ANGELALIGN TECHNOLOGY INC.
時代天使科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6699)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board (the "**Board**") of directors (the "**Directors**") of Angelalign Technology Inc. (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited consolidated interim results of the Group for the six months ended June 30, 2022 (the "**Review Period**"), together with the comparative figures for the six months ended June 30, 2021, which have been reviewed by the Company's audit committee (the "**Audit Committee**").

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

RESULTS HIGHLIGHTS

- Our revenue for the six months ended June 30, 2022 was approximately RMB570.9 million, as compared to approximately RMB571.0 million for the six months ended June 30, 2021.
- Our gross profit for the six months ended June 30, 2022 was approximately RMB331.4 million, as compared to approximately RMB377.6 million for the six months ended June 30, 2021.
- Our net profit for the six months ended June 30, 2022 was approximately RMB73.3 million, as compared to approximately RMB95.7 million for the six months ended June 30, 2021.
- Our adjusted EBITDA for the six months ended June 30, 2022 was approximately RMB111.9 million, as compared to approximately RMB195.4 million for the six months ended June 30, 2021.[1]

- Our adjusted net profit for the six months ended June 30, 2022 was approximately RMB82.0 million, as compared to approximately RMB156.9 million for the six months ended June 30, 2021.[1]

- Our case shipments were approximately 77,200 in the six months ended June 30, 2022, as compared to 79,500 in the six months ended June 30, 2021.

- The Board did not declare any interim dividend for the six months ended June 30, 2022.

Note

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	*6*	**570,936**	571,049
Cost of revenue	*8*	**(239,541)**	(193,417)
Gross profit		**331,395**	377,632
Selling and marketing expenses	*8*	**(127,795)**	(96,586)
Administrative expenses	*8*	**(83,817)**	(111,076)
Research and development expenses	*8*	**(75,441)**	(59,610)
Net impairment (losses)/reversal on financial assets		**(1,625)**	3,957
Other income	*7*	**5,649**	4,204
Other expenses	*7*	**(284)**	–
Other gains/(losses) - net	*7*	**24,605**	(1,014)
Operating profit		**72,687**	117,507
Finance income	*9*	**10,787**	4,844
Finance costs	*9*	**(872)**	(536)
Finance income – net	*9*	**9,915**	4,308
Share of results of investments accounted for using the equity method		**(71)**	(842)
Profit before income tax		**82,531**	120,973
Income tax expense	*10*	**(9,260)**	(25,311)
Profit for the period		**73,271**	95,662
Profit attributable to			
– Owners of the Company		**74,307**	96,157
– Non-controlling interests		**(1,036)**	(495)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Exchange differences on translation of the Company		**121,315**	18,598
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of subsidiaries		**2,226**	(972)
		123,541	17,626
Total comprehensive income for the period		**196,812**	113,288
Total comprehensive income for the period attributable to:			
– Owners of the Company		**197,676**	113,816
– Non-controlling interests		**(864)**	(528)
		196,812	113,288
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	*11*	**0.44**	0.74
– Diluted	*11*	**0.44**	0.64

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at June 30, 2022** **RMB'000** **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**330,158**	248,310
Right-of-use assets	*13*	**77,521**	85,649
Intangible assets		**11,978**	8,304
Investments accounted for using the equity method		**14,560**	14,631
Prepayments for non-current assets	*15*	**19,311**	36,667
Deferred income tax assets		**24,503**	14,042
Financial asset at fair value through profit or loss	*17*	**69,931**	–
		547,962	407,603
Current assets			
Inventories		**57,397**	28,246
Trade and other receivables	*15*	**103,437**	78,012
Cash and cash equivalents	*16*	**3,519,974**	3,626,983
		3,680,808	3,733,241
Total assets		**4,228,770**	4,140,844
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*18*	**110**	110
Share premium	*18*	**2,941,876**	3,117,920
Shares held for employee share scheme	*18*	**(4,393)**	(4,393)
Other reserves		**104,592**	(27,545)
Retained earnings		**307,285**	232,978
		3,349,470	3,319,070
Non-controlling interests		**(5,202)**	(4,338)
Total equity		**3,344,268**	3,314,732

	Note	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Contract liabilities		**98,082**	80,126
Lease liabilities		**10,940**	15,543
Deferred income		**33,864**	31,974
		142,886	127,643
Current liabilities			
Trade and other payables	*20*	**388,683**	299,191
Contract liabilities		**310,696**	370,762
Current income tax liabilities		**27,809**	12,309
Lease liabilities		**12,634**	14,744
Deferred income		**1,794**	1,463
		741,616	698,469
Total liabilities		**884,502**	826,112
Total equity and liabilities		**4,228,770**	4,140,844

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		**52,301**	203,195
Income tax paid		**(20,805)**	(29,178)
Net cash generated from operating activities		**31,496**	174,017
Cash flows from investing activities			
Purchases of property, plant and equipment		**(30,684)**	(80,918)
Purchases of intangible assets		**(5,274)**	(1,145)
Proceeds from disposal of property, plant and equipment		**429**	175
Investments in joint ventures		**–**	(2,922)
Purchases of financial assets at fair value through profit or loss	*5.3*	**(1,218,809)**	–
Proceeds from disposals of financial assets at fair value through profit or loss	*5.3*	**1,156,351**	–
Settlement of consideration in relation with acquisition of a subsidiary		**–**	(3,239)
Loans repaid by related parties		**–**	4,523
Interest received		**10,787**	4,844
Net cash used in investing activities		**(87,200)**	(78,682)
Cash flows from financing activities			
Issue of ordinary shares	*18*	**–**	2,403,286
Payments for share issuance costs		**–**	(115,430)
Dividend paid	*18*	**(176,044)**	(99,618)
Loans provided by related parties		**–**	17
Repayment of loans to related parties		**–**	(156)
Proceeds from a bank borrowing		**2,851**	–
Borrowing interest paid		**(51)**	–
Repayments of a bank borrowing		**(2,851)**	–
Consideration from disposals of interests in subsidiaries without change of control		**–**	969
Principal elements of lease payments		**(7,280)**	(5,269)
Interest paid of lease liabilities		**(821)**	(536)
Net cash (used in)/generated from financing activities		**(184,196)**	2,183,263
Net (decrease)/increase in cash and cash equivalents		**(239,900)**	2,278,598
Cash and cash equivalents at beginning of the period		**3,626,983**	877,578
Exchange gains on cash and cash equivalents		**132,891**	8,794
Cash and cash equivalents at the end of the period		**3,519,974**	3,164,970

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Angelalign Technology Inc. was incorporated in the Cayman Islands on November 29, 2018 as an exempted company with limited liability under the Companies Law, 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, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

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

The Interim Financial Information for the six months ended June 30, 2022 (the "**Interim Financial Information**") is presented in Renminbi ("**RMB**"), unless otherwise stated, and was approved for issue by the Board of Directors of the Company on August 25, 2022.

The outbreak of the coronavirus disease 2019 ("**COVID-19**") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the Group including revenue. Due to the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 outbreak and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the Interim Financial Information are authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting". The Interim Financial Information does not include all the notes of the type normally included in an annual financial report and thus should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2021 (the "**2021 Financial Statements**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"), and any public announcements made by the Company during the six months ended June 30, 2022.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2021 Financial Statements, except for the adoption of new and amendments to the IFRS effective for the financial year beginning January 1, 2022.

(a) New and amended standard adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

(b) New standards, amendments and interpretations to existing standards have been issued but not yet effective and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
IFRS 17	Insurance contract	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

Based on management's preliminary assessment, none of the above new standards, amendments and interpretations is expected to have a significant impact on the Group's consolidated financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2021 Financial Statements.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the 2021 Financial Statements, and should be read in conjunction with the 2021 Financial Statements.

There have been no significant changes in the risk factors and management policies since the year ended December 31, 2021.

(a) Liquidity risk

To manage the liquidity risk, management aims to maintain sufficient cash and cash equivalents 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 *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
As at June 30, 2022 (Unaudited)					
Lease liabilities	**13,648**	**7,701**	**3,732**	**–**	**25,081**
Trade and other payables excluding non-financial liabilities	**223,176**	**–**	**–**	**–**	**223,176**
Total	**236,824**	**7,701**	**3,732**	**–**	**248,257**
As at December 31, 2021 (Audited)					
Lease liabilities	16,153	9,524	6,900	–	32,577
Trade and other payables excluding non-financial liabilities	143,927	–	–	–	143,927
Total	160,080	9,524	6,900	–	176,504

5.2 Capital management

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

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

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

As at June 30, 2022 and December 31, 2021, the Group maintained at net cash position.

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at June 30, 2022 and December 31, 2021, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized 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).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at June 30, 2022, the Group had no level 1 and level 2 financial instruments. There were no transfers between levels 1, 2 and 3 during the period ended June 30, 2022.

(a) Financial instruments in level 3

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

	Wealth management products *RMB'000*	Investment in unlisted equity investment *RMB'000*	Total *RMB'000*
Six months ended June 30, 2022 (Unaudited)			
Balance at the beginning of the period	**–**	**–**	**–**
Additions	**1,150,000**	**68,809**	**1,218,809**
Realized and unrealized gains on financial assets at fair value through profit or loss ("**FVPL**")	**6,351**	**1,122**	**7,473**
Disposals	**(1,156,351)**	**–**	**(1,156,351)**
Balance at the end of the period	**–**	**69,931**	**69,931**
Year ended December 31, 2021 (Audited)			
Balance at the beginning of the year	–	–	–
Additions	300,000	–	300,000
Realized fair value gains recognized in profit or loss	1,816	–	1,816
Disposals	(301,816)	–	(301,816)
Balance at the end of the year	–	–	–

The unobservable inputs are expected return rate and discounted rate. The higher the expected return rate, the higher the fair value; the higher the discounted rate, the lower the fair value. For the period ended June 30, 2022, the expected annual return rate of the investments in wealth management products with range from 2.59% to 3.41%. To determine the fair values of unlisted equity investment, the Group uses the present value of the estimated future cash flows.

There were no changes in valuation techniques during the period.

6 REVENUE AND SEGMENT INFORMATION

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from external customers is recognized over time and is derived from the rendering of:		
– Clear aligner treatment solutions	**546,419**	532,694
– Other services	**7,335**	9,776
	553,754	542,470
Revenue from external customers is recognized at a point in time and is derived from:		
– Sales of intraoral scanners	**17,182**	28,579
Total revenue	**570,936**	571,049

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

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

7 OTHER INCOME, OTHER EXPENSES AND OTHER GAINS/(LOSSES) – NET

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government grants	**5,649**	4,204
Other expenses		
Donations	**(284)**	–
Other gains/(losses) - net		
Net foreign exchange gains/(losses)	**16,867**	(1,270)
Realized and unrealized gains on financial assets at FVPL	**7,473**	–
Losses on disposals of property, plant and equipment	**(38)**	(443)
Others	**303**	699
	24,605	(1,014)

8 EXPENSES BY NATURE

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

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Changes in inventories of finished goods and work in progress	**(1,440)**	57
Raw materials and consumables used and other inventories	**117,231**	113,429
Employee benefit expenses	**256,761**	187,222
Advertising and promotion expenses	**35,120**	48,771
Depreciation and amortization	**30,517**	17,514
Professional service and consulting fees	**17,810**	15,535
Delivery costs	**15,109**	13,162
Outsourcing costs	**14,035**	2,744
Travelling expenses	**5,871**	2,006
Taxes and surcharges	**5,086**	3,517
Short-term lease and variable lease expenses	**5,041**	4,938
Utility costs	**3,734**	1,710
Office expenses	**3,701**	2,607
Entertainment expenses	**2,584**	2,013
Auditor's remuneration		
– Interim review services	**1,100**	1,000
Listing expenses	**–**	35,429
Others	**14,334**	9,035
	526,594	460,689

9 FINANCE INCOME – NET

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance income:		
Interest income on bank deposits	**10,787**	4,844
Finance costs:		
Interest expense on lease liabilities	**(821)**	(536)
Interest expense on a bank borrowing	**(51)**	–
Finance income – net	**9,915**	4,308

10 INCOME TAX EXPENSE

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
– People's Republic of China ("**PRC**") corporate income tax ("**CIT**")	**19,212**	25,931
– Hong Kong profits tax	**509**	2,027
	19,721	27,958
Deferred income tax		
– PRC CIT	**(10,461)**	(2,647)
	9,260	25,311

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:

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before income tax	**82,531**	120,973
Tax calculated at respective statutory tax rates	**15,080**	38,177
Tax effects of:		
– Preferential income tax rates applicable to subsidiaries	**(76)**	(12,943)
– Expenses not deductible for taxation purposes	**1,100**	4,260
– Tax losses not recognized for deferred income tax	**6**	42
– Super deduction for research and development expenditure	**(6,857)**	(6,109)
– Share of results of investments accounted for using the equity method	**7**	84
– Withholding income tax on distributed profits	**–**	1,800
	9,260	25,311

(a) Cayman Islands income tax

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

(b) PRC CIT

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowance. The general PRC CIT rate is 25% during the six months ended June 30, 2022.

The Company's subsidiary, Wuxi EA Medical Instruments Technologies Limited (無錫時代天使醫療器械科技有限公司) ("**Wuxi EA**"), was approved as High and New Technology Enterprise ("**HNTE**") under the relevant tax rules and regulations of the PRC in 2014 and it has renewed the qualification of HNTE in 2017 and 2020, and accordingly, is subject to a reduced preferential CIT rate of 15% during the six months ended June 30, 2022.

The Company's subsidiary, Shanghai EA Medical Instruments Co., Ltd (上海時代天使醫療器械有限公司, "**Shanghai EA**"), was approved as HNTE under the relevant tax rules and regulations of the PRC in 2019, and accordingly, is subject to a reduced preferential CIT rate of 15% during the six months ended June 30, 2022. The management expects the certificate of HNTE will renew in October 2022.

(c) Hong Kong profit tax

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

(d) Withholding tax

According to the relevant regulations of the CIT laws of the PRC, when a foreign investment enterprise in the PRC distributes dividends out of the profits earned from January 1, 2008 onwards to its overseas investors, such dividends are subject to withholding tax at a rate of 10%.

As at June 30, 2022, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB372,396,000 (December 31, 2021: RMB319,548,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's best estimates of the Group's overseas funding requirements.

11 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the six months ended June 30, 2022.

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	**74,307**	96,157
Weighted average number of ordinary shares outstanding	**167,022,600**	129,274,103
Basic earnings per share (in RMB)	**0.44**	0.74

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

(b) Diluted earnings per share

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

The Group has two categories of potential ordinary shares in the six months ended June 30, 2022 which were the restricted shares and share options granted before IPO ("**the Pre-IPO Share Award Schemes**") (Note 19(a)) and the restricted shares granted after IPO ("**the Post-IPO RSU Scheme**") (Note 19(b)).

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

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	**74,307**	96,157
Weighted average number of ordinary shares in issue	**167,022,600**	129,274,103
Adjustments for share options and awarded shares	**1,604,954**	21,233,154
Weighted average number of ordinary shares for diluted earnings per share	**168,627,554**	150,507,257
Diluted earnings per share (in RMB)	**0.44**	0.64

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*	Construction in progress *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**
Six months ended June 30, 2022 (Unaudited)							
Opening net book amount	**5,647**	**94,463**	**817**	**6,489**	**18,468**	**122,426**	**248,310**
Additions	**–**	**28,002**	**–**	**4,343**	**342**	**69,850**	**102,537**
Transfers	**181,735**	**–**	**–**	**–**	**4,800**	**(186,535)**	**–**
Disposals	**–**	**(467)**	**–**	**–**	**–**	**–**	**(467)**
Depreciation	**(3,740)**	**(9,740)**	**(157)**	**(1,163)**	**(5,422)**	**–**	**(20,222)**
Closing net book amount	**183,642**	**112,258**	**660**	**9,669**	**18,188**	**5,741**	**330,158**
At June 30, 2022 (Unaudited)							
Cost	**188,373**	**155,796**	**1,790**	**13,833**	**52,225**	**5,741**	**417,758**
Accumulated depreciation	**(4,731)**	**(43,538)**	**(1,130)**	**(4,164)**	**(34,037)**	**–**	**(87,600)**
Closing net book amount	**183,642**	**112,258**	**660**	**9,669**	**18,188**	**5,741**	**330,158**

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Transportation equipment *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At January 1, 2021							
Cost	6,638	76,378	1,666	6,178	39,661	23,966	154,487
Accumulated depreciation	(686)	(25,190)	(1,031)	(2,032)	(19,353)	–	(48,292)
Accumulated impairment	–	(896)	–	–	–	–	(896)
Closing net book amount	5,952	50,292	635	4,146	20,308	23,966	105,299
Six months ended June 30, 2021 (Unaudited)							
Opening net book amount	5,952	50,292	635	4,146	20,308	23,966	105,299
Additions	–	24,795	–	1,027	300	46,642	72,764
Transfers	–	–	–	–	4,144	(4,144)	–
Disposals	–	(489)	(16)	(113)	–	–	(618)
Depreciation	(153)	(5,382)	(114)	(560)	(4,254)	–	(10,463)
Closing net book amount	5,799	69,216	505	4,500	20,498	66,464	166,982
At June 30, 2021 (Unaudited)							
Cost	6,638	97,444	1,336	6,910	44,087	66,464	222,879
Accumulated depreciation	(839)	(28,228)	(831)	(2,410)	(23,589)	–	(55,897)
Closing net book amount	5,799	69,216	505	4,500	20,498	66,464	166,982

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

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of revenue	**11,831**	6,163
Selling and marketing expenses	**566**	189
Administrative expenses	**6,670**	3,369
Research and development expenses	**1,155**	742
	20,222	10,463

13 RIGHT-OF-USE ASSETS

	Office premises	Land use rights	Total
	RMB'000	***RMB'000***	***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**
Six months ended June 30, 2022 (Unaudited)			
Opening net book amount	**29,606**	**56,043**	**85,649**
Additions	**567**	**–**	**567**
Depreciation	**(8,101)**	**(594)**	**(8,695)**
Closing net book amount	**22,072**	**55,449**	**77,521**
At June 30, 2022 (Unaudited)			
Cost	**48,245**	**59,413**	**107,658**
Accumulated depreciation	**(26,173)**	**(3,964)**	**(30,137)**
Net book amount	**22,072**	**55,449**	**77,521**

	Office premises *RMB'000*	Land use rights *RMB'000*	Total *RMB'000*
At January 1, 2021			
Cost	27,833	59,413	87,246
Accumulated depreciation	(14,305)	(2,182)	(16,487)
Net book amount	13,528	57,231	70,759
Six months ended June 30, 2021 (Unaudited)			
Opening net book amount	13,528	57,231	70,759
Additions	7,656	–	7,656
Depreciation	(5,531)	(594)	(6,125)
Closing net book amount	15,653	56,637	72,290
At June 30, 2021 (Unaudited)			
Cost	33,754	59,413	93,167
Accumulated depreciation	(18,101)	(2,776)	(20,877)
Net book amount	15,653	56,637	72,290

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

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of revenue	**3,103**	3,142
Selling and marketing expenses	**907**	292
Administrative expenses	**3,841**	2,292
Research and development expenses	**844**	399
	8,695	6,125

14 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2022 ***RMB'000*** **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
Financial assets		
Financial assets at amortized cost		
Cash and cash equivalents	**3,519,974**	3,626,983
Trade and other receivables excluding non – financial assets	**57,047**	41,732
	3,577,021	3,668,715
Financial assets at FVPL	**69,931**	–
	3,646,952	3,668,715

	As at June 30, 2022 *RMB'000* (Unaudited)	As at December 31, 2021 *RMB'000* (Audited)
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables excluding non-financial liabilities	**223,176**	143,927
Lease liabilities	**23,574**	30,287
	246,750	174,214

15 TRADE AND OTHER RECEIVABLES

	As at June 30, 2022 *RMB'000* (Unaudited)	As at December 31, 2021 *RMB'000* (Audited)
Included in current assets		
Trade receivables *(Note (a))*		
– Due from third parties	**65,374**	52,430
– Due from related parties	**1,740**	1,624
	67,114	54,054
Less: allowance for impairment of trade receivables	**(20,198)**	(18,580)
	46,916	35,474
Other receivables *(Note (b))*		
– Deposits receivables	**5,813**	5,853
– Deductible input value-added tax	**23,437**	14,979
– Interests receivable of a term deposit within three months	**3,490**	–
– Others	**929**	499
	33,669	21,331
Less: allowance for impairment of other receivables	**(101)**	(94)
	33,568	21,237
Prepayments for		
– Taxes	**2,697**	2,091
– Suppliers	**20,256**	19,210
	22,953	21,301
	103,437	78,012
Included in non-current assets		
Prepayments for property, plant and equipment	**19,311**	36,667

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

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

	As at June 30, 2022 *RMB'000* **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
Within 60 days	**22,853**	12,127
61 to 180 days	**9,681**	6,436
181 to 365 days	**6,979**	6,345
1 to 2 years	**7,014**	9,830
2 to 3 years	**6,921**	9,551
Over 3 years	**13,666**	9,765
	67,114	54,054

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

The loss allowance provision as at June 30, 2022 and December 31, 2021 is determined as follows, the expected credit losses below also incorporate forward looking information.

	Within 60 days	**61 to 180 days**	**181 to 365 days**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
At June 30, 2022 (Unaudited)							
Expected loss rate	**0.00%**	**1.50%**	**5.56%**	**18.99%**	**67.43%**	**100.00%**	
Gross carrying amount (RMB'000)	**22,853**	**9,681**	**6,979**	**7,014**	**6,921**	**13,666**	**67,114**
Loss allowance provision (RMB'000)	**–**	**(145)**	**(388)**	**(1,332)**	**(4,667)**	**(13,666)**	**(20,198)**
At December 31, 2021 (Audited)							
Expected loss rate	0.00%	1.51%	2.35%	15.54%	73.72%	100.00%	
Gross carrying amount (RMB'000)	12,127	6,436	6,345	9,830	9,551	9,765	54,054
Loss allowance provision (RMB'000)	–	(97)	(149)	(1,528)	(7,041)	(9,765)	(18,580)

The loss allowance provision for trade receivables as at June 30, 2022 and 2021 reconciles to the opening loss allowance for that provision as follows:

	Six months ended June 30,	
	2022 *RMB'000* **(Unaudited)**	2021 *RMB'000* (Unaudited)
At the beginning of the period	**18,580**	18,344
Provision/(reversal) for loss allowance recognized in profit or loss	**1,618**	(3,983)
At the end of the period	**20,198**	14,361

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

16 CASH AND CASH EQUIVALENTS

	As at June 30, 2022 *RMB'000* **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
Cash at banks	**3,519,913**	3,626,978
Cash on hand	**61**	5
Cash and cash equivalents	**3,519,974**	3,626,983

17 FINANCIAL ASSETS AT FVPL

	Wealth management products ***RMB'000***	**Investment in unlisted equity investment** ***RMB'000***	**Total** ***RMB'000***
Six months ended June 30, 2022 (Unaudited)			
Balance at the beginning of the period	**–**	**–**	**–**
Additions	**1,150,000**	**68,809**	**1,218,809**
Realized and unrealized gains on financial assets at FVPL *(Note(a)(b))*	**6,351**	**1,122**	**7,473**
Disposals	**(1,156,351)**	**–**	**(1,156,351)**
Balance at the end of the period	**–**	**69,931**	**69,931**
Year ended December 31, 2021 (Audited)			
Balance at the beginning of the year	–	–	–
Additions	300,000	–	300,000
Realized fair value gains recognized in profit or loss	1,816	–	1,816
Disposals	(301,816)	–	(301,816)
Balance at the end of the year	–	–	–

(a) During the six months ended June 30, 2022, the Group subscribed several wealth management products with initial subscription price of no more than RMB170 million each, from five commercial banks from time to time. All of the wealth management products matured during the period.

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

18 SHARE CAPITAL AND PREMIUM AND SHARES HELD FOR EMPLOYEE SHARE SCHEME

(a) Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares *USD*	Share capital *RMB'000*	Share premium *RMB'000*
Issued:				
At January 1, 2021	1,489,775	14,898	97	486,572
Share subdivision on May 20, 2021	147,487,725	–	–	–
Shares issued in the IPO	16,829,600	1,683	11	2,403,275
Share issuance costs	–	–	–	(119,286)
Shares issued upon over-allotment	2,524,400	252	2	363,756
Share issuance cost of over-allotment	–	–	–	(16,397)
At December 31, 2021 (Audited)	168,331,500	16,833	110	3,117,920
At January 1, 2022	**168,331,500**	**16,833**	**110**	**3,117,920**
Issue of new shares (i)	**429,109**	**43**	*	**–**
Dividends (ii)	**–**	**–**	**–**	**(176,044)**
At June 30, 2022 (Unaudited)	**168,760,609**	**16,876**	**110**	**2,941,876**

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

(i) On March 25, 2022 and May 27, 2022, the Company issued and allotted 403,467 shares and 25,642 shares respectively to Cultivate Happiness Limited (the "**Trustee**"), an entity held by a trustee entrusted by the Group for the purpose of the Post-IPO RSU Scheme (Note 19(a)).

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

(b) Shares held for employee share scheme

	As at June 30, 2022 ***RMB'000*** **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
Balance at the beginning of the period/year	**4,393**	29,529
Shares issued for restricted share award scheme *(Note 19(b))*	*	–
Transfer of shares held for employee share scheme upon vesting	**–**	(25,136)
Balance at the end of the period/year	**4,393**	4,393

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

19 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 June 30, 2022, 28,597,400 shares of the Company were vested, and the remaining 972,000 shares and 324,000 shares were to be vested on September 30, 2022 and 2023, respectively.

(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 June 30, 2022, 447,150 shares of the Company were vested, and the remaining 9,600 shares and 3,250 shares were to be vested on September 30, 2022 and 2023, respectively.

(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% upon the Listing 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.

(b) The Post-IPO RSU Scheme

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

Pursuant to the Post-IPO RSU Scheme, 429,109 new shares were issued and allotted to 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.

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 June 30, 2022, the Expected Retention Rate was assessed to be 95%.

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

	Six months ended June 30, 2022 RMB'000 (Unaudited)	Six months ended June 30, 2021 RMB'000 (Unaudited)
Expenses arising from equity-settled share-based payment transactions	**8,768**	25,834

20 TRADE AND OTHER PAYABLES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Trade payables *(Note (a))*	**98,440**	79,550
Employee benefits payable	**96,302**	85,864
Other taxes payable	**69,205**	69,400
Accrued expenses payable	**12,374**	10,370
Deposits payable	**21,131**	21,314
Advertising and promotion expenses payable	**17,872**	16,230
Donations payable	**4,000**	4,000
Professional service fees payable	**5,013**	3,154
Reimbursement payable	**239**	109
Payables in relation with acquisition of property, plant and equipment	**62,756**	8,259
Others	**1,351**	941
	388,683	299,191

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

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
0 to 60 days	**96,853**	65,932
61 to 180 days	**543**	12,914
181 to 365 days	**788**	166
Over 1 year	**256**	538
	98,440	79,550

(b) As at June 30, 2022 and December 31, 2021, trade and other payables of the Group were interest-free and repayment on demand.

21 DIVIDENDS

The Board of Directors of the Company did not declare any interim dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: nil).

22 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 for further information.

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

	As at June 30, 2022 ***RMB'000*** **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
No later than 1 year	**524**	218

(b) Capital commitments

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

	As at June 30, 2022 ***RMB'000*** **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
Property, plant and equipment	**28,562**	100,622
Investment in unlisted equity investment	**16,392**	–
Intangible assets	**535**	987
	45,489	101,609

23 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Below is the summary of the Group's related parties during the six months ended June 30, 2022:

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

(b) Transactions with related parties

During the six months ended June 30, 2022, save as disclosed elsewhere in this report, the following is a summary of the significant transactions carried out between the Group and its related parties.

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of Clear aligner treatment solutions		
Guangzhou Yilu	**13,893**	–
Zhengzhou Smile	**13,200**	11,138
Yishunkang	**1,917**	504
Zhenjiang Wenjie	**1,377**	–
Guiyang Jinxin	**723**	1,428
Songbai Oukang (Liaoning)	**608**	–
Songbai Leye	**493**	–
Luoyang Smile	**217**	–
Henan Red Sun	**178**	1,132
Changsha Minjian	**170**	74
Huizhou Dental Hospital	**56**	211
Shanghai Junxiao	**20**	73
Heyuan Hengxin	**7**	–
Huikou Dental Clinic	**3**	–
Yiwu Huizhou Dental Hospital	**1**	–
	32,863	14,560
Sales of intraoral scanners		
Zhengzhou Smile	**1,447**	2,468
Zhenjiang Wenjie	**524**	–
Yishunkang	**274**	–
Guangzhou Yilu	**31**	–
	2,276	2,468

(c) Key management compensation

The Group's key management includes directors of the Company.

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fees	**1,129**	222
Salaries, wages and bonuses	**3,726**	1,813
Share-based compensation expenses	**788**	12,420
Pension costs – defined contribution plans	**164**	53
Other social security costs, housing benefits and other employee benefits	**190**	63
	5,997	14,571

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

	As at June 30, 2022 *RMB'000* **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
Trade and other receivables		
Changsha Minjian	**559**	452
Guiyang Jinxin	**508**	492
Guangzhou Yilu	**460**	459
Zhenjiang Wenjie	**121**	121
Yishunkang	**92**	83
Shanghai Qirui	**–**	10
Songbai Leye	**–**	7
	1,740	1,624

As at June 30, 2022 and December 31, 2021, the balances were with trade nature, unsecured, interest-free, and collectable on demand.

	As at June 30, 2022 *RMB'000* **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
Contract liabilities		
Zhengzhou Smile	**13,000**	13,404
Guangzhou Yilu	**6,395**	7,990
Yishunkang	**1,060**	903
Guiyang Jinxin	**781**	1,457
Henan Red Sun	**635**	857
Zhenjiang Wenjie	**481**	688
Songbai Oukang (Liaoning)	**200**	–
Luoyang Smile	**19**	15
Huizhou Dental Hospital	**18**	23
Shanghai Qimei	**13**	–
Songbai Leye	**3**	–
Shanghai Qirui	**2**	–
Shanghai Junxiao	**–**	59
	22,607	25,396

Contract liabilities of the Group mainly arose from the advance payments made by customers while the underlying goods or services are yet to be provided.

24 CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at June 30, 2022.

25 SUBSEQUENT EVENTS

Save as disclosed in other notes to the Interim Financial Information, there were no other material subsequent events took place after June 30, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

In the first half of 2022, the market environment for the clear aligner treatment industry in which we operate faced unprecedented challenges due to multiple factors, such as the resurgence of the COVID-19 pandemic in China and the corresponding governmental control and restrictive measures, the closure of or restriction on clinics and hospitals in relevant regions and cities, and the weak consumption environment. During the pandemic, we rapidly formulated a number of plans and emergency measures to ensure orderly business operations and timely delivery of products. We worked with dental professionals, patients and employees to overcome the difficulties together. We have always been committed to long-term future development, continuing to invest in business growth and steadfastly promoting our expansion into emerging markets and overseas markets to maintain our market leadership. Despite the multiple external challenges, we have continued to adhere to the "customer-first" original aspiration and made decisions for sustained certainties in the midst of uncertainty. Particularly, driven by our dedication to addressing dental professionals' needs with digital orthodontics, we've been further optimizing and refining our clear aligner treatment solutions to enable them to realize stable, easy, efficient, and accurate diagnosis and treatment.

As a result of the above factors, our total revenue remained relatively flat at RMB570.9 million in the six months ended June 30, 2022, as compared with the same period of last year. Revenue generated from our core business, namely the clear aligner treatment solutions, has achieved a year-on-year growth of 2.6%. Our gross profit decreased by 12.2% year-on-year to RMB331.4 million, and our net profit decreased by 23.4% year-on-year to RMB73.3 million. The number of case shipments dropped slightly from approximately 79,500 in the six months ended June 30, 2021 to approximately 77,200 in the six months ended June 30, 2022.

Reinforce the Product Portfolio with Dedication into Digital Orthodontics

With a profound understanding of the medical philosophy, extensive attempts in digital orthodontics, as well as deep insights into the needs of dental professionals and patients from each segmentation in the Chinese market, we have developed a comprehensive and diversified product portfolio. Although over the years, the ups and downs in the macro environment and the pandemic outbreak in multiple regions have been exerting unconscious impact on dental professionals' decision making on products and patients' consumption, it is observed that we have been able to better capture the changing needs of dental professionals and patients by virtue of a comprehensive and differentiated product portfolio in combination with flexible and diversified market expansion strategies.

In order to further optimize product capabilities, we have continued to develop and introduce new technologies and new solutions to upgrade each product line. In the first half of 2022, we launched *A7 Speed Premolar Extraction Solution* ("***A7 Speed***"). Based on the traditional orthodontic treatment philosophy, *A7 Speed* utilizes the elasticity and mechanical force control of *masterControl S*, a self-adaptive polymer composite material, to significantly improve the treatment efficiency with the help of the *AngelAttach System* and *Angelalign Zhimei System*. *A7 Speed* will be applied to multiple product lines to enable dental professionals to efficiently handle complex malocclusion cases. In terms of early treatment for children, with focus on preventive and interceptive treatments, we have launched functional treatment products, such as invisible tongue crib technology, tongue position orientation technology, and new buccal-labial shield, to provide more comprehensive and reliable solutions for children's malocclusion cases in the primary dentition period.

Benefiting from our comprehensive and diversified product portfolio, we are on the highway of expansion in the third- and fourth-tier emerging markets, increasing our penetration in lower tier markets. In the first half of 2022, the proportion of case shipments generated from third- and fourth-tier emerging markets steadily increased.

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

In the post-pandemic era, regular pandemic prevention and control has been promoting the digitalization of the entire process of dental diagnosis and treatment. As such, we have been actively enhancing the development of digital imaging, digital orthodontics intelligent service platform, intelligent diagnosis and treatment planning, remote monitoring and communication between dental professionals and patients, so as to enable digital technologies and services to benefit dental professionals and patients in an all-round way.

As the primary stage of digital diagnosis and treatment, the intraoral scanner that has been undergoing continuous development and wide application has built a new terminal scenario for doctor-patient communication, which further helps dental professionals in diagnosis and treatment and greatly improves the comfort for and satisfaction of patients in treatment. The number of our cases submitted using the intraoral scanners has been consistently increasing during the Review Period.

In terms of the digital orthodontics intelligent service platform, *iOrtho 10.0*, our doctor interaction system, was upgraded in the first half of 2022 with multiple functional modules added or optimized based on dental professionals' needs. For example, the access management setting maximizes process efficiency; the upgraded cephalometric analysis function automatically identifies the image of the cervical vertebra and measures the patient's growth stage and corresponding skeletal age through AI algorithms to provide significant reference for the selection of therapy and prediction of treatment outcome; the optimized 3D model modification tools realize user-friendly adjustment and match with the habits of different dental professionals; the newly launched remote monitoring function assists dental professionals to find out patients' oral conditions remotely, thereby reducing the frequency of offline follow-up visits and improving patient compliance.

In terms of intelligent diagnosis and treatment planning, we have continued to explore new intelligent approaches for digital orthodontics by virtue of our deep understanding of orthodontic treatment and to use advanced artificial intelligence technologies, such as deep learning. Since the first half of 2022, leveraging the *A-Treat* digital orthodontic treatment planning platform, we have been providing much more appropriate reference for treatment planning by using big data and artificial intelligence technology to meet the personalized needs of dental professionals and patients. We have been keeping trying to make the work and tasks of our medical design team more modularized, standardized and automated through intelligent technologies to improve the efficiency of treatment planning.

In addition, we help dental professionals achieve better professional growth and personal impact in the field of clear aligner treatment through systematic education and training programs. In the first half of 2022, we provided customized and professional medical training around dental professionals' diagnosis and treatment workflow in practice, their core concerns, and other detailed aspects in clinical scenarios. Meanwhile, we have continued to motivate our clinical education team to reach out to dental professionals to help them solve more specific technical and clinical challenges and empower them to better treat their cases.

Establish a First-class R&D Ecosystem to Instill Vitality into Sustained Innovation of Products and Technologies

In the first half of 2022, we remained committed to leading product and service development with technological innovation, and continued to achieve breakthroughs in multiple aspects, including new clear aligner products, treatment solutions, and user software. Meanwhile, we also actively promoted the progress and development of the clear aligner industry. On May 18, 2022, the "YYT 1819 Dentistry Diaphragms for Orthodontic Aligner" (YYT 1819 牙科學正畸矯治器用膜片) jointly drafted by us and the Oral Medical Device Testing Center of Peking University Hospital of Stomatology was officially released by the National Medical Products Administration. This is the first industry standard for the clear aligner industry in China. During the Review Period, our total R&D expenses were RMB75.4 million, accounting for 13.2% of the revenue. In addition, we have been following the patent application principle of great-innovation, great-quality and great-values, and committed to leading the development of the industry with real innovation. As of June 30, 2022, we had registered 130 patents and 16 software copyrights.

In terms of industry-academia research cooperation and scientific achievement transformation, we have set up several special research funds for orthodontics with the Ninth People's Hospital, Shanghai Jiaotong University School of Medicine, Peking University Hospital of Stomatology, Sichuan University Huaxi Stomatology Hospital and Wuhan University Stomatological Hospital, which have successfully generated fruits. For example, in June 2022, *angelArm*, which was jointly developed by our Company and the Ninth People's Hospital, Shanghai Jiaotong University School of Medicine, has gained the license of Class II medical device, and the related research paper has been accepted by BMC Oral Health, an SCI journal.

Reinforce Brand Awareness and Boost Academic Influence

As a leader in driving the development of China's clear aligner treatment industry, "Angelalign" has become the best-known and the most trustworthy domestic brand among China's clear aligner treatment solution providers. In the first half of 2022, we continued to enhance brand awareness and academic influence of "Angelalign" through academic sharing, popular science dissemination, cross-industry IP co-branding and public welfare campaigns.

In June 2022, we organized and hosted the ninth *A-Tech Forum*, where we witnessed dozens of KOLs (key opinion leaders) worldwide sharing the most innovative and cutting-edge technologies and clinical application outcomes in the digital dental industry. We also released a series of new products and technological solutions, such as *A7 Speed*, and *iOrtho 10.0*, the digital orthodontic intelligent service platform. The forum further boosted the influence of "Angelalign" brand, which features medical science as its DNA, as well as our commitment to technological innovation, and extended our profound academic influence among industry experts. The forum was run online through live streaming for the first time, gaining over 700,000 visits.

Meanwhile, we pay long-term attention to the oral health of adolescents and children and continue to promote the professional and standard-based development of pediatric stomatology. In June 2022, Angelalign entered into a strategic cooperation with "Hasbro", a world-renowned toy and entertainment company, pursuant to which the parties agreed on the licensing of two major IPs, namely "Transformers" (變形金剛) and "My Little Pony" (小馬寶莉). The strong combination of the two brands will not only facilitate the wider spread of the brand value and product proposition of Angelalign, but also help more dental professionals to tailor personalized facial management solutions for children, so as to buoy the whole dental growth and development cycle for adolescents and children.

In addition, we will further accelerate the popular science dissemination and market education of children's oral health and increase the oral health awareness among Chinese families. In the first half of 2022, the "Angel Loves Smiling" public welfare project jointly launched by us and Shanghai Adream Charitable Foundation (上海真愛夢想公益基金會) in 2021 continued to progress. The project has covered 53 schools in less-developed areas across the country, recorded and promoted three seasons of popular science lectures about oral health, and distributed more than 2,600 oral care kits.

Optimize Scalable and Intelligent Manufacturing Capability to achieve Lean Production

We firmly believe that our continuously optimized intelligent manufacturing technology, the "mass customization" model and scalable manufacturing capabilities are the solid foundation for our long-term business growth. Our Chuangmei Center (創美基地) in Wuxi City comprises new manufacturing facilities and a research and development center with a gross floor area of approximately 126,000 square meters. We have been equipping Chuangmei Center and our existing manufacturing facilities with intelligent manufacturing technologies to better control the quality of our clear aligners, fulfill customer demands, and handle orders more promptly. During the first half of 2022, we completed the commissioning process of one established automated production line, which has been put into use in response to the demands for our products.

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

Outlook

As we enter into the second half of 2022, we have seen a gradual market recovery along with the effective control of the pandemic by the government and the recovery of the dental services business. Nevertheless, the COVID-19 pandemic remains recurrent and there are still risks of potential outbreaks. Should there be an escalation of the spread, China may again take strict emergency measures, including travel restrictions, cessations of business operations, including dental hospitals and clinics, quarantines, work-from-home and other alternative working arrangements, limitations on social and public gatherings, and lockdowns of cities or regions, which may impact our business. As a result, the extent of the disruption to our business and the related impact on our financial results and outlook cannot be precisely estimated at this time. We are continuously evaluating its impact on our business, results of operations and financial condition. The potential downturn brought by, and the duration of, the COVID-19 outbreak may be difficult to assess or predict as the actual effects will depend on many factors beyond our control. In addition, a general slowdown in economy or an uncertain economic outlook would adversely affect consumer spending habits, which may, among other things, result in a decrease in the number of overall orthodontic treatment cases or a reduction in consumers' discretionary spending on higher-priced orthodontic solutions, each of which would have an adverse effect on our results of operations.

Despite the above challenges, we remain confident in the long-term growth of China's economy and the continuous improvement of household consumption, as well as the rapid growth of China's digital orthodontics market, which currently has a low penetration rate yet enormous market opportunities. Leveraging our market leadership and our intimate understanding of China's digital orthodontics market, we will always remain sensitive to the market, gain insight into the needs of dental professionals, and strengthen our business model to be fully prepared to capture the upside potential of the enormous market.

Financial Review

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

Revenue

Our revenue for the six months ended June 30, 2022 was RMB570.9 million, which remained relatively stable compared to RMB571.0 million for the six months ended June 30, 2021. The following table sets forth a breakdown of our revenue, both in absolute amounts and as a percentage of total revenue, by business line for the periods indicated.

	Six months ended June 30,			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Clear aligner treatment solutions	**546,419**	**95.7**	532,694	93.3
Others				
Other services	**7,335**	**1.3**	9,776	1.7
Sales of intraoral scanners	**17,182**	**3.0**	28,579	5.0
Total	**570,936**	**100.0**	571,049	100.0

- *Clear aligner treatment solutions*. Our revenue generated from the provision of clear aligner treatment solutions increased by 2.6% from RMB532.7 million in the six months ended June 30, 2021 to RMB546.4 million in the six months ended June 30, 2022, primarily due to the increase in the revenue recognized with the subsequent delivery of clear aligners for the case shipments in prior periods, partially offset by a decrease in the average selling price of our clear aligners and a slight decrease in the case shipments from approximately 79,500 in the six months ended June 30, 2021 to approximately 77,200 in the six months ended June 30, 2022 as a result of the negative impact of the resurgence of the COVID-19 pandemic in mainland China and the corresponding governmental control and restrictive measures. Our revenue could be affected by multiple factors, including the proportions of various product lines and sales channels, the average selling price of our product mix, and the proportions of new and existing case shipments in a given period. Our revenue is also affected by the frequency of delivery of clear aligners and the number of sets contained in each delivered batch, which are typically dependent on the product line involved and the complexity of the relevant treatment plan, subject to a number of factors, such as specific demand of our dental professionals and our production capacity in a given period.

- *Other services*. Revenue generated from other services primarily represented service fees generated by our dental clinic for the provision of orthodontics and cosmetic dentistry services and other dental services to patients. Our revenue generated from other services decreased by 25.0% from RMB9.8 million in the six months ended June 30, 2021 to RMB7.3 million in the six months ended June 30, 2022, primarily because the operation of our dental clinic was temporarily suspended for around two months due to the resurgence of the COVID-19 pandemic in mainland China and the corresponding governmental control and restrictive measures. Following the lift of quarantine measures, our dental clinic has been gradually restoring its operation.

- *Sales of intraoral scanners.* We deem our sales of intraoral scanners business primarily as supplemental value-added services to our customers to enhance their experience in applying our clear aligner treatment solutions. Our revenue generated from sales of intraoral scanners decreased by 39.9% from RMB28.6 million in the six months ended June 30, 2021 to RMB17.2 million in the six months ended June 30, 2022, primarily because the operations of dental hospitals and clinics were impacted due to the resurgence of the COVID-19 pandemic in the first half of 2022, and meanwhile, as compared to our relatively higher-priced imported intraoral scanners, the market demand for our relatively lower-priced domestic intraoral scanners became stronger.

Cost of revenue

Our cost of revenue increased by 23.8% from RMB193.4 million in the six months ended June 30, 2021 to RMB239.5 million in the six months ended June 30, 2022, primarily because after the manufacturing facilities of our Chuangmei Center were put into use, we incurred increased employee benefit expenses for additional personnel and depreciation and amortization cost for the new facilities.

- *Clear aligner treatment solutions*. Our cost of revenue related to the provision of clear aligner treatment solutions increased by 33.8% from RMB162.4 million in the six months ended June 30, 2021 to RMB217.2 million in the six months ended June 30, 2022, primarily due to the increases in (1) employee benefit expenses for production and administrative personnel and (2) depreciation and amortization cost for the new manufacturing facilities in our Chuangmei Center.

- *Other services*. Our cost of revenue related to the provision of other services increased by 2.9% from RMB7.6 million in the six months ended June 30, 2021 to RMB7.8 million in the six months ended June 30, 2022, primarily due to the slight increases in rental expenses and employee benefit expenses.

- *Sales of intraoral scanners.* Our cost of revenue related to the sales of intraoral scanners decreased by 38.2% from RMB23.5 million in the six months ended June 30, 2021 to RMB14.5 million in the six months ended June 30, 2022, which was generally in line with the corresponding revenue change due to the above-mentioned reasons.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 12.2% from RMB377.6 million in the six months ended June 30, 2021 to RMB331.4 million in the six months ended June 30, 2022. The gross profit margin for the six months ended June 30, 2022 was 58.0%, as compared with 66.1% for the six months ended June 30, 2021. The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated.

	Six months ended June 30,			
	2022		2021	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	(RMB in thousands, except for the percentages)			
Clear aligner treatment solutions	**329,194**	**60.2%**	370,343	69.5%
Others				
Other services	**(448)**	**(6.1%)**	2,213	22.6%
Sales of intraoral scanners	**2,649**	**15.4%**	5,076	17.8%
Total	**331,395**	**58.0%**	377,632	66.1%

- *Clear aligner treatment solutions*. Our gross profit margin for clear aligner treatment solutions decreased from 69.5% in the six months ended June 30, 2021 to 60.2% in the six months ended June 30, 2022, primarily due to (1) a decrease in the average selling price of our clear aligners, (2) the increased fixed costs in relation to the new manufacturing facilities, and (3) the increased employee benefit expenses.

- *Other services*. Our gross profit margin for other services decreased from 22.6% in the six months ended June 30, 2021 to negative 6.1% in the six months ended June 30, 2022, primarily because the operation of our dental clinic was temporarily suspended for around two months due to the resurgence of the COVID-19 pandemic in mainland China and the corresponding governmental control and restrictive measures, whereas we continued to incur certain fixed costs for the dental clinic during the period.

- *Sales of intraoral scanners.* Our gross profit margin for the sales of intraoral scanners decreased from 17.8% for the six months ended June 30, 2021 to 15.4% for the six months ended June 30, 2022, primarily due to the increased sales volume of our relatively lower-priced domestic intraoral scanners as compared to our relatively higher-priced imported ones.

Selling and marketing expenses

Our selling and marketing expenses increased by 32.3% from RMB96.6 million in the six months ended June 30, 2021 to RMB127.8 million in the six months ended June 30, 2022, primarily due to the implementation of our business strategy to penetrate and expand into domestic emerging markets and overseas markets, as well as our continuous investment in marketing activities.

Administrative expenses

Our administrative expenses decreased by 24.5% from RMB111.1 million in the six months ended June 30, 2021 to RMB83.8 million in the six months ended June 30, 2022, primarily because we incurred listing expenses in connection with the Global Offering in the six months ended June 30, 2021, whereas we did not have such expenses in the Review Period.

Research and development expenses

Our research and development expenses increased by 26.6% from RMB59.6 million in the six months ended June 30, 2021 to RMB75.4 million in the six months ended June 30, 2022, primarily due to the increase in employee benefit expenses in connection with our continuous R&D efforts.

Net impairment (losses)/reversal on financial assets

We recorded net impairment losses on financial assets of RMB1.6 million in the six months ended June 30, 2022, as compared with a net reversal of impairment on financial assets of RMB4.0 million in the six months ended June 30, 2021, primarily due to the increased balance of trade receivables.

Other income

We recorded other income of RMB5.6 million in the six months ended June 30, 2022, as compared with RMB4.2 million in the six months ended June 30, 2021, which primarily represented government grants we received.

Other expenses

We recorded other expenses of nil and RMB0.3 million in the six months ended June 30, 2021 and 2022, respectively, which primarily represented the donations we made to help combat the COVID-19 pandemic.

Other gains/(losses) – net

We had other gains – net of RMB24.6 million in the six months ended June 30, 2022, as compared with other losses – net of RMB1.0 million in the six months ended June 30, 2021, primarily due to the increase in (1) foreign exchange gains and (2) investment return from wealth management products we purchased with our internal resources other than the proceeds from the Global Offering.

Finance income

Our finance income increased by 122.7% from RMB4.8 million in the six months ended June 30, 2021 to RMB10.8 million in the six months ended June 30, 2022, primarily due to the increase in the interest income on our bank deposits, which mainly included the unutilized portion of the proceeds from our Global Offering.

Finance costs

Our finance costs increased by 62.7% from RMB0.5 million in the six months ended June 30, 2021 to RMB0.9 million in the six months ended June 30, 2022, primarily due to the increase in the interest expense on lease liabilities.

Share of results of investments accounted for using the equity method

We had a share of loss of investment accounted for using the equity method of RMB0.1 million in the six months ended June 30, 2022, compared to a share of loss of investment accounted for using the equity method of RMB0.8 million in the six months ended June 30, 2021, primarily due to the narrowed losses of the joint ventures and associate that we invested in.

Profit before income tax

As a result of the foregoing, we recorded profit before tax of RMB82.5 million in the six months ended June 30, 2022, as compared with RMB121.0 million in the six months ended June 30, 2021.

Income tax expenses

Our income tax expenses decreased by 63.4% from RMB25.3 million in the six months ended June 30, 2021 to RMB9.3 million in the six months ended June 30, 2022, primarily due to the decrease in our taxable income.

Profit for the period

As a result of the above, our net profit decreased by 23.4% from RMB95.7 million in the six months ended June 30, 2021 to RMB73.3 million in the six months ended June 30, 2022. The net profit margin for the six months ended June 30, 2022 was 12.8%, as compared with 16.8% for the six months ended June 30, 2021.

Non-IFRS measures

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

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

	Six months ended June 30,	
	2022	2021
	(RMB in thousands)	
Profit for the period	**73,271**	95,662
Add:		
Income tax expenses	**9,260**	25,311
Profit before income tax	**82,531**	120,973
Add:		
Finance income – net	**(9,915)**	(4,308)
Depreciation of property, plant and equipment	**20,222**	10,463
Depreciation of right-of-use assets	**8,695**	6,125
Amortization of intangible assets	**1,600**	926
EBITDA	**103,133**	134,179
Add:		
Share-based payments	**8,768**	25,834
Listing expenses	**–**	35,429
Adjusted EBITDA	**111,901**	195,442
Profit for the period	**73,271**	95,662
Add:		
Share-based payments	**8,768**	25,834
Listing expenses	**–**	35,429
Adjusted net profit	**82,039**	156,925

Liquidity, capital resources and capital structure

In the six months ended June 30, 2022, our primary use of cash is to fund our working capital requirements and other recurring expenses. We financed our capital expenditures and working capital requirements primarily through cash generated from our operating activities and the proceeds from the Global Offering.

We have continued to maintain a healthy and sound financial position and have followed a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved. Our current assets decreased from approximately RMB3,733.2 million as of December 31, 2021 to approximately RMB3,680.8 million as of June 30, 2022, primarily due to the decrease in the cash and cash equivalents.

Cash and cash equivalents

Our cash and cash equivalents primarily consisted of cash at banks. Our cash and cash equivalents decreased from RMB3,627.0 million as of December 31, 2021 to RMB3,520.0 million as of June 30, 2022.

The following table sets forth our cash flows for the period indicated. During the six months ended June 30, 2022, our net cash generated from operating activities was negatively affected by the COVID-19 pandemic. In addition, in June 2022, we paid a special final dividend of HKD1.22 per share (total amount paid equivalent to approximately RMB176.0 million) for the year ended December 31, 2021, which was recorded as cash outflow from financing activities for the Review Period.

	For the six months ended June 30,	
	2022	2021
	(RMB in thousands)	
Net cash generated from operating activities	**31,496**	174,017
Net cash used in investing activities	**(87,200)**	(78,682)
Net cash (used in)/generated from financing activities	**(184,196)**	2,182,263
Net (decrease)/increase in cash and cash equivalents	**(239,900)**	2,278,598
Cash and cash equivalents at beginning of the period	**3,626,983**	877,578
Exchange gains on cash and cash equivalents	**132,891**	8,794
Cash and cash equivalents at the end of the period	**3,519,974**	3,164,970

Exposure to exchange rate fluctuation

Our business is principally conducted in RMB, and the majority of our assets is denominated in USD and RMB. Our non-RMB assets and liabilities primarily consist of bank deposits and trade and other payables denominated in USD. We are subject to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are denominated in non-RMB. We recognized net foreign exchange gains of RMB16.9 million in the six months ended June 30, 2022, as compared to net foreign exchange losses of RMB1.3 million in the six months ended June 30, 2021.

In addition, in the six months ended June 30, 2022, we recorded exchange differences on translation of the Company of RMB121.3 million as other comprehensive income, as compared with RMB18.6 million in the six months ended June 30, 2021, primarily due to the exchange rate fluctuation.

We have not implemented any hedging arrangements. We manage our foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are 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 six months ended June 30, 2022, our total paid capital expenditure amounted to approximately RMB36.0 million, which primarily consisted of purchases of property, plant and equipment in connection with the construction of our Chuangmei Center.

Capital commitments

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

	As of June 30, 2022	As of December 31, 2021
	(RMB in thousands)	
Property, plant and equipment	**28,562**	100,622
Investment in unlisted equity investment	**16,392**	–
Intangible assets	**535**	987
Total	**45,489**	101,609

Contingent liabilities

As of June 30, 2022, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus and this announcement, as of June 30, 2022, we did not have other substantial future plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

Save as disclosed in this announcement, in the six months ended June 30, 2022, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments and acquisition of capital assets

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

Save as disclosed in this announcement, in the six months ended June 30, 2022, we did not hold any significant investments nor made any significant acquisition of capital assets.

Charge on group's assets

As of June 30, 2022, we had no charges on our assets.

Borrowings and gearing ratio

Gearing ratio represents the percentage of bank borrowings to total equity. As of June 30, 2022, we did not have any outstanding bank loans or other borrowings. Thus, as of June 30, 2022, gearing ratio was not applicable.

Key financial indicators

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

	For the six months ended June 30,	
	2022	2021
Profitability ratios		
Gross profit margin(1)	**58.0%**	66.1%
Net profit margin(2)	**12.8%**	16.8%
Adjusted net profit margin(3)	**14.4%**	27.5%
	As of June 30, 2022	As of December 31, 2021
Liquidity ratios		
Current ratio(4)	**4.96**	5.34

(1) The calculation of gross profit margin is based on gross profit divided by revenue for the period indicated and multiplied by 100.0%.

(2) The calculation of net profit margin is based on net profit divided by revenue for the period indicated and multiplied by 100.0%.

(3) The calculation of adjusted net profit margin, a non-IFRS measure, is based on adjusted net profit divided by revenue for the period indicated and multiplied by 100.0%.

(4) The calculation of current ratio is based on current assets divided by current liabilities as of June 30, 2022.

OTHER INFORMATION

Use of Proceeds

The ordinary shares of the Company ("**Shares**") 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 applications of the net proceeds and actual usage up to June 30, 2022.

	Net proceeds from the Global Offering	**Utilization up to June 30, 2022**	**Unutilized proceeds as of June 30, 2022**
		(HKD in millions)	
Funding the construction of Chuangmei Center	1,252.5	402.3	850.2
Strengthening our research and development capabilities and funding our in-house and collaborative R&D initiatives	574.4	116.6	457.8
Developing a flexible and scalable intelligent information technology system	339.0	53.9	285.1
Expanding our in-house sales team and providing sales personnel with training sessions	329.6	161.8	167.8
Funding marketing and branding activities	301.4	132.6	168.8
Optimizing medical services	194.6	85.6	109.0
Working capital and other general corporate purposes	147.5	37.3	110.2
Total	**3,139.0**	**990.1**	**2,148.9**

To the extent that the net proceeds have not been immediately utilized, the remaining balance of the net proceeds was placed with banks. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Group will apply the remaining net proceeds in the manner set out in the Prospectus, pursuant to which the remaining proceeds are expected to be utilized within the next one and a half years. The utilization of the net proceeds has been converted from RMB into HKD at an exchange rate of RMB1.0 to HKD1.17 prevailing on June 30, 2022.

Employees, Training and Remuneration Policies

As of June 30, 2022, we had 2,156 employees. The staff costs including Directors' emoluments and share-based payment expenses were approximately RMB256.8 million in the six months ended June 30, 2022.

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

We recognize the importance of keeping the Directors updated with the latest information of duties and obligations of a director of a company whose shares are listed on the Stock Exchange and the general regulatory and environmental requirements for such listed company. To meet this goal, we are committed to the continuing education and development of the 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 (the "**Remuneration Committee**") to review and recommend the remuneration and compensation packages of the Directors and senior management of the Company, and the Board, with the advice from the Remuneration Committee, will review and determine the remuneration and compensation packages taking into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management and performance of the Group.

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

To incentivize its 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.

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

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

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

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

Interim Dividend

The Board did not declare any interim dividend for the six months ended June 30, 2022 (June 30, 2021: nil).

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 announcement, the Company has maintained to comply with the minimum percentage prescribed in the conditions imposed in the waiver granted by the Stock Exchange from strict compliance with Rule 8.08(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Compliance with Corporate Governance Code

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

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

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors.

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

Audit Committee and Review of Interim Financial Results

As of the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely, Ms. DONG Li, Mr. HAN Xiaojing and Mr. SHI Zi, and Ms. DONG Li serves as the chairwoman of the Audit Committee.

The Audit Committee has reviewed the unaudited consolidated interim financial statement of the Group for the six months ended June 30, 2022. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed matters in relation to, among others, risk management, internal control and financial reporting of the Group with the management and PricewaterhouseCoopers, the independent auditor of the Company. Based on this review and discussions with the management and the independent auditor of the Company, the Audit Committee was satisfied that the Group's unaudited consolidated interim financial statement were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended June 30, 2022.

PricewaterhouseCoopers, certified public accountants and the independent auditor of the Company, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended June 30, 2022 in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity."

Events after the Review Period

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

PUBLICATION OF 2022 INTERIM RESULTS AND 2022 INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.angelalign.com). The interim report of the Company for the six months ended June 30, 2022 will be dispatched to the Shareholders and published on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to dental professionals, patients and business partners for their trust in 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, August 25, 2022

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