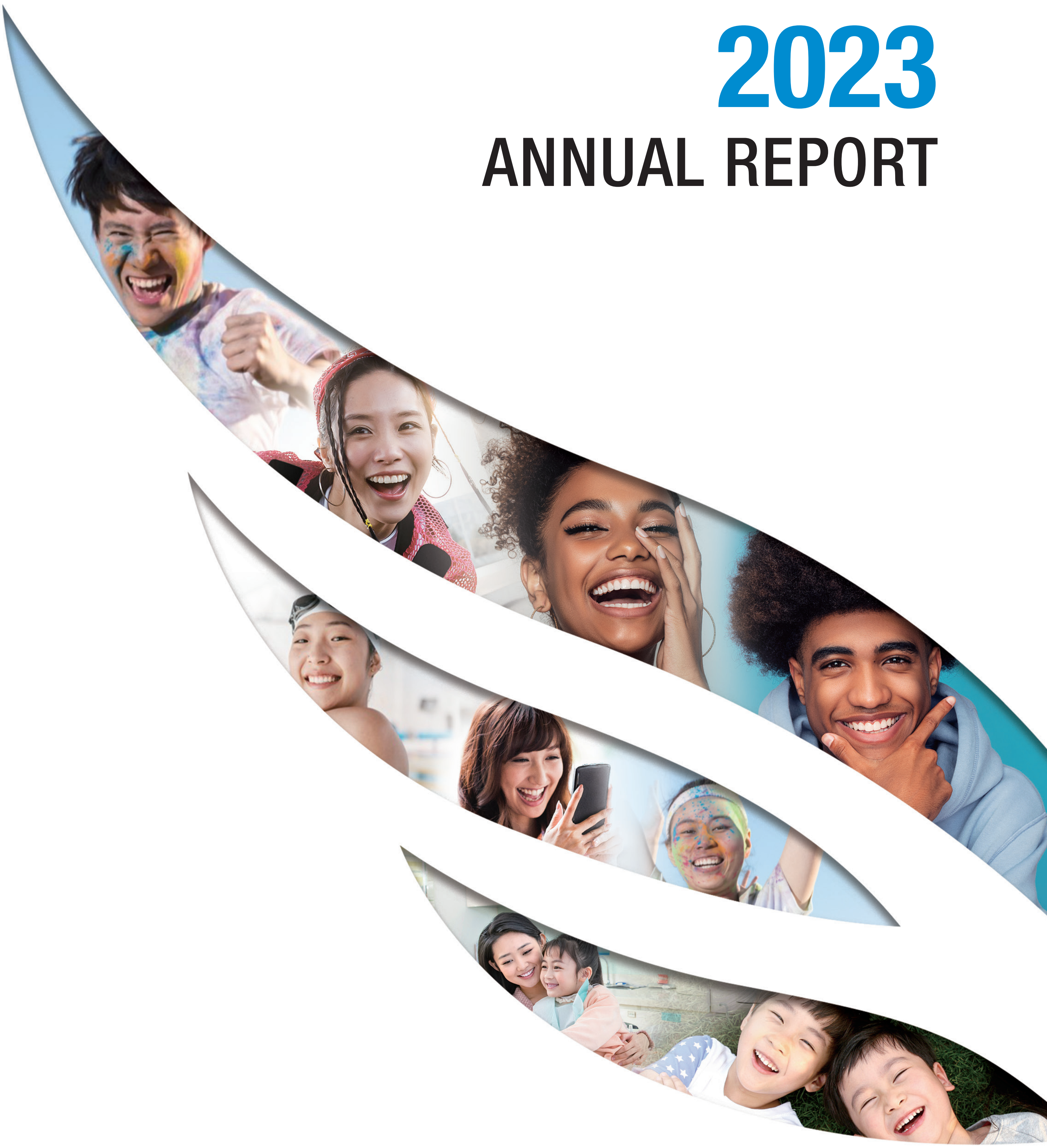
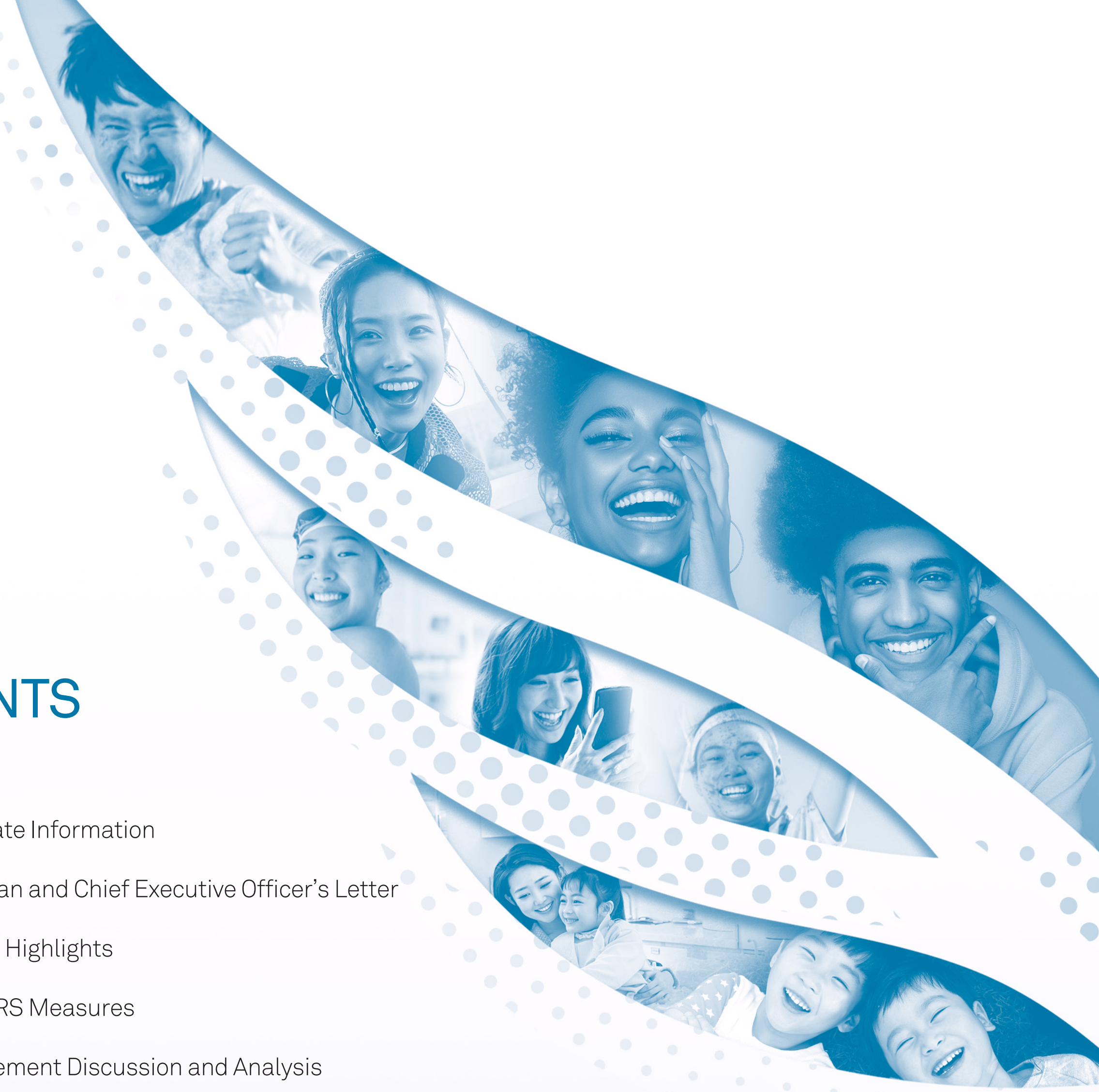
ANGELALIGN TECHNOLOGY INC.
時代天使科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code：6699

2023
ANNUAL REPORT





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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. HU Jiezhang *(Chief Executive Officer)*
(re-designated from non-executive Director with effect from July 31, 2023)
Mr. HUANG Kun *(re-designated from non-executive Director with effect from September 1, 2023)*
Mr. SONG Xin
Ms. DONG Li *(re-designated from independent non-executive Director with effect from April 3, 2023)*
Ms. LI Huamin *(resigned as an executive Director and Chief Executive Officer with effect from July 31, 2023)*

Non-executive Director

Mr. FENG Dai *(Chairman)*

Independent Non-executive Directors

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

Audit Committee

Mr. ZHOU Hao *(Chairman)*
Mr. HAN Xiaojing
Mr. SHI Zi

Remuneration Committee

Mr. HAN Xiaojing *(Chairman)*
Mr. HU Jiezhang
Mr. HUANG Kun
Mr. SHI Zi
Mr. ZHOU Hao

Nomination Committee

Mr. FENG Dai *(Chairman)*
Mr. SONG Xin
Mr. HAN Xiaojing
Mr. SHI Zi
Mr. ZHOU Hao

Joint Company Secretaries

Mr. ZHU Lingbo
Ms. HO Wing Tsz Wendy

Authorized Representatives

Mr. HUANG Kun
Mr. ZHU Lingbo

Auditor

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

Registered Office

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

The Cayman Islands Principal Share Registrar and Transfer Office

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

Corporate Headquarters

6/F-7/F, Building No. 7, KIC Business Center
No. 500 Zhengli Road
Yangpu District
Shanghai, PRC

Principal Banks

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

Hong Kong Legal Adviser

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

Principal Place of Business in Hong Kong

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

Hong Kong Branch Share Registrar

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

Company's Website

www.angelalign.com

Stock Short Name

Angelalign

Stock Code

6699

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S LETTER

FENG Dai
Chairman of the Board

HU Jiezhang
Executive Director, Chief Executive Officer, Chief Technology Officer

DEEP FOUNDATIONAL CAPABILITIES ENABLE LONG-TERM GROWTH

Dear shareholders, business partners, and colleagues,

Thank you for supporting Angelalign over the past year! It was a year of opportunities and challenges for the industry. Through it all, we made progress by continuing clinical innovation and by improving the customer experience.

In one of our frequent customer visits recently, we chatted with a local orthodontist in Germany. The gentleman with silver white hair discussed several recent cases, and then expressed his irritation over a few areas where aligners needed to be improved. However, when we asked if he preferred brackets for these complex cases, he said, "my clinic will likely use more aligners this year. Handling this aligner approach well is challenging, but it's what patients want, and it's where the industry is headed. I'm older, but I still want to keep up with these changes." He then smiled and said, "like driving my sports car whenever possible. It's tougher to control, but I love it!"

Similar views have been repeated by clinicians from multiple European countries, as well as from Asia-Pacific, South America, and North America. Comfortable and appealing clear aligner technology has become a global trend. Orthodontists, being some of the smartest clinicians, are quickly learning to master aligner techniques to better meet patient needs. Especially in the child and teenage segment, where penetration is low, aligner technology is growing quickly.

As one of the global innovators in aligner technology, Angelalign is committed to contributing to our industry's quality growth. In 2023, Angelalign's total case number reached 245,000, with a year-on-year growth of around 33%. Our adjusted net profit reached RMB179 million. Excluding losses incurred for the startup phase of our international business, our business in China reached an adjusted net profit of RMB256 million, representing a year-on-year growth of around 30%.

Two years ago, we made an important decision to enter the mainstream orthodontic markets of Europe, Australia, and the Americas, where orthodontics is practiced at a sophisticated level, rather than the more accessible markets of Southeast Asia and Eastern Europe. We believed that well-trained orthodontists and more demanding patients would recognize the full value of Angelalign. This strategy is showing some success. Angelalign products and services have been positively received by some of the top orthodontists in Europe, Asia Pacific, and the Americas. In 2023, Angelalign's international case number reached 33,000, accounting for 14% of total cases. We expect that proportion to increase.

International Business on Track

Last summer, our clinical design department's soccer team in Wuxi lost a friendly match by "1 to 4" against a group of much older Brazilian orthodontists. After the disheartening match, the frail orthodontist patted the back of our young and strong technician and consoled him: "Your soccer skills can improve a lot; you can come to Brazil to learn. But more importantly, your treatment setups are terrific and we got to learn from your team!"

Since launching our international business, positive feedback from doctors have encouraged us. They particularly like the quality of our treatment setups, the maturity of our product quality and delivery, and our friendly customer service that puts clinicians in the driver seat. As a result, customers have recommended us to each other and enabled us to grow.

Currently, our products and services are available in over 30 countries and regions, with Europe being one of our fastest-growing markets. We have eight international offices , with local staff across Europe, Asia-Pacific and the Americas ready to meet daily clinical and operational needs. We helped our subsidiary Aditek to upgrade its advanced manufacturing base in Brazil, thereby establishing two major production centers in China and South America, laying a foundation for robust global growth.

The global market for aligners is vast and despite our rapid development, we occupy only a tiny fraction of the market. The foundational capabilities we accumulated through continual feedback and improvement over the last 20 years enable us to continue to grow in the global markets. There is a long road ahead and we are motivated to work hard with humility.

Leading in China Focused on Case Quality

Unlike the pleasant surprise felt by European or Brazilian clinicians upon first using Angelalign, our brand is well-known in the Chinese market, which has a large number of complex malocclusions. Clinicians come to us having high expectations for our products and services. Authoritative orthodontists and scholars wish to deepen collaboration to explore cutting-edge academic research on complex cases. Clinicians want to have mature and effective digital tools. Clinic owners and operators ask for more efficient diagnostic and treatment workflow.

The biggest common need of clinicians is to have a growing orthodontic market built upon trust and treatment quality. This is also our goal. In 2023, Angelalign's case numbers maintained the number one position in China for the third consecutive year, leading in the child and teenage segment, and increasing share in tier-3 and tier-4 cities. However, case number is only one measure. In the past few years, clinicians around the world have started to understand, after having tried different aligner systems, that treatment quality is very different from one system to another. We are focused on helping clinicians complete each case with a high level of quality, and we will continue to improve.

Accelerating Technology Investment

In July last year, Angelalign appointed Mr. HU Jiezhang as the new CEO. At the time, our software and engineering teams became anxious, not knowing whether Mr. Hu would reduce the Company's R&D investments. The board of directors said to them, "Even better days are coming for your team. Because you have a CEO who truly understands software and technology and is also a master in team collaboration."

Many companies focus on "technology innovation ", but we believe the true challenge is achieving "clinical maturity" through repeated improvement in clinical usage and operational workflow. Angelalign not only creates exciting new technology, but we also listen to users and iterate technology until it evolves to a mature product that doctors desire to use, is easy to use and achieves predictable results.

Based on this philosophy, in 2023, we introduced products like the angelLink interface system, and the KiD anterior traction solution, allowing skilled doctors to add advanced accessories to the aligner platform for more precise treatments. For software, iOrtho released more convenient tools and services for doctors to manage treatment plans through software. The remote oral care solution ("**MOOELI**") has improved doctor communication and follow-up efficiency. Our manufacturing technology improved both in efficiency and in being more friendly for the environment. We added to our portfolio of high-quality patents in multiple countries and regions around the world. As of December 31, 2023, Angelalign has registered 185 patents and 16 software copyrights.

Consistent Treatment Planning and Delivery

One winter afternoon returning to our large office, under bright florescent lights, we heard laughter and shouts throughout the office. It turned out that a group of orthodontists from Europe were visiting. They were so emotionally moved to see some of their treatment planning teams, that they immediately embraced them. Over hundreds of days and nights, they worked together across the globe, to build treatment systems tailored to each doctor's preferences, helping doctors refine each case, creating deep rapport and friendships.

With our large team of treatment technician, and with our regional clinical support teams, we provide comprehensive support to tens of thousands of doctors worldwide. Doctors also share their experiences to improve the products and services. With our advanced custom manufacturing technology, we continuously enhance product performance and reliability, while ensuring quality and quantity in delivery. In any country we serviced last year, from the submission of an order by a doctor to the delivery of custom designed and manufactured aligners took only 8.5 business days on average. Concurrently, our case design received high ratings from orthodontists. Last year, we designed, produced, and quality controlled over 40 million aligners, each a unique medical product, a feat of non-trivial scale and complexity.

Deep Foundational Capabilities

Upon hearing about our progress, some medical product executives visited us to learn how to better manage a large international staff, data security operations, IP operations and training, etc.... After our discussions, they often say upon leaving, "your business is just too hard. Building an international team, customizing your product and software for each country, training each doctor, training clinic staff and doing professional marketing. By comparison, our business is so much easier, we just make standard products at volume and send it to our distributor, and immediately we make money."

These feedback are what we like to hear. Because scale is so hard to achieve, our industry has hundreds of niche players across different countries but few are profitable and sizable. Success requires deep foundational capabilities that are iterated over decades, in product development, manufacturing, materials, software, clinical support, treatment design and specialist sales. It also requires an open and inclusive culture that's collaborative instead of being centralized. We believe we have accumulated these deep foundational capabilities, and have completed the most challenging aspects of our international building phase.

Another important foundational capability is data security and compliance. Angelalign is deeply committed to following international and regional data protection laws and implementing best practices, while continually improving with annual consulting projects and audits.

Winning Talented Professionals

A while ago, a senior executive joined our European team from a world-class company. He was surprised by many familiar faces at lunch. Chatting about what attracted them to join, the common theme was Angelalign's great products, the empowered start-up-like culture, while having the resources and systems of a mature company.

Over the past couple of years, we have also leveraged the global dental network and brand of CareCapital to attract outstanding talent from various countries in the field of orthodontics and dentistry. Angelalign aims to integrate global talents quickly by building trust and by collaborating efficiently across different offices and teams. We have also partnered with universities to offer systematic training for our managers to adapt to the fast-changing environment.

We would like to appeal to clinical, commercial, and technical talents worldwide to join us. Together we can learn from the fascinating history of orthodontics while developing winning technologies for the coming decades. Together we can push forward innovation in clinical, technology, and education. You would enjoy a customer-centric and collaborative culture that evoke the true heritage of the orthodontic field.

Let us work together and make the orthodontic field even better!

Chairman of the Board
FENG Dai

Executive Director, Chief Executive Officer, Chief Technology Officer
HU Jiezhang

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 HKD1.1 per 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 12 to 13 of this annual report 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 12 to 13 of this annual report for more details.

Consolidated Statement of Profit or Loss (Selected Items)

	Year ended December 31,				
	2019	2020	2021	2022	2023
			RMB'000		
Revenue	645,898	816,528	1,271,677	1,269,706	**1,475,963**
Cost of revenue	(228,756)	(241,479)	(445,031)	(484,016)	**(555,251)**
Gross profit	417,142	575,049	826,646	785,690	**920,712**
Selling and marketing expenses	(122,645)	(148,835)	(236,516)	(298,170)	**(493,186)**
Administrative expenses	(136,544)	(154,423)	(183,185)	(185,027)	**(279,555)**
Research and development expenses	(80,905)	(93,479)	(123,094)	(147,681)	**(173,612)**
Net losses of impairment on financial assets	(2,512)	(10,148)	(245)	(9,029)	**(4,589)**
Other income	8,804	22,625	18,598	27,108	**33,709**
Other expenses	(2,000)	(6,000)	–	–	–
Other (losses)/gains – net	2,851	3,096	16,070	38,427	**(30,439)**
Operating (loss)/profit	84,191	187,885	318,274	211,318	**(26,960)**
Finance income	1,791	4,153	16,890	42,289	**95,674**
Finance costs	(1,142)	(1,154)	(1,230)	(1,676)	**(8,024)**
Finance income – net	649	2,999	15,660	40,613	**87,650**
Share of results of investments accounted for using the equity method	(348)	347	(1,850)	(183)	**461**
Profit before income tax	84,492	191,231	332,084	251,748	**61,151**
Income tax expense	(16,827)	(40,299)	(46,512)	(38,591)	**(12,502)**
Profit for the year	67,665	150,932	285,572	213,157	**48,649**
Profit attributable to					
– Owners of the Company	68,837	150,689	285,848	213,781	**53,475**
– Non-controlling interests	(1,172)	243	(276)	(624)	**(4,826)**
	67,665	150,932	285,572	213,157	**48,649**

Consolidated Statement of Financial Position (Selected Items)

	As of December 31,				
	2019	2020	2021	2022	2023
			RMB'000		
ASSETS					
Total non-current assets	197,214	206,431	407,603	615,407	**1,037,846**
Total current assets	655,575	1,003,708	3,733,241	3,870,802	**3,718,808**
Total assets	852,789	1,210,139	4,140,844	4,486,209	**4,756,654**
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital and share premium	—	486,669	3,118,030	2,941,986	**2,803,204**
Shares held for employee share scheme	(54,994)	(29,529)	(4,393)	(1,098)	**–**
Other reserves	307,823	(22,135)	(27,545)	237,820	**82,554**
Retained earnings	44,589	66,698	232,978	428,058	**454,539**
Non-controlling interests	(4,039)	(4,029)	(4,338)	(4,569)	**67,313**
Total equity	293,379	497,674	3,314,732	3,602,197	**3,407,610**
Liabilities					
Total non-current liabilities	88,337	36,747	127,643	102,522	**469,945**
Total current liabilities	471,073	675,718	698,469	781,490	**879,099**
Total liabilities	559,410	712,465	826,112	884,012	**1,349,044**
Total equity and liabilities	852,789	1,210,139	4,140,844	4,486,209	**4,756,654**

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.

In 2023, 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 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 stereo-lithography 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 affect 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 annual report 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 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 annual report, 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 annual report, 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 annual report, 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.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive directors and non-executive director

Mr. FENG Dai (馮岱), aged 48, is our chairman of the Board and a non-executive Director, appointed in November 2018, and is primarily responsible for overall strategy planning, corporate governance and business direction of our Group. Mr. Feng has been appointed as the chairman of the Nomination Committee, effective from June 16, 2021. Mr. Feng joined our Group in May 2012. Currently, he also serves as chairman of certain of our subsidiaries, including Angelalign Technology Pte. Ltd.

Mr. Feng is the co-founder and managing director of CareCapital Advisors Limited, a global investment firm focusing on quality-of-life healthcare with oral health as a core focus, since March 2015. He also serves as directors in the portfolio companies of CareCapital, including a director of Carestream Dental LLC, a leading global company in dental digital imaging and software, a director of Huikou Dental Hospital Group, a leading regional dental hospital group based out of China, a director of the controlling shareholder of Neoss Limited, a leading dental implant company based out of UK and Sweden, and the co-chairman of the board of International Orthodontics Foundation Limited, a not-for-profit international research and education organization devoted to improving orthodontic care worldwide. Mr. Feng also serves as an independent director of Wuxi Apptec, a CRO company listed on the Stock Exchange (stock code: 02359) and the Shanghai Stock Exchange (stock code: 603259), since December 2018, and an independent director of Sling Group Holdings Limited, a company listed on the Stock Exchange (stock code: 08285), since December 2017. From April 2004 to December 2014, he served various positions, including associate, principal and managing director at Warburg Pincus, a leading global private equity firm.

Mr. Feng graduated from Harvard University with a bachelor's degree in engineering sciences in June 1997.

Mr. HU Jiezhang (胡杰章), aged 49, is our executive Director, chief executive officer and chief technology officer, and is primarily responsible for the overall strategic planning and daily operations of our Group, including promoting the development of our digital technology and global expansion. Mr. Hu joined our Group and was appointed as a non-executive Director in December 2020, and was re-designated and appointed as an executive Director, a member of the Remuneration Committee and the chief executive officer with effect from July 2023. Currently, he also serves as chairman or director of certain of our subsidiaries, including the chairman of Wuxi EA and Shanghai EA Medical Instruments Co., Ltd., and a director of Angelalign Technology Pte. Ltd.

Mr. Hu has served as a venture partner and managing director of CareCapital Advisors Limited, a global healthcare investment firm focusing on quality-of-life healthcare with oral care as a core focus, since January 2018. Mr. Hu currently serves as non-executive chairman of Shanghai CareCapital Dental Devices Co., Ltd., a leading distribution group of dental products based out of China. Prior to that, Mr. Hu was a vice president at Zoom Commerce Ltd. from June 2016 to January 2018. Mr. Hu also served as a vice president at Beyondsoft Corporation, a company listed on the Shenzhen Stock Exchange (stock code: 002649), from December 2012 to May 2016. Mr. Hu also worked for several other companies, including served as a vice president at Achievo Information Technology (Shenzhen) Co., Ltd. from May 2007 to November 2012, as a general manager at Guangzhou Jie'ao Computer Technology Co., Ltd. from February 2003 to April 2007, and as a technical director at Zoom Commerce Ltd. from November 1999 to January 2003.

Mr. Hu graduated from Nanjing University with a bachelor's degree in applied physics in July 1995.

Mr. HUANG Kun (黃琨), aged 41, is our executive Director and the president of global business (ex-China), and is primarily responsible for the internationalization strategies and global business operation and expansion of our Group. Mr. Huang joined our Group in January 2015 and was appointed as a non-executive Director in November 2018 and a member of the Remuneration Committee in June 2021, and was re-designated and appointed as an executive Director and the president of global business (ex-China) with effect from September 2023. Currently, he also serves as a director of certain of our subsidiaries, including Wuxi EA, Shanghai EA Medical Instruments Co., Ltd. and Angelalign Technology Pte. Ltd.

Mr. Huang joined CareCapital Advisors Limited, a global investment firm focusing on quality-of-life healthcare with oral health as a core focus in April 2015 as the co-founder and a managing director. Mr. Huang is the co-chairman of the board of International Orthodontics Foundation Limited, a not-for-profit research and education organization devoted to improving orthodontic care worldwide. Prior to that, Mr. Huang served as a vice president of Warburg Pincus from July 2011 to March 2015 and as a senior investment manager of Orchid Asia Investment Consulting (Shanghai) Co., Ltd. from June 2007 to June 2011.

Mr. Huang graduated from Tsinghua University with a bachelor's degree in finance in July 2005.

Mr. SONG Xin (宋鑫), aged 37, is our executive Director and chief operating officer, and is primarily responsible for the sales, marketing and treatment planning operation of our Group. Mr. Song joined our Group in August 2011, and has served as an executive Director since April 2021, a member of the Nomination Committee since June 16, 2021, and the chief operating officer since September 2023. Mr. Song has also served as a director in certain of our subsidiaries, including Wuxi EA, Shanghai EA and Angelalign Technology Pte. Ltd.

Prior to joining our Group, Mr. Song had served as a regional manager at Guizhou Tongjitang Pharmaceutical Co., Ltd. from March 2009 to July 2011.

Mr. Song graduated from Henan University of Technology with his bachelor's degree in bio-technology in July 2008, and is currently pursuing an EMBA degree at Fudan University.

Ms. DONG Li (董莉), aged 53, is our executive Director and chief financial officer, and is primarily responsible for all aspects of the Group's financial operations, including accounting, financial planning, reporting and analysis, business decision support, tax, internal control, treasury and investor relations. Ms. Dong has been appointed as our independent non-executive Director since May 2021, and was re-designated as an executive Director and appointed as the chief financial officer with effect from April 2023.

Ms. Dong has been an independent non-executive director at Yixin Group Limited, a company listed on the Stock Exchange (stock code: 2858), since November 2017. She was also an independent non-executive director of Telink Semiconductor (Shanghai) Co., Ltd., a company listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (Stock Code: 688591), from January 2021 to December 2023, and an independent non-executive director of 58.com Inc., a company previously listed on the New York Stock Exchange (ticker: WUBA), from April 2020 to September 2020. Prior to that, Ms. Dong served as a chief financial officer and executive director at RDA Microelectronics, Inc., a company previously listed on NASDAQ (ticker: RDA), from November 2007 to July 2015. Ms. Dong worked for Hewlett-Packard in China since 1992, and was the Finance Operations Manager of Hewlett-Packard Technology (Shanghai) Co., Ltd. when she left in 2005.

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

Independent non-executive directors

Mr. HAN Xiaojing (韓小京), aged 69, is our independent non-executive Director, and is primarily responsible for supervising and providing independent opinion to our Board. Mr. Han has been appointed as our independent non-executive Director since May 2021. Mr. Han has been appointed as the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee, respectively, effective from June 16, 2021.

Mr. Han is the founding partner of Commerce & Finance Law Offices and has been an attorney there since May 1992. Mr. Han is admitted to practicing law in the PRC and has more than 30 years of experience in the legal profession. Mr. Han has also been an independent non-executive director at Sino-Ocean Group Holding Limited, a real estate company listed on the Stock Exchange (stock code: 3377), Far East Horizon Limited, a company listed on the Stock Exchange (stock code: 3360) and Vital Mobile Holdings Limited, a company listed on the Stock Exchange (stock code: 6133), since June 2007, March 2011 and June 2019, respectively. He has also served as a supervisor at Ping An Bank Company Limited, a company listed on the Shenzhen Stock Exchange (stock code: 000001), since October 2020 and served as one of its independent directors from February 2014 to October 2020. Prior to that, he served as an independent director of Beijing Sanju Environmental Protection & New Materials Company Limited, a company listed on the Shenzhen Stock Exchange (stock code: 300072), from April 2014 to September 2020, and as an outside director of China National Aviation Fuel Group Limited, a Chinese state-owned enterprise in 2016 Fortune Global 500 list, from December 2017 to January 2024.

Mr. Han graduated from Hubei Finance College (currently known as Zhongnan University of Economics and Law) with a bachelor's degree in law in July 1982. He further obtained a master's degree in law from China University of Political Science and Law in July 1985.

Mr. SHI Zi (石子), aged 54, is our independent non-executive Director, and is primarily responsible for supervising and providing independent opinion to our Board. Mr. Shi has been appointed as our independent non-executive Director since May 2021. Mr. Shi has been appointed as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee, respectively, effective from June 16, 2021.

Mr. Shi has been the executive director and general manager of Shenzhen Qianhai E-Cloud Technology Company Limited since January 2015. He also worked as a senior partner at Junsan Capital Management Company Limited from September 2009 to September 2014 and a vice president of the group at SF Express (Group) Company Limited from July 2007 to November 2009. Prior to that, Mr. Shi served as the director of the information technology department and the director of factory affairs at Hitachi Global Storage Technologies (Shenzhen) Company Limited (formerly known as Shenzhen IBM Technology Products Company Limited) from January 1999 to July 2007.

Mr. Shi graduated from Tsinghua University with a bachelor's degree in electrical engineering in July 1993. He further obtained a master's degree in business administration from Tsinghua Shenzhen International Graduate School in July 2006.

Mr. ZHOU Hao (周浩), aged 47, is our independent non-executive Director, and is primarily responsible for supervising and providing independent opinion to our Board. Mr. Zhou has been appointed as our independent non-executive Director, the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee since April 2023.

Mr. Zhou has served as an independent non-executive director of WuXi XDC Cayman Inc., a company listed on the Stock Exchange (stock code: 2268) since November 2023, an independent non-executive director of Bairong Inc., a company listed on the Stock Exchange (stock code: 6608) since March 2021, and an independent non-executive director of Meitu, Inc., a company listed on the Stock Exchange (stock code: 1357) since November 2016.

From June 2011 to September 2019, Mr. Zhou was the chief financial officer of 58.com Inc., (NYSE: WUBA), a company that operates online marketplace serving local merchants and consumers in the PRC, and was subsequently re-designated as the head of international business in September 2019 and the chief strategic officer in April 2020. In November 2020, he was redesignated as the chief strategy officer of Anjuke, the housing subsidiary of 58.com Inc. and served the role until March 2023. Prior to that, in September 2010, Mr. Zhou joined CITIC Pharmaceutical Co Ltd., a pharmaceutical service provider that supplies medicine and related consumables to hospitals as the chief financial officer. From May 2009 to September 2010, Mr. Zhou was the vice president of finance and the chief financial officer at Wuxi PharmaTech (Cayman) Inc., (NYSE: WX). Before then, in January 2007, Mr. Zhou joined General Electric (China) Co., Ltd. as a financial manager.

Mr. Zhou received his bachelor's degree from Shanghai International Studies University in July 1998.

Senior Management

Mr. HU Jiezhang (胡杰章), aged 49, is our executive Director and chief executive officer. Please refer to "Directors and Senior Management – Directors" for his biographical details.

Mr. HUANG Kun (黃琨), aged 41, is our executive Director and the president of global business (ex-China). Please refer to "Directors and Senior Management – Directors" for his biographical details.

Mr. SONG Xin (宋鑫), aged 37, is our executive Director and chief operating officer. Please refer to "Directors and Senior Management – Directors" for his biographical details.

Ms. DONG Li (董莉), aged 53, is our executive Director and chief financial officer. Please refer to "Directors and Senior Management – Directors" for her biographical details.

Mr. ZHU Lingbo (朱凌波), aged 40, is our senior vice president, board secretary and a joint company secretary, and is primarily responsible for financing, business development, investment and M&A, portfolio management, investor relations, capital market activities, and corporate governance related matters of our Group. Mr. Zhu joined our Group in October 2020, and has been our senior vice president and board secretary since then. Mr. Zhu has also served as senior vice president and board secretary of Wuxi EA since October 2020 and a director of Aditek, a leading manufacturer of orthodontic products in Brazil since January 2023.

Mr. Zhu has more than 14 years of experience in corporate finance and capital market practices. Prior to joining our Group, Mr. Zhu worked as an investment banker, serving as a vice president or executive director at J.P. Morgan from 2019 to 2020 and at Goldman Sachs from 2013 to 2019. Prior to that, he worked as an investment analyst in Corporate Planning & Strategic Investment department at Sun Hung Kai Properties from 2009 to 2011. Mr. Zhu also worked at KPMG from 2006 to 2008.

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

Joint Company Secretaries

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

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

REPORT OF THE DIRECTORS

The Board is pleased to present this Directors' Report together with the consolidated financial statements of the Group for the year ended December 31, 2023.

Principal Activities

The Company was incorporated in the Cayman Islands on November 29, 2018, as an exempted company with limited liability under the Cayman Companies Act. The Company is an investment holding company. Founded in 2003 in China, the Group is the leading clear aligner solutions provider with the largest market share in China. The Group is also developing its international business rapidly and has expanded into more than 30 countries and regions in Asia-Pacific, Europe, the Middle East, North America and South America. The Company was listed on the Main Board of the Stock Exchange on June 16, 2021 with stock code 6699.

The activities and particulars of the Company's principal subsidiaries are set out in Note 38 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year ended December 31, 2023 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 5 to the consolidated financial statements. There were no significant changes in the nature of the Company's principal activities during the Reporting Period.

Business Review and Results and Future Development

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

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

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

Principal Risks and Uncertainties Facing the Group

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

Major Customers and Suppliers

For the Reporting Period,

(i) the Group's largest supplier accounted for 6.4% (2022: 15.7%) of its total purchases, and the five largest suppliers accounted for 26.5% of its total purchases (2022: 41.5%); and

(ii) the Group's largest customer accounted for 3.0% (2022: 3.4%) of its total sales, and the five largest customers accounted for 13.5% of its total sales (2022: 14.2%).

Save as one of our five largest customers, which is an entity controlled by CareCapital Group, none of the Directors or any of their close associates or any Shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers for 2023.

Key Relationships with its Employees, Customers and Suppliers

For details of relationship with the employees, customers and suppliers, please refer to the "Major Customers and Suppliers" and "Employee, Training and Remuneration Policies" section in this annual report and 2023 Environmental, Social and Governance Report dated April 23, 2024.

Property, Plant and Equipment

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

Share Capital

During the Reporting Period, the Company has issued Shares underlying the options and restricted share units granted under the Pre-IPO Share Award Scheme III -Pool B and Post-IPO RSU Scheme of the Company. For details, please refer to the monthly return of the Company on movements in securities for the month ended January 31, 2023, next day disclosure returns of the Company dated June 14, 2023 and announcements of the Company dated April 28, 2023, May 4, 2023, June 12, 2023, July 19, 2023 and September 13, 2023.

During the Reporting Period, the Company has repurchased an aggregate of 643,600 Shares of the Company. For details, please refer to the announcement of the Company dated July 4, 2023 and next day disclosure returns of the Company dated July 12, 2023, July 14, 2023, July 18, 2023, July 19, 2023, July 20, 2023, July 24, 2023, and August 25, 2023.

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

Debentures

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

Distributable Reserves

The Company's reserves available for distribution to its Shareholders as of December 31, 2023 amounted to RMB2,803.1 million. Movement in the Company's reserves for the year ended December 31, 2022 are set out in Note 39 to the consolidated financial statements of the Group included in this annual report.

Bank and Other Borrowings

As of December 31, 2023, the Company's bank borrowings amounted to approximately RMB17.4 million, all of which were made by Aditek.

Equity-Linked Agreements

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

Directors and Senior Management

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

Executive Directors

Mr. HU Jiezhang *(Chief Executive Officer) (re-designated from non-executive Director with effect from July 31, 2023)*
Mr. HUANG Kun *(re-designated from non-executive Director with effect from September 1, 2023)*
Mr. SONG Xin
Ms. DONG Li *(re-designated from independent non-executive Director with effect from April 3, 2023)*
Ms. LI Huamin *(resigned as an executive Director and Chief Executive Officer with effect from July 31, 2023)*

Non-executive Director

Mr. FENG Dai *(Chairman)*

Independent non-executive Directors

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

Senior management

Mr. HU Jiezhang
Mr. HUANG Kun
Mr. SONG Xin
Ms. DONG Li
Mr. ZHU Lingbo

Biographical Details of Directors and senior management are set out in "Director and Senior Management" of this annual report.

From the date of the Company's 2023 interim report on September 14, 2023 to the date of this annual report, there was no changes to information which are required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Directors' Service Contracts

Our executive Directors, Mr. HU Jiezhang, Mr. HUANG Kun, Mr. SONG Xin and Ms. DONG Li, have entered into service contracts with our Company on July 31, 2023, September 1, 2023, March 19, 2024 and April 3, 2023, respectively. We have issued letter of appointment to our non-executive Director, Mr. FENG Dai on March 19, 2024. We have issued letters of appointment to our independent non-executive Directors, Mr. ZHOU Hao, Mr. HAN Xiaojing and Mr. SHI Zhi, on April 11, 2023, March 19, 2024 and March 19, 2024, respectively. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Director and independent non-executive Directors are for an initial fixed term of three years commencing from the date on which the service contract and/or letter of appointment was entered or issued. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts and the letters of appointment may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

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

Directors' Interest in Competing Business

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

Significant Contracts

Save as disclosed in Note 40 to the consolidated financial statements of the Group included in this annual report, none of the Directors or their respective connected entities (as defined in the Listing Rules) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group subsisting during or at the end of the Reporting Period to which the Company or any of its subsidiaries was a party.

During the Reporting Period, save as disclosed in the section headed "Report of the Directors – Continuing Connected Transactions" in this annual report and the announcements of the Company dated September 22, 2023, the Group has not entered into any contract of significance with the controlling shareholders of the Company or any of their respective subsidiaries.

Continuing Connected Transactions

Among the related party transactions disclosed in Note 36 to the consolidated financial statements, the following transactions constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules.

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

Clear aligners purchase and sales framework agreement

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

The 2021-2023 Clear Aligners Purchase and Sales Framework Agreement was expired on December 31, 2023. On October 24, 2023, Wuxi EA and CC Dental entered into a new clear aligners purchase and sales framework agreement (the "**2024-2026 Clear Aligners Purchase and Sales Framework Agreement**") for a term of three years commencing from January 1, 2024 to December 31, 2026. Please refer to the announcement of the Company dated October 24, 2023 and the circular of the Company dated December 1, 2023 for details.

Fees charged by the Group with all the distributors (including independent distributors) for purchases of its clear aligners and oral care products and services shall be primarily determined based on the general guide on sales price of such goods as provided by the Group from time to time to the distributors (including independent distributors). The Group, on annual basis, will first determines the general guide sales price with the distributors (including independent distributors) based on arm's length negotiations after taking into account of primarily (i) the estimated gross profit of its products and services for such year and the estimated market demand in such year; (ii) the total sales volume the counterparty agreed to purchase from the Group; and (iii) the estimated industry position and sales capacity of the Group. The Company then applies the same pricing policy and form of distributorship agreement for all its transactions with CC Dental Group as other distributors (including independent distributors). The Company may adjust the sales price to certain distributors (including independent distributors) based on the type of relevant end customers of such distributors to facilitate the marketing and promotion of the Company's brand name and products. The sales prices with CC Dental Group are in line with the pricing policy and general guide sales price with other distributors, and the Company has not provided any special discount to CC Dental Group. The Group settled payment directly with CC Dental Group for the goods purchase price and CC Dental Group paid the Group on a monthly basis or instantly. Specific price and payment will be made according to the respective contracts as further entered into between CC Dental Group and the Group under the 2021-2023 Clear Aligners Purchase and Sales Framework Agreement and 2024-2026 Clear Aligners Purchase and Sales Framework Agreement, which shall be generally the same as the contracts between the Group and other independent distributors.

The annual caps for the transactions under the 2021-2023 Clear Aligners Purchase and Sales Framework Agreement was RMB40.0 million, RMB150.0 million and RMB210.0 million for the years of 2021, 2022 and 2023, respectively. The annual caps for the transactions under the 2024-2026 Clear Aligners Purchase and Sales Framework Agreement shall be RMB222.0 million, RMB260.0 million and RMB291.0 million for the years of 2024, 2025 and 2026, respectively.

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

The 2023 annual cap under the Clear Aligners Purchase and Sales Framework Agreement was RMB210.0 million. The actual aggregate transaction amount incurred in accordance with the 2021-2023 Clear Aligners Purchase and Sales Framework Agreement for the year ended December 31, 2023 was RMB100.3 million.

Intraoral scanner purchase and sales framework agreement

In May 2021, Wuxi EA and CC Dental entered into an intraoral scanner purchase and sales framework agreement (the "**Intraoral Scanner Purchase and Sales Framework Agreement**"), pursuant to which, CC Dental agrees to grant to us exclusive right to sell certain intraoral scanners manufactured by a subsidiary of CC Dental in China, and we agree to purchase from them and sell to third parties such intraoral scanners in China. The Intraoral Scanner Purchase and Sales Framework Agreement has a term of commencing from the date of signing to December 31, 2023. Please refer to "Connected Transactions" section in the Prospectus for details. As of the date of this annual report, the Intraoral Scanner Purchase and Sales Framework Agreement was expired and the Company has not renewed such agreement.

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

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

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

The 2023 annual cap for the transactions under the Intraoral Scanner Purchase and Sales Framework Agreement was RMB19.8 million for the year ended December 31, 2023. The actual transaction amount incurred in accordance with the Intraoral Scanner Purchase and Sales Framework Agreement for the year ended December 31, 2023 was nil.

Annual review by independent non-executive Directors and the auditor

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

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

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

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

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

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

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

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

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

Internal control measures

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

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

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

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

(iv) the Company has adopted and implemented a distributor management policy on managing all its distributors, which governs the entire process of engaging and changing distributors and relevant arrangements, pursuant to which, all the distributors are subject to the same requirements such as qualification, compliance, settlement, performance review process. The Company has also adopted internal policy managing the sales prices with the distributors (including distributors who are connected persons of the Company), which requires the Company to apply the same pricing policy and guide price to all its distributors and to determine its general sales guide on annual basis. The internal business department and chief operating officer are primarily responsible for determining the sales prices with all the distributors and monitoring the implementation of the distributor management and pricing policy;

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

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

Other Connected Transactions

During the Reporting Period, the Company made other connected transactions falling under the definition of "connected transaction" in Chapter 14A of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules as follows:

Financial assistance to a connected person

Adhering to the Company's spirit in caring for its employees and in light of Mr. Song's continuous contribution to the Group's overall business development, on June 12, 2023, Wuxi EA and Mr. SONG Xin (an executive Director) entered into a loan agreement, pursuant to which Wuxi EA agrees to withhold the respective tax and service fee for Mr. Song in respect of the restricted share units granted to him pursuant to the Pre-IPO Share Award Schemes, and provide to Mr. Song in this regard a loan in an aggregate principal amount of approximately RMB17.1 million at an interest rate of 4.30% per annum for a term of five years commencing from June 15, 2023 to facilitate him fulfilling his tax payment obligations as the result of restricted share units vesting according to the PRC tax law. The loan is secured by the 1,392,954 Shares owned by Mr. Song and charged as security in favor of the loan and related proceeds and dividends.

For details, please refer to the announcement of the Company dated June 12, 2023.

Capital increase in CareCapital Aligner Tech L.P.

On September 21, 2023, the Company and CC Founder Holdings LLC entered into an amended partnership agreement, pursuant to which, among others, the Company, as the sole limited partner of the CareCapital Aligner Tech L.P., agreed to additionally increase its limited partnership capital contribution in the CareCapital Aligner Tech L.P. by the amount of USD equivalent of HK$120 million from its previously committed amount set forth in the partnership agreement.

CC Founder Holdings LLC, a party to the amended partnership agreement and the general partner of CareCapital Aligner Tech L.P., is ultimately controlled by CareCapital Group, the controlling Shareholder of the Company. Therefore, each of CareCapital Aligner Tech L.P. and CC Founder Holdings LLC is a connected person of the Company.

The Board believes that the capital increase will allow the CareCapital Aligner Tech L.P. to seek more investment opportunities in the global digital orthodontic industry and in turn benefit the Company from such investment by further expanding its business exposure and synergy along the whole industry value chain.

For details, please refer to the announcement of the Company dated September 22, 2023.

Management Contracts

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

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and five highest paid individuals are set out in Notes 40 and 8 to the consolidated financial statements.

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

Employees, Training and Remuneration Policies

As of December 31, 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 our Directors and employees.

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

In accordance with the labour laws and regulations in China and other countries and regions we operated in, our local corporate entities have respectively established labour relationships with the local employees and, where applicable, entered into labour contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. In compliance with applicable regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans.

To incentivize the employees and promote the long-term growth of the Company, the Company has also conditionally adopted the Pre-IPO Share Award Schemes, the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme to provide equity incentive to the Group's employees, directors and senior management. Please refer to "Report of the Directors – Share Award Schemes" in this annual report for details.

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

Environmental Policies and Performance

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

We are subject to environmental protection and occupational health and safety laws and regulations in China and other countries and regions we operated in. In 2023, we complied with the relevant environmental and occupational health and safety laws and regulations in China and other countries and regions we operated in in all material aspects and we did not have any incidents or complaints that had a material and adverse effect on our business, results of operations and financial condition.

The Company has prepared an environmental, social and governance report in accordance with Appendix C2 of the Listing Rules. Please refer to our 2023 Environmental, Social and Governance Report dated April 23, 2024.

The Group's Subsidiaries and Facilities

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 38 to the consolidated financial statements.

As of December 31, 2023, we owned the land use rights of one parcel of land with a site area of approximately 68,883.3 square meters. As of the same date, we operated our businesses through 6 owned properties with a total gross floor area of approximately 474.8 square meters, and 26 leased properties with a total gross floor area of approximately 22,054.8 square meters. All such properties have been used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are primarily used as office premises, manufacturing facilities and research and development center for our business operations.

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

As of December 31, 2023, to the best knowledge of the Directors, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/Chief Executive	Capacity/Nature of interest	Number of Shares held[1]	Approximate percentage of interest[1]
Mr. FENG Dai[2]	Interest in controlled corporation	100,431,000 (L)	59.39%
		13,996,505 (S)	8.28%
Mr. HUANG Kun[3]	Interest in controlled corporation	717,200 (L)	0.42%
		500,000 (S)	0.30%
Mr. SONG Xin[4]	Interest in controlled corporation	1,415,300 (L)	0.84%
	Beneficial owner	600,000 (L)	0.35%
Ms. DONG Li[5]	Beneficial owner	1,689,406 (L)	0.999%

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

(1) The calculation is based on the total number of 169,097,784 Shares in issue as of December 31, 2023, without taking into account any Shares that may be issued under the Share Award Schemes.

(2) CareCapital Orthotech Limited is wholly-owned by CareCapital EA, Inc., which is in turn owned by CareCapital Dental Holdings Limited and CareCapital Moonstone Holdings Limited, a wholly-owned subsidiary of CareCapital Dental Holdings Limited. CareCapital Dental Holdings Limited is controlled by CareCapital Management Group LLC, which is wholly-owned by Mr. FENG Dai, the ultimate controlling person of CareCapital Group. As such, Mr. Feng is deemed to be interested in all the shareholding of the Company held by CareCapital Orthotech Limited. Please refer to the disclosure of interest filings in respect of the Company's securities by such person on January 9, 2023, April 18, 2023, June 23, 2023, June 30, 2023 and July 5, 2023 for details.

(3) Noble Affluent Limited is wholly-owned by Mr. HUANG Kun, and thus Mr. Huang is deemed to be interested in all the shareholding of the Company held by Noble Affluent Limited. Please refer to the disclosure of interest filing in respect of the Company's securities by such person on November 17, 2022 for details.

(4) Ascend Benefit Limited is wholly-owned by Mr. SONG Xin, and thus Mr. Song is deemed to be interested in all the shareholding of the Company held by Ascend Benefit Limited. Please refer to disclosure of interest filings in respect of the Company's securities by such person on April 28, 2023 and June 12, 2023 for details.

(5) Please refer to the disclosure of interest filings in respect of the Company's securities by Ms. Dong on April 28, 2023 and July 19, 2023 for details.

Save as disclosed above, as of December 31, 2023, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which would be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares (Other than Directors and Chief Executive)

As of December 31, 2023, to the best of knowledge of the Directors, the following persons, other than Directors or chief executive of the Company, had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of shares held	Approximate percentage of interest(1)
CareCapital Orthotech Limited(2)	Beneficial Owner	100,431,000 (L)	59.39%
		13,996,505 (S)	8.28%
CareCapital EA, Inc.(2)	Interest in controlled corporation	100,431,000 (L)	59.39%
		13,996,505 (S)	8.28%
CareCapital Moonstone Holdings Limited(2)	Interest in controlled corporation	100,431,000 (L)	59.39%
		13,996,505 (S)	8.28%
CareCapital Dental Holdings Limited(2)	Interest in controlled corporation	100,431,000 (L)	59.39%
		13,996,505 (S)	8.28%
CareCapital Management Group LLC(2)	Interest in controlled corporation	100,431,000 (L)	59.39%
		13,996,505 (S)	8.28%
Ms. LI Huamin(3)	Founder of a trust; interest in controlled corporation	21,657,300 (L)	12.81%
	Beneficial Owner	25,642 (L)	0.02%
Sky Honour Enterprises Limited(3)	Beneficial Owner	21,657,300 (L)	12.81%
Shore Lead Limited(3)	Interest in controlled corporation	21,657,300 (L)	12.81%
Mr. CHEN Kai(4)	Founder of a trust; interest in controlled corporation	9,228,531 (L)	5.46%
		1,696,500 (S)	1.00%
Vast Luck Global Limited(4)	Beneficial Owner	9,228,531 (L)	5.46%
		1,696,500 (S)	1.00%
Jovial Day Global Limited(4)	Interest in controlled corporation	9,228,531 (L)	5.46%
		1,696,500 (S)	1.00%
JPMorgan Chase & Co.	Interest in controlled corporation	16,903,229 (L)	10.00%
		8,820,696 (S)	5.21%
	Person having a security interest in shares	310 (L)	–
	Approved lending agent	2,936,457 (L)	1.74%
Morgan Stanley	Interest in controlled corporation	9,453,618 (L)	5.59%
		9,962,392 (S)	5.89%

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

(1) The calculation is based on the total number of 169,097,784 Shares in issue as of December 31, 2023, without taking into account any Shares that may be issued under the Share Award Schemes.

(2) See "Report of the Directors – Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures" in this annual report for more information.

(3) Sky Honour Enterprises Limited is controlled by Shore Lead Limited, a company wholly-owned by Ms. LI Huamin. Ms. LI Huamin is the founder and settlor of her family trust. As such, Ms. Li is deemed to be interested in all the shareholding of the Company held by Sky Honour Enterprises Limited. Ms. Li has been resigned as a director with effect from July 31, 2023.

(4) Vast Luck Global Limited is controlled by Jovial Day Global Limited, a company wholly-owned by Mr. CHEN Kai. Mr. Chen is the founder and settlor of his family trust. As such, Mr. Chen is deemed to be interested in all the shareholding of the Company held by Vast Luck Global Limited. Please refer to the disclosure of interest filing in respect of the Company's securities by such person on March 13, 2023 for details.

Save as disclosed above, as of December 31, 2023, the Directors and the chief executive of the Company are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required to be recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

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

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

During the Reporting Period, the Company has repurchased a total of 643,600 Shares on the Stock Exchange for an aggregate consideration of approximately HKD38.9 million before expenses. The aforesaid 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.

Details of the Shares repurchased during the Reporting Period are as follows:

Month of repurchases in 2023	Number of Shares repurchased	Highest price paid HKD	Lowest price paid HKD	Aggregate consideration paid HKD
July	252,400	69.25	65.15	16,983,048.02
August	391,200	60.40	53.60	21,878,877.12
Total	**643,600**			**38,861,925.14**

For details, please refer to the announcement of the Company dated July 4, 2023 and next day disclosure returns of the Company dated July 12, 2023, July 14, 2023, July 18, 2023, July 19, 2023, July 20, 2023, July 24, 2023, and August 25, 2023.

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

Share Award Schemes

Pre-IPO Share Award Schemes

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

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

(i) Purposes of Pre-IPO Share Award Schemes

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

(ii) Participants of Pre-IPO Share Award Schemes

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

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

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

(iii) Maximum number of Shares

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

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

(iv) Limit for each participant

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

(v) Remaining life of the schemes and outstanding awards

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

As of December 31, 2023, the Company has granted (i) awards for the purchase of a total of 19,069,300 Shares to eligible participants under the Share Award Scheme I; (ii) awards for the purchase of a total of 4,706,400 Shares to eligible participants under the Share Award Scheme II; (iii) awards for the purchase of a total of 5,289,900 Shares to eligible participants under the Share Award Scheme III – Pool A; and (iv) options for the purchase of 300,000 Shares under the Share Award Scheme III – Pool B. As of the date of this annual report, all the Shares underlying the aforementioned awards have been issued and none of the Shares underlying the aforementioned options granted was issued. No further awards may be granted under the Pre-IPO Share Award Schemes after the Listing.

(vi) Exercise of options

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

(vii) Vesting condition

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

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

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

(viii) Subscription price

No consideration is paid for grant of the Awards under the Share Award Scheme I, Share Award Scheme II and the Share Award Scheme III – Pool A. Such purchase prices were determined with reference to, among other things, the contributions made by the grantees, the purpose of the share award schemes, and prevailing compensation and pre-IPO share award schemes of similar positions in the market. No consideration is paid for grant of the Options for 300,000 Shares as underlying Shares under the Share Award Scheme III – Pool B.

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

Share Award Scheme I and Share Award Scheme II

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

Share Award Scheme III – Pool A

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

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

Category/ Name of Grantee	Grant date	Purchase price	Vesting period	Number of unvested Awards as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Number of unvested Awards as of December 31, 2023	Weighted average closing price of the Shares before vesting
Directors, chief executive or substantial shareholders of the Company, or their respective associates									
Mr. SONG Xin *(executive Director and chief operating officer)*	October 1, 2019	Nil	The unvested Awards were vested on September 30, 2023.	22,346	–	22,346	–	–	48.65
Other employees									
19 employees	October 1, 2019	Nil	The unvested Awards were vested on September 30, 2023.	286,245	–	239,687	46,558	–	48.65

Share Award Scheme III – Pool B

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

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

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

Category/ Name of Grantee	Grant date	Vesting Period	Exercise period	Exercise price	Number of outstanding Options as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Exercised during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Number of outstanding Options as of December 31, 2023	Weighted average closing price of the Shares before exercise
A senior management (who is not a Director, chief executive or substantial shareholder of the Company, or their respective associates)	October 9, 2020	Among the Options granted on October 9, 2020, the remaining will be vested on September 30, 2024.	The exercise period shall not exceed a period of ten years commencing on the date upon which such Option is deemed to be granted and accepted.	USD1.2 per Share	120,000	–	60,000	–	–	120,000	–

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was conditionally approved and adopted by the Shareholders on May 20, 2021 and amended on June 29, 2023. The terms of Post-IPO Share Option Scheme are subject to Chapter 17 of the Listing Rules. In light of the forthcoming expiry of the Post-IPO Share Option Scheme, a resolution to amend the Post-IPO Share Option Scheme will be proposed at the AGM. Please refer to the circular of the Company dated April 23, 2024.

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

(i) Purposes of Post-IPO Share Option Scheme

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

(ii) Participants of Post-IPO Share Option Scheme

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

(iii) Maximum number of Shares

The maximum number of Shares underlying all the Options that may be granted under the Post-IPO Share Option Scheme is 4,974,213 Shares (the "**Post-IPO Share Option Scheme Limit**"), representing 2.9% of the aggregate Shares in issue as of the date of this annual report. As at December 31, 2023, there are 1,815,567 Options available for future grant under the Post-IPO Share Option Scheme, representing 1.1% of the issued share capital of the Company as at the date of this annual report.

The Shares which may be issued in respect of all Options and Awards to be granted under the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme of the Company (including Options or Awards have been cancelled but excluding those lapsed in accordance with the terms of the respective share schemes) shall not exceed 6,632,284 Shares.

The Company may seek approval of the Shareholders in general meeting for refreshing the Post-IPO Share Option Scheme Limit every three years and the Post-IPO Share Option Scheme Limit as refreshed shall not exceed 3% of the total number of Shares in issue as at the Listing Date.

As at January 1, 2023 and December 31, 2023, there were 4,974,213 and 1,815,567 Shares available for future grant under the Post-IPO Share Option Scheme, respectively.

(iv) Limit for each participant

Where any grant of Options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued in respect of all options and awards granted to such person in the relevant period representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue, such further grant of options and/or awards, as the case may be, must be approved by the Shareholders in such manner as required under the Listing Rules.

The total number of Shares issued and to be issued in respect of all the Options and Awards granted to an individual participant under all share schemes of the Group in any twelve months period up to and including the date of such grant shall not exceed 1% of the issued Shares of the Company from time to time (the "**Individual Limit**"). Any further grant to a participant which would result in the Shares issued and to be issued exceeding the Individual Limit shall be subject to the Shareholders' approval in general meeting with such participant and his or her close associates (or his or her associate if the Participant is a connected person) abstaining from voting.

(v) Exercise of Options

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

(vi) Vesting

Options may be vested over such period(s) as determined by the Board (or any duly authorized committee or person by the Board) in its absolute discretion. The periods over which the Options will vest shall not be less than 12 months or such other minimum vesting periods prescribed from time to time by any laws, regulations or rules to which the Post-IPO Share Option Scheme may be subject, including the Listing Rules or regulations of any stock exchange on which the Shares may be listed and quoted. Furthermore, the Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option under the Post-IPO Share Option Scheme may or may not, at the discretion of the Board (or any duly authorized committee or person by the Board), be subject to any retention period.

The vesting period of Options granted to employee participants may, at the discretion of the Board (or any duly authorized committee or person by the Board), be shorter under the following circumstances: (i) grants of "make-whole" share options or awards to new joinders to replace the share awards they forfeited when leaving their previous employers, (ii) grant to a participant whose employment is terminated due to death or disability or occurrence of any out of control event; (iii) grants of options or awards with performance-based vesting conditions in lieu of time-based vesting criteria; (iv) grants that are made in batches during a year for administrative and compliance reason (may include share awards that should have been granted earlier but had to wait for a subsequent batch); (v) grant of options or awards with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of 12 months; and (vi) grants of options or awards with a total vesting and holding period of more than 12 months.

(vii) Grant and acceptance of Options

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

(viii) Exercise price

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

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

The Post-IPO Share Option Scheme will be valid and effective for a period of three years commencing on May 20, 2021.

For further information of the Post-IPO Share Option Scheme, please refer to the circular of the Company dated June 1, 2023.

Details of Options granted under the Post-IPO Share Option Scheme during the Reporting Period are set out below:

Category/ Name of grantee	Number of Options granted	Grant date	Vesting Period	Exercise Period[1]	Exercise Price	Performance Target	Fair value of Options granted[2]	Closing price of the Shares immediately before the grant date
Directors, chief executive or substantial shareholders of the Company, or their respective associates								
Mr. SONG Xin *(Executive Director and the chief operating officer)*	600,000	April 28, 2023	• 25% shall vest on April 30, 2024; • 25% shall vest on April 30, 2025; • 25% shall vest on April 30, 2026; and • the remaining 25% shall vest on April 30, 2027.	Three years	HKD100.06 per share	No performance target is required.	HKD58.8 million	HKD99.07 per Share
Ms. DONG Li *(Executive Director and the chief financial officer)*	1,688,646	April 28, 2023	• 25% shall vest on April 3, 2024; • 25% shall vest on April 3, 2025; • 20% shall vest on April 3, 2026; • 10% shall vest on April 3, 2027; • 10% shall vest on April 3, 2028; • 5% shall vest on April 3, 2029; and • the remaining 5% shall vest on April 3, 2030.	Three years	HKD100.06 per share	No performance target is required.	HKD165.4 million	HKD99.07 per Share

Category/ Name of grantee	Number of Options granted	Grant date	Vesting Period	Exercise Period[1]	Exercise Price	Performance Target	Fair value of Options granted[2]	Closing price of the Shares immediately before the grant date
Other employees								
5 employees	1,090,000	April 28, 2023	• 25% shall vest on April 30, 2024; • 25% shall vest on April 30, 2025; • 25% shall vest on April 30, 2026; and • the remaining 25% shall vest on April 30, 2027.	Three years	HKD100.06 per share	No performance target is required.	RMB106.8 million	HKD99.07 per Share

(1) In light of the proposed amendments to the existing Post-IPO Share Option Scheme which will extend the exercise period, to align with the proposed amended Post-IPO Share Option Scheme, a resolution to extend the exercise period of all the outstanding awards under the Share Award Schemes that have been granted to the Grantees and not exercised by the relevant Grantees as of the date of the AGM will be proposed at the AGM. Please refer to the circular of the Company dated April 23, 2024 for details.

(2) The fair value of the Options at the grant date is calculated based on the closing price of the Shares on the grant date, being HKD97.95 per Share. For details of the accounting standard and policy adopted, please refer to Note 2.2.8 to the consolidated financial statements.

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

Movements of the outstanding Options under the Post-IPO Share Option Scheme during the Reporting Period are set out below:

Category/ Name of grantee	Grant date	Vesting Period	Exercise period[1]	Exercise price	Number of outstanding Options as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Exercised during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Number of outstanding options as of December 31, 2023	Weighted average closing price of the Shares before exercise
Directors, chief executive or substantial shareholders of the Company, or their respective associates											
Mr. SONG Xin *(Executive Director and the chief operating officer)*	April 28, 2023	• 25% shall vest on April 30, 2024; • 25% shall vest on April 30, 2025; • 25% shall vest on April 30, 2026; and • the remaining 25% shall vest on April 30, 2027.	Three years	HKD100.06 per Share	–	600,000	–	–	–	600,000	–

Category/ Name of grantee	Grant date	Vesting Period	Exercise period [1]	Exercise price	Number of outstanding Options as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Exercised during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Number of outstanding options as of December 31, 2023	Weighted average closing price of the Shares before exercise
Ms. DONG Li *(Executive Director and the chief financial officer)*	April 28, 2023	• 25% shall vest on April 3, 2024; • 25% shall vest on April 3, 2025; • 20% shall vest on April 3, 2026; • 10% shall vest on April 3, 2027; • 10% shall vest on April 3, 2028; • 5% shall vest on April 3, 2029; and • the remaining 5% shall vest on April 3, 2030.	Three years	HKD100.06 per Share	–	1,688,646	–	–	–	1,688,646	–
Other employees											
5 employees	April 28, 2023	• 25% shall vest on April 30, 2024; • 25% shall vest on April 30, 2025; • 25% shall vest on April 30, 2026; and • the remaining 25% shall vest on April 30, 2027.	Three years	HKD100.06 per Share	–	1,090,000	–	–	220,000	870,000	–

(1) In light of the proposed amendments to the existing Post-IPO Share Option Scheme which will extend the exercise period, to align with the proposed amended Post-IPO Share Option Scheme, a resolution to extend the exercise period of all the outstanding awards under the Share Award Schemes that have been granted to the Grantees and not exercised by the relevant Grantees as of the date of the AGM will be proposed at the AGM. Please refer to the circular of the Company dated April 23, 2024 for details.

Post-IPO RSU scheme

The Post-IPO RSU Scheme was conditionally approved and adopted by the Shareholders on May 20, 2021. The terms of Post-IPO RSU Scheme are subject to Chapter 17 of the Listing Rules. Summary of major terms of the Post-IPO RSU Scheme are as follows:

(i) Purposes of Post-IPO RSU Scheme

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

(ii) Participants of Post-IPO RSU Scheme

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

(iii) Maximum number of Shares

The maximum aggregate number of Shares underlying all grants of RSUs pursuant to the Post-IPO RSU Scheme will not exceed 1,658,071 Shares, representing approximately 0.98% of the total issued Shares of the Company as at the date of this annual report (the "**Post-IPO RSU Scheme Limit**"). The Company may seek separate approval by the Shareholders in general meeting for granting Awards beyond the Scheme Limit (as refreshed) provided that the grantee(s) of such Awards must be specifically identified by the Company before such approval is sought.

The Shares which may be issued in respect of all Options and Awards to be granted under the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme of the Company (including Options or Awards have been cancelled but excluding those lapsed in accordance with the terms of the respective share schemes) shall not exceed 6,632,284 Shares.

The Company may seek approval of the Shareholders in general meeting for refreshing the Post-IPO RSU Scheme Limit every three years and the Post-IPO RSU Scheme Limit as refreshed shall not exceed 1% of the total number of Shares in issue as at the Listing Date.

During the Reporting Period, an aggregate of 874,314 RSUs have been granted. As at December 31, 2023, there were 531,447 RSUs available for future grant under the Post-IPO RSU Scheme, representing 0.21% of the issued share capital of the Company as at the date of this annual report.

As at January 1, 2023 and December 31, 2023, there were 1,228,962 and 531,447 RSUs available for grant under the Post-IPO RSU Scheme respectively.

(iv) Limit for each participant

Where any grant of options and/or awards to a substantial shareholder or an independent non-executive Director or any of their respective associates, or any grant of awards to a Director (other than an independent non-executive Director) or chief executive of the Company or any of their respective associates, which would result in the Shares issued and to be issued in respect of all options and/or awards granted to such person in the relevant period representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue, such further grant of options and/or awards, as the case may be, must be approved by the Shareholders in such manner as required under the Listing Rules.

The total number of Shares issued and to be issued in respect of all the Options and Awards granted to an individual participant under all share schemes of the Group in any twelve months period up to and including the date of such grant shall not exceed 1% of the issued Shares of the Company from time to time (the "**Individual Limit**"). Any further grant to a participant which would result in the Shares issued and to be issued exceeding the Individual Limit shall be subject to the Shareholders' approval in general meeting with such participant and his or her close associates (or his or her associate if the Participant is a connected person) abstaining from voting.

(v) Exercise period

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

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

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

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

(vi) Vesting period

The Board has the sole discretion to determine the vesting schedule and vesting criteria (if any) for any grant of RSU(s) to any grantee, which may also be adjusted and re-determined by the Board from time to time.

The periods over which the Awards will vest shall not be less than 12 months or such other may exceed any minimum vesting periods prescribed from time to time by any laws, regulations or rules to which the Post-IPO RSU Scheme may be subject, including the Listing Rules or regulations of any stock exchange on which the Shares may be listed and quoted. Furthermore the Shares to be issued and allotted to a Grantee pursuant to the exercise of any Award under the Post-IPO RSU Scheme may or may not, at the discretion of the Board (or any duly authorized committee or person by the Board), be subject to any retention period.

The vesting period of Awards granted to employee participants may, at the discretion of the Board (or any duly authorized committee or person by the Board), be shorter under the following circumstances: (i) grants of "make-whole" share options or awards to new joinders to replace the share awards they forfeited when leaving their previous employers, (ii) grant to a participant whose employment is terminated due to death or disability or occurrence of any out of control event; (iii) grants of options or awards with performance-based vesting conditions, in lieu of time-based vesting criteria; (iv) grants that are made in batches during a year for administrative and compliance reason (may include share awards that should have been granted earlier but had to wait for a subsequent batch); (v) grant of awards with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of 12 months; and (vi) grants of options or awards with a total vesting and holding period of more than 12 months.

The RSU trustee shall administer the vesting of RSUs granted to each grantee pursuant to the vesting period and vesting criteria (if any) determined by the Administrator.

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

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

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

(vii) Purchase price of RSU granted

The grantee(s) shall not be required to bear or pay any price or fee for the grant of RSU(s).

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

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

For further information of the Post-IPO RSU Scheme, please refer to the circular of the Company dated June 1, 2023.

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

Category/ Name of Grantee	Number of Awards granted	Grant date	Vesting Period	Purchase Price	Performance Target	Fair value of Awards granted[1]	Closing price of the Shares immediately before the grant date
Directors, chief executive or substantial shareholders of the Company, or their respective associates							
Ms. DONG Li *(Executive Director and the chief financial officer)*	760	July 19, 2023	The RSUs shall vest in seven tranches of 25%, 25%, 20%, 10%, 10%, 5%, 5% on April 3, 2024, April 3, 2025, April 3, 2026, April 3, 2027, April 3, 2028, April 3, 2029 and April 3, 2030, respectively.	Nil	No performance target is required.	HKD0.1 million	HKD66.75 per Share
Other employees							
175 employees	800,775	June 12, 2023	• 496,858 RSUs shall vest in four tranches of 30%, 30%, 20% and 20% on September 30, 2023, September 30, 2024, September 30, 2025 and September 30, 2026, respectively; • 233,161 RSUs shall vest in three tranches of 50%, 25% and 25% on the second, the third and the fourth anniversary of the hire date of the respective Grantee, respectively;	Nil	No performance target is required.	HKD62.7 million	HKD78.07 per Share

Category/ Name of Grantee	Number of Awards granted	Grant date	Vesting Period	Purchase Price	Performance Target	Fair value of Awards granted[1]	Closing price of the Shares immediately before the grant date
			• 41,992 RSUs shall vest in four tranches of 30%, 30%, 20% and 20% on the first, the second, the third and the fourth anniversary of the hire date of the respective Grantee, respectively; • 28,764 RSUs shall vest in four tranches of 30%, 30%, 20% and 20% on the second, the third, the fourth and the fifth anniversary of the hire date of the respective Grantee, respectively.				
13 employees	54,800	July 19, 2023	The RSUs shall vest in four tranches of 30%, 30%, 20%, 20% on September 30, 2023, September 30, 2024, September 30, 2025 and September 30, 2026, respectively.	Nil	No performance target is required.	HKD3.7 million	HKD66.75 per Share
3 employees	17,979	September 13, 2023	The RSUs shall vest in three tranches of 50%, 25% and 25% on the second, the third and the fourth anniversary of the hire date of the respective Grantee, respectively.	Nil	No performance target is required.	HKD1.0 million	HKD55.15 per Share

(1) The fair value of the RSUs at the grant date is calculated based on the closing price of the Shares on the respective grant dates, being HKD78.30 per Share, HKD67.75 per Share and HKD52.95 per Share on June 12, 2023, July 19, 2023 and September 13, 2023, respectively. For details of the accounting standard and policy adopted, please refer to Note 2.2.8 to the consolidated financial statements.

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

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

Category/Name of Grantee	Grant Date	Purchase price	Vesting Period	Number of unvested Awards as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Number of unvested Awards as of December 31, 2023	Weighted average closing price of the Shares before vesting
Directors, chief executive or substantial shareholders of the Company, or their respective associates									
Ms. LI Huamin *(Former executive Director and chief executive officer)*	March 25, 2022	Nil	30%, 20% and 20% of the RSUs granted shall vest on the date of September 30 of 2023, 2024 and 2025, respectively.	17,950	–	–	17,950	–	–
Ms. DONG Li *(Executive Director and the chief financial officer)*	July 19, 2023	Nil	RSUs shall vest in seven tranches of 25%, 25%, 20%, 10%, 10%, 5%, 5% on April 3, 2024, April 3, 2025, April 3, 2026, April 3, 2027, April 3, 2028, April 3, 2029 and April 3, 2030, respectively.	–	760	–	–	760	–
Other employees									
120 employees	March 25, 2022	Nil	334,634 RSUs shall vest as follows: 30%, 20% and 20% of the RSUs granted shall vest on the date of September 30 of, 2023, 2024 and 2025, respectively.	211,384	–	84,536	21,247	105,601	48.65
			68,833 RSUs shall vest as follows: 50%, 25% and 25% shall vest on the second, the third and the fourth anniversary of the employment date of each grantee respectively.	40,783	–	4,770	3,020	32,993	48.65
175 employees	June 12, 2023	Nil	496,858 RSUs shall vest in four tranches of 30%, 30%, 20% and 20% on September 30, 2023, September 30, 2024, September 30, 2025 and September 30, 2026, respectively.	–	496,858	148,234	9,748	338,876	48.65

Category/Name of Grantee	Grant Date	Purchase price	Vesting Period	Number of unvested Awards as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Number of unvested Awards as of December 31, 2023	Weighted average closing price of the Shares before vesting
			233,161 RSUs shall vest in three tranches of 50%, 25% and 25% on the second, the third and the fourth anniversary of the employment date of the respective Grantee, respectively.	–	233,161	–	68,034	165,127	–
			41,992 RSUs shall vest in four tranches of 30%, 30%, 20% and 20% on the first, the second, the third and the fourth anniversary of the employment date of the respective Grantee, respectively.	–	41,922	12,596	–	29,326	–
			28,764 RSUs shall vest in four tranches of 30%, 30%, 20% and 20% on the second, the third, the fourth and the fifth anniversary of the employment date of the respective Grantee, respectively.	–	28,764	–	–	28,764	–
13 employees	July 19, 2023	Nil	The RSUs shall vest in four tranches of 30%, 30%, 20%, 20% on September 30, 2023, September 30, 2024, September 30, 2025 and September 30, 2026, respectively.	–	54,800	16,440	–	38,360	48.65
3 employees	September 13, 2023	Nil	The RSUs shall vest in three tranches of 50%, 25% and 25% on the second, the third and the fourth anniversary of the hire date of the respective Grantee, respectively.	–	17,979	–	–	17,979	–

(1) In light of the proposed amendments to the existing Post-IPO RSU Scheme which will extend the exercise period, to align with the proposed amended Post-IPO RSU Scheme, a resolution to extend the exercise period of all the outstanding awards under the Share Award Schemes that have been granted to the Grantees and not exercised by the relevant Grantees as of the date of the AGM will be proposed at the AGM. Please refer to the circular of the Company dated April 23, 2024 for details.

The Shares underlying the RSUs granted during the Reporting Period are issued Shares held by the trustee of the Post-IPO RSU Scheme and will be transferred to the Grantees upon vesting. There were no Shares that may be issued in respect of the RSUs granted under all share schemes of the Company during the Reporting Period.

The number of Shares that may be issued in respect of the options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares of the relevant class in issue for the Reporting Period was 1.9%.

Other information

On March 21, 2024, in light of the forthcoming expiry of the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme, to provide further incentives to directors, management and employees of the Group, the Board has resolved to propose certain amendments to the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme, including, among others, (i) extending the term of such schemes from three (3) years to ten (10) years commencing from the date of adoption; (ii) extending the term of the award period of such schemes from three (3) years to ten (10) years commencing from the date of grant; and (iii) increase the total share scheme limit under such schemes by 6,895,538 Shares from existing 6,632,284 Shares to 13,527,822 Shares, compromising the increase of the scheme limit under the Post-IPO RSU Scheme by 1,723,884 Shares from 1,658,071 Shares to 3,381,955 Shares and the increase of the scheme limit under the Post-IPO Share Option Scheme by 5,171,654 Shares from 4,974,213 Shares to 10,145,867 Shares. In addition, in light of such proposed amendments which will extend the exercise period, to align with such amendments, the Board has also resolved that, subject to the approval of the proposed amendments to the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme at the AGM, the exercise period of all the outstanding Awards under such schemes that have been granted to the grantees and not exercised by the relevant grantees as of the date of the AGM will be extended from three (3) years from the date of grant of the respective awards to ten (10) years from the date of grant of such awards. See the Company's announcement dated March 21, 2024 and the AGM circular for more details.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Save as disclosed in this annual report, during the Reporting Period, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Use of Proceeds from the Global Offering

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

Litigation and Compliance

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

Annual General Meeting

The AGM will be held on Thursday, May 23, 2024. A notice convening the AGM will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.angelalign.com) 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.

Pre-Emptive Rights

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

Tax Relief and Exemption

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

Permitted Indemnity Provision

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

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as of the date of this annual report, the Company has maintained to comply with the minimum percentage prescribed in the conditions imposed in the waiver granted by the Stock Exchange from strict compliance with Rule 8.08(1) of the Listing Rules.

Audit Committee

As of the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely, Mr. ZHOU Hao, Mr. HAN Xiaojing and Mr. SHI Zi, 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 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. The Audit Committee considered that the annual results of the Group are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

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

Auditor

PricewaterhouseCoopers was appointed as the auditor during the Reporting Period. The consolidated financial statements of the Group for the year ended December 31, 2023 have been audited by PricewaterhouseCoopers. There is no change of auditor of the Company since the listing date of the Company.

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

Donation

During the Reporting Period, the Group made no donations.

Compliance with Non-Competition Undertakings

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

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

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

Corporate Governance

The Company is committed to maintaining high standards of corporate governance practices. During the Reporting Period, the Company had complied with all the applicable code provisions of the CG Code as set out in Appendix C1 to the Listing Rules. Detailed information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 66 to 85 of this annual report.

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. The repurchased Shares has not been cancelled as at the date of this report.

On March 19, 2024, Angelalign SG, a wholly owned entity of the Company, CareCapital Aligner Tech L.P. and CareCapital Orthodontics Development entered into a share purchase agreement, pursuant to which, Angelalign SG agreed to purchase, and CareCapital Aligner Tech L.P., as the sole shareholder of CareCapital Orthodontics Development, agreed to transfer, 100% of the equity interests of CareCapital Orthodontics Development at nil consideration, after which, CareCapital Orthodontics Development will be a wholly-owned subsidiary of Angelalign SG. On the same date, CC Founder Holdings LLC, as the general partner of CareCapital Aligner Tech L.P., resolved to voluntarily wind up and dissolve CareCapital Aligner Tech L.P. pursuant to the terms of the limited partnership agreement. Immediately before the dissolution, it is expected that the whole asset of CareCapital Aligner Tech L.P. will be CareCapital Orthodontics Development, and there will be no loan or payable owed by CareCapital Aligner Tech L.P. to any third party. Based on the mutual agreements between the partners of CareCapital Aligner Tech L.P., CareCapital Orthodontics Development will be distributed to the Company via the acquisition of CareCapital Orthodontics Development, and CC Founder Holdings LLC will not receive any asset nor payment as a result of the dissolution. The termination of CareCapital Aligner Tech L.P., is expected to be completed in due course after the completion of the acquisition of CareCapital Orthodontics Development. For details, please refer to the announcements of the Company dated March 19, 2024 and March 25, 2024.

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

Appreciation

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

By order of the Board of Directors
Angelalign Technology Inc.

Mr. FENG Dai
Chairman

Hong Kong
March 19, 2024

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report contained in the Company's annual report for the year ended December 31, 2023.

Cultures and Values

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

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

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

Corporate Governance Practices

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

The Company has adopted the principles and the code provisions of the CG Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

During the Reporting Period, save as disclosed below, the Company had complied with all the applicable code provisions of the CG Code.

The Board

Responsibilities

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

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

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

Board Composition and Diversity

The composition of the Board during the Reporting Period is as follows:

Executive Directors

Mr. HU Jiezhang *(Chief Executive Officer)* (re-designated from non-executive Director with effect from July 31, 2023)
Mr. HUANG Kun (re-designated from non-executive Director with effect from September 1, 2023)
Mr. SONG Xin
Ms. DONG Li (re-designated from independent non-executive Director with effect from April 3, 2023)
Ms. LI Huamin (resigned as an executive Director and Chief Executive Officer with effect from July 31, 2023)

Non-executive Director

Mr. FENG Dai *(Chairman)*

Independent Non-executive Directors

Mr. HAN Xiaojing
Mr. SHI Zi
Mr. ZHOU Hao (appointed with effect from April 11, 2023)

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

During 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 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 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.

The independent non-executive Directors have confirmed their independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules by written confirmation and the Company considers each of them to be independent.

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

The Nomination Committee and the Board has reviewed the diversity of the Board and the Board Diversity Policy for the Reporting Period. As of December 31, 2023, the diversity profile of the Board is analyzed as follows: The Directors have a balanced mix of experiences, including overall management, business development, information technology, legal, and finance experiences. The Board has also maintained a gender balance with one female Directors and seven male Directors. Furthermore, the age of the Directors ranges from 37 years old to 69 years old. The education background of the Directors includes bio-technology, finance, auditing, information technology and business administration to law, with degrees awarded by education institutions in the PRC, Hong Kong and the United States.

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

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

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

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

Gender Diversity

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

	Female	Male
Board	12.5%	87.5%
Senior management	20.0%	80.0%
Overall workforce	53.2%	46.8%

The Board was satisfied the gender ratio in the workforce of the Group.

Board Independence Evaluation

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

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

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

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

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

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

Induction and Continuous Professional Development

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

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

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

Name of Directors	Nature of continuous professional development courses
Executive Directors	
Mr. HU Jiezhang	A
Mr. HUANG Kun	A
Mr. SONG Xin	A
Ms. DONG Li	A
Non-executive Director	
Mr. FENG Dai *(Chairman)*	A
Independent Non-executive Directors	
Mr. HAN Xiaojing	A
Mr. SHI Zi	A
Mr. ZHOU Hao	A

A: attending training provided by lawyers or training related to the Company's business

Appointment and Re-Election of Directors

Our executive Directors, Mr. HU Jiezhang, Mr. HUANG Kun, Mr. SONG Xin and Ms. DONG Li, have entered into service contracts with our Company on July 31, 2023, September 30, 2023, March 19, 2024 and April 3, 2023, respectively. We have issued letter of appointment to our non-executive Director, Mr. FENG Dai on March 19, 2024. We have issued letters of appointment to our independent non-executive Directors, Mr. HAN Xiaojing, Mr. SHI Zi and Mr. ZHOU Hao, on March 19, 2024, March 19, 2024 and April 11, 2023, respectively. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Director and independent non-executive Directors are for an initial fixed term of three years commencing from the date on which the service contract and/or letter of appointment was entered or issued. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts and/or the letters of appointment may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

Mr. ZHOU Hao, who has been appointed as an independent non-executive Director during the Reporting Period, has obtained the legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on April 17, 2023, and he has confirmed he understood his obligations as a director of a listed issuer.

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

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

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

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

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

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

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

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

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

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

Nomination Procedures

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

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

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

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

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

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

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

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

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

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

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

Attendance Records at the Meetings of the Board and General Meeting

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

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

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

During the Reporting Period, the Company held 9 Board meetings and 2 general meetings in total and the attendance of individual Director at the Board meetings and general meetings are set out in the table below:

Directors	Number of Actual Attendance at Board Meetings/ Number of Required Attendance at Board Meetings	Number of Actual Attendance at General Meetings/ Number of Required Attendance at General Meetings
Mr. FENG Dai	8/9	2/2
Mr. HUANG Kun	9/9	2/2
Mr. HU Jiezhang	9/9	2/2
Mr. SONG Xin	9/9	2/2
Mr. HAN Xiaojing	7/9	2/2
Ms. DONG Li	9/9	2/2
Mr. SHI Zi	9/9	2/2
Mr. ZHOU Hao(1)	7/7	2/2
Ms. LI Huamin(2)	5/5	1/1

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

(2) Ms. LI Huamin resigned as an executive Director with effect from July 31, 2023.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, each of the Directors has confirmed that he or she has complied with the requirements as set out in the Model Code during the Reporting Period.

Delegation by the Board

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

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

Corporate Governance Functions

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

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

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

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

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

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

Board Committees

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

Audit Committee

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

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

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

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

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

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

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the consolidated financial statements of the Group for the year ended December 31, 2023. The Audit Committee considered that the annual results of the Group are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

During the Reporting Period, the Audit Committee held 4 meetings to discuss and consider the following: (i) reviewing the annual financial statements, annual results announcement and annual report of the Group for the year ended December 31, 2022, (ii) reviewing the interim financial statements, interim results announcement and interim report of the Group for the six months ended June 30, 2023; (iii) recommending to the Board on the appointment of the auditor of the Company for the fiscal year ended December 31, 2023 and reviewing the report on the 2023 audit plan; and (iv) reviewing the Company's financial reporting process, risk management, internal control system and internal audit function.

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

Name of Directors	Number of attendance/required attendance
Mr. HAN Xiaojing	3/4
Mr. SHI Zi	4/4
Mr. ZHOU Hao(1)	3/3
Ms. DONG Li(2)	1/1

(1) Mr. ZHOU Hao was appointed as an independent non-executive Director and the chairman of the Audit Committee with effect from April 11, 2023.

(2) Ms. DONG Li was re-designated to an executive Director and ceased to be the chairwoman of the Audit Committee with effect from April 3, 2023.

Nomination Committee

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

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

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

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

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

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

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

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

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

During the Reporting Period, the Nomination Committee held 1 meeting to discuss and consider (i) the Directors nomination policy and the structure, number and composition (including the skills, knowledge, experience and diversity) of the Board; (ii) Board Diversity Policy; (iii) the independence of independent non-executive Director; (iv) the nomination of the new Director; and (v) the retiring and re-election of Directors, etc.

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

Name of Directors	Number of attendance/ required attendance
Mr. FENG Dai	1/1
Mr. SONG Xin	1/1
Mr. HAN Xiaojing	1/1
Mr. SHI Zi	1/1
Mr. ZHOU Hao(1)	–
Ms. DONG Li(2)	1/1

(1) Mr. ZHOU Hao was appointed as our independent non-executive Director and a member of the Nomination Committee with effect from April 11, 2023, and no Nomination Committee meeting has been held after his appointment in 2023.

(2) Ms. DONG Li was re-designated to an executive Director and ceased to be a member of the Nomination Committee with effect from April 3, 2023.

Remuneration Committee

As of the date of this annual report, the Remuneration Committee comprises two executive Directors, namely Mr. HU Jiezhang and Mr. HUANG Kun, and three independent non-executive Directors, namely Mr. HAN Xiaojing. Mr. SHI Zi and Mr. ZHOU Hao. Mr. HAN Xiaojing is the chairman of the Remuneration Committee. On April 11, 2023, Mr. ZHOU Hao was appointed as a member of the Remuneration Committee. Ms. DONG Li and Ms. LI Huamin ceased to be a member of the Remuneration Committee with effect from April 3, 2023 and July 31, 2023, respectively.

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

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

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

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

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

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

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

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

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

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

During the Reporting Period, the Remuneration Committee held 2 meetings to discuss and consider the following: (i) reviewing and making recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management; (ii) reviewing and approving the remuneration structure adjustment of the management and executive Directors; (iii) reviewing and approving the grant of Awards under the Post-IPO RSU Scheme; and (iv) making recommendation to the Board on the remuneration packages of the newly appointed Directors, etc.

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

Name of Directors	**Number of attendance/ required attendance**
Mr. HAN Xiaojing	2/2
Mr. HU Jiezhang	2/2
Mr. HUANG Kun	2/2
Mr. SHI Zi	2/2
Mr. ZHOU Hao(1)	–
Ms. DONG Li(2)	2/2
Ms. LI Huamin(3)	2/2

(1) Mr. ZHOU Hao was appointed as an independent non-executive Director and a member of the Remuneration Committee with effect from April 11, 2023, and no Remuneration Committee meeting has been held after his appointment in 2023.

(2) Ms. DONG Li was re-designated to an executive Director and ceased to be a member of the Remuneration Committee with effect from April 3, 2023.

(3) Ms. LI Huamin resigned as an executive Director and ceased to be a member of the Remuneration Committee with effect from July 31, 2023.

Material Matters Relating to Share Award Schemes

During the Reporting Period, the Remuneration Committee reviewed and/or approved certain material matters relating to the Share Award Schemes, including (i) the proposed amendments to the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme; (ii) the grant of Options to Mr. SONG Xin and Ms. DONG Li on April 28, 2023; and (iii) the grant of RSUs to Ms. DONG Li on July 19, 2023. Considering the purpose of the Share Award Schemes and the Group's business is undergoing rapid expansion, the Remuneration Committee believed that the grant of RSUs and Options to Directors as described above served as important incentives to motivate them to bring a higher return to the Company, which is in line with the purpose of the Share Award Schemes.

In respect of the Options and RSUs granted to Ms. Dong, as the Options and RSUs granted to her form a part of her remuneration package and the grant of her Options and RSUs are approved in a later date along with other grants for the convenience of administration, the period between the grant date and the first vesting date is less than 12 months to reflect the time for which the Options and RSUs would have been granted. The total vesting period for her grants is far more than 12 months. Based on the foregoing, the Remuneration Committee is of the view that the shorter period for first vesting period aligns with the purpose of the Post-IPO Share Option Scheme and Post-IPO RSU Scheme.

In respect of the Options and RSUs granted to Ms. Dong, as (i) the Options and RSUs granted to her form a part of her remuneration package and such grants without performance targets are market competitive to attract and retain senior management, (ii) the Board is familiar with Ms. Dong and convinced of her ability and expertise in financial management; and (iii) such grants are to incentivize Ms. Dong to contribute to the long-term growth of the Group by leveraging on her expertise and extensive knowledge and to align her interests with those of the Company and the Shareholders as a whole, the Remuneration Committee is of the view that it is not necessary to set performance targets for her and this arrangement aligns with the purpose of the Post-IPO Share Option Scheme and Post-IPO RSU Scheme.

In respect of the Option Grants to Mr. Song, as (i) he has joined the Group for a relatively long period and is considered to have shown satisfactory work performance, and (ii) such grants are to incentivize him for his past performance, the Remuneration Committee is of the view that it is not necessary to set performance targets for him. This arrangement aligns with the purpose of the Post-IPO Share Option Scheme to secure and retain the services of valuable directors and senior management and provide incentive for such persons to exert their best efforts for the success of the Group's business.

Please refer to the announcements of the Company dated March 23, 2023, April 28, 2023 and July 19, 2023 for further details.

Remuneration of Directors and Senior Management

The remuneration of the Directors of the Company during the Reporting Period is set out in Note 40 to the consolidated financial statements.

The remuneration of senior management of the Company for the year ended December 31, 2023 falls under the following bands:

Band of remuneration	Number of individuals
Below RMB2,000,000	2
RMB2,000,000 to RMB5,000,000	1
Above RMB5,000,000	2

Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibilities for the preparation of the financial statements for the Reporting Period which give a true and fair view of the state of affairs of the Company and the Group and of the Group's results and cash flows.

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

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

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

Dividend Policy

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

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

Risk Management and Internal Control

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

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

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

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

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

Risk management

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

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

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

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

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

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

Internal control

The Company has always valued the importance of the internal control systems, and has complied with the requirements under the CG Code and Appendix D2 to the Listing Rules.

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

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

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

Review of risk management and internal control

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

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

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

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

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

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

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

Inside Information

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

Whistle-blowing Mechanism

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

Anti-corruption Training

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

Auditor's Remuneration

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

Type of services	**Amount**
	(RMB'000)
Audit services	6,172.4
Non-audit services:	
– Tax advisory	1,100.0
– Environmental, social and corporate governance advisory	500.0
Total	**7,772.4**

Joint Company Secretaries

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

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

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

Communication with Shareholders and Investor Relationship

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

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

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

Shareholders' Rights

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

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

Convening an Extraordinary General Meeting and Putting Forward Proposals

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

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

Enquiries to the Board

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

Amendments to Constitutional Document

There has been no change in the Articles of Association of the Company during the Reporting Period and up to the date of this annual report.

DEFINITION

"AGM"	the annual general meeting of the Company to be held on Thursday, May 23, 2024 or any adjournment thereof
"Articles of Association" or "Articles"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board Committees"	collectively, the Audit Committee, the Remuneration Committee and the Nomination Committee
"Board of Directors" or "Board"	the board of directors of our Company
"CareCapital Group"	Mr. FENG Dai and the entities controlled by him directly or indirectly for holding interests in the Company under the trade name of CareCapital, including CareCapital Management Group LLC, CareCapital Dental Holdings Limited, CareCapital Moonstone Holdings Limited, CareCapital EA, Inc. and CareCapital Orthotech Limited
"CareCapital Holdings"	CareCapital Dental Holdings Limited, a limited liability company incorporated under the laws of Cayman Islands on April 15, 2015 and a controlling shareholder
"Cayman Companies Act"	the Companies Act (As Revised) of the Cayman Islands as amended, supplemented, or otherwise modified from time to time
"CC Dental"	Shanghai CareCapital Dental Devices Co., Ltd. (上海松佰牙科器械有限公司)
"CC Dental Group"	CC Dental and its subsidiaries and associates
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"China," "Mainland China" or "PRC"	People's Republic of China, excluding, for the purposes of this annual report and for geographical reference only and except where the context requires otherwise, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company," "our Company," "Angelalign," "Group," "our Group," "we" or "us"	Angelalign Technology Inc. (時代天使科技有限公司), an exempted company incorporated under the laws of Cayman Islands with limited liability on November 29, 2018, and, except where the context indicated otherwise, all of its subsidiaries, or with respect to the period before our Company became the holding company of our current subsidiaries, the business operated by our present subsidiaries or their predecessors (as the case may be)
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules

"Director(s)"	the director(s) of our Company
"Global Offering"	the Hong Kong public offering and the international offering of the Company
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Post-IPO RSU Scheme"	the post-IPO RSU scheme as adopted by the Company on May 20, 2021, as amended from time to time
"Post-IPO Share Award Schemes"	collectively, the post-IPO RSU scheme and the post-IPO share option scheme as adopted by the Company on May 20, 2021, as amended from time to time
"Post-IPO Share Option Scheme"	the post-IPO Share Option Scheme as adopted by the Company on May 20, 2021, as amended from time to time
"Pre-IPO Share Award Schemes"	collectively, the share award scheme I, the share award scheme II and the share award scheme III as adopted by the Company in December 2020, as amended from time to time
"Prospectus"	the prospectus of the Company dated June 3, 2021
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board

"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2023
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai EA"	Shanghai EA Medical Instruments Co., Ltd. (上海時代天使醫療器械有限公司), a company incorporated under the laws of the PRC with limited liability on September 5, 2011 and an wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.0001 each
"Share Award Schemes"	the Pre-IPO Share Award Schemes and the Post-IPO Share Award Schemes
"Shareholder(s)"	holder(s) of our Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD" or "US$"	US dollars, the lawful currency of the United States
"Wuxi EA"	Wuxi EA Medical Instruments Technologies Limited (無錫時代天使醫療器械科技有限公司), a company incorporated under the laws of the PRC with limited liability on February 10, 2010 and an wholly-owned subsidiary of the Company

INDEPENDENT AUDITOR'S REPORT

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

Opinion

What we have audited

The consolidated financial statements of Angelalign Technology Inc. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 94 to 188, comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of revenue from rendering of clear aligner treatment solutions	
Refer to Note 2.2.9(a), 4(a) and Note 5 to the consolidated financial statements. For the year ended December 31, 2023, revenue of the Group from rendering of clear aligner treatment solutions amounted to RMB1,282,043,000 representing approximately 87% of the Group's total revenue. Revenue from rendering of clear aligner treatment solutions is recognized over time by reference to the progress towards complete satisfaction of respective performance obligations during the reporting period. The progress towards complete satisfaction of the performance obligation is measured using output method by reference to the value of deliverables transferred (i.e. treatment planning service provided and clear aligners delivered) to customers to date relative to the remaining value of deliverables promised under each contract. The value of deliverables was determined with reference to the standalone contract price of treatment planning service and clear aligners and the estimated total number of clear aligners to be provided under each contract, which is estimated based on the historical number of clear aligners delivered for completed cases.	To address this key audit matter, we performed audit procedures as follows: (i) Understood, evaluated and tested on sample basis the key internal controls over the recognition of revenue from rendering of clear aligner treatment solutions and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. (ii) Assessed the reasonableness of management's judgements and estimates used to determine the value of deliverables transferred to customer and the estimated total number of clear aligners applied in the output method with reference to the terms of contracts with customers, standalone contract price of treatment planning service and clear aligners in each contract, historical experience and actual number of clear aligners delivered for completed cases. (iii) Tested the actual number of clear aligners delivered for the completed cases on sample basis by tracing to the sales contracts and delivery notes to test the reliability of historical data used. (iv) Compared the total number of clear aligners actually delivered for completed cases against management's prior estimations to assess the reasonableness of management's historical estimation on the estimated total number of clear aligners to be delivered.

Key Audit Matters (Continued)

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

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Angelalign Technology Inc. 2023 annual report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the results highlights, management discussion and analysis prior to the date of this auditor's report. The remaining other information, including the corporate information, chairman's letter, chief executive officer's letter, directors and senior management, report of the directors, corporate governance report, environmental, social and governance report and the other sections to be included in the annual report, is expected to be made available to us after that date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 19, 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended December 31, 2023 RMB'000**	Year ended December 31, 2022 RMB'000
Revenue	5	**1,475,963**	1,269,706
Cost of revenue	7	**(555,251)**	(484,016)
Gross profit		**920,712**	785,690
Selling and marketing expenses	7	**(493,186)**	(298,170)
Administrative expenses	7	**(279,555)**	(185,027)
Research and development expenses	7	**(173,612)**	(147,681)
Net impairment losses on financial assets	3.1 (b)	**(4,589)**	(9,029)
Other income	6	**33,709**	27,108
Other (losses)/gains – net	6	**(30,439)**	38,427
Operating (loss)/profit		**(26,960)**	211,318
Finance income	9	**95,674**	42,289
Finance costs	9	**(8,024)**	(1,676)
Finance income – net	9	**87,650**	40,613
Share of results of investments accounted for using the equity method	20	**461**	(183)
Profit before income tax		**61,151**	251,748
Income tax expense	10	**(12,502)**	(38,591)
Profit for the year		**48,649**	213,157
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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	11	**0.32**	1.28
– Diluted	11	**0.32**	1.27

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	428,843	347,311
Right-of-use assets	13	99,238	81,967
Intangible assets	14	159,639	16,205
Investments accounted for using the equity method	20	19,275	14,448
Deferred tax assets	31	37,744	19,099
Financial assets at fair value through profit or loss	19	251,674	121,227
Trade and other receivables and prepayments	16	41,433	15,150
		1,037,846	615,407
Current assets			
Inventories	18	95,291	113,156
Trade and other receivables and prepayments	16	183,891	108,270
Financial assets at fair value through profit or loss	19	750,085	–
Cash and cash equivalents	17	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	21	110	110
Share premium	21	2,803,094	2,941,876
Shares held for employee share scheme	21	–	(1,098)
Other reserves	22	82,554	237,820
Retained earnings	24	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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Contract liabilities	28	**71,443**	55,719
Lease liabilities	29	**30,343**	14,858
Deferred income	30	**33,753**	31,212
Deferred tax liabilities	31	**27,270**	733
Bank borrowings	26	**6,273**	–
Other non-current financial liabilities	27	**300,863**	–
		469,945	102,522
Current liabilities			
Bank borrowings	26	**11,077**	–
Trade and other payables	*25*	**375,221**	365,612
Contract liabilities	28	**450,593**	359,656
Current income tax liabilities		**24,624**	40,619
Lease liabilities	29	**17,584**	13,346
Deferred income	30	**–**	2,257
		879,099	781,490
Total liabilities		**1,349,044**	884,012
Total equity and liabilities		**4,756,654**	4,486,209

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

The financial statements on pages 94 to 188 were approved by the Board of Directors on March 19, 2024 and were signed on its behalf.

Mr. Hu Jiezhang

Director

Ms. Dong Li

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RMB'000	Share premium RMB'000	Shares held for employee share scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company							
Balance at January 1, 2023		110	2,941,876	(1,098)	237,820	428,058	3,606,766	(4,569)	3,602,197
Comprehensive income									
Profit for the year		–	–	–	–	53,475	53,475	(4,826)	48,649
Other comprehensive income									
– Currency translation differences		–	–	–	45,401	–	45,401	3,894	49,295
Total comprehensive income for the year		–	–	–	45,401	53,475	98,876	(932)	97,944
Transactions with owners in their capacity as owners									
Non-controlling interests arising from acquisition of a subsidiary	32(a)	–	–	–	–	–	–	72,814	72,814
Recognition of put option liabilities arising from business combinations	27	–	–	–	(234,875)	–	(234,875)	–	(234,875)
Changes in put option liabilities in respect of non-controlling interests	27	–	–	–	(60,561)	–	(60,561)	–	(60,561)
New shares issued for options exercised	21(a)(i)	*	3,150	–	(1,597)	–	1,553	–	1,553
Repurchase and cancellation of shares	21(a)(iv)	*	(35,966)	–	–	–	(35,966)	–	(35,966)
Transfer of shares held for employee share scheme upon vesting	23(a)(i)	–	–	1,098	(1,098)	–	–	–	–
Shares issued for restricted share award scheme	21(a)(ii)	*	–	–	–	–	–	–	–
Equity-settled share-based payment transactions	23	–	–	–	70,470	–	70,470	–	70,470
Appropriation to statutory reserves	22	–	–	–	26,994	(26,994)	–	–	–
Dividends declared	21(a)(iii)	–	(105,966)	–	–	–	(105,966)	–	(105,966)
Total transactions with owners in their capacity as owners		*	(138,782)	1,098	(200,667)	(26,994)	(365,345)	72,814	(292,531)
Balance at December 31, 2023		110	2,803,094	–	82,554	454,539	3,340,297	67,313	3,407,610

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	34(a)	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	34(a)	4,006	1,319
Purchases of financial assets at fair value through profit or loss	19	(5,984,571)	(3,167,912)
Proceeds from disposals of financial assets at fair value through profit or loss	19	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	32	(25,237)	(3,142)
Consideration paid for the derivative financial asset	19	(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)
Cash flows from financing activities			
Proceeds from new shares issued for options exercised		1,553	–
Payments for shares bought back	21(a)(iv)	(35,966)	–
Dividend paid		(105,966)	(176,044)
Proceeds from a bank borrowing		–	2,851
Borrowing interest paid	9	(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	9	(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

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

1 General information

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

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

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

The consolidated financial statements for the year ended December 31, 2023 were presented in Renminbi ("RMB") and rounded to the nearest thousand yuan, unless otherwise stated, and were approved for issue by the Board of Directors on March 19, 2024.

2 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.

2.1 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.

2 Basis of preparation and accounting policy information (Continued)

2.1 Basis of preparation (Continued)

(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

2 Basis of preparation and accounting policy information (Continued)

2.2 Material accounting policy information

2.2.1 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.

2 Basis of preparation and accounting policy information (Continued)

2.2 Material accounting policy information (Continued)

2.2.1 Principles of consolidation and equity accounting (Continued)

Equity method (Continued)

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.2.4.

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.

2 Basis of preparation and accounting policy information (Continued)

2.2 Material accounting policy information (Continued)

2.2.2 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 2.3.3 for the other potentially material accounting policies relevant to property, plant and equipment.

2.2.3 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 2.3.4 for the other potentially material accounting policies relevant to intangible assets.

2.2.4 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.

2 Basis of preparation and accounting policy information (Continued)

2.2 Material accounting policy information (Continued)

2.2.5 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.

2 Basis of preparation and accounting policy information (Continued)

2.2 Material accounting policy information (Continued)

2.2.5 Investments and other financial assets (Continued)

Measurement (Continued)

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. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

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

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the 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.

2 Basis of preparation and accounting policy information (Continued)

2.2 Material accounting policy information (Continued)

2.2.5 Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

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

2.2.6 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 16 for further information about the Group's accounting for trade receivables and Note 3.1(b) for a description of the Group's impairment policies.

2.2.7 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 realized 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.

2 Basis of preparation and accounting policy information (Continued)

2.2 Material accounting policy information (Continued)

2.2.7 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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.

2.2.8 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.

2 Basis of preparation and accounting policy information (Continued)

2.2 Material accounting policy information (Continued)

2.2.8 Share-based payments (Continued)

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).

2.2.9 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.

2 Basis of preparation and accounting policy information (Continued)

2.2 Material accounting policy information (Continued)

2.2.9 Revenue recognition (Continued)

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

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.

2 Basis of preparation and accounting policy information (Continued)

2.2 Material accounting policy information (Continued)

2.2.9 Revenue recognition (Continued)

(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.

2.2.10 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.

2 Basis of preparation and accounting policy information (Continued)

2.2 Material accounting policy information (Continued)

2.2.10 Business combinations (Continued)

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.

2 Basis of preparation and accounting policy information (Continued)

2.3 Other potentially material accounting policy information

2.3.1 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.

2.3.2 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 Hong Kong Dollar ("HKD") and the functional currency of the Group's primary subsidiaries incorporated in the PRC is 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.

2 Basis of preparation and accounting policy information (Continued)

2.3 Other potentially material accounting policy information (Continued)

2.3.2 Foreign currency translation (Continued)

(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.

2.3.3 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.

2 Basis of preparation and accounting policy information (Continued)

2.3 Other potentially material accounting policy information (Continued)

2.3.3 Property, plant and equipment (Continued)

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

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

2.3.4 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.

2 Basis of preparation and accounting policy information (Continued)

2.3 Other potentially material accounting policy information (Continued)

2.3.4 Intangible assets (Continued)

(c) Research and development (Continued)

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

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

2.3.5 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.

2.3.6 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".

2.3.7 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.

2.3.8 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.

2 Basis of preparation and accounting policy information (Continued)

2.3 Other potentially material accounting policy information (Continued)

2.3.9 *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.

2.3.10 *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.

2.3.11 *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.

2 Basis of preparation and accounting policy information (Continued)

2.3 Other potentially material accounting policy information (Continued)

2.3.12 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 approximate to their fair values, due to their short-term nature.

2.3.13 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.

2.3.14 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.

2.3.15 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.

2 Basis of preparation and accounting policy information (Continued)

2.3 Other potentially material accounting policy information (Continued)

2.3.15 Employee benefits (Continued)

(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.

2 Basis of preparation and accounting policy information (Continued)

2.3 Other potentially material accounting policy information (Continued)

2.3.16 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.

2.3.17 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.

2.3.18 Interest income

Interest income is recognized using the effective interest method.

2.3.19 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.

2 Basis of preparation and accounting policy information (Continued)

2.3 Other potentially material accounting policy information (Continued)

2.3.19 Leases (Continued)

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.

2 Basis of preparation and accounting policy information (Continued)

2.3 Other potentially material accounting policy information (Continued)

2.3.19 Leases (Continued)

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

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

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

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

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

2.3.20 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.

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group's businesses are principally conducted in RMB and has entities mainly operating in United States Dollar ("USD"), Brazilian Real ("BRL") and European Dollar ("EUR"). The Group is 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.

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

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The carrying amount of the Group's monetary assets and monetary liabilities that are not denominated in the functional currencies of respective group entities at the respective dates of consolidated statements of financial position are as follows:

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Assets		
USD	**1,988,100**	2,510,757
Others	**88,374**	936
	2,076,474	2,511,693
Liabilities		
USD	**7,849**	15,092
Others	**2,315**	23
	10,164	15,115

As at December 31, 2023, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the pre-tax profit would have been approximately RMB99,013,000 higher/lower for the year ended December 31, 2023 (2022: RMB125,177,000 higher/lower).

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets except for cash and cash equivalents, details of which have been disclosed in Note 17 and wealth management products, details of which have been disclosed in Note 19. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of interest-bearing assets are not expected to change significantly.

The Group has exposure to the risk of change in market interest rate in relation to its interest-bearing bank loans. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The interest rates and the terms of repayment of borrowings and disclosed in Note 26.

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

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price Risk

The Group is exposed to equity price risk mainly arising from investments held by the Group that are classified FVPL. To manage its price risk arising from the investments, the Group diversify its investment portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. Each investment is managed by management on a case-by-case basis.

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to equity price risk of FVPL at the end of each reporting period.

(b) Credit risk

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

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

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

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

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

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

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

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

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Trade receivables

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

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

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

	Within 60 days	61 to 365 days	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade receivables						
At December 31, 2023						
Provision on collective basis						
Expected loss rate	**0.22%**	**3.90%**	**15.93%**	**76.81%**	**100.00%**	
Gross carrying amount (RMB'000)	**72,454**	**35,915**	**11,127**	**5,717**	**19,979**	**145,192**
Loss allowance provision (RMB'000)	**(160)**	**(1,402)**	**(1,772)**	**(4,391)**	**(19,979)**	**(27,704)**
At December 31, 2022						
Provision on collective basis						
Expected loss rate	0.00%	1.70%	18.88%	74.55%	100.00%	
Gross carrying amount (RMB'000)	25,348	31,016	6,701	4,499	17,143	84,707
Loss allowance provision (RMB'000)	–	(526)	(1,265)	(3,354)	(17,143)	(22,288)

The Group takes into account the changes in its customers' operating performance and future recoverability of trade receivables. The Group makes individual assessment on receivables when considering whether there is a significant increase in credit risk in such receivables.

Trade receivables subjected to individual provision

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Gross carrying amount	**4,894**	5,117
Loss allowance provision	**(4,894)**	(5,117)
Expected loss rate	**100%**	100%

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Trade receivables (Continued)

The loss allowance provision for trade receivables as at December 31, 2023 reconciles to the opening loss allowance for that provision as follows:

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
At the beginning of the year	27,405	18,580
Acquisition of a subsidiary	851	–
Provision for loss allowance recognized in profit or loss	4,342	8,825
At the end of the year	32,598	27,405

(ii) Other financial assets at amortized cost

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

As at December 31, 2023, the internal credit rating of such receivables was performing. The Group has assessed that there is no significant increase of credit risk for other receivables. Thus, the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

The loss allowance provision for other receivables (excluding prepayments) as at December 31, 2023 reconciles to the opening loss allowance for that provision as follows:

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
At the beginning of the year	298	94
Provision for loss allowance recognized in profit or loss	247	204
At the end of the year	545	298

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

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2023					
Lease liabilities	**19,629**	**18,631**	**9,968**	**4,543**	**52,771**
Trade and other payables excluding non-financial liabilities	**171,517**	**–**	**–**	**–**	**171,517**
Bank borrowings	**11,651**	**5,074**	**1,942**	**–**	**18,667**
Other non-current financial liabilities	**–**	**–**	**670,092**	**–**	**670,092**
Total	**202,797**	**23,705**	**682,002**	**4,543**	**913,047**
As at December 31, 2022					
Lease liabilities	14,656	10,575	4,875	–	30,106
Trade and other payables excluding non-financial liabilities	187,531	–	–	–	187,531
Total	202,187	10,575	4,875	–	217,637

3.2 Capital management

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

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

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

As at December 31, 2023, the Group maintained at a net cash position (2022: same).

3 Financial risk management (Continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at December 31, 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

(a) Fair value hierarchy

As at December 31, 2023, the financial assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2023				
Assets:				
Financial assets at fair value through profit or loss				
– Wealth management products with variable return	–	750,894	–	750,894
– Derivative financial asset	–	–	8,597	8,597
– Investment in unlisted equity investments	–	–	242,268	242,268
	–	750,894	250,865	1,001,759
As at December 31, 2022				
Assets:				
Financial assets at fair value through profit or loss				
– Investment in unlisted equity investments	–	–	121,227	121,227

During the year ended 31 December 2023, there were no transfers between levels 1, 2 and 3.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The fair value of financial instruments traded in active markets is determined with reference to quoted market prices at the end of the reporting period. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- Black-Scholes Model and unobservable inputs mainly including assumptions of expected volatility
- The latest round financing, i.e. the prior transaction price or the third-party pricing information, and
- A combination of observable and unobservable inputs, mainly including expected volatility, risk-free interest rate, market multiples, etc.

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

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Derivative financial asset		
Balance at the beginning of the year	–	–
Additions (Note 32(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	–
Investment in unlisted equity investments		
Balance at the beginning of the year	121,227	–
Additions	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

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(b) Valuation processes inputs and relationships to fair value

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

During the year ended December 31, 2023, the Group purchased wealth management products with variable return based on forward exchange rates or gold prices at certain dates. The Group classified these wealth management products into level 2 financial instruments as the inputs included were observable. The fair value of financial instruments in level 2 is determined using valuation techniques with the use of observable market data such as the future cash flows based on forward exchange rates or gold price and observable yield curve.

The components of the level 3 instruments include investments in unlisted companies classified as FVPL and derivative financial asset. As these investments and instruments are not traded in an active market, the majority of their fair values have been determined using applicable valuation techniques including comparable companies approach, comparable transactions approach and other option pricing approach. These valuation approaches require significant judgments, assumptions and inputs, including risk-free rates, expected volatility, relevant underlying financial projections, and market information of recent transactions (such as recent fund-raising transactions undertaken by the investees) and other exposure, etc.

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

- Expected volatility for investment in unlisted equity investments and derivative financial asset are estimated based on average volatility for similar types of companies.

- Risk-free interest rate for investment in unlisted equity investments and derivative financial asset are derived from interest rates on treasury bonds over the same period.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(b) Valuation processes inputs and relationships to fair value (Continued)

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

Description	Fair value at December 31, 2023 RMB'000	2022 RMB'000	Unobservable inputs	Range of inputs 2023	2022	Relationship of unobservable inputs to fair value
Investment in unlisted equity investments	242,268	121,227	Expected volatility	43.16%-48.71%	49.50%	Increased/decreased expected volatility by 100 basis points (bps), the fair value for investments in unlisted equity investments would have been approximately RMB822,000 lower/ RMB1,294,000 higher.
			Risk-free interest rate	1.93%-3.95	4.05%	Increased/decreased risk-free interest rate by 100 bps, the fair value for investments in unlisted equity investments would have been approximately RMB5,326,000 lower/ RMB5,495,000 higher.
Derivative financial asset	8,597	–	Expected volatility	48.71%	NA	Increased/decreased expected volatility by 100 bps, the fair value would have been approximately RMB151,000 higher/lower.

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

4 Critical accounting estimates and judgements

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

(a) Revenue recognition

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

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

(b) Fair value assessment of the identified other intangible assets and the recognition of goodwill arising from business combinations

Significant judgments and estimates were involved in the fair value assessment of the identified other intangible assets and the recognition of goodwill arising from business combinations. These significant judgments and estimates include the adoption of appropriate valuation models and methodologies and the use of key assumptions in the valuation (mainly estimated useful lives, churn rates, royalty rates and discount rates).

4 Critical accounting estimates and judgements (Continued)

(c) Recognition and estimation of redemption liability

As mentioned in Note 27, the Group has redemption liability arising from a symmetrical put and call options arrangements with non-controlling shareholders of Aditek do Brasil S.A. ("Aditek"). The redemption liability is initially recognized under "Other non-current financial liabilities" in the consolidated financial statements at the present value of the estimated future cash outflows on exercise under the symmetrical put and call options. The carrying amount of the financial liability (including the fair value change of principal and interest) is adjusted subsequently to reflect actual and revised estimated cash outflows, the estimation of which involves the use of significant accounting estimates and judgments.

(d) Estimation of goodwill impairment

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.2.4. The recoverable amounts of CGUs were determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates (Note 14). These calculations require the use of significant accounting estimates.

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions, see Note 3.3.

(f) Expected credit loss for trade and other receivables

The loss allowances for receivables are based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past experience, existing market conditions as well as forward looking estimates at the end of the year. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(b).

(g) Current tax and deferred tax

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

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

5 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.

5 Revenue and segment information (Continued)

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

5 Revenue and segment information (Continued)

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.

6 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

7 Expenses by nature

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

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Changes in inventories of finished goods and work in progress	(11,500)	2,093
Raw materials and consumables used and other inventories	254,631	233,384
Employee benefit expenses (Note 8)	756,734	541,366
Advertising and promotion expenses	114,693	85,340
Depreciation and amortization	85,217	65,225
Professional service and consulting fees	74,096	44,301
Outsourcing costs	44,728	24,707
Travelling expenses	40,449	12,370
Delivery costs	37,287	33,018
Office expenses	18,358	7,329
Utility costs	15,998	8,117
Taxes and surcharges	10,035	6,961
Entertainment expenses	11,239	6,668
Short-term lease and variable lease expenses	10,147	10,299
Auditor's remuneration		
– Audit services	6,172	4,450
– Non-audit services	1,600	1,580
Recruitment expenses	3,264	4,766
Others	28,456	22,920
	1,501,604	1,114,894

8 Employee benefit expenses (including directors' emoluments)

(a) Employee benefit expenses are analysed as follows:

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Salaries, wages and bonuses	**550,160**	425,367
Share-based compensation expenses (Note 23)	**70,470**	19,261
Pension costs – defined contribution plans	**49,863**	38,193
Other social security costs, housing benefits and other employee benefits	**86,241**	58,545
	756,734	541,366

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2023 included two (2022: two) directors whose emoluments are reflected in the analysis shown in Note 40(a). The emoluments payable to the remaining three (2022: three) individuals during the year ended December 31, 2023 are as follows:

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Salaries and wages	**4,981**	3,321
Bonuses	**1,857**	2,473
Pension costs – defined contribution plans	**138**	167
Other social security costs, housing benefits and other employee benefits	**1,995**	192
Share-based compensation expenses	**4,084**	1,335
	13,055	7,488

The emoluments fell within the following bands:

Number of individuals

	Year ended December 31, 2023	Year ended December 31, 2022
Emolument bands		
HKD2,000,001 – HKD2,500,000	**–**	1
HKD3,000,001 – HKD3,500,000	**1**	2
HKD3,500,001 – HKD4,000,000	**1**	–
HKD7,500,001 – HKD8,000,000	**1**	–
	3	3

During the year ended December 31, 2023, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9 Finance income – net

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Finance income:		
Interest income on bank deposits	**95,674**	42,289
Finance costs:		
Interest expense on lease liabilities (Note 29)	**(2,661)**	(1,625)
Interest expense on borrowings	**(5,363)**	(51)
	(8,024)	(1,676)
Finance income – net	**87,650**	40,613

10 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	**33,674**	43,095
– Hong Kong profits tax	**42**	553
– Other countries and regions taxes	**181**	–
	33,897	43,648
Deferred income tax (Note 31)		
– Mainland China corporate income tax	**(13,197)**	(5,057)
– Other countries and regions taxes	**(8,198)**	–
	(21,395)	(5,057)
	12,502	38,591

10 Income tax expense (Continued)

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

	Year ended December 31, 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 on 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 corporate income tax ("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.

10 Income tax expense (Continued)

(b) Mainland China corporate income tax ("CIT") (Continued)

The Company's subsidiary, Wuxi EA Bio-Tech Co., Ltd. (無錫時代天使生物科技有限公司), 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 (財稅[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.

11 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year ended December 31, 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) (Note 23(a)), the restricted shares granted after IPO ("the Post-IPO RSU Schemes) (Note 23(b)) and the share options granted after IPO ("the Post-IPO Share Option Scheme) (Note 23(c)).

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

12 Property, plant and equipment

	Buildings RMB'000	Plant and machinery RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	CIP RMB'000	Total RMB'000
At January 1, 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 32(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 BRL 31,517,000 (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 (Note 26).

12 Property, plant and equipment (Continued)

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

	Year ended December 31, 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

13 Right-of-use assets

	Office premises RMB'000	Land use rights RMB'000	Total RMB'000
At January 1, 2022			
Cost	58,365	59,413	117,778
Accumulated depreciation	(28,759)	(3,370)	(32,129)
Net book amount	29,606	56,043	85,649
Year ended December 31, 2022			
Opening net book amount	29,606	56,043	85,649
Additions	13,809	–	13,809
Depreciation	(16,303)	(1,188)	(17,491)
Closing net book amount	27,112	54,855	81,967
At December 31, 2022			
Cost	61,487	59,413	120,900
Accumulated depreciation	(34,375)	(4,558)	(38,933)
Net book amount	27,112	54,855	81,967
Year ended December 31, 2023			
Opening net book amount	**27,112**	**54,855**	**81,967**
Additions	**37,390**	**–**	**37,390**
Early termination of lease contracts	**(1,325)**	**–**	**(1,325)**
Depreciation	**(17,663)**	**(1,190)**	**(18,853)**
Currency translation differences	**59**	**–**	**59**
Closing net book amount	**45,573**	**53,665**	**99,238**
At December 31, 2023			
Cost	**69,333**	**59,413**	**128,746**
Accumulated depreciation	**(23,760)**	**(5,748)**	**(29,508)**
Net book amount	**45,573**	**53,665**	**99,238**

13 Right-of-use assets (Continued)

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

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Cost of revenue	5,771	6,193
Selling and marketing expenses	1,306	1,881
Administrative expenses	10,124	7,717
Research and development expenses	1,652	1,700
	18,853	17,491

14 Intangible assets

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

14 Intangible assets (Continued)

	Goodwill RMB'000 Note (a)	Software RMB'000	Patents RMB'000	Customer relationship RMB'000	Brand RMB'000	Technology RMB'000	Others RMB'000	Total RMB'000
Year ended December 31, 2023								
Opening net book amount	2,964	6,452	4,347	2,442	–	–	–	16,205
Acquisition of a subsidiary (Note 32(a))	49,800	672	–	19,891	7,264	47,381	–	125,008
Additions	–	17,618	1,362	–	–	–	–	18,980
Amortization	–	(3,397)	(725)	(3,815)	(1,536)	(5,011)	–	(14,484)
Currency translation differences	5,791	4	–	2,155	752	5,228	–	13,930
Closing net book amount	58,555	21,349	4,984	20,673	6,480	47,598	–	159,639
At December 31, 2023								
Cost	58,555	38,164	7,932	24,488	8,016	52,609	–	189,764
Accumulated amortization	–	(16,815)	(2,948)	(3,815)	(1,536)	(5,011)	–	(30,125)
Net book amount	58,555	21,349	4,984	20,673	6,480	47,598	–	159,639

On January 16, 2023, the Group completed the acquisition of 51% equity interest of Aditek with consideration of USD19,390,000 (approximately RMB131,429,000). Management has engaged an independent qualified valuer to assist them in identifying intangible assets and to perform the valuations of the identified assets and liabilities of the acquired subsidiary at the acquisition date and, based on which, management performed a purchase price allocation for the acquisition, which resulted in recognition of software of RMB672,000, customer relationship of RMB19,891,000, brand of RMB7,264,000 and technology of RMB47,381,000. Goodwill of RMB49,800,000, being the excess of consideration transferred to the acquirees over the fair value of identified net assets acquired, was recognized (Note 32(a)).

Amortization 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	170	466
Selling and marketing expenses	1,309	69
Administrative expenses	11,980	1,324
Research and development expenses	1,025	1,224
	14,484	3,083

14 Intangible assets (Continued)

(a) Impairment tests for goodwill arising from business combinations

Goodwill of RMB58,555,000 arising from business combinations has been allocated to the CGU or group of CGUs of subsidiaries acquired for impairment testing. Management performed an impairment assessment on the goodwill as at December 31, 2023. The goodwill (net book amount) is allocated in CGUs as follows:

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Aditek	55,507	–
Others	3,048	2,964
	58,555	2,964

The recoverable amount of the CGUs is determined based on value-in-use calculations. The calculation of goodwill on the CGUs uses cash flow projections based on financial estimates made by the Directors, with reference to the prevailing market conditions. Forecast period is determined based on the business model and the current stage of individual CGUs. The cash flows are extrapolated with reference to the production capacity of the cash generating units acquired.

For the Aditek CGU, it is under developing stage and is investing capital expenditure to expand its production capacity. It takes time for the Aditek CGU to gain larger market share and reach a stable stage through additional investment. Hence, the forecast period is expected to be 6 years after the reporting period for the Aditek CGU.

Based on management's assessment results, there was no impairment of goodwill as at December 31, 2023 and any reasonable change to the key assumptions would not lead to an impairment.

The following table sets out the key assumptions of the calculation on the Aditek CGU:

Forecast period	6 years
Revenue growth rate	9.2%-56.3%
Gross profit margins	45.9%-54.5%
Terminal growth rate	3.4%
Pre-tax discount rate	22.9%

15 Financial instruments by category

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Financial assets		
Financial assets at amortized cost		
Cash and cash equivalents	2,689,541	3,649,376
Trade and other receivables excluding non-financial assets	173,862	87,014
	2,863,403	3,736,390
Financial assets at FVPL	1,001,759	121,227
	3,865,162	3,857,617
Financial liabilities		
Financial liabilities at amortized cost		
Other non-current financial liabilities	295,436	–
Trade and other payables excluding non-financial liabilities	171,517	187,531
Lease liabilities	47,927	28,204
Bank borrowings	17,350	–
	532,230	215,735

16 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 36(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 (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	–
Prepayments for		
– Property, plant and equipment	7,212	15,150
– Taxes	415	–
	7,627	15,150
	41,433	15,150

16 Trade and other receivables and prepayments (Continued)

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

The following is an aging 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

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

Trade receivables are denominated in the following currencies.

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
RMB	83,937	87,883
BRL	19,887	–
EUR	20,196	–
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

16 Trade and other receivables and prepayments (Continued)

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 (Note 26).

(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 RMB'000	As at December 31, 2022 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 32(a)). The loan was denominated in BRL10,102,000 (equivalent to approximately RMB13,282,000, upon conversion).

17 Cash and cash equivalents

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Cash at banks	**2,689,528**	3,649,321
Cash on hand	**13**	55
Cash and cash equivalents	**2,689,541**	3,649,376

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

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

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
RMB	**479,877**	1,125,041
USD	**2,069,520**	2,504,221
Others	**140,144**	20,114
	2,689,541	3,649,376

18 Inventories

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
At cost:		
Raw materials	**75,611**	112,976
Work in progress	**7,958**	–
Finished goods	**12,899**	180
	96,468	113,156
Less: Provision for impairment loss	**(1,177)**	–
	95,291	113,156

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

19 Financial assets at FVPL

	As at December 31, 2023 RMB'000	As at December 31, 2022 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 32(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	–
– Included in non-current assets	8,597	–
Investment in unlisted equity investments		
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 CareCapital Aligner Tech L.P. (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.

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

20 Investments accounted for using the equity method

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Joint ventures (Note a)	**13,627**	8,531
Associate (Note b)	**5,648**	5,917
	19,275	14,448

(a) Investments in joint ventures

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Balance at the beginning of the year	**8,531**	8,229
Acquisition of a subsidiary (Note 32(a))	**3,922**	–
Share of results of the joint ventures	**730**	302
Currency translation differences	**444**	–
At the end of the year	**13,627**	8,531

(b) Investment in an associate

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Balance at the beginning of the year	**5,917**	6,402
Share of results of an associate	**(269)**	(485)
At the end of the year	**5,648**	5,917

20 Investments accounted for using the equity method (Continued)

(c) Set out below are the joint ventures and associate of the Group. The joint ventures and associate as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the Group's proportion of ownership interest is the same as the proportion of voting rights held by the Group. None of the following joint ventures and associate is material to the Group. There were no contingent liabilities relating to the Group's interest in the joint ventures and associate as at December 31, 2023.

Name	Place of incorporation	Percentage of ownership interest attributable to the Group As at December 31,		Nature of relationship	Principal activities
		2023	2022		
Wuxi Beifurui Education Consulting Company Limited ("Wuxi Beifurui")	Jiangsu Province, the PRC	50%	50%	Joint venture	Provision of education, consultancy and training services
Guangzhou Shengshi Oral Outpatient Department Company Limited	Guangdong Province, the PRC	40%	40%	Joint venture	Dental clinics
Astro Science do Brasil Pesquisa e Desenvolvimento S.A.	Brazil	50%	NA	Joint venture	Manufacture of thermoplastic and thermosetting resins
Guangzhou Yuelu Oral Cavity Company Limited	Guangdong Province, the PRC	30%	30%	Associate	Dental clinics

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

(a) Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares USD	Share capital RMB'000	Share premium RMB'000
At January 1, 2022	168,331,500	16,833	110	3,117,920
Issue of new shares	429,109	43	*	–
Dividends	–	–	–	(176,044)
At December 31, 2022	168,760,609	16,876	110	2,941,876
At January 1, 2023	**168,760,609**	**16,876**	**110**	**2,941,876**
New shares issued for options exercised (i)	**180,000**	**18**	*****	**3,150**
Shares issued for restricted share award scheme (ii)	**800,775**	**80**	*****	**–**
Dividends (iii)	**–**	**–**	**–**	**(105,966)**
Repurchase and cancellation of shares (iv)	**(643,600)**	**(65)**	*****	**(35,966)**
At December 31, 2023	**169,097,784**	**16,909**	**110**	**2,803,094**

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

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

(a) Share capital and premium (Continued)

(i) On January 10, 2023, 180,000 shares of the Company were issued for the exercise of a senior management's option with exercise price of USD1.2 per share. The consideration received amounting to USD216,000 (equivalent to approximately RMB1,553,000) and share-based compensation expenses recorded in other reserves during the vesting period were transferred to share capital and share premium (Note 23(a)(iii)).

(ii) On June 12, 2023, the Company issued and allotted 800,775 shares to Cultivate Happiness Limited (the "Trustee"), an entity held by a trustee entrusted by the Group for the purpose of the Post-IPO RSU Scheme (Note 23(b)(ii)).

(iii) On March 23, 2023, the Board recommended the payment of a special final dividend of HKD 0.68 per share (equivalent to approximately RMB105,966,000) for the year ended December 31, 2022 out of the share premium account of the Company, which was approved by the shareholders of the Company at the annual general meeting held on June 29, 2023 and paid on July 27, 2023.

(iv) In July 2023, the Company repurchased 252,400 shares and cancelled in August 2023. In August 2023, the Company repurchased 391,200 shares with consideration of RMB35,966,000 and cancelled these shares in November 2023.

(b) Shares held for employee share scheme

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Balance at the beginning of the year	**1,098**	4,393
Shares issued for restricted share award scheme (Note 23(b)(ii))	*****	*
Transfer of shares held for employee share scheme upon vesting (Note 23(a)(i))	**(1,098)**	(3,295)
Repurchase and cancellation of shares	*****	–
Balance at the end of the year	**–**	1,098

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

22 Other reserves

	Capital reserves RMB'000	Statutory reserves RMB'000 (Note (a))	Share-based payment reserves RMB'000 (Note 23)	Currency translation reserves RMB'000	Put option liabilities RMB'000	Others RMB'000	Total RMB'000
Balance at January 1, 2022	(191,345)	57,502	138,880	(32,910)	–	328	(27,545)
Currency translation differences	–	–	–	230,698	–	–	230,698
Transfer of shares held for employee share scheme upon vesting (Note 23(a)(i))	–	–	(3,295)	–	–	–	(3,295)
Share-based payments (Note 23)	–	–	19,261	–	–	–	19,261
Appropriation to statutory reserves (Note (a))	–	18,701	–	–	–	–	18,701
Balance at December 31, 2022	(191,345)	76,203	154,846	197,788	–	328	237,820
Balance at January 1, 2023	(191,345)	76,203	154,846	197,788	–	328	237,820
Currency translation differences	–	–	–	45,401	–	–	45,401
Recognition of put option liabilities arising from business combinations	–	–	–	–	(234,875)	–	(234,875)
Changes in put option liabilities in respect of non-controlling interests	–	–	–	–	(60,561)	–	(60,561)
New shares issued for options exercised	–	–	(1,597)	–	–	–	(1,597)
Transfer of shares held for employee share scheme upon vesting (Note 23(a)(i))	–	–	(1,098)	–	–	–	(1,098)
Share-based payments (Note 23)	–	–	70,470	–	–	–	70,470
Appropriation to statutory reserves (Note (a))	–	26,994	–	–	–	–	26,994
Balance at December 31, 2023	(191,345)	103,197	222,621	243,189	(295,436)	328	82,554

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

23 Share-based payments

(a) The Pre-IPO Share Award Schemes

(i) On December 21, 2020, the Company issued 29,893,400 shares (after the effect of share subdivision), with par value of USD0.0001 each, to several offshore holding companies established or used by certain directors, senior management and employees for the purpose of holding their respective corresponding equity interests in Wuxi EA for incentive purposes prior to the reorganization for the purpose of the IPO of the Company. As at December 31, 2023, 29,828,850 shares of the Company were vested, 64,550 shares of the Company were lapsed.

(ii) On December 31, 2020, the Company issued an aggregate of 460,000 new shares (after the effect of share subdivision), with par value of USD0.0001 each to certain directors, senior management and employees of the Company for incentive purposes. As at December 31, 2023, 459,359 shares of the Company were vested, 641 shares of the Company were lapsed.

(iii) On October 9, 2020, the Company granted 3,000 share options to a senior management, with exercise price of USD120 per share. Such options shall be vested in the following schedule: (i) 20% when IPO completed and (ii) each 20% on the last day of each year commencing from October 1, 2020. Effective from May 20, 2021, these share options were subdivided into 300,000 shares with exercise price of USD1.2 per share. As at December 31, 2023, 180,000 shares of the Company were vested and exercised, 60,000 shares were vested but not exercised and the remaining 60,000 shares will be vested on September 30, 2024.

(b) The Post-IPO RSU Schemes

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

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

The restricted shares granted to the eligible participants will be vested based on the following rates for the relevant financial year: (i) For 68,833 granted shares, 50%, 25% and 25% of the shares will be vested on the second, third and fourth anniversary of the employment date of each Grantee. (ii) For 360,276 shares (including the shares granted to Ms. Li Huamin), 30%, 30%, 20% and 20% will be vested on the date of September 30, 2022, 2023, 2024 and 2025, respectively. As at December 31, 2023, 178,049 shares of the Company were vested.

23 Share-based payments (Continued)

(b) The Post-IPO RSU Schemes (Continued)

(ii) Pursuant to the Post-IPO RSU Scheme, 800,775 further shares were granted to 175 eligible participants on June 12, 2023. The restricted shares will be vested based on the following rates for the relevant financial year: (i) For 233,161 granted shares, 50%, 25% and 25% of the shares will be vested on the second, third and fourth anniversary of the employment date of each Grantee. (ii) For 41,992 granted shares, 30%, 30%, 20% and 20% of the shares will be vested on the first, second, third and fourth anniversary of the employment date of each Grantee. (iii) For 28,764 granted shares, 30%, 30%, 20% and 20% of the shares will be vested on the second, third, fourth and fifth anniversary of the employment date of each Grantee. (iv) For 496,858 shares, 30%, 30%, 20% and 20% will be vested on the date of September 30, 2023, 2024, 2025 and 2026, respectively. As at December 31, 2023, 164,715 shares of the Company were vested.

(iii) Pursuant to the Post-IPO RSU Scheme, 55,560 further shares were granted to 14 eligible participants on July 19, 2023. The restricted shares will be vested based on the following rates for the relevant financial year: (i) For 760 granted shares, 25%, 25%, 20%, 10%, 10%, 5% and 5% of the shares will be vested on the date of April 3, 2024, 2025, 2026, 2027, 2028 and 2029, respectively; (ii) For 54,800 shares, 30%, 30%, 20% and 20% will be vested on the date of September 30, 2023, 2024, 2025 and 2026, respectively. As at December 31, 2023, 16,592 shares of the Company were vested.

(iv) Pursuant to the Post-IPO RSU Scheme, 17,979 further shares were granted to 3 eligible participants on September 13, 2023. The restricted shares will be vested based on the following rates for the relevant financial year: (i) For 17,979 granted shares, 50%, 25% and 25% of the shares will be vested on the second, third and fourth anniversary of the employment date of each Grantee. As at December 31, 2023, no shares of the Company were vested.

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

The Group has to estimate the expected percentage of eligible participants that will stay within the Group (the "Expected Retention Rate") of the restricted share award scheme in order to determine the amount of share-based payment expenses charged to the consolidated statements of comprehensive income. As at December 31, 2023, the Expected Retention Rate was assessed to be 92%.

(c) The Post-IPO Share Option Schemes

To incentivize employees and promote long-term growth, the Board of Directors announced to adopt the Post-IPO Share Option Scheme on April 28, 2023. 3,378,646 share options to subscribe for a total of 3,378,646 ordinary shares of USD0.0001 each in the share capital of the Company were granted to two directors and five employees of the Group with exercise price of HKD100.06 per share. Such options shall be vested in the following schedule: (i) for 1,688,646 share options granted for one director, 25%, 25%, 20%, 10%, 10%, 5% and 5% of the shares will be vested on each date of April 3 from 2024 to 2030, and (ii) for 1,690,000 share options granted for another director and five employees, 25%, 25%, 25% and 25% of the shares will be vested on each date of April 30 from 2024 to 2027. The exercise period shall be three years from the date of vesting of relevant options.

23 Share-based payments (Continued)

(c) The Post-IPO Share Option Schemes (Continued)

The above transaction was considered as equity-settled share-based payment to employees and others in exchange for their services. The Group uses the binomial option pricing model in determining the estimated fair value of the share options granted. The fair value of the share options, was RMB119,483,848. The significant inputs into the binomial valuation model were listed as below:

	As at Grant Date
Closing price of ordinary share	HKD97.95
Exercise price	HKD100.06
Expected exercise multiple	0.06 – 0.08
Expected volatility	42.92% – 44.27%
Risk-free interest rates	3.06% – 3.17%
Expected dividend yield	0.59%
Contractual lives	3.9 – 7.0 years

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

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Expenses arising from equity-settled share-based payment transactions	**70,470**	19,261

24 Retained earnings

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
At the beginning of the year	**428,058**	232,978
Profit for the year	**53,475**	213,781
Appropriation to statutory reserves	**(26,994)**	(18,701)
At the end of the year	**454,539**	428,058

25 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 aging 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).

26 Bank borrowings

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Included in current liabilities:		
Bank borrowing, secured	11,077	–
Included in non-current liabilities:		
Bank borrowing, secured	6,273	–
	17,350	–

Assets pledged as security

The bank loans are secured by the Group's trade receivables and property, plants and equipment in Brazil. The carrying amounts of assets pledged as security for current and non-current borrowings were as follows:

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Current		
- Trade receivables	4,673	-
Non-current		
- Property, plant and equipment	46,188	–
Total assets pledged as security	50,861	–

At December 31, 2023, the Group's borrowings were repayable as follows:

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Within 1 year	11,077	
Between 1 and 2 years	4,464	–
Between 2 and 5 years	1,809	–
	17,350	–

As at December 31, 2023, the Group's bank borrowings bear interests at fixed interest rates ranging from 6% to 9% per annum.

27 Other non-current financial liabilities

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Measured at amortized cost:		
– Redemption liability (Note (a))	295,436	–
– Taxes payable	5,427	–
	300,863	–
Included in:		
– Non-current liabilities	300,863	–

(a) It mainly comprised redemption liability arising from put option arrangements with non-controlling shareholders of Aditek of approximately RMB295,436,000 (2022: nil) (Note 32(a)(v)).

28 Contract liabilities

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

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Included in current liabilities		
Clear aligner treatment solutions	368,955	358,814
Sales of products	80,803	–
Other services	835	842
	450,593	359,656
Included in non-current liabilities		
Clear aligner treatment solutions	71,443	55,719

(a) Significant changes in contract liabilities

Contract liabilities of the Group mainly arose from the advance payments made by customers while the underlying goods or services are yet to be provided. During the year, the contract liabilities increased due to increase in number of new contracts entered with customers compared with the year 2022, which resulted in decrease in advanced payments received.

28 Contract liabilities (Continued)

(b) Revenue recognized in relation to contract liabilities

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

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year		
– Clear aligner treatment solutions	**358,814**	369,443
– Other services	**842**	1,319
	359,656	370,762

29 Lease liabilities

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Minimum lease payments due		
– Within 1 year	**19,629**	14,656
– Between 1 and 2 years	**18,631**	10,575
– Between 2 and 5 years	**9,968**	4,875
– Over 5 years	**4,543**	–
	52,771	30,106
Less: future finance charges	**(4,844)**	(1,902)
Present value of lease liabilities	**47,927**	28,204
Within 1 year	**17,584**	13,346
Between 1 and 2 years	**17,525**	10,042
Between 2 and 5 years	**8,620**	4,816
Over 5 years	**4,198**	–
	47,927	28,204

29 Lease liabilities (Continued)

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Interest expense (included in finance costs – net)	**2,661**	1,625
Variable terms lease expenditure for equipment	**8,247**	9,608
Short-term lease expenditure for office premises, dormitories and equipment	**1,900**	691
	10,147	10,299
Cash outflow for lease payments	**18,457**	17,517
Cash outflow for short-term lease and variable terms lease	**5,588**	8,588
	24,045	26,105

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

Some devices leases contain variable payment terms that are linked to the production of aligners. Variable lease payments that depend on production of aligner are recognized in profit or loss in the period in which the condition that triggers those payments occurs. For the year ended December 31, 2023, a 5% increase in production of clear aligners in the Group with such variable lease contracts would lead to the increase of total lease payments by approximately RMB466,000 (2022: RMB480,000).

30 Deferred income

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Government grants		
– To be realized within 12 months	**3,256**	2,257
– To be realized after more than 12 months	**30,497**	31,212
	33,753	33,469

The Group's deferred income mainly represents government grants received from governmental authorities in relation to the construction of Chuangmei Center in Wuxi City and certain plant and equipment which is credited to profit or loss over the estimated useful lives of the related assets to match the depreciation expense of assets. Other government grants in relation to income, which are to compensate the related expenses or losses to be incurred in the subsequent periods, are recognized in the profit or loss over the periods in which the related costs are incurred.

31 Deferred income tax

(a) Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
The balance comprises temporary differences attributable to:		
Unused tax losses	**24,635**	5,259
Impairment on financial assets	**4,778**	5,471
Deferred income	**4,838**	7,450
Lease liabilities	**8,011**	4,375
Others	**3,435**	720
Total deferred tax assets	**45,697**	23,275
Offsetting against deferred tax liabilities (i)	**(7,953)**	(4,176)
Net deferred tax assets	**37,744**	19,099

The movement in deferred tax assets is as follows:

	Unused tax losses RMB'000	Impairment on financial assets RMB'000	Lease liabilities RMB'000	Deferred income RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2022	1,622	3,777	4,883	7,498	945	18,725
Credited/(charged) to the consolidated statements of comprehensive income	3,637	1,694	(508)	(48)	(225)	4,550
As at December 31, 2022	5,259	5,471	4,375	7,450	720	23,275
As at January 1, 2023	**5,259**	**5,471**	**4,375**	**7,450**	**720**	**23,275**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**643**	**643**
Credited/(charged) to the consolidated statements of comprehensive income	**19,054**	**(693)**	**3,543**	**(2,612)**	**1,887**	**21,179**
Currency translation differences	**322**	**–**	**93**	**–**	**185**	**600**
As at December 31, 2023	**24,635**	**4,778**	**8,011**	**4,838**	**3,435**	**45,697**

(i) Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority.

31 Deferred income tax (Continued)

(a) Deferred tax assets (Continued)

Deferred tax assets are recognized for tax losses carry-forward to the extent that the realization of the related tax benefits through the future taxable profits is probable. For the year ended December 31, 2023, the Group did not recognize deferred tax assets in respect of losses amounting to RMB143,587,000 (2022: RMB2,589,000) due to the unpredictability of future profit streams.

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

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Indefinite	**156,228**	12,641

(b) Deferred tax liabilities

The analysis of deferred tax liabilities is as follows:

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
The balance comprises temporary differences attributable to:		
Intangible assets	**25,302**	733
Right of use assets	**8,006**	4,176
Property, plant and equipment	**1,206**	–
Fair value changes on financial assets at FVPL	**709**	–
Total deferred tax liabilities	**35,223**	4,909
Offsetting against deferred tax assets (i)	**(7,953)**	(4,176)
Net deferred tax liabilities	**27,270**	733

(i) Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority.

31 Deferred income tax (Continued)

(b) Deferred tax liabilities (Continued)

The movement in deferred tax liabilities is as follows:

	Intangible assets RMB'000	Right-of use assets RMB'000	Inventories RMB'000	Property, plant and equipment RMB'000	Fair value changes on financial assets at FVPL RMB'000	Total RMB'000
As at January 1, 2022	–	4,683	–	–	–	4,683
Acquisition of a subsidiary	733	–	–	–	–	733
Charged to the consolidated statements of comprehensive income	–	(507)	–	–	–	(507)
As at December 31, 2022	733	4,176	–	–	–	4,909
As at January 1, 2023	**733**	**4,176**	**–**	**–**	**–**	**4,909**
Acquisition of a subsidiary	**25,342**	**–**	**920**	**1,212**	**–**	**27,474**
(Charged)/credited to the consolidated statements of comprehensive income	**(3,515)**	**3,737**	**(973)**	**(138)**	**673**	**(216)**
Currency translation differences	**2,742**	**93**	**53**	**132**	**36**	**3,056**
As at December 31, 2023	**25,302**	**8,006**	**–**	**1,206**	**709**	**35,223**

32 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 16(b)(i))	13,282
	125,587

32 Business combination (Continued)

(a) Current period (Continued)

(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 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)

32 Business combination (Continued)

(a) Current period (Continued)

(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 (Note 27).

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).

33 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 May 23, 2024 (2022: a special final dividend of HKD0.68 per share).

34 Cash flow information

(a) Reconciliation of profit before income tax to cash generated from operations:

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Profit before income tax	**61,151**	251,748
Adjustments for:		
Interest income (Note 9)	**(95,674)**	(42,289)
Interest on term deposit with initial terms over three months (Note 6)	**(18,421)**	–
Interest on employees for individual income tax related with share-based payment	**(601)**	–
Interest expense (Note 9)	**8,024**	1,676
Losses/(gains) on financial assets at fair value through profit or loss (Note 6)	**38,380**	(28,671)
Depreciation of property, plant and equipment (Note 12)	**51,880**	44,651
Depreciation of right-of-use assets (Note 13)	**18,853**	17,491
Amortization of intangible assets (Note 14)	**14,484**	3,083
Losses on disposal of property, plant and equipment (Note 6)	**973**	282
Net impairment losses on financial assets (Note 3.1(b))	**4,589**	9,029
Share-based compensation expenses (Note 23)	**70,470**	19,261
Share of results of investments accounted for using the equity method (Note 20)	**(461)**	183
Operating cash flows before changes in working capital	**153,647**	276,444
Changes in working capital (excluding the effects of business combination):		
Inventories	**37,365**	(84,910)
Trade and other receivables	**(83,928)**	(21,604)
Trade and other payables	**(376)**	48,359
Contract liabilities	**106,661**	(35,513)
Cash generated from operations	**213,369**	182,776

In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Net book amount (Note 12)	**4,979**	1,601
Losses on disposal of property, plant and equipment (Note 6)	**(973)**	(282)
Proceeds from disposal of property, plant and equipment	**4,006**	1,319

34 Cash flow information (Continued)

(b) Non-cash transaction

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Acquisition of new lease contracts	37,390	13,809

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in the debt for each of the year presented.

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Lease liabilities	47,927	28,204
Bank borrowings	17,350	–
Net cash	65,277	28,204

	Liabilities from financing activities		
	Lease liabilities RMB'000	Bank borrowings RMB'000	Total RMB'000
Net debt as at January 1, 2022	30,287	–	30,287
Cash flows	(17,517)	(51)	(17,568)
Acquisition of new lease contracts	13,809	–	13,809
Interest accrued	1,625	51	1,676
Net debt as at December 31, 2022	28,204	–	28,204
Net debt as at January 1, 2023	28,204	–	28,204
Cash flows	(19,014)	(27,668)	(46,682)
Acquisition of a subsidiary	–	36,636	36,636
Acquisition of new lease contracts	37,390	–	37,390
Early termination of lease contracts	(1,325)	–	(1,325)
Interest accrued	2,661	5,363	8,024
Currency translation differences	11	3,019	3,030
Net debt as at December 31, 2023	47,927	17,350	65,277

35 Commitments

(a) Commitments relating to short-term leases

The Group has recognized right-of-use assets and lease liabilities for these leases, except for short-term leases, see Note 13 and Note 29 for further information.

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

	As at December 31, 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 19(b))	**–**	87,510
Property, plant and equipment	**2,539**	17,626
Acquisition of a subsidiary	**–**	118,062
	2,539	223,198

36 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 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

36 Related party transactions (Continued)

(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.

36 Related party transactions (Continued)

(c) Key management compensation

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

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Fees	**2,092**	2,310
Salaries and wages	**11,783**	9,406
Bonuses	**3,976**	5,273
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

36 Related party transactions (Continued)

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

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

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

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

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

37 Contingent liabilities

The Group did not have any material contingent liabilities as at December 31, 2023.

38 Subsidiaries

The following is a list of principal subsidiaries at December 31, 2023 and 2022, all of these are limited liability companies:

Name of subsidiaries	Place and date of incorporation/ Acquisition	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Attributable equity interest to the Group As at December 31, 2023	Attributable equity interest to the Group As at December 31, 2022
Wuxi EA	PRC, February 10, 2010	Product design, manufacturing, research and development of clear aligner treatment solutions, PRC	USD56,000,000	100%	100%
Shanghai EA	PRC, September 5, 2011	Product design, sales and marketing, research and development of clear aligner treatment solutions, PRC	RMB30,000,000	100%	100%
Wuxi EA Bio-Tech Co., Ltd.* (無錫時代天使生物科技有限公司)	PRC, July 11, 2018	Manufacturing, research and development of clear aligner treatment solutions, PRC	RMB400,000,000	100%	100%
Angelalign Technology Pte. Ltd. ("Angelalign SG")	Singapore, January 19,2022	Sales and marketing of clear aligner treatment solutions, Singapore	USD1,000,000	100%	100%
Angelalign France Technology	France, December 5, 2022	Sales and marketing of clear aligner treatment solutions, France	EUR2,000,000	100%	100%
USA Angelalign Technology Corp	United States ("USA"), April 30, 2022	Sales and marketing of clear aligner treatment solutions, USA	USD10,000,000	100%	100%
Angelalign Technology (Germany) GmbH	Germany, February 14,2023	Sales and marketing of clear aligner treatment solutions, Germany	EUR1,000,000	100%	100%
Angel Technology Spain S.L.	Spain, December 22,2022	Sales and marketing of clear aligner treatment solutions, Spain	EUR1,000,000	100%	100%

* The English names of the subsidiaries represent management's best efforts in translating their Chinese names as they do not have official English names.

39 Balance sheet and reserve movement of the Company

	Note	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		742,979	693,057
Property, plant and equipment		21	36
Right-of-use assets		472	147
Financial assets at fair value through profit or loss		212,268	121,227
		955,740	814,467
Current assets			
Cash and cash equivalents		1,805,679	2,194,618
Trade and other receivables and prepayments		388,208	180,929
		2,193,887	2,375,547
Total assets		3,149,627	3,190,014
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	110	110
Share premium	21	2,803,094	2,941,876
Other reserves	(a)	342,015	239,996
Accumulated losses	(b)	(67,828)	(49,219)
Total equity		3,077,391	3,132,763
Liabilities			
Current liabilities			
Other payables		71,757	57,095
Lease liabilities		306	156
		72,063	57,251
Non-current liabilities			
Lease liabilities		173	–
		173	–
Total liabilities		72,236	57,251
Total equity and liabilities		3,149,627	3,190,014

The balance sheet of the Company was approved by the Board of Directors on March 19, 2024 and were signed on its behalf.

Mr. Hu Jiezhang

Director

Mr. Dong Li

Director

39 Balance sheet and reserve movement of the Company (Continued)

(a) Other reserves

	Share-based payment reserves RMB'000	Currency translation reserves RMB'000	Total RMB'000
Balance at January 1, 2022	12,751	(29,689)	(16,938)
Currency translation differences	–	237,673	237,673
Equity-settled share-based payment transactions	19,261	–	19,261
Balance at December 31, 2022	32,012	207,984	239,996
Balance at January 1, 2023	**32,012**	**207,984**	**239,996**
Currency translation differences	**–**	**33,146**	**33,146**
Equity-settled share-based payment transactions	**70,470**	**–**	**70,470**
New shares issued for options exercised	**(1,597)**	**–**	**(1,597)**
Balance at December 31, 2023	**100,885**	**241,130**	**342,015**

(b) Accumulated losses of the Company

	Accumulated losses RMB'000
Balance at January 1, 2022	(79,543)
Profit for the year	30,324
Balance at December 31, 2022	(49,219)
Balance at January 1, 2023	**(49,219)**
Loss for the year	**(18,609)**
Balance at December 31, 2023	**(67,828)**

40 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and chief executive is set out below:

For the year ended December 31, 2023:

Name	Fees RMB'000	Salaries and wages RMB'000	Bonuses RMB'000	Share-based compensation expenses RMB'000	Pension costs – defined contribution plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
Year ended December 31, 2023							
Executive directors							
Ms. DONG Li (i) (After April 3, 2023)	–	1,380	540	19,892	12	–	21,824
Mr. HU Jiezhang (iii) (After July 31, 2023)	–	889	351	–	30	26	1,296
Mr. HUANG Kun (iv) (After September 1, 2023)	–	226	85	–	5	–	316
Ms. LI Huamin (iii) (Before July 30, 2023)	–	1,369	–	–	39	43	1,451
Mr. SONG Xin	–	1,680	656	6,923	73	75	9,407
Non-executive directors							
Mr. FENG Dai	–	–	–	–	–	–	–
Mr. HUANG Kun (iv) (Before August 31, 2023)	–	–	–	–	–	–	–
Mr. HU Jiezhang (iii) (Before July 30, 2023)	–	–	–	–	–	–	–
Independent non-executive							
Ms. DONG Li (i) (Before April 2, 2023)	292	–	–	–	–	–	292
Mr. HAN Xiaojing	720	–	–	–	–	–	720
Mr. SHI Zi	540	–	–	–	–	–	540
Mr. ZHOU Hao (ii) (After April 11, 2023)	540	–	–	–	–	–	540
	2,092	5,544	1,632	26,815	159	144	36,386

40 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

For the year ended December 31, 2022:

Name	Fees RMB'000	Salaries and wages RMB'000	Bonuses RMB'000	Share-based compensation expenses RMB'000	Pension costs – defined contribution plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
Year ended December 31, 2022							
Executive directors							
Ms. LI Huamin	–	2,347	1,154	1,351	63	76	4,991
Mr. SONG Xin	–	1,680	820	–	63	71	2,634
Non-executive directors							
Mr. FENG Dai	–	–	–	–	–	–	–
Mr. HUANG Kun	–	–	–	–	–	–	–
Mr. HU Jiezhang	–	–	–	–	–	–	–
Independent non-executive directors							
Ms. DONG Li	1,112	–	–	–	–	–	1,112
Mr. HAN Xiaojing	685	–	–	–	–	–	685
Mr. SHI Zi	513	–	–	–	–	–	513
	2,310	4,027	1,974	1,351	126	147	9,935

(i) On March 23, 2023, the board of directors of the Company, announced that Ms. DONG Li, an independent non-executive Director, had been re-designated to be an executive Director and appointed as the chief financial officer of the Company with effect from April 3, 2023.

(ii) On April 11, 2023, the board of directors of the Company, announced that Mr. ZHOU Hao had been appointed as an independent non-executive Director, the chairman of the Audit Committee, and a member of each of the Nomination Committee and the Remuneration Committee with effect from April 11, 2023.

(iii) On June 30, 2023, the board of directors of the Company, announced that Ms. LI Huamin had resigned as an executive Director, a member of the Remuneration Committee and the chief executive officer of the Company with effect from July 31, 2023. In addition, Mr. HU Jiezhang, a non-executive Director of the Company, had been re-designated and appointed as an executive Director, a member of the Remuneration Committee, the chief executive officer and the chief technology officer of the Company with effect from July 31, 2023.

(iv) On August 24, 2023, the board of directors of the Company, announced that, Mr. HUANG Kun, a non-executive Director of the Company, had been re-designated and appointed as an executive Director and the president of global business of the Company with effect from September 1, 2023.

During the year ended December 31, 2023, no emoluments were paid by the Group to directors as an inducement to join or upon joining the Group or as compensation for loss of office.

40 Benefits and interests of directors (Continued)

(b) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 36, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

41 Subsequent events

In February 2024, the Company repurchased 19,400 ordinary shares with an aggregate consideration of HKD1,012,000 (equivalent to approximately RMB919,000). These repurchased ordinary shares have not been cancelled by the Company up to the date of approval for issuance of the consolidated financial statements.

On March 19, 2024, Angelalign SG, the Partnership and CareCapital Orthodontics Development ("CCOD") entered into a share purchase agreement, pursuant to which, Angelalign SG agreed to purchase, and the Partnership, as the sole shareholder of CCOD, agreed to transfer, 100% of the equity interests of CCOD at nil consideration, after which, CCOD will be a wholly-owned subsidiary of Angelalign SG. On the same date, CC Founder, as the general partner of the Partnership, resolved to voluntarily wind up and dissolve the Partnership pursuant to the terms of the limited partnership agreement. Immediately before the dissolution, it is expected that the whole asset of the Partnership will be CCOD, and there will be no loan or payable owed by the Partnership to any third party. Based on the mutual agreements between the partners of the Partnership, CCOD will be distributed to the Company via the acquisition of CCOD, and CC Founder will not receive any asset nor payment as a result of the dissolution. The termination of the Partnership, is expected to be completed in due course after the completion of the acquisition of CCOD.

ANGELALIGN TECHNOLOGY INC.
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