial measures, which are not required by or presented in accordance with the IFRS. To help the users of the financial statements to have a better understanding on the operating results of the Company, we define: (1) adjusted EBITDA as EBITDA (which is profit before income tax plus 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 certain items which are not closely related to major operations including share-based payments, unrealized fair value (losses)/gains of investment in relation to unlisted equity investments and net foreign exchange gain, and (2) adjusted net profit as profit for the year adjusted by certain items, including share-based payments, amortization of intangible assets related to certain acquisitions, unrealized fair value (losses)/gains of investment in relation to unlisted equity investments and net foreign exchange gain.

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 segment profit for the years indicated.

	Year ended December 31,			
	2023		2022	
	Mainland China	**Other countries and regions**	Mainland China	Other countries and regions
		RMB'000		
Segment profit/(loss)	**190,058**	**(215,699)**	178,042	(23,230)
Add:				
Share-based payments	**66,188**	**4,282**	19,261	–
Adjusted segment profit/(loss)	**256,246**	**(211,417)**	197,303	(23,230)

The following table reconciles our adjusted EBITDA and adjusted net profit for the years indicated.

	Year ended December 31	
	2023	2022
	RMB'000	
Profit for the period	**48,649**	213,157
Add:		
Income tax expenses	**12,502**	38,591
Profit before income tax	**61,151**	251,748
Add:		
(Finance income-net)	**(87,650)**	(40,613)
Depreciation of property, plant and equipment	**51,880**	44,651
Depreciation of right-of-use assets	**18,853**	17,491
Amortization of intangible assets	**14,484**	3,083
EBITDA	**58,718**	276,360
Add:		
Share-based payments	**70,470**	19,261
(Unrealized fair value (losses)/gains recognized in profit or loss in relation to unlisted equity investment)	**62,136**	(12,293)
(Net foreign exchange gains)	**(11,359)**	(7,123)
Adjusted EBITDA	**179,965**	276,205
Profit for the period	**48,649**	213,157
Add:		
Share-based payments	**70,470**	19,261
(Unrealized fair value (losses)/gains recognized in profit or loss in relation to unlisted equity investment)	**62,136**	(12,293)
Amortization in relation to acquisition	**9,017**	–
(Net foreign exchange gains)	**(11,359)**	(7,123)
Adjusted net profit	**178,913**	213,002

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

In 2023, while facing macro-economic challenges, the Group steadfastly pursued our "digitalization and globalization" strategy, maintaining a robust and upward overall business trajectory and a leading market position. The domestic business operations demonstrated strong growth resilience as the Group's business foundation, while our international ventures achieved significant breakthroughs as the second growth driver. We believe this success is mainly attributed to the Group's foresight in focusing on emerging and early-stage orthodontic treatment fields, as well as our strategic global market positioning. Particularly, the Group believes that the global clear aligner market is still at a nascent stage, and a massive population could benefit from clear aligner treatments for malocclusion, considering a prevailing malocclusion condition yet a low penetration rate of the clear aligner treatment worldwide. As such, despite macro-economic challenges, the Group has been consistently committed to strategic investments in technological innovation and digital orthodontics to develop advanced orthodontic solutions addressing patients' concerns over traditional treatment methods, thereby empowering more practitioners and raising consumer awareness, seizing the enormous market opportunities, and sustaining our competitiveness in the global clear aligner industry.

During the Reporting Period, the Group's domestic business maintained steady growth, while our international business developed rapidly. Our total case shipments increased by 33.2% year-on-year from approximately 183,900 to approximately 245,000, among which the case shipments in the domestic market increased by 15.3% to approximately 212,000 in 2023, and the case shipments in the international markets reached approximately 33,000 in 2023; the total revenue increased by 16.2% year-on-year from approximately RMB1,269.7 million to approximately RMB1,476.0 million, among which the total revenue in the domestic market increased from approximately RMB1,261.4 million in 2022 to approximately RMB1,330.7 million in 2023, and the total revenue in the international markets reached approximately RMB145.3 million in 2023; the gross profit increased by 17.2% year-on-year from approximately RMB785.7 million to approximately RMB920.7 million; the gross profit margin increased from approximately 61.9% in 2022 to approximately 62.4% in 2023, with the gross profit margin of the clear aligner treatment solutions business increasing from approximately 63.8% in 2022 to approximately 65.7% in 2023; the adjusted net profit decreased by 16.0% year-on-year from approximately RMB213.0 million to approximately RMB178.9 million; and the adjusted segment profit in the domestic market increased by 29.9% year-on-year from approximately RMB197.3 million to RMB256.2 million.

1. Enrich Product Capability with Technological Innovation to Refine the Customer-centered Product Portfolio

Angelalign has been committed to a customer-centered product strategy, with a sharp focus on devising innovative solutions grounded in medical science. We are dedicated to continually enhancing and expanding our product offerings, guided by user needs, to underscore long-term value of Angelalign to dental professionals and patients.

In the realm of adult orthodontics, we launched our angelLink interface system in June 2023, empowering dental professionals to tackle clinical challenges such as molar distalization and extraction orthodontics. Additionally, our new attachment template has increased the success rate of attachment bonding, simplified clinical procedures, and significantly improved the efficiency of dental professionals at the chairside.

In the realm of early orthodontics, the demand for early orthodontic treatment for children and adolescents has reached unprecedented levels of growth and opportunity, while Angelalign has accumulated years of technical expertise in early treatment. In 2023, based on the scientific diagnosis and treatment philosophy of age-based treatment for early orthodontics, we introduced a next-generation KiD anterior traction solution, based on our proprietary angelLink technology. This innovative approach not only facilitates maxillary protraction but also aligns teeth, offering dental professionals a comprehensive treatment option that merges orthopedics and orthodontics. During the Reporting Period, our Angelalign Kid products remained in vigorous growth.

Capitalizing on growing consumer awareness of oral health, we introduced comprehensive oral care solutions that address the entire patient lifecycle this year. Venturing from orthodontic products into the broader realm of oral care, we aim to bolster Angelalign's brand influence among consumers. In September 2023, we launched the Angelalign Oral Care Orthodontic Series, specifically tailored for the orthodontic community. This series, by catering to specific use cases, ranging from teeth cleaning to brace care, daily maintenance, and orthodontic tools, has garnered widespread acceptance from consumers, industry professionals and medical clinics.

2. Domestic Market Leadership and Breakthroughs in the Global Market

After more than two decades of development, Angelalign has been capturing dominant market share in China's clear aligner industry for three consecutive years. Our advanced products and responsive medical services have solidified our market position in first- and second-tier cities; simultaneously, we have expanded into lower-tier cities, seizing growth opportunities through a differentiated product portfolio, balanced sales channels and more comprehensive medical and market services. During the Reporting Period, our domestic business had 212,000 case shipments, with a robust increase in the proportion from third- and fourth-tier markets.

In addition to our consistent dedication to the domestic market, globalization remains a strategic priority. Since initiating our international business preparations in 2022, we have accelerated our pace of expansion, entering a phase of global organization with localized operations in 2023. Angelalign has built experienced local orthodontic teams in Europe, Australia, New Zealand and North America and launched innovative products tailored to local needs, gaining recognition from international orthodontic key opinion leaders ("**KOLs**"). Additionally, our acquisition of ADITEK DO BRASIL S.A. ("**Aditek**") has facilitated our expansion into the Brazilian market, progressing our integration plan orderly and underpinning rapid growth in our clear aligner business. During the Reporting Period, our international business had 33,000 case shipments, becoming a significant growth engine for the Group.

In Europe, we have engaged in deep collaborations with leading orthodontic influencers, establishing the Angelalign European Science Committee and Clinical Experts Committee. In 2023, we participated in over 20 top academic conferences across Europe, including the conferences of the Sociedad Española de Ortodoncia y Ortodoncia Dentofacial ("**SEDO**") in Spain, the Die Deutsche Gesellschaft für Kieferorthopädie e.V. in Germany, the Association for Treatment Planning in Aligner Orthodontics in Germany, the British Orthodontic Society in London, the Journées de l'Orthodontie in France, and the European Aligner Society in Italy. At the conferences, we presented our comprehensive and distinctive product range, high-quality medical-technical services, and leading research and development ("**R&D**") capabilities, earning accolades from orthodontic leaders and dentists. The SEDO acknowledged our product technology and solutions in a comprehensive paper titled "Innovaciones en el tratamiento con alineadores transparentes."

In Australia and New Zealand, we shifted from a distribution to a direct sales model, assembling a local team with years of orthodontic experience. Our high-quality medical services, unique product technologies and efficient logistics have attracted substantial support from dental professionals.

In North America, we made our mark at the 123rd American Association of Orthodontists and Orthopreneurs Summit in April and September 2023, showcasing our latest digital orthodontic products, technologies and solutions. We engaged in cutting-edge technical communications with global experts, rapidly adapting our products and medical services based on the needs and feedback of dental professionals.

In Brazil, following the acquisition of Aditek, we have systematically enabled synergies in medical design and intelligent manufacturing, significantly boosting Aditek's rapid growth in the clear aligner industry. During the Reporting Period, we have provided Aditek with the A-Treat digital orthodontic solution design platform and iOrtho cloud service platform, offering online training and on-site coaching. Our assistance in establishing a digital factory has substantially enhanced Aditek's intelligent manufacturing levels. Moreover, Aditek has established more than 50 doctors learning clubs, providing medical-technical training and clinical support to an expanding orthodontist community.

3. Focus on Digital Orthodontics Underpinned by Medical Science and Driven by Computer Science to Transform the Digital Workflow of Orthodontic Diagnosis and Treatment

Harnessing our years of cutting-edge technology, we continually develops and upgrades our suite of digital tools for orthodontic diagnosis and treatment. Leveraging our digital orthodontic capabilities underpinned by medical science and driven by computer science, we aim to reshape the digital workflow from diagnosis to treatment and link dental professionals with patients, covering every aspect of the business from auxiliary diagnostics, treatment planning and modifications, to intelligent manufacturing and quality control of follow-up visits. This integrated approach ensures high-quality dental care and provides patients with an exceptional orthodontic experience.

In 2023, we significantly enhanced our iOrtho cloud service platform's integration capabilities, revamping features such as account management, personal preference settings and case management to meet the localized needs of dental institutions and practitioners worldwide. Moreover, we have advanced our cloud platform integration service with several intraoral scanning brands, enabling dental professionals to upload patient scan data directly to our cloud service platform for a seamless connection with Angelalign's digital orthodontic platform.

In treatment planning, we have leveraged orthodontic principles and a vast reservoir of practical cases to boost the efficiency and quality of our data models. For example, using the latest computer graphics technology, we have intelligently upgraded the fusion process of oral Cone Beam Computed Tomography ("**CBCT**") scans and intraoral models, enhancing the efficiency of creating foundational models for treatment planning. Additionally, we have introduced a range of 3D viewing and modification tools to assist dental professionals in devising more precise treatment strategies.

In the realm of intelligent manufacturing, our use of computer technology has optimized the generation of digital models for orthodontic appliance production, reducing manual intervention and enhancing the efficiency and quality of the overall digital manufacturing process.

Regarding follow-up quality control, we have completed a comprehensive upgrade of our digital dental remote monitoring solution ("**MOOELI**"), including the introduction of mouth openers in various models to accommodate patients of different ages. We continue to refine our software algorithms, adding intelligent assessments for aligner fit and attachment loss, assisting dental professionals in more efficiently managing the orthodontic treatment process and ensuring patients receive a high-quality orthodontic journey.

4. Continue to Transform R&D Results into Industrial Achievements to Set the New Trends in the Clear Aligner Industry

Strong R&D capability serves as the core engine driving the Group's growth. In 2023, we recorded research and development expense of RMB173.6 million, accounting for 11.8% of our total revenue. During the Reporting Period, we have seen a continuous emergence of intellectual property achievements. As of December 31, 2023, we had 185 patents and 16 software copyrights, solidifying our core competitive edge in orthodontics technology.

Angelalign has maintained in-depth cooperation with a number of renowned domestic institutes and initiated numerous research projects through dedicated oral orthodontics research funds. For example, we are conducting a caries prevention clinical study with Hospital of Stomatology Wuhan University; we contributed mechanical analysis verification for the latest publication "Clinical Practice and Biomechanics of Clear Aligner Orthodontics" (口腔正畸隱形矯治臨床與生物力學) by the Ninth People's Hospital, Shanghai Jiaotong University School of Medicine; and our joint research paper with West China School of Stomatology Sichuan University, namely "The effect of enhanced structure in the posterior segment of clear aligners during anterior retraction: a three-dimensional finite element and experimental model analysis", has been accepted by the SCI journal Progress in Orthodontics, contributing innovative insights into aligner design.

Benefiting from Angelalign's years of foresight and investment in cutting-edge technologies, our research and applications in computer technology for diagnosing malocclusions have reached an internationally advanced level, continually contributing forward-thinking academic viewpoints. Over the past year, in collaboration with the R&D teams of major universities, We have published numerous high-level academic papers in globally influential journals and top-tier conferences, such as IEEE TMI, ICLR and MICCAI. Additionally, in November 2023, in collaboration with Zhejiang University and other specialized research teams, we presented three groundbreaking research papers at the 2023 Conference on Neural Information Processing Systems, a premier international conference. The three papers, including "Fed-GraB: Federated Long-tailed Learning with Self-Adjusting Gradient Balance," "Fast Model Debias with Machine Unlearning" and "Towards Distribution-Agnostic Generalized Category Discovery," propose novel algorithmic models addressing current challenges in smart healthcare and digital dentistry, significantly enhancing the accuracy, reliability and fairness of intelligent diagnostics while ensuring data privacy and security.

5. **Committed to a Vision of Brand Longevity to Raise Brand Recognition, Reputation and Global Influence**

Committed to a vision of brand longevity, our foundation is built on providing dental professionals with products and technology services driven by medical science and digital innovation. In 2023, we notably amplified the brand impact of "Angelalign" in the early orthodontic intervention sphere and partnered with the 2023 Hangzhou Asian Games to convey our core values and philosophy, which, along with the deep academic influence of Angelalign in orthodontics, has significantly enhanced the brand's recognition, reputation and global influence.

As a pioneer in the early orthodontic treatment area, Angelalign has relentlessly promoted oral health education for children and adolescents, bolstering our brand influence in this domain. Following a series of themed co-branding campaigns by Angelalign and "Transformers – Rise of the Beasts" (變形金剛•超能勇士崛起) in the first half of 2023, the Group launched children's oral health educational animations and augmented reality games featuring the images of "Transformers" (變形金剛) and "My Little Pony" (小馬寶莉) in the second half of 2023, which gained widespread attention. Furthermore, on January 12, 2024, the Group hosted the Angelalign Children and Adolescents Orthodontic Euro-International Forum in Shanghai with the theme of "Tracing the Origin to Scientific Diagnosis and Treatment" (尋本溯源科學診治). The event brought together experts from China and Europe to discuss the latest scientific research and clinical applications in pediatric orthodontic treatment, aiming to standardize early intervention practices in the industry through clear diagnostic and treatment standards.

Moreover, Angelalign collaborated with dental institutions nationwide to establish the "Cloud Dental Care Camp" for the 19th Hangzhou Asian Games, offering athletes comprehensive oral health services through our digital dental remote monitoring solution ("**MOOELI**") during their preparation and throughout the games.

Furthermore, the Group continues to contribute to public welfare, focusing on orthodontic talent development and children's educational culture. During the Reporting Period, we launched the second phase of the "Yulong Training Program" (育龍計劃) in collaboration with China Oral Health Foundation (中國牙病防治基金會), offering digital orthodontic training to 430 postgraduate students to foster clinically skilled orthodontic professionals. In partnership with the Beijing Hefeng Art Foundation (北京荷風藝術基金會), we initiated the "Angels Love Singing" (天使愛歌唱) musical education charity project to enrich children's lives with music to foster happiness, boost self-confidence, and create more beautiful smiles.

6. **Continue to Propel The Digital and Intelligent Transformation of Advanced Manufacturing to Achieve Scalable, World-Class Manufacturing Capabilities**

In 2023, we further optimized our intelligent production system to enhance production efficiency based on the concept of lean production. Specifically, we made constant efforts to promote digital and intelligent transformation in technique research and development, automation and supply chain management, in order to further enhance the efficiency of large-scale production of customized products and to achieve scalable, world-class manufacturing capabilities.

In 2023, Angelalign officially launched a groundbreaking no-clean process for the stereolithography resin used in 3D printing. Developed in-house, this novel material eliminates the need for cleaning, reducing the environmental impact of waste solvents. This innovation sets a new standard for green manufacturing in the dental industry. Moreover, with the continuous introduction of innovative technologies and products, we further optimize our manufacturing processes for innovative products, such as caries-resistant coating, new attachment templates, angelButton (天使扣) and angelArm to improve processing yields.

As we rapidly expand our international operations, our supply chain and flexible manufacturing systems must meet the customized needs of users worldwide. As such, the Group has upgraded various software and hardware systems to parameterize, structure and standardize the needs of dental professionals and patients across regions and age groups, ensuring stable product delivery. During the Reporting Period, the Group achieved a delivery cycle of approximately 8.5 working days from the confirmation of the orthodontic plan to shipment to users, effectively supporting dental professionals in providing orthodontic treatments.

Our accomplishments in the digital and intelligent advancement of manufacturing have been nationally recognized, earning us multiple awards. In 2023, Angelalign was selected as one of the "Fifth Batch of National Little Giant Enterprises" (specialized, high-end and innovation-driven companies) by the Ministry of Industry and Information Technology. We were also recognized as a "Leading Enterprise of High-Quality Development of Modern Service Industry in Jiangsu Province in 2023" and a "Pilot Enterprise of Integration of Two Industries (Advanced Manufacturing and Modern Services) in Jiangsu Province in 2023" by the Development and Reform Commission of Jiangsu Province, as well as a "Model Enterprise for Integration of Informatization and Industrialization Management System in Jiangsu Province in 2023" by the Industry and Information Technology Department of Jiangsu Province.

Outlook

Looking forward to 2024, despite the uncertainties in the global macro-environment, the global clear aligner industry has great potential for growth. We will firmly pursue sustainable growth through our strategy of "digitalization and globalization." To this end, we will pursue the following strategies:

- strengthen R&D capabilities to keep improving orthodontic solutions;
- further intelligize and digitalize our systems to increase operational efficiency;
- optimize clinical services to enhance user experience;
- increase production capacity and efficiency;
- enlarge the sales network and reinforce brand awareness and academic influence; and
- further expand into the international markets.

However, we must navigate the challenges brought about by macro-economic uncertainties, including a global economic recovery that lags behind expectations, geopolitical conflicts, and waning consumer confidence. These factors could lead to a reduction in the overall number of orthodontic treatment cases or a decline in consumers' discretionary spending on high-end orthodontic solutions, which could adversely affects our operational results. Therefore, it's imperative that we continuously assess their impact on our business, results of operations and financial position. We are committed to devising timely strategies to address these uncertainties and challenges.

Financial Review

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

Revenue

Our revenue increased by 16.2% from RMB1,269.7 million in the year ended December 31, 2022 to RMB1,476.0 million in the year ended December 31, 2023. 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,			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Clear aligner treatment solutions	**1,282,043**	**86.9**	1,209,582	95.3
Sales of products	**175,965**	**11.9**	44,391	3.5
Other services	**17,955**	**1.2**	15,733	1.2
Total	**1,475,963**	**100.0**	1,269,706	100.0

- *Clear aligner treatment solutions*. Revenue generated from clear aligner treatment solutions represents the revenue generated from provision of clear aligner treatment solutions services to our clients in the domestic market. Our revenue generated from the provision of clear aligner treatment solutions increased by 6.0% from RMB1,209.6 million in the year ended December 31, 2022 to RMB1,282.0 million in the year ended December 31, 2023, primarily due to an increase in the case shipments in the domestic market, partially offset by (1) a decrease in the revenue recognized of the subsequent delivery of clear aligners for the case shipments initiated in prior periods, and (2) a slight decrease in the average selling price of our clear aligners as a result of the expansion into third- and fourth-tier cities in China. 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 the Reporting Period.

- *Sales of products*. Revenue generated from sales of products mainly represents the revenue generated from the sales of intraoral scanners in the domestic market and the revenue generated from the sales of brackets, aligners and other products in international markets, including the revenue of Aditek. Our revenue generated from sales of products increased by 296.4% from RMB44.4 million in the year ended December 31, 2022 to RMB176.0 million in the year ended December 31, 2023, primarily because our international business started to generate revenue and we consolidated the revenue of Aditek in the year ended December 31, 2023, whereas in the year ended December 31, 2022, such revenue only comprised the revenue generated from sales of intraoral scanners in the domestic market.

- *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 increased by 14.1% from RMB15.7 million in the year ended December 31, 2022 to RMB18.0 million in the year ended December 31, 2023, primarily due to the recovery of the operation of our dental clinic.

Cost of revenue

Our cost of revenue increased by 14.7% from RMB484.0 million in the year ended December 31, 2022 to RMB555.3 million in the year ended December 31, 2023.

- *Clear aligner treatment solutions*. Our cost of revenue related to the provision of clear aligner treatment solutions increased by 0.2% from RMB438.4 million in the year ended December 31, 2022 to RMB439.2 million in the year ended December 31, 2023, primarily due to the increase in the case shipments in the domestic market, which was partially offset by the decrease in the unit cost of clear aligners as a result of our research and development efforts.

- *Sales of products.* Our cost of revenue related to the sales of products increased by 212.2% from RMB32.4 million in the year ended December 31, 2022 to RMB101.1 million in the year ended December 31, 2023, primarily due to the increase in the product cost of the brackets, aligners and other products sold in international markets.

- *Other services.* Our cost of revenue related to the provision of other services increased by 12.9% from RMB13.2 million in the year ended December 31, 2022 to RMB14.9 million in the year ended December 31, 2023, primarily due to the recovery of the operation of our dental clinic.

Gross profit and gross profit margin

Our gross profit increased by 17.2% from RMB785.7 million in the year ended December 31, 2022 to RMB920.7 million in the year ended December 31, 2023. The gross profit margin for the year ended December 31, 2023 was 62.4%, as compared with 61.9% for the year ended December 31, 2022. 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,			
	2023		2022	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***(%)***	*RMB'000*	*(%)*
Clear aligner treatment solutions	**842,806**	**65.7**	771,172	63.8
Sales of products	**74,884**	**42.6**	12,016	27.1
Other services	**3,022**	**16.8**	2,502	15.9
Total	**920,712**	**62.4**	785,690	61.9

- *Clear aligner treatment solutions.* Our gross profit margin for the provisions of clear aligner treatment solutions increased from 63.8% in the year ended December 31, 2022 to 65.7% in the year ended December 31, 2023, primarily due to the decrease in unit cost of clear aligners as a result of our research and development efforts.

- *Sales of products.* Our gross profit margin for the sales of products increased from 27.1% in the year ended December 31, 2022 to 42.6% in the year ended December 31, 2023, primarily due to the higher gross profit margin products sold in the international markets as compared to the gross profit margin of intraoral scanners.

- *Other services.* Our gross profit margin for other services increased from 15.9% in the year ended December 31, 2022 to 16.8% in the year ended December 31, 2023, primarily due to the recovery of the operation of our dental clinic.

Selling and marketing expenses

Our selling and marketing expenses increased by 65.4% from RMB298.2 million in the year ended December 31, 2022 to RMB493.2 million in the year ended December 31, 2023, primarily due to the increase in selling and marketing expenses associated with initiating and expanding our international business into additional countries and regions.

Administrative expenses

Our administrative expenses increased by 51.1% from RMB185.0 million in the year ended December 31, 2022 to RMB279.6 million in the year ended December 31, 2023, primarily due to the increase in administrative expenses incurred with initiating and expanding our international business into additional countries and regions.

Research and development expenses

Our research and development expenses increased by 17.6% from RMB147.7 million in the year ended December 31, 2022 to RMB173.6 million in the year ended December 31, 2023, primarily due to the increase in research and development efforts related to our international business expansion.

Net impairment losses on financial assets

We recorded net impairment losses on financial assets of RMB4.6 million in the year ended December 31, 2023, as compared with net impairment losses on financial assets of RMB9.0 million in the year ended December 31, 2022, primarily due to the decrease in loss allowance provision for trade receivables.

Other income

We recorded other income of RMB33.7 million in the year ended December 31, 2023, as compared with RMB27.1 million in the year ended December 31, 2022, primarily due to the increase in interest on term deposit with initial terms over three months.

Other (losses)/gains – net

We had other losses – net of RMB30.4 million in the year ended December 31, 2023, as compared with other gains – net of RMB38.4 million in the year ended December 31, 2022, primarily due to the increase in realized and unrealized losses on financial assets at FVPL.

Finance income

Our finance income increased from RMB42.3 million in the year ended December 31, 2022 to RMB95.7 million in the year ended December 31, 2023, primarily due to the increase in interest income on bank deposits.

Finance costs

Our finance costs increased from RMB1.7 million in the year ended December 31, 2022 to RMB8.0 million in the year ended December 31, 2023, primarily due to the increase in interest expense on bank borrowings made by Aditek.

Share of results of investments accounted for using the equity method

We had a share of profit of investment accounted for using the equity method of RMB0.5 million for the year ended December 31, 2023, compared to a share of loss of investments accounted for using the equity method of RMB0.2 million for the year ended December 31, 2022, primarily due to the increase in the total profit 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 RMB61.2 million in the year ended December 31, 2023, compared to RMB251.7 million in the year ended December 31, 2022.

Income tax expenses

Our income tax expenses decreased from RMB38.6 million in the year ended December 31, 2022 to RMB12.5 million in the year ended December 31, 2023, primarily due to the decrease in the profit before income tax.

Profit for the year

As a result of the above, our net profit decreased by 77.2% from RMB213.2 million in the year ended December 31, 2022 to RMB48.6 million in the year ended December 31, 2023. The net profit margin for the year ended December 31, 2023 was 3.3%, as compared with 16.8% for the year ended December 31, 2022.

Liquidity, capital resources and capital structure

In the year ended December 31, 2023, our primary use of cash was 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 decreased from approximately RMB3,870.8 million as of December 31, 2022 to approximately RMB3,718.8 million as of December 31, 2023, primarily due to the decrease in cash and cash equivalents as explained below.

Cash and cash equivalents

Our cash and cash equivalents primarily consisted of cash at banks. Our cash and cash equivalents decreased from RMB3,649.4 million as of December 31, 2022 to RMB2,689.5 million as of December 31, 2023, primarily due to our purchases of wealth management products with variable returns, which mainly contributed to the net cash outflow in investing activities during the Reporting Period. The following table sets forth our cash flows for the years indicated.

	Year ended December 31,	
	2023	2022
	RMB'000	
Net cash generated from operating activities	**165,872**	146,870
Net cash used in investing activities	**(981,706)**	(159,774)
Net cash used in financing activities	**(187,061)**	(193,612)
Net decrease in cash and cash equivalents	**(1,002,895)**	(206,516)
Cash and cash equivalents at beginning of the year	**3,649,376**	3,626,983
Exchange gain on cash and cash equivalents	**43,060**	228,909
Cash and cash equivalents at the end of the year	**2,689,541**	3,649,376

Exposure to exchange rate fluctuation

Our businesses are principally conducted in RMB and has entities mainly operating in USD, Brazilian Real ("**BRL**") and EUR. We are subject to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are denominated in foreign currencies and net investment in foreign operations. We recognized net foreign exchange gains of RMB11.4 million in the year ended December 31, 2023, as compared to net foreign exchange gains of RMB7.1 million in the year ended December 31, 2022.

In addition, in the year ended December 31, 2023, we recorded exchange differences on translation of the Company of RMB33.1 million as other comprehensive income, as compared with RMB237.7 million in the year ended December 31, 2022, 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 People's Republic of China (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, 2023, our total capital expenditure amounted to RMB114.6 million, compared to RMB95.4 million for the year ended December 31, 2022, which primarily consisted of the cash paid for the purchases of property, plant and equipment in connection with the construction of the Chuangmei Center.

Capital commitments

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

	As of December 31,	
	2023	2022
	RMB'000	
Property, plant and equipment	**2,539**	17,626
Investment in unlisted equity investments	**–**	87,510
Acquisition of a subsidiary	**–**	118,062
Total	**2,539**	223,198

Contingent liabilities

As of December 31, 2023, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of the Group.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus and this announcement, as of December 31, 2023, we did not have other substantial future plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

On October 28, 2022, Angelalign Technology Pte. Ltd. ("**Angelalign SG**") entered into a share purchase agreement (the "**Aditek Share Purchase Agreement**") with Aditek, pursuant to which, we agreed to acquire 51% of the total enlarged share capital of Aditek. For details, please refer to the 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., a wholly-owned subsidiary of the Company in Brazil. In January 2023, we completed the acquisition of Aditek.

Save as disclosed in this announcement, in the year ended December 31, 2023, we did not have any other material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments and acquisition of capital assets

On September 21, 2023, the Company and CC Founder Holdings LLC further entered into a supplemental agreement to the second amended and restated exempted limited partnership agreement, pursuant to which, the Company agreed to additionally increase its limited partnership capital contribution in CareCapital Aligner Tech L.P.. For details, please refer to the announcement of the Company dated September 22, 2023.

Save as disclosed in this announcement, in the year ended December 31, 2023, we did not make any other significant investments nor made any significant acquisition of capital assets.

Charge on group's assets

As of December 31, 2023, we had pledged trade receivables, and property, plant and equipment that were attributable to the operations of Aditek with a net carrying value of BRL34.7 million, equivalent to approximately RMB50.8 million.

Save as disclosed above, as of December 31, 2023, we have no other charges on our assets.

Borrowings and gearing ratio

As of December 31, 2023, our bank borrowings amounted to approximately RMB17.4 million, all of which was made by Aditek. As of December 31, 2023, gearing ratio was 0.5%, which represents the percentage of bank borrowings to total equity.

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,	
	2023	2022
Profitability ratios		
Gross profit margin[(1)]	**62.4%**	61.9%
Net profit margin[(2)]	**3.3%**	16.8%
Adjusted net profit margin[(3)]	**12.1%**	16.8%
Liquidity ratios		
Current ratio[(4)]	**4.2**	5.0

(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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended December 31, 2023** ***RMB'000***	Year ended December 31, 2022 *RMB'000*
Revenue	*2*	**1,475,963**	1,269,706
Cost of revenue		**(555,251)**	(484,016)
Gross profit		**920,712**	785,690
Selling and marketing expenses		**(493,186)**	(298,170)
Administrative expenses		**(279,555)**	(185,027)
Research and development expenses		**(173,612)**	(147,681)
Net impairment losses on financial assets		**(4,589)**	(9,029)
Other income	*3*	**33,709**	27,108
Other (losses)/gains – net	*3*	**(30,439)**	38,427
Operating (loss)/profit		**(26,960)**	211,318
Finance income		**95,674**	42,289
Finance costs		**(8,024)**	(1,676)
Finance income – net		**87,650**	40,613
Share of results of investments accounted for using the equity method		**461**	(183)
Profit before income tax		**61,151**	251,748
Income tax expense	*4*	**(12,502)**	(38,591)
Profit for the year		**48,649**	213,157

	Note	Year ended December 31, 2023 *RMB'000*	Year ended December 31, 2022 *RMB'000*
Profit attributable to			
– Owners of the Company		**53,475**	213,781
– Non-controlling interests		**(4,826)**	(624)
		48,649	213,157
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Exchange differences on translation of the Company		**33,146**	237,673
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of subsidiaries		**16,149**	(6,582)
		49,295	231,091
Total comprehensive income for the year		**97,944**	444,248
Total comprehensive income for the year attributable to:			
– Owners of the Company		**98,876**	444,479
– Non-controlling interests		**(932)**	(231)
		97,944	444,248
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	*5*	**0.32**	1.28
– Diluted	*5*	**0.32**	1.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at December 31, 2023** *RMB'000*	As at December 31, 2022 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**428,843**	347,311
Right-of-use assets		**99,238**	81,967
Intangible assets		**159,639**	16,205
Investments accounted for using the equity method		**19,275**	14,448
Deferred tax assets		**37,744**	19,099
Financial asset at fair value through profit or loss	*8*	**251,674**	121,227
Trade and other receivables and prepayments	*7*	**41,433**	15,150
		1,037,846	615,407
Current assets			
Inventories		**95,291**	113,156
Trade and other receivables and prepayments	*7*	**183,891**	108,270
Financial asset at fair value through profit or loss	*8*	**750,085**	–
Cash and cash equivalents		**2,689,541**	3,649,376
		3,718,808	3,870,802
Total assets		**4,756,654**	4,486,209
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**110**	110
Share premium		**2,803,094**	2,941,876
Shares held for employee share scheme		**–**	(1,098)
Other reserves		**82,554**	237,820
Retained earnings		**454,539**	428,058
		3,340,297	3,606,766
Non-controlling interests		**67,313**	(4,569)
Total equity		**3,407,610**	3,602,197

	Note	**As at December 31, 2023** *RMB'000*	As at December 31, 2022 *RMB'000*
LIABILITIES			
Non-current liabilities			
Contract liabilities		**71,443**	55,719
Lease liabilities		**30,343**	14,858
Deferred income		**33,753**	31,212
Deferred tax liabilities		**27,270**	733
Bank borrowings		**6,273**	–
Other non-current financial liabilities		**300,863**	–
		469,945	102,522
Current liabilities			
Bank borrowings		**11,077**	–
Trade and other payables	*9*	**375,221**	365,612
Contract liabilities		**450,593**	359,656
Current income tax liabilities		**24,624**	40,619
Lease liabilities		**17,584**	13,346
Deferred income		**–**	2,257
		879,099	781,490
Total liabilities		**1,349,044**	884,012
Total equity and liabilities		**4,756,654**	4,486,209

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Year ended December 31, 2023** *RMB'000*	Year ended December 31, 2022 *RMB'000*
Cash flows from operating activities			
Cash generated from operations		**213,369**	182,776
Income tax paid		**(47,497)**	(35,906)
Net cash generated from operating activities		**165,872**	146,870
Cash flows from investing activities			
Purchases of property, plant and equipment		**(97,972)**	(89,784)
Purchases of intangible assets		**(16,615)**	(5,605)
Proceeds from disposal of property, plant and equipment		**4,006**	1,319
Purchases of financial assets at fair value through profit or loss	*8*	**(5,984,571)**	(3,167,912)
Proceeds from disposals of financial assets at fair value through profit or loss	*8*	**5,071,690**	3,076,378
Purchase of term deposit with initial terms over three months		**(505,806)**	–
Proceeds from term deposit with initial terms over three months		**505,806**	–
Consideration paid for the acquisition of subsidiaries, net of cash acquired		**(25,237)**	(3,142)
Consideration paid for the derivative financial asset		**(5,842)**	–
Loan provided to a third party		**–**	(13,317)
Loans provided to employees		**(102,100)**	–
Proceeds of loans repaid by employees		**71,722**	–
Interest received		**103,213**	42,289
Net cash used in investing activities		**(981,706)**	(159,774)

	Note	**Year ended December 31, 2023** *RMB'000*	Year ended December 31, 2022 *RMB'000*
Cash flows from financing activities			
Proceeds from new shares issued for options exercised		**1,553**	–
Payments for shares bought back		**(35,966)**	–
Dividend paid		**(105,966)**	(176,044)
Proceeds from a bank borrowing		**–**	2,851
Borrowing interest paid		**(5,363)**	(51)
Repayments of bank borrowings		**(22,305)**	(2,851)
Principal elements of lease payments		**(16,353)**	(15,892)
Interest paid of lease liabilities		**(2,661)**	(1,625)
Net cash used in financing activities		**(187,061)**	(193,612)
Net decrease in cash and cash equivalents		**(1,002,895)**	(206,516)
Cash and cash equivalents at beginning of the year		**3,649,376**	3,626,983
Exchange gains on cash and cash equivalents		**43,060**	228,909
Cash and cash equivalents at the end of the year		**2,689,541**	3,649,376

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND ACCOUNTING POLICY INFORMATION

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

1.1 Basis of preparation

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

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS Accounting Standards 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 measured at fair value.

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1,2023:

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules	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 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023

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

(d) New standards and interpretations not yet adopted

Certain new amendments to accounting standards have been published that are not mandatory for December 31, 2023 reporting period and have not been early adopted by the Group. These amendments are not expected to have a material impact on the Group in the current or future reporting period and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
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 IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	To be determined

1.2 Material accounting policy information

1.2.1 Principles of consolidation and equity accounting

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 to direct the activities of the entity. Subsidiaries are fully 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 unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

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, after initially being recognized at cost.

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

Equity method

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 1.2.4.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

Separate financial statements

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

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

1.2.2 Property, plant and equipment

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	5-10 years
Furniture, fixtures and equipment	3-10 years

See Note 1.3.3 for the other potentially material accounting policies relevant to property, plant and equipment.

1.2.3 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) Other intangible assets

Other intangible assets mainly include customer relationship, brand, and technology. They are initially recognized and measured at cost or estimated fair value of intangible assets acquired through business combinations. Other intangible assets are amortized over their estimated useful lives (generally 5 to 10 years) using the straight-line method which reflects the pattern in which the intangible assets' future economic benefits are expected to be consumed.

See Note 1.3.4 for the other potentially material accounting policies relevant to intangible assets.

1.2.4 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 goodwill impairment assessment, management considered each of the acquired companies as a separate group of CGU and goodwill has been allocated to each of the acquired companies accordingly. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of the year.

1.2.5 *Investments and other financial assets*

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.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows

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.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, being 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.

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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "Other (losses)/gains – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

- 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 recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other (losses)/gains – net". Interest income from these financial assets is included in "Finance income" using the effective interest rate method. Foreign exchange gains and losses are presented in "Other (losses)/gains – net", and impairment expenses are presented as separate line item in the statement of comprehensive income.

- 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 net within "Other (losses)/gains – net" in the period in which it arises.

Impairment of financial assets

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

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

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

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

1.2.6 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 7 for further information about the Group's accounting for trade receivables.

1.2.7 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income 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 Group's entities 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 the People's Republic of China (the "**PRC**") 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.

1.2.8 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 period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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

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

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

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

1.2.9 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. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

(a) Revenue from rendering clear aligner treatment solutions in the PRC

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

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

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

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

(b) *Revenue from rendering other services*

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

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

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

(c) *Revenue from sales of products*

The Group's revenue from sales of products mainly represents revenue from sales of aligners and sales of intraoral scanners, brackets, and other products to hospitals, dental clinics and distributors.

– Sales of aligners with multiple distinct performance obligations

  The Group's sales contracts of aligners with multiple distinct performance obligations comprise the following performance obligations that also represent distinct deliverables: initial aligners and the option of additional aligners. The Group allocates the transaction price to each performance obligation on relative stand-alone selling price basis. In estimating whether the customers will exercise the option of additional aligners, management considers a variety of factors such as historical data on the exercise of options, trends and market conditions. The Group recognizes the revenue upon shipment, as the customers obtain physical possession and the Group has enforceable rights to receive the consideration. As the Group collects most consideration upfront, the Group considers whether a significant financing component exists. However, as the delivery of the performance obligations are at the customer's discretion, management concludes that no significant financing component exists.

– Sales of aligners with one performance obligation

  The Group sales contracts of aligners with one performance obligation is recognized in time when control of the aligners has been transferred, being when the aligners are accepted by the customers.

– Sales of intraoral scanners, brackets and other products

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

  The rights to receive consideration for transferring products to the customer (and such rights depend on factors other than the passage of time) are recognized as contract assets. The Group's obligation to transfer products to customers for consideration received or receivable is presented as contract liabilities.

1.2.10 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. The Group elected to recognize the non-controlling interests at its proportionate share of the acquired net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase, the difference is recognized directly in the consolidated statement of comprehensive income.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Put options on non-controlling interest of the Group are financial instruments granted by the Group which permit the holders to put back to the Group their shares in certain non wholly-owned subsidiaries of the Group for cash or other financial instruments when certain conditions are met. If the Group does not have the unconditional right to avoid delivering cash or other financial instruments under the put option, a financial liability is initially recognized under "Other financial liabilities" in the consolidated financial statements at the present value of the estimated future cash outflows on exercise under the put option. Subsequently, if the Group revises its estimates of payments, the Group will adjust the carrying amount of the financial liability (including the fair value change of principal and the adjustment of interest) to reflect actual and revised estimated cash outflows. The Group will recalculate the carrying amount based on the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and the adjustment will be recognized in the consolidated statement of changes in equity. In the event that the put option expires unexercised, the liability is derecognized with a corresponding adjustment to equity.

The put option liabilities are current liabilities unless the put option first becomes exercisable 12 months after the end of the reporting period.

1.3 Other potentially material accounting policy information

1.3.1 Segment reporting

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

1.3.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is HKD and the functional currency of the Group's primary subsidiaries incorporated in the PRC is Renminbi ("**RMB**"). The consolidated financial statements are presented in RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within "Other (losses)/ gains – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognized in other comprehensive income.

(c) Group companies

The results and financial position of Group's 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.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.3.3 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. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The leasehold improvements are depreciated over the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

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

1.3.4 Intangible assets

(a) 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 25 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.

(b) 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.

(c) Research and development

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

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

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

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

1.3.5 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 entity or the counterparty.

1.3.6 Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group have no derivative is designated as a hedging instrument. Changes in the fair value of derivative instrument are recognized immediately in profit or loss and are included in "Other (losses)/gains – net".

1.3.7 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 inventories are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1.3.8 Contract assets and contract liabilities

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

1.3.9 Cash and cash equivalents

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

1.3.10 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.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

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.

1.3.11 Government grants

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

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

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

1.3.12 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 after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

1.3.13 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

1.3.14 Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

1.3.15 Employee benefits

(a) Short-term obligations

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

(b) Employment obligations

Pension obligations

The Group only operates 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.

1.3.16 Provisions

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

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

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

1.3.17 Earnings per share

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1.3.18 Interest income

Interest income is recognized using the effective interest method.

1.3.19 Leases

The Group leases various properties for operation. Rental contracts are typically made for fixed periods of 1 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

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

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

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

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

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

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

1.3.20 Dividend distribution

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

2 REVENUE AND SEGMENT INFORMATION

	Year ended December 31, 2023 *RMB'000*	Year ended December 31, 2022 *RMB'000*
Revenue from external customers is recognized over time and is derived from the rendering of:		
– Clear aligner treatment solutions	**1,282,043**	1,209,582
– Other services	**17,955**	15,733
Revenue from external customers is recognized at a point in time and is derived from:		
– Sales of products (i)	**175,965**	44,391
Total revenue	**1,475,963**	1,269,706

(i) This represented: (1) sales of intraoral scanners to hospitals, dental clinics and distributors and (2) sales of brackets, aligners and other products. Revenue from sales of products was recognized when the products were delivered to and accepted by the customers.

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.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the reportable segment profit, which is measured consistently with the Group's profit before tax except that other unallocated income, gains and losses, net impairment losses on financial assets, finance income-net, and share of results of investments accounted for using the equity method are excluded from such measurement.

Segment revenue and results

As a result of this evaluation, the Group has the following reportable segments for year ended December 31, 2023:

	Year ended December 31, 2023		
	Mainland China *RMB'000*	**Other countries and regions** *RMB'000*	**Consolidated** *RMB'000*
Revenue	**1,330,705**	**145,258**	**1,475,963**
Segment profit/(loss)	**190,058**	**(215,699)**	**(25,641)**
Other unallocated income, gains and losses			**3,270**
Net impairment losses on financial assets			**(4,589)**
Finance income – net			**87,650**
Share of results of investments accounted for using the equity method			**461**
Profit before tax			**61,151**
Income tax expense			**(12,502)**
Profit for the year			**48,649**

	Year ended December 31, 2022		
	Mainland China *RMB'000*	Other countries and regions *RMB'000*	Consolidated *RMB'000*
Revenue	1,261,412	8,294	1,269,706
Segment profit/(loss)	178,042	(23,230)	154,812
Other unallocated income, gains and losses			65,535
Net impairment losses on financial assets			(9,029)
Finance income – net			40,613
Share of results of investments accounted for using the equity method			(183)
Profit before tax			251,748
Income tax expense			(38,591)
Profit for the year			213,157

Geographical information

Information about the Group's non-current assets is presented based on the geographical locations of the assets.

	As at December 31, 2023 *RMB'000*	As at December 31, 2022 *RMB'000*
Mainland China	**778,183**	609,422
Other countries and regions	**259,663**	5,985
	1,037,846	615,407

Information about major customers

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

(a) Unsatisfied long-term contracts

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

	As at December 31, 2023 *RMB'000*	As at December 31, 2022 *RMB'000*
Mainland China		
– Within 1 year	**492,733**	430,259
– Over 1 year	**61,424**	121,857
	554,157	552,116
Other countries and regions		
– Within 1 year	**20,930**	–
– Over 1 year	**6,282**	–
	27,212	–
	581,369	552,116

Management expects that unsatisfied performance obligations of approximately RMB513,663,000 as at December 31, 2023 will be recognized as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB67,706,000 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.

3 OTHER INCOME AND OTHER (LOSSES)/GAINS – NET

	Year ended December 31, 2023 ***RMB'000***	Year ended December 31, 2022 *RMB'000*
Other income		
Government grants	**15,288**	27,108
Interest on term deposit with initial terms over three months	**18,421**	–
	33,709	27,108
Other (losses)/gains – net		
Net foreign exchange gains	**11,359**	7,123
Realized and unrealized (losses)/gains on financial assets at FVPL – net	**(38,380)**	28,671
Losses on disposals of property, plant and equipment	**(973)**	(282)
Others	**(2,445)**	2,915
	(30,439)	38,427

4 INCOME TAX EXPENSE

	Year ended December 31, 2023 ***RMB'000***	Year ended December 31, 2022 *RMB'000*
Current income tax		
– Mainland China corporate income tax ("**CIT**")	**33,674**	43,095
– Hong Kong profits tax	**42**	553
– Other countries and regions taxes	**181**	–
	33,897	43,648
Deferred income tax		
– Mainland China corporate income tax	**(13,197)**	(5,057)
– Other countries and regions taxes	**(8,198)**	–
	(21,395)	(5,057)
	12,502	38,591

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, 2023 *RMB'000*	Year ended December 31, 2022 *RMB'000*
Profit before income tax	**61,151**	251,748
Tax calculated at respective statutory tax rates	**17,588**	58,092
Tax effects of:		
– Preferential income tax rates applicable to subsidiaries	**(23,658)**	(12,746)
– Effect of change in the tax rates for deferred tax of prior years	**4,925**	–
– Expenses not deductible for taxation purposes	**9,909**	6,478
– Tax losses and temporary differences not recognized for deferred income tax	**37,769**	3,139
– Super deduction for research and development expenditures	**(24,936)**	(16,326)
– Share of results of investments accounted for using the equity method	**(29)**	(46)
– Recognition of tax losses and temporary differences not recognized for deferred income tax in prior years	**(8,786)**	–
– Final settlement differences	**(280)**	–
	12,502	38,591

(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) Mainland China CIT

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in Mainland China and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowance. The general Mainland China CIT rate is 25% during the year ended December 31, 2023.

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, 2020 and 2023, and accordingly, is subject to a reduced preferential CIT rate of 15% during the year ended December 31, 2023.

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, 2023.

The Company's subsidiary, Wuxi EA Bio-Tech Co., Ltd. (無錫時代天使生物科技有限公司, "Wuxi EA"), was approved as HNTE under the relevant tax rules and regulations of the PRC in 2023 and accordingly, is subject to a reduced preferential CIT rate of 15% for the year ended December 31, 2023.

According to the CIT laws and Detailed Implementation Rules, an enterprise is allowed to claim research and development expenses incurred for the development of new technologies, new products and new craftsmanship from 2008 onwards. From 2022, according to Cai Shui [2022] No. 16 (財税[2022] 16號), an extra 100% of the amount of research and development expenses can be deducted before tax.

(c) Hong Kong profit tax

The Hong Kong profits tax rate of the subsidiaries 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	27.67%-29.84%
Singapore	17%
Brazil	15% and 34%
Germany	Corporation tax standard rate: 15.83% Trade tax standard rate: 16.63%
Netherlands	25%
France	25%
Spain	25%
Australia	30%

(e) Withholding tax

According to the relevant regulations of the CIT laws of Mainland China, when a foreign investment enterprise in Mainland China distributes dividends out of the profits earned from January 1, 2008 onwards to its investors in other countries and regions, such dividends are subject to withholding tax at a rate of 10%. The Company's application to be a resident of the Hong Kong Special Administrative Region under the "Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" was approved on May 19, 2023. The Company became a resident of Hong Kong Special Administrative Region with effect from the calendar year 2021 to 2023, and accordingly, is subject to a reduced preferential withholding tax rate of 5%.

As at December 31, 2023, the retained earnings of the Group's subsidiaries in Mainland China not yet remitted to holding companies incorporated outside Mainland China, for which no deferred tax liability had been provided, were approximately RMB681,297,000 (2022: RMB495,044,000). Such earnings are expected to be retained by the subsidiaries in Mainland China for reinvestment purposes and would not be remitted to their holding companies outside Mainland China in the foreseeable future based on management's best estimates of the Group's funding requirements in other countries and regions.

5 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, 2023.

	Year ended December 31, 2023	Year ended December 31, 2022
Profit attributable to owners of the Company (RMB'000)	**53,475**	213,781
Weighted average number of ordinary shares outstanding	**168,094,354**	167,294,781
Basic earnings per share (in RMB)	**0.32**	1.28

(b) Diluted earnings per share

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

The Group has three categories of potential ordinary shares for the year ended December 31, 2023 which were the restricted shares and share options granted before IPO (“the Pre-IPO Share Award Schemes), the restricted shares granted after IPO (“the Post-IPO RSU Schemes) and the share options granted after IPO (“the Post-IPO Share Option Scheme).

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 restricted shares 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 restricted shares.

	Year ended December 31, 2023	Year ended December 31, 2022
Profit attributable to owners of the Company (RMB’000)	**53,475**	213,781
Weighted average number of ordinary shares in issue	**168,094,354**	167,294,781
Adjustments for share options and awarded shares	**625,543**	1,515,714
Weighted average number of ordinary shares for diluted earnings per share	**168,719,897**	168,810,495
Diluted earnings per share (in RMB)	**0.32**	1.27

6 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, 2022							
Cost	6,638	128,495	1,790	9,490	47,083	122,426	315,922
Accumulated depreciation	(991)	(34,032)	(973)	(3,001)	(28,615)	–	(67,612)
Closing net book amount	5,647	94,463	817	6,489	18,468	122,426	248,310
Year ended December 31, 2022							
Opening net book amount	5,647	94,463	817	6,489	18,468	122,426	248,310
Additions	–	60,294	–	5,307	14,103	65,549	145,253
Transfers	183,078	–	–	–	1,991	(185,069)	–
Disposals	–	(1,601)	–	–	–	–	(1,601)
Depreciation	(8,224)	(20,424)	(315)	(2,508)	(13,180)	–	(44,651)
Closing net book amount	180,501	132,732	502	9,288	21,382	2,906	347,311
At December 31, 2022							
Cost	189,716	184,972	1,790	14,797	63,158	2,906	457,339
Accumulated depreciation	(9,215)	(52,240)	(1,288)	(5,509)	(41,776)	–	(110,028)
Closing net book amount	180,501	132,732	502	9,288	21,382	2,906	347,311

	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, 2023							
Opening net book amount	**180,501**	**132,732**	**502**	**9,288**	**21,382**	**2,906**	**347,311**
Acquisition of a subsidiary *(Note 10(a))*	**–**	**12,345**	**665**	**230**	**–**	**19,376**	**32,616**
Additions	**8,806**	**11,904**	**967**	**675**	**2,014**	**78,359**	**102,725**
Transfers	**262**	**40,686**	**–**	**2,493**	**9,254**	**(52,695)**	**–**
Disposals	**–**	**(4,319)**	**(17)**	**(643)**	**–**	**–**	**(4,979)**
Depreciation	**(9,173)**	**(26,096)**	**(1,070)**	**(3,538)**	**(12,003)**	**–**	**(51,880)**
Currency translation differences	**–**	**1,883**	**80**	**54**	**–**	**1,033**	**3,050**
Closing net book amount	**180,396**	**169,135**	**1,127**	**8,559**	**20,647**	**48,979**	**428,843**
At December 31, 2023							
Cost	**198,784**	**258,573**	**3,635**	**16,428**	**62,194**	**48,979**	**588,593**
Accumulated depreciation	**(18,388)**	**(89,438)**	**(2,508)**	**(7,869)**	**(41,547)**	**–**	**(159,750)**
Closing net book amount	**180,396**	**169,135**	**1,127**	**8,559**	**20,647**	**48,979**	**428,843**

As at 31 December 2023, the Group has pledged certain property, plants and equipment including CIP and plant and machinery in Brazil with a net carrying amount of BRL31,517,000 (equivalent to approximately RMB46,188,000) (2022: Nil) for the banking facilities granted to a subsidiary of the Group to finance the subsidiary's daily working capital and capital expenditure plans.

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

	Year ended December 31, 2023 ***RMB'000***	Year ended December 31, 2022 *RMB'000*
Cost of revenue	**24,797**	22,522
Selling and marketing expenses	**6,243**	3,503
Administrative expenses	**17,507**	15,852
Research and development expenses	**3,333**	2,774
	51,880	44,651

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31, 2023 *RMB'000*	As at December 31, 2022 *RMB'000*
Included in current assets		
Trade receivables *(Note (a))*		
– Due from third parties	**145,333**	87,848
– Due from related parties *(Note 13(e))*	**1,557**	1,976
	146,890	89,824
Less: allowance for impairment of trade receivables	**(32,503)**	(27,405)
	114,387	62,419
Other receivables *(Note (b))*		
– Receivables from payment platforms	**3,423**	–
– Interest receivables	**10,882**	–
– Deposits receivables	**9,127**	10,572
– Loan to Aditek do Brasil S.A. ("**Aditek**") *(Note (b)(i))*	**–**	13,317
– Deductible input value-added tax	**–**	514
– Others	**2,508**	1,004
	25,940	25,407
Less: allowance for impairment of other receivables	**(271)**	(298)
	25,669	25,109
Prepayments for		
– Taxes	**11,092**	4,009
– Suppliers	**32,743**	16,733
	43,835	20,742
	183,891	108,270
Included in non-current assets		
Trade receivables *(Note (a))*		
– Due from third parties	**3,196**	–
Less: allowance for impairment of trade receivables	**(95)**	–
	3,101	–
Other receivables *(Note (b))*		
– Loans provided to employees	**30,979**	–
Less: allowance for impairment of other receivables	**(274)**	–
	30,705	–

	As at December 31, 2023 *RMB'000*	As at December 31, 2022 *RMB'000*
Prepayments for		
– Property, plant and equipment	**7,212**	15,150
– Taxes	**415**	–
	7,627	15,150
	41,433	15,150

(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, 2023 *RMB'000*	As at December 31, 2022 *RMB'000*
Within 60 days	**72,594**	25,386
61 to 365 days	**36,155**	32,855
1 to 2 years	**11,626**	7,326
2 to 3 years	**6,650**	6,858
Over 3 years	**23,061**	17,399
	150,086	89,824

Trade receivables are denominated in the following currencies.

	As at December 31, 2023 *RMB'000*	As at December 31, 2022 *RMB'000*
RMB	**83,937**	87,883
BRL	**19,887**	–
European Dollar ("**EUR**")	**20,196**	–
United States Dollar ("**USD**")	**11,295**	989
Australian Dollar ("**AUD**")	**6,369**	952
Great Britain Pound	**3,317**	–
Swiss Franc	**4,277**	–
New Zealand Dollar	**808**	–
	150,086	89,824

As at December 31, 2023, receivables which were subject to individual provision for bad debts amounted of RMB4,894,000 (2022: RMB5,117,000) due to known financial difficulties or significant doubt on collection of certain customers.

As at December 31, 2023, the Group has pledged certain trade receivables in Brazil with a carrying amount of BRL3,189,000 (equivalent to approximately RMB4,673,000) (2022: Nil) for the banking facilities granted to the subsidiary of the Group to finance the subsidiary's daily working capital and capital expenditure plans.

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

Other receivables are denominated in the following currencies.

	As at December 31, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
RMB	**40,866**	6,749
USD	**11,248**	4,698
BRL	**2,135**	13,317
EUR	**1,779**	569
Others	**891**	74
	56,919	25,407

(i) The amount represented the loan to Aditek, a Brazilian company acquired by the Group in January 2023. The loan was settled as consideration for the acquisition of Aditek (Note 10(a)). The loan was denominated in BRL10,102,000 (equivalent to approximately RMB13,282,000, upon conversion).

8 FINANCIAL ASSETS AT FVPL

	As at December 31, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
Wealth management products with variable return		
Balance at the beginning of the year	**–**	–
Additions *(Note a)*	**5,800,809**	3,060,000
Realized fair value gains recognized in profit or loss	**21,775**	16,378
Disposals	**(5,071,690)**	(3,076,378)
Balance at the end of the year	**750,894**	–
– Included in current assets	**750,085**	–
– Included in non-current assets	**809**	–
Derivative financial asset – Call option in a subsidiary		
Balance at the beginning of the year	**–**	–
Additions *(Note 10(a))*	**5,842**	–
Unrealized fair value gains recognized in profit or loss	**1,981**	–
Currency translation differences	**774**	–
Balance at the end of the year	**8,597**	–

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
– Included in non-current assets	**8,597**	–

Investment in unlisted equity investment

Balance at the beginning of the year	**121,227**	–
Additions *(Note b)*	**183,762**	107,912
Unrealized fair value (losses)/gains recognized in profit or loss	**(62,136)**	12,293
Currency translation differences	**(585)**	1,022
Balance at the end of the year	**242,268**	121,227
– Included in non-current assets	**242,268**	121,227

(a) During the year ended December 31, 2023, the Group subscribed several wealth management products with initial subscription price of no more than RMB200,000,000 each, from seven commercial banks from time to time.

(b) On September 21, 2023, the Company and CC Founder Holdings LLC ("CC Founder"), an affiliate of CareCapital Group, have entered into an amended partnership agreement, pursuant to which, among others, the Company, as the sole limited partner, agreed to additionally increase its limited partnership capital contribution in the Partnership by the amount of EUR20,000,000 (equivalent to approximately RMB153,762,000), from its previously committed amount set forth in the partnership agreement.

On July 17, 2023, the Group invested an unlisted entity with the amount of RMB30,000,000. The Company has no power to participate in the making of significant financial and operating decisions of the entity. Consequently, the Group classified the investment as financial assets at FVPL.

9 TRADE AND OTHER PAYABLES

	As at December 31, 2023	As at December 31, 2022
Employee benefits payable	**154,241**	125,901
Trade payables *(Note (a))*	**70,038**	92,633
Other taxes payable	**49,463**	52,180
Accrued expenses payable	**36,505**	21,746
Payables in relation with acquisition of non-current assets	**24,200**	34,053
Deposits payable	**14,496**	20,509
Professional service fees payable	**10,355**	6,018
Advertising and promotion expenses payable	**6,561**	8,835
Provision for contingencies	**4,455**	–
Payables in relation with acquisition of a subsidiary	**–**	1,342
Others	**4,907**	2,395
	375,221	365,612

(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, 2023 *RMB'000*	As at December 31, 2022 *RMB'000*
Within 60 days	**64,920**	84,706
61 to 365 days	**4,079**	7,736
Over 1 year	**1,039**	191
	70,038	92,633

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

	As at December 31, 2023 *RMB'000*	As at December 31, 2022 *RMB'000*
RMB	**59,505**	77,810
EUR	**2,655**	23
Others	**7,878**	14,800
	70,038	92,633

(c) As at December 31, 2023, trade and other payables of the Group were interest-free and repayment on demand (2022: same).

10 BUSINESS COMBINATION

(a) Current period

On October 28, 2022, Angelalign Technology Pte. Ltd. ("Angelalign SG"), a 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 RMB131,429,000). 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., a wholly-owned subsidiary of Angelalign SG in Brazil.

The acquisition was completed on January 16, 2023, and after the acquisition, Aditek became an indirect non-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 Aditek do Brasil S.A. as at the date of the acquisition are set out as follows:

	At January 16, 2023, the date of acquisition *RMB'000*
Purchase consideration	
– Purchase consideration for acquisition of Aditek	125,587
– Purchase consideration for a call option (i)	5,842
	131,429

	At January 16, 2023, the date of acquisition *RMB'000*
Purchase consideration for acquisition of Aditek	
– Cash paid to original shareholders	26,033
– Capital injection from the Group	86,272
– Conversion from loan to Aditek into equity *(Note 7(b)(i))*	13,282
	125,587

(i) According to the Share Purchase Agreement, Angelalign Brasil S.A. has a call option to acquire further up to 9% of shares held by the original shareholders of Aditek in the period between the date of issuance of Aditek's audited financial statements for fiscal year of 2025 and the sixtieth day after such issuance. The option was recognized as derivative financial asset at the acquisition date with a fair value of RMB5,842,000. As at December 31, 2023, the fair value of the option were approximately RMB8,597,000 (2022: nil).

The fair values of the identifiable assets and liabilities of Aditek as at the date of the acquisition are set out as follows:

	Fair value *RMB'000*
Intangible assets – Customer relationship	19,891
Intangible assets – Brand	7,264
Intangible assets – Technology	47,381
Other intangible assets	672
Property, plant and equipment	32,616
Investments accounted for using the equity method	3,922
Inventories	19,500
Trade and other receivables	17,727
Cash and cash equivalents (ii)	88,410
	237,383
Deferred tax liabilities	(27,474)
Taxes payables	(6,815)
Bank borrowings	(36,636)
Trade and other payables	(17,857)
	(88,782)

	Fair value *RMB'000*
Fair value of net identifiable assets	148,601
Less: non-controlling interests	(72,814)
Net assets acquired	75,787
Purchase consideration for acquisition of Aditek	125,587
Net assets acquired	(75,787)
Goodwill	49,800

The goodwill is attributable to the selling network and the high market share of the acquired business in Brazil. None of the goodwill is expected to be deductible for tax purposes.

	At January 16, 2023, the date of acquisition *RMB'000*
Outflow of cash to acquire a subsidiary, net of cash acquired	
Cash consideration	(118,147)
Less: Cash and cash equivalents acquired	88,410
Less: Cash paid for call option	5,842
Net outflow of cash – investing activities	(23,895)

(ii) The amount included RMB86,272,000 of capital injection from the Group.

(iii) Acquisition related cost

Acquisition-related costs of RMB2,366,000 (2022: RMB170,000) are included in administrative expenses in profit or loss for the year ended December 31, 2023.

(iv) Revenue and loss contribution

The acquired business contributed revenues of RMB65,004,000 and net loss of RMB736,000 to the Group for the year ended December 31, 2023.

(v) Accounting policy choice for non-controlling interests

According to the Share Purchase Agreement, Angelalign Brasil S.A. and the original shareholders of Aditek have a symmetrical put and call options to acquire/sell further up to 49% of shares held by the original shareholders of Aditek at any time after the fifth anniversary of the execution of the Share Purchase Agreement for a price per share calculated based on the formula agreed upon reflecting audited financial statements of Aditek for the year immediately prior to the date of receipt of the option exercise notice. The symmetrical put and call options was recognized at the present value of the expected redemption amount at the acquisition date and classified as non-current liabilities as it becomes exercisable 12 months after the end of the reporting period.

Subsequently, if the Group revises its estimates of future payments, the Group will adjust the carrying amount of the financial liabilities (including the fair value change of principal and the adjustment of interest) to reflect actual and revised estimated cash outflows. Such adjustment will be recognized in the consolidated statement of changes in equity. In the event that the put option expires unexercised, the liability is derecognized with a corresponding adjustment to equity.

(b) Prior period

(i) 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. Goodwill of RMB2,937,000, being the excess of considerations transferred in the acquirees over the fair value of identified net assets acquired, was recognized.

The Group paid the remaining consideration in relation to acquisition of Orthodontic Aligners Pty Ltd. during the year approximately AUD285,000 (equivalent of RMB1,342,000).

11 DIVIDENDS

The Board has recommended the payment of a special final dividend of HKD1.1 per share for the year ended December 31, 2023 which is subject to the approval by the shareholders at the annual general meeting of the Company on Thursday, May 23, 2024. (2022: a special final dividend of HKD0.68 per share).

12 COMMITMENTS

(a) Commitments relating to short-term leases

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

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

	As at December 31, 2023 *RMB'000*	As at December 31, 2022 *RMB'000*
No later than 1 year	**4,295**	185

(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, 2023 *RMB'000*	As at December 31, 2022 *RMB'000*
Investment in the Partnership *(Note 8(b))*	**–**	87,510
Property, plant and equipment	**2,539**	17,626
Acquisition of a subsidiary	**–**	118,062
	2,539	223,198

13 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Below is the summary of the Group's related parties during the year ended December 31, 2023:

Name of the related party	Relationship with the Group
CareCapital Group	The ultimate holder of the Company
Shanghai Junxiao Clinic Co., Ltd. ("**Shanghai Junxiao**")	Joint venture held by the Group (Before June 2, 2022)
Astro Science do Brasil Pesquisa e Desenvolvimento S.A. ("**Astro Science**")	Joint venture held by the Group
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
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
Songbai Leye Medical Equipment (Ningbo) Co., Ltd. ("**Songbai Leye**")	An entity controlled by CareCapital Group
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
Songbaiqihai (Qingdao) Medical Instrument Co., Ltd. ("**Songbai Qihai**")	An entity controlled by CareCapital Group
Songbai Zhongman (Fujian) Medical Instrument Co., Ltd. ("**Songbai Zhongman**")	An entity controlled by CareCapital Group
Chengdu YaFei Dental Co., Ltd. ("**Chengdu Yafei**")	An entity controlled by CareCapital Group
Shanghai Maxflex Medical Technology Co., Ltd. ("**Shanghai Maxflex**")	An entity significantly influenced by CareCapital Group (After July 28, 2023)
Nogueira & Lopes Holding Ltda. ("**Nogueira**")	An entity controlled by Aditek's minority shareholders

(b) Transactions with related parties

During the year ended December 31, 2023, 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, 2023 *RMB'000*	Year ended December 31, 2022 *RMB'000*
Clear aligner treatment solutions		
Guangzhou Yilu	**39,976**	30,372
Zhengzhou Smile	**31,676**	29,260
Zhenjiang Wenjie	**8,166**	4,874
Yishunkang	**6,380**	5,102
Songbai Oukang	**4,553**	–
Songbai Leye	**1,796**	1,451
Changsha Minjian	**1,320**	663
Chengdu Yafei	**765**	–
Guiyang Jinxin	**716**	1,597
Songbai Maishi	**328**	1,990
Luoyang Smile	**283**	862
Henan Red Sun	**179**	359
Huizhou Dental Hospital	**17**	93
Dongguan Jianli	**–**	454
Others*	**54**	70
	96,209	77,147
Sales of intraoral scanners		
Zhengzhou Smile	**2,857**	3,092
Songbai Zhongman	**560**	–
Guangzhou Yilu	**545**	675
Zhenjiang Wenjie	**529**	1,306
Songbai Maishi	**380**	362
Yishunkang	**31**	217
Songbai Leye	**–**	49
	4,902	5,701
Purchase of raw materials		
Astro Science	**3,487**	–
Shanghai Maxflex	**446**	–
	3,933	–
Payment of property leases		
Nogueira	**835**	–
Purchase of consulting services		
CareCapital Advisors Limited	**–**	201

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

(c) Key management compensation

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

	Year ended December 31, 2023 ***RMB'000***	Year ended December 31, 2022 *RMB'000*
Fees	**2,092**	2,310
Salaries, wages and bonuses	**15,759**	14,679
Share-based compensation expenses	**31,165**	3,211
Pension costs – defined contribution plans	**347**	424
Other social security costs, housing benefits and other employee benefits	**2,187**	487
	51,550	21,111

(d) Loans provided to key management

	Year ended December 31, 2023 ***RMB'000***	Year ended December 31, 2022 *RMB'000*
Loans provided to key management	**27,025**	–
Interests incurred	**376**	–
Proceeds of loans repaid by key management	**(8,027)**	–
	19,374	–

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

	As at December 31, 2023 ***RMB'000***	As at December 31, 2022 *RMB'000*
Trade receivables		
Guiyang Jinxin	**543**	962
Guangzhou Yilu	**469**	460
Changsha Minjian	**392**	338
Zhenjiang Wenjie	**121**	121
Zhengzhou Smile	**32**	–
Yishunkang	**–**	95
	1,557	1,976

As at December 31, 2023, the balances were with trade nature, unsecured, interest-free, and repayable on demand.

	As at December 31, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
Contract liabilities		
Zhengzhou Smile	**13,411**	14,841
Guangzhou Yilu	**10,741**	9,965
Zhenjiang Wenjie	**2,796**	1,253
Yishunkang	**2,662**	2,006
Songbai Oukang	**1,927**	764
Songbai Leye	**662**	374
Changsha Minjian	**289**	–
Henan Red Sun	**246**	448
Luoyang Smile	**230**	266
Songbai Maishi	**175**	12
Guiyang Jinxin	**117**	1,012
Songbai Qihai	**28**	–
Huizhou Dental Hospital	**9**	11
Shanghai Qimei	**6**	5
	33,299	30,957

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.

(f) Outstanding balances arising from purchase of raw materials

	As at December 31, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
Trade payables		
Astro Science	**412**	–

(g) Outstanding balances arising from loans provided to key management

	As at December 31, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
Other receivables		
Loans provided to key management	**19,374**	–

OTHER INFORMATION

Use of Proceeds

The Shares of the Company were listed on the Main Board of the Stock Exchange (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 and proportion 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, 2023.

	Net proceeds from the Global Offering	Utilization up to December 31, 2023	Unutilized proceeds as of December 31, 2023
		(HKD in millions)	
Funding the construction of Chuangmei Center	1,252.5	466.9	785.6
Strengthening our research and development capabilities and funding our in-house and collaborative R&D initiatives	574.4	323.6	250.8
Developing a flexible and scalable intelligent information technology system	339.0	143.4	195.6
Expanding our in-house sales team and providing sales personnel with training sessions	329.6	329.6	0.0
Funding marketing and branding activities	301.4	301.4	0.0
Optimizing medical services	194.6	194.6	0.0
Working capital and other general corporate purposes	147.5	147.5	0.0
Total	**3,139.0**	**1,907.0**	**1,232.0**

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 matter set out in the Prospectus. However, additional time will be required to utilize the remaining proceeds due to the impact of the macro-economy in the past three years. Considering the needs of future development of the Group, we expect the remaining proceeds would be used in the next two years.

Employees, Training and Remuneration Policies

As of December 31, 2023, we had 2,883 employees. The staff costs including Directors' emoluments and share-based payment expenses were approximately RMB756.7 million in the year ended December 31, 2023.

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 education and development of the Directors.

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

In accordance with the labour laws and regulations in the PRC, Hong Kong and other countries or regions in which we conduct business, our local corporate entities have respectively established labour relationships with the local employees and, where applicable, entered into labour contracts covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition obligations and reasons for termination.

To incentivize its employees and promote the long-term growth of the Company, we have also conditionally adopted several share award schemes to provide equity incentive to the Group's employees, directors and senior management.

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

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

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

During the Reporting Period, the Company has conducted the following purchase, sale or redemption of the Company's listed securities:

(i) The Company has issued Shares underlying the options and restricted share units granted under the Post-IPO Share Option Scheme and Post-IPO RSU Scheme of the Company. For details, please refer to the announcements of the Company dated April 28, 2023, May 4, 2023, June 12, 2023, July 19, 2023 and September 13, 2023; and

(ii) The Company has repurchased an aggregate of 643,600 of its Shares on the Stock Exchange at an aggregate consideration of approximately HKD38,861,925.1 before expenses. The repurchased Shares were subsequently cancelled. The Board considered that the share repurchases were in the interest of the Company and its Shareholders as a whole. Particulars of the Shares repurchased are as follows:

Month of Repurchase in 2023	No. of Shares Repurchased	Price Paid per Share Highest *(HKD)*	Price Paid per Share Lowest *(HKD)*	Aggregate Consideration Paid *(HKD)*
July	252,400	69.25	65.15	16,983,048.0
August	391,200	60.40	53.60	21,878,877.1
Total	**643,600**			**38,861,925.1**

Save as disclosed above, during the Reporting Period, neither the Company nor its subsidiaries has purchased, sold and redeemed any of the Company's listed securities

Public Float

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

Compliance with Corporate Governance

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

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") under Appendix C1 of the Listing Rules as its own code of corporate governance. During the Reporting Period, the Company has complied with all the applicable code provisions under the CG Code.

During a certain period in April 2023, the Company tentatively failed to meet the requirements set out in (i) Rule 3.10(1) of the Listing Rules that the Company must have at least three independent non-executive Directors; (ii) Rule 3.10A of the Listing Rules that the Company must appoint independent non-executive Directors representing at least one-third of the Board; (iii) Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules; and (iv) Rule 3.25 and Rule 3.27A of the Listing Rules that each of the Remuneration Committee and the nomination committee of the Board must comprise a majority of independent non-executive Directors due to re-designation and appointment of Ms. DONG Li from independent non-executive Director to executive Director with effect from April 3, 2023. Following the appointment of Mr. ZHOU Hao as independent non-executive Director with effect from April 11, 2023, the Company has re-complied with the above requirements. For details, please refer to the announcements of the Company dated March 23, 2023 and April 11, 2023.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions.

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the requirements of the Model Code during the Reporting Period.

Annual General Meeting (the "AGM")

The AGM will be held on Thursday, May 23, 2024. A notice convening the AGM will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.angelalign.com**) 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 HKD1.1 per Share for the year ended December 31, 2023 to the Shareholders whose names appeared on the register of members of the Company on Friday, May 31, 2024, subject to the approval of the Shareholders at the AGM. Once the resolution in respect of payment of the special final dividend is passed at the AGM, the proposed special final dividend is expected to be paid on Monday, June 24, 2024.

Closure of Register of Members

For determining the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Monday, May 20, 2024 to Thursday, May 23, 2024, 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, May 17, 2024.

For determining the entitlement of Shareholders to receive the proposed special final dividend, the register of members of the Company will be closed from Wednesday, May 29, 2024 to Friday, May 31, 2024, both days inclusive, during which period no transfer of Shares will be registered. To qualify for the proposed 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, May 28, 2024.

Review of Annual Results

As of the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. ZHOU Hao, Mr. HAN Xiaojing and Mr. SHI Zi, and Mr. ZHOU Hao serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2023 and has recommended for the Board's approval thereof. The Audit Committee has also 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, 2023 and discussed matters in relation to, among others, risk management, internal control and financial reporting of the Group with the management and PricewaterhouseCoopers, the independent auditor of the Company. Based on this review and discussions with the management and the independent auditor of the Company, the Audit Committee was satisfied that the annual results of the Group were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended December 31, 2023.

This annual results announcement is based on the audited consolidated financial statements of the Group for the year ended December 31, 2023.

Scope of Work of the Auditor

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2023 and the amounts were found to be in agreement. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

Events after the Reporting Period

In February 2024, the Company repurchased a total of 19,400 Shares with an aggregate amount of HKD1,012,000. These repurchased Shares have not been cancelled as at the date of this announcement.

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

PUBLICATION OF 2023 ANNUAL RESULTS AND 2023 ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.angelalign.com**). The annual report of the Company for the year ended December 31, 2023 will be published on the aforesaid websites in accordance with the requirements of the Listing Rules in due course.

APPRECIATION

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

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

Hong Kong, March 19, 2024

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