The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ANGELALIGN TECHNOLOGY INC., GOLDMAN SACHS (ASIA) L.L.C. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Angelalign Technology Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-63, which comprises the consolidated statements of financial position of the Group as at December 31, 2018, 2019 and 2020, the Company's statements of financial position as at December 31, 2018, 2019 and 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended December 31, 2018, 2019 and 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-63 forms an integral part of this report, which has been prepared for inclusion in the Document of the Company dated [**REDACTED**] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2018, 2019 and 2020 and the consolidated financial position of the Group as at December 31, 2018, 2019 and 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 30 to the Historical Financial Information which states that no dividends have been paid by the Angelalign Technology Inc. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
[**REDACTED**]

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
Revenue	*5*	488,483	645,898	816,528
Cost of revenue	*7*	(176,765)	(228,756)	(241,479)
Gross profit		311,718	417,142	575,049
Selling and marketing expenses	*7*	(81,439)	(122,645)	(148,835)
Administrative expenses	*7*	(107,702)	(136,544)	(154,423)
Research and development expenses	*7*	(50,163)	(80,905)	(93,479)
Net impairment losses on financial assets	*3.1(b)*	(3,684)	(2,512)	(10,148)
Other income	*6*	4,608	8,804	22,625
Other expenses	*6*	–	(2,000)	(6,000)
Other gains – net	*6*	1,933	2,851	3,096
Operating profit		75,271	84,191	187,885
Finance income	*9*	1,223	1,791	4,153
Finance costs	*9*	(1,354)	(1,142)	(1,154)
Finance (costs)/income – net		(131)	649	2,999
Share of results of investments accounted for using the equity method	*20*	(363)	(348)	347
Profit before income tax		74,777	84,492	191,231
Income tax expense	*10*	(16,591)	(16,827)	(40,299)
Profit for the year		58,186	67,665	150,932
Profit attributable to				
– Owners of the Company		59,758	68,837	150,689
– Non-controlling interests		(1,572)	(1,172)	243
		58,186	67,665	150,932
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Currency translation differences		89	396	(1,241)
Total comprehensive income for the year		58,275	68,061	149,691
Total comprehensive income for the year attributable to:				
– Owners of the Company		59,823	69,231	149,681
– Non-controlling interests		(1,548)	(1,170)	10
		58,275	68,061	149,691
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)				
– Basic	*11*	0.49	0.59	1.26
– Diluted	*11*	0.43	0.50	1.04

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31,		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	*12*	55,046	84,338	105,299
Right-of-use assets	*13*	16,432	80,795	70,759
Intangible assets	*14*	13,692	9,330	6,188
Investments accounted for using the equity method	*20*	3,438	13,681	13,848
Prepayments for non-current assets	*16*	6,578	1,691	764
Deferred income tax assets	*29*	4,501	7,379	9,573
		99,687	197,214	206,431
Current assets				
Inventories	*18*	21,663	22,827	19,914
Trade and other receivables	*16*	107,423	97,816	101,693
Amounts due from related parties	*35*	27,712	30,235	4,523
Cash and cash equivalents	*17*	216,015	504,697	877,578
		372,813	655,575	1,003,708
Total assets		472,500	852,789	1,210,139
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital and premium	*21*	–	–	486,669
Shares held for employee share scheme	*21*	(54,994)	(54,994)	(29,529)
Other reserves	*23*	240,034	307,823	(22,135)
(Accumulated losses)/retained earnings	*24*	(18,530)	44,589	66,698
		166,510	297,418	501,703
Non-controlling interests		(2,958)	(4,039)	(4,029)
Total equity		163,552	293,379	497,674
Liabilities				
Non-current liabilities				
Amounts due to related parties	*35*	4,415	4,415	–
Contract liabilities	*26*	45,856	65,445	18,924
Lease liabilities	*27*	8,838	13,353	5,543
Deferred income	*28*	683	5,124	6,280
Deferred income tax liabilities	*29*	–	–	6,000
		59,792	88,337	36,747
Current liabilities				
Trade and other payables	*25*	128,650	205,881	238,587
Amounts due to related parties	*35*	1,775	1,876	5,940
Contract liabilities	*26*	109,151	238,898	399,692
Current income tax liabilities		1,503	14,496	22,274
Lease liabilities	*27*	7,995	9,517	8,625
Deferred income	*28*	82	405	600
		249,156	471,073	675,718
Total liabilities		308,948	559,410	712,465
Total equity and liabilities		472,500	852,789	1,210,139

STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31, 2018	2019	2020
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investment in a subsidiary	*36(a)*	–	–	447,971
Current assets				
Cash and cash equivalents	*36(b)*	–	–	42,674
Prepayments	*36(c)*	3,503	3,725	6,924
		3,503	3,725	49,598
Total assets		3,503	3,725	497,569
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital and premium	*21*	–	–	486,669
Other reserves	*36(d)*	(1)	(2)	4,056
Accumulated losses		(10,896)	(12,664)	(22,872)
Total (deficits)/equity		(10,897)	(12,666)	467,853
Liabilities				
Current liabilities				
Other payables	*36(e)*	14,383	16,312	29,457
Amounts due to related parties	*36(f)*	17	79	259
		14,400	16,391	29,716
Total liabilities		14,400	16,391	29,716
Total equity and liabilities		3,503	3,725	497,569

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	Note	Share capital and premium	Shares held for employee share scheme	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000 (Note 21)	RMB'000 (Note 21)	RMB'000 (Note 23)	RMB'000 (Note 24)	RMB'000	RMB'000	RMB'000
Balance at January 1, 2018		–	(42,673)	210,054	(72,139)	95,242	(2,051)	93,191
Comprehensive income								
Profit for the year		–	–	–	59,758	59,758	(1,572)	58,186
Other comprehensive income								
– Currency translation differences		–	–	65	–	65	24	89
Total comprehensive income for the year		–	–	65	59,758	59,823	(1,548)	58,275
Transactions with owners in their capacity as owners								
Issue of shares	*21*	–	–	–	–	–	–	–
Disposal of interests in subsidiaries without change of control	*33*	–	–	328	–	328	641	969
Equity-settled share-based payment transactions	*22*	–	(12,321)	23,438	–	11,117	–	11,117
Appropriation to statutory reserves	*23*	–	–	6,149	(6,149)	–	–	–
Total transactions with owners in their capacity as owners		–	(12,321)	29,915	(6,149)	11,445	641	12,086
Balance at December 31, 2018		–	(54,994)	240,034	(18,530)	166,510	(2,958)	163,552

		Attributable to owners of the Company						
	Note	Share capital and premium	Shares held for employee share scheme	Other reserves	(Accumulated losses)/retained earnings	Total	Non-controlling interests	Total equity
		RMB'000 (Note 21)	RMB'000 (Note 21)	RMB'000 (Note 23)	RMB'000 (Note 24)	RMB'000	RMB'000	RMB'000
Balance at January 1, 2019		–	(54,994)	240,034	(18,530)	166,510	(2,958)	163,552
Comprehensive income								
Profit for the year		–	–	–	68,837	68,837	(1,172)	67,665
Other comprehensive income								
– Currency translation differences		–	–	394	–	394	2	396
Total comprehensive income for the year		–	–	394	68,837	69,231	(1,170)	68,061
Transactions with owners in their capacity as owners								
Disposal of a subsidiary	*34*	–	–	–	–	–	89	89
Equity-settled share-based payment transactions	*22*	–	–	61,677	–	61,677	–	61,677
Appropriation to statutory reserves	*23*	–	–	5,718	(5,718)	–	–	–
Total transactions with owners in their capacity as owners		–	–	67,395	(5,718)	61,677	89	61,766
Balance at December 31, 2019		–	(54,994)	307,823	44,589	297,418	(4,039)	293,379

		Attributable to owners of the Company						
	Note	Share capital and premium	Shares held for employee share scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000 (Note 21)	RMB'000 (Note 21)	RMB'000 (Note 23)	RMB'000 (Note 24)	RMB'000	RMB'000	RMB'000
Balance at January 1, 2020		–	(54,994)	307,823	44,589	297,418	(4,039)	293,379
Comprehensive income								
Profit for the year		–	–	–	150,689	150,689	243	150,932
Other comprehensive income								
– Currency translation differences		–	–	(1,008)	–	(1,008)	(233)	(1,241)
Total comprehensive income for the year		–	–	(1,008)	150,689	149,681	10	149,691
Transactions with owners in their capacity as owners								
Issue of shares pursuant to Reorganization	*21*	486,669	–	(443,921)	–	42,748	–	42,748
Transfer of shares held for employee share scheme upon vesting	*22(b)*	–	25,465	(25,465)	–	–	–	–
Contributions from the shareholders of the Company pursuant to the Reorganization	*22(b)*	–	–	49,537	–	49,537	–	49,537
Dividends declared	*30*	–	–	–	(104,000)	(104,000)	–	(104,000)
Equity-settled share-based payment transactions	*22*	–	–	66,319	–	66,319	–	66,319
Appropriation to statutory reserves	*23*	–	–	24,580	(24,580)	–	–	–
Total transactions with owners in their capacity as owners		486,669	25,465	(328,950)	(128,580)	54,604	–	54,604
Balance at December 31, 2020		486,669	(29,529)	(22,135)	66,698	501,703	(4,029)	497,674

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	*31(a)*	168,498	411,174	431,840
Income tax paid		(23,913)	(8,842)	(23,561)
Net cash generated from operating activities		144,585	402,332	408,279
Cash flows from investing activities				
Purchases of property, plant and equipment		(35,938)	(39,779)	(41,285)
Purchases of intangible assets		(9,090)	(535)	(383)
Purchases of right-of-use assets for land		–	(59,413)	–
Proceeds from disposal of property, plant and equipment	*31(a)*	930	1,164	304
Disposal of a subsidiary, net of cash disposed of	*34*	–	(1,096)	–
Investment in an associate		(3,500)	(3,500)	–
Investment in a joint venture		–	(4,179)	–
Purchases of financial assets at fair value through profit or loss	*19*	(350,000)	(588,000)	(1,310,000)
Proceeds from disposals of financial assets at fair value through profit or loss	*19*	395,322	590,512	1,314,235
Proceeds from maturity of investment in financial bonds		20,000	–	–
Loans provided to related parties		(27,200)	–	(1,000)
Loans repaid by related parties		–	–	26,700
Loans repaid by third parties		5,240	–	–
Interest received		2,174	1,791	4,153
Net cash used in investing activities		(2,062)	(103,035)	(7,276)
Cash flows from financing activities				
Repurchase of shares held for employee share scheme	*22*	(50,579)	–	–
Issue of shares	*21*	–	–	42,748
Contribution from the shareholders of the Company	*22(b)*	–	–	49,537
Dividend paid	*30*	–	–	(104,000)
Payments for [**REDACTED**] expenses		(2,019)	(1,147)	(585)
Loans from related parties		76	218	77
Repayment of loans to related parties		(208)	(53)	(242)
Principal elements of lease payments		(8,317)	(9,199)	(9,733)
Interests paid for leases liabilities		(780)	(1,123)	(1,135)
Net cash used in financing activities		(61,827)	(11,304)	(23,333)
Net increase in cash and cash equivalents		80,696	287,993	377,670
Cash and cash equivalents at beginning of the year		134,051	216,015	504,697
Exchange gains/(losses) on cash and cash equivalents		1,268	689	(4,789)
Cash and cash equivalents at the end of the year		216,015	504,697	877,578

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, GROUP REORGANIZATION AND BASIS OF PREPARATION

1.1 General information

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

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the clear aligner treatment solutions including treatment planning services, manufacturing and marketing of clear aligners (the "[**REDACTED**] Business") in the People's Republic of China ("PRC").

CareCapital Group is the ultimate holder of the Group which controlled the [**REDACTED**] Business as to 67.1242% as at the date of this report through CareCapital Orthotech Limited ("CareCapital Orthotech" formerly known as Rico Investments Limited), a company incorporated in Hong Kong.

1.2 Reorganization

Prior to the Reorganization (as defined below), the [**REDACTED**] Business was primarily operated by Wuxi EA Medical Instruments Technologies Limited (無錫時代天使醫療器械科技有限公司, "Wuxi EA"), a limited liability company incorporated in the PRC, and its subsidiaries, with its 67.7896% equity interests held by CareCapital Orthotech.

In preparation for the [**REDACTED**] and the [**REDACTED**] of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "[**REDACTED**]"), a group reorganization was undertaken under which the [**REDACTED**] Business was transferred to the Company (the "Reorganization"). The Reorganization mainly involved the followings:

(a) Incorporation of the Company

On November 29, 2018, the Company was established as a [**REDACTED**] vehicle in the Cayman Islands as an exempted company with limited liability. On the same date, the Company issued one share of the Company with par value of USD0.01 each to Mapcal Limited at nominal value, which was transferred to CareCapital Orthotech on the same date.

(b) Transfer of registered share capital of Shanghai Tianzhi Dental Clinic Co., Ltd. (上海天智口腔門診部有限公司, "Shanghai Tianzhi") and Shanghai Junxiao Dental Clinic Co., Ltd. (上海君笑口腔門診部有限公司, "Shanghai Junxiao") to independent third parties

To comply with the foreign investment restrictions on clinics and hospitals under the PRC laws and regulations after the Reorganization, the Group transferred 30% the registered share capital of Shanghai Tianzhi and Shanghai Junxiao, both of which are wholly-owned subsidiaries principally engaged in dental clinics business, to an independent third party at a consideration of RMB0.9 million and RMB69,000, respectively, which were determined after arm's length negotiation and completed in December 2018.

(c) Onshore Share Purchase by CareCapital Orthotech

On December 17, 2020, CareCapital Orthotech purchased from the non-controlling shareholders of Wuxi EA all the outstanding 32.2104% equity interest in Wuxi EA at an aggregate consideration of USD11.38 million. The consideration was based on the initial consideration paid by such shareholders for acquisition of their respective equity interests in Wuxi EA, and was fully paid in December 2020. After such acquisition, CareCapital Orthotech became the sole shareholder of Wuxi EA. In consideration, 32.2104% shares of the Company were allotted and issued to these non-controlling shareholders (Note 1.2(e)).

(d) Issuance of Shares to CareCapital Orthotech

On December 21, 2020, CareCapital Orthotech transferred 100% equity interest in Wuxi EA held by it to the Company. On the same date, the Company issued a total of 999,999 new shares of the Company with par value of USD0.01 each to CareCapital Orthotech at nominal value, as the consideration for such acquisition. After such issuance, CareCapital Orthotech owned an aggregate of 1,000,000 shares of the Company with par value of USD0.01 each. Since then, Wuxi EA became a wholly owned subsidiary of the Company.

(e) Issuance of Shares to Offshore Holding Companies

For the Reorganization, seven offshore holding companies were established or used by certain of the directors, senior management and employees for the purpose of holding their respective corresponding equity interests in Wuxi EA prior to the Reorganization.

On December 21, 2020, the Company issued to such entities an aggregate of 475,152 shares of the Company with par value of USD0.01 each to reflect the respective equity interests of the beneficial owners of such entities in Wuxi EA, who are directors, senior management or employees of the Company, representing 32.2104% shares, comprising 15.8798% shares, 7.9452% shares, 0.95% shares, 0.4862% shares, 0.2682% shares, 2.8083% and 3.8727% shares of the Company to Sky Honour Enterprises Limited, which is wholly owned by Ms. LI Huamin, Vast Luck Global Limited, which is wholly owned by Mr. CHEN Kai, Ascend Benefit Limited, which is wholly owned by Mr. SONG Xin, Noble Affluent Limited, which is wholly owned by Mr. HUANG Kun, Macro Synergy Limited, which is wholly owned by Mr. MAO Yibin and Novel Boom Limited and All Beautiful Limited, respectively. All the considerations were fully paid by the respective companies.

Upon the completion of the Reorganization on December 21, 2020, the Company became the holding company of the companies now comprising the Group. The Company was owned as to 67.7896% by CareCapital Orthotech, and 32.2104% by certain directors, senior management and employees of the Group.

Upon the completion of the Reorganization and as of the date of this report, the Company has direct or indirect interests in the following subsidiaries during the Track Record Period and up to the date of this report, all of which are limited liability companies:

				Effective equity interest held				
				As at December 31,				
Name of subsidiaries	Place and date of incorporation/establishment	Principal activities and place of operation	Registered/issued and paid up capital	2018	2019	2020	At the date of this report	Note
Directly held by the Company								
Wuxi EA	PRC, February 10, 2010	Product design, manufacturing, research and development of clear aligner treatment solutions, PRC	USD26,000,000/ USD26,000,000	100%	100%	100%	100%	(i)
Indirectly held by the Company								
Beijing EA Bio-Tech Co., Ltd.* (北京時代天使生物科技有限公司, "Beijing EA")	PRC, June 27, 2003	Manufacture of clear aligner treatment solutions, PRC	RMB19,300,000/ RMB19,300,000	100%	100%	100%	100%	(i), (iv)
Shanghai EA Medical Instruments Co., Ltd.* (上海時代天使醫療器械有限公司)	PRC, September 5, 2011	Product design, sales and marketing, research and development of clear aligner treatment solutions, PRC	RMB30,000,000/ RMB30,000,000	100%	100%	100%	100%	(i)
Shuyang EA Medical Instruments Co., Ltd.* (沭陽時代天使醫療器械有限公司)	PRC, January 6, 2017	Sales and marketing of clear aligner treatment solutions, PRC	RMB1,000,000/ RMB1,000,000	100%	100%	100%	100%	(i)
Wuxi Fuchi Management Consulting Co., Ltd.* (無錫富馳管理諮詢有限公司, "Wuxi Fuchi")	PRC, July 14, 2016	Investment holdings, PRC	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	(iii)
Shanghai Tianzhi	PRC, May 21, 2013	Dental clinics, PRC	RMB3,000,000/ RMB3,000,000	70%	70%	70%	70%	(i)
Shanghai Junxiao	PRC, November 12, 2010	Dental clinics, PRC	RMB230,000/ RMB230,000	70%	N/A	N/A	N/A	(iii), (v)
China Target Management Company Limited	Hong Kong, January 11, 2016	Trading of raw materials, Hong Kong	HK$12,449,701/ HK$12,449,701	100%	100%	100%	100%	(ii)
Gecho Holding GmbH	Germany, February 19, 2016	Research and development of clear aligner treatment solutions, Germany	EUR25,000/ EUR25,000	100%	100%	100%	100%	(iii)
Smile Development Group Limited	Cayman, June 8, 2016	Investment holdings, Cayman	USD50,000/ USD50,000	67%	67%	67%	67%	(iii)

Name of subsidiaries	Place and date of incorporation/establishment	Principal activities and place of operation	Registered/issued and paid up capital	Effective equity interest held				
				As at December 31,			At the date of this report	Note
				2018	2019	2020		
Smile Development Corp	United States, June 20, 2016	Research and development of clear aligner treatment solutions, United States	USD0.1/USD0.1	67%	67%	67%	67%	(iii)
Wuxi EA Bio-Tech Co., Ltd.* (無錫時代天使生物科技有限公司)	PRC, July 11, 2018	Manufacturing, research and development of clear aligner treatment solutions, PRC	RMB200,000,000/ RMB160,800,000	100%	100%	100%	100%	(i)
Guangzhou Xuhong Technology Co., Ltd.* (廣州旭弘科技有限公司)	PRC, July 12, 2018	Product design of clear aligner treatment solutions, PRC	RMB4,285,710/ RMB3,000,000	70%	70%	70%	70%	(i)

Notes:

(i) The statutory financial statements for the years ended December 31, 2018, 2019 and 2020 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)).

(ii) The statutory financial statements for the year ended December 31, 2018 and 2019 were audited by Moore Stephens CPA Limited.

(iii) No audited statutory financial statements were prepared for those subsidiaries during the Track Record Period as they were not required to issue audited financial statements under the local statutory requirements.

(iv) On February 26, 2010, Wuxi EA entered into various agreements ("Contractual Arrangements") with, among others, Beijing EA and its then registered equity holders, under which all economic benefits arising from the business of Beijing EA are transferred to Wuxi EA to the extent permitted by the PRC laws and regulations. Beijing EA was controlled through Contractual Arrangements and the Group does not have legal ownership in equity of Beijing EA. On April 1, 2018, Wuxi EA executed the exclusive option agreement in favor of Beijing EA, and legally obtained 100% equity interest in Beijing EA.

(v) On January 1, 2019, the Group relinquished control over Shanghai Junxiao by virtue of shareholders resolution with its then non-controlling shareholder, under which all the matters within the authority of the shareholders meeting of Shanghai Junxiao shall be determined by both shareholders, which means the Group is unable to solely control the shareholders meeting of Shanghai Junxiao. Accordingly, the Group has deconsolidated Shanghai Junxiao from the date that control ceases on January 1, 2019 and recognized the remaining 70% interest in Shanghai Junxiao as investment accounted for using the equity method (Note 34).

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

All companies comprising the Group have adopted December 31, as their financial year-end date.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the [**REDACTED**] Business is held by and mainly conducted through Wuxi EA and its subsidiaries. Pursuant to the Reorganization, Wuxi EA and the [**REDACTED**] Business were transferred to and held by the Company. The Company has not been involved in any business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a recapitalization of the [**REDACTED**] Business, with no change in management of such business and the ultimate owners of the [**REDACTED**] Business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the [**REDACTED**] Business under Wuxi EA and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Wuxi EA and its subsidiaries, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the [**REDACTED**] Business under the consolidated financial statements of Wuxi EA for all periods presented. Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

IFRS 16 "Leases" which is effective for annual periods beginning on or after January 1, 2019, is consistently applied to the Group for the Track Record Period.

(a) New standards and interpretations not yet adopted

Up to the date of issuance of this report, the following issued new standards and amendments to existing standards are not yet effective and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to IFRS 9, International Accounting Standards ("IAS") 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark (IBOR) reform – phase 2	January 1, 2021
Amendments to IFRS 3	Reference to the conceptual framework	January 1, 2022
Amendments to IAS 16	Property, plant and equipment – proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous contracts – Cost of fulfilling a contract	January 1, 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvements to IFRS Standards 2018 to 2020	January 1, 2022
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	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 IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2.2 Subsidiaries

2.2.1 Consolidation

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

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

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

(a) Business combination

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

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

(b) Contractual Arrangements

On February 26, 2010, Wuxi EA entered into the Contractual Arrangements with Beijing EA and its registered equity holders, which enable Wuxi EA and the Group to:

- Exercise effective control over Beijing EA;
- Exercise equity holders' voting rights of Beijing EA;
- Receive substantially all of the economic interests and returns generated by Beijing EA in consideration for the business support, technical and consulting services provided by Wuxi EA, at the Wuxi EA's discretion;
- Obtain an irrevocable and exclusive right to purchase all equity interests in Beijing EA from its registered equity holders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered equity holders of Beijing EA shall return the amount of purchase consideration they have received to Wuxi EA. At Wuxi EA's request, the registered equity holders of Beijing EA will promptly and unconditionally transfer their respective equity interests Beijing EA to Wuxi EA (or its designee within the Group) after Wuxi EA exercises its purchase right. In addition, the Beijing EA are not allowed to sell, transfer, or dispose any assets, or make any distribution to their equity holders without prior consent of the Wuxi EA; and
- Obtain pledges over the entire equity interests in Beijing EA from its registered equity holders to secure, among others, performance of their obligations under the Contractual Arrangements.

The Group does not have any equity interest in Beijing EA before April 1, 2018, the date when Wuxi EA acquired the 100% equity interest in Beijing EA. However, as a result of the Contractual Arrangement, the Group has rights to variable returns from its involvement with Beijing EA and has the ability to affect those returns through its power over Beijing EA and is considered to control Beijing EA. Consequently, the Company regards Beijing EA as indirect subsidiary from accounting perspectives.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Beijing EA and such uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Beijing EA. The directors, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or retained earnings.

2.2.2 Separate financial statements

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

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

2.3 Associates and joint arrangements

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

Under IFRS 11 "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint venture. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost.

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollar. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group during the Track Record Period are within the PRC, the Group determined to present its Historical Financial Information in RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income within "other gains – net".

(c) Group companies

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

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

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

(iii) all resulting exchange differences are recognized in other comprehensive income.

2.6 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

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

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

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

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in the consolidated statements of comprehensive income.

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

2.7 Intangible assets

(a) Goodwill

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

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

(b) Software

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

(c) Patents

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

(d) Research and development

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

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

Directly attributable costs that are capitalized as part of the intangible asset include employee costs and an appropriate portion of relevant overheads. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

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

During the Track Record Period, there were no development costs meeting these criteria and capitalized as intangible assets.

2.8 Impairment of non-financial assets

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

2.9 Financial assets

2.9.1 Classification

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

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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

2.9.2 Recognition and derecognition

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

2.9.3 Measurement

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

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

Debt instruments

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

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognized in other gains/(losses) – net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) – net and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

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

2.9.4 Impairment

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

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3.1(b) for further details.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.11 Inventories

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

2.12 Contract assets and contract liabilities

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

2.13 Trade and other receivables

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

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

2.14 Cash and cash equivalents

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

2.15 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

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

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

2.16 Government grants

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

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

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

2.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.18 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

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

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

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

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

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

2.19 Employee benefits

(a) Short-term obligations

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

(b) Employment obligations

Pension obligations

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

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

Housing funds, medical insurances and other social insurances

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

Termination benefits

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

(c) Bonus plan

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

2.20 Share-based payments

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

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

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

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

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

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

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

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

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

2.21 Provisions

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

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

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

2.22 Revenue recognition

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

(a) Revenue from rendering clear aligner treatment solutions

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

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

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

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

(b) Revenue from rendering other services

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

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

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

2.23 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.24 Leases

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

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

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

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

2.25 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits, trade payables and other payables denominated in USD. The Group is subject to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are denominated in non-RMB and net investment in foreign operations.

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

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

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Assets			
USD	25,292	58,636	82,831
Liabilities			
USD	6,992	4,091	3,405
Others	–	143	39
	6,992	4,234	3,444

As at December 31, 2018, 2019 and 2020, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the pre-tax profit would have been approximately RMB915,000, RMB2,727,000 and RMB3,971,000 higher/lower for the years ended December 31, 2018, 2019 and 2020, respectively.

(ii) Cash flow and fair value interest rate risk

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

The Group's exposure to changes in interest rates is also attributable to its amounts due to related parties carried at fixed rates, details of which have been disclosed in Note 35. Amounts due to related parties carried at fixed rates expose the Group to fair value interest-rate risk.

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

(b) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, amounts due from related parties, financial assets at fair value through profit or loss and cash deposits at banks. The carrying amounts of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

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

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

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

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

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

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

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

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

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

(i) Trade receivables

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2018, 2019 and 2020 respectively and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The loss allowance provision as at December 31, 2018, 2019 and 2020 is determined as follows, the expected credit losses below also incorporate forward looking information.

	Within 60 days	61 to 180 days	181 to 365 days	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade receivables							
At December 31, 2018							
Expected loss rate . . .	–	1.51%	2.22%	11.39%	58.50%	100.00%	
Gross carrying amount (RMB'000)	14,719	17,066	36,678	5,136	4,205	1,578	79,382
Loss allowance provision (RMB'000)	–	(257)	(816)	(585)	(2,460)	(1,578)	(5,696)
At December 31, 2019							
Expected loss rate . . .	–	1.50%	3.67%	11.07%	55.87%	100.00%	
Gross carrying amount (RMB'000)	23,562	19,887	9,946	13,001	2,710	4,586	73,692
Loss allowance provision (RMB'000)	–	(299)	(365)	(1,439)	(1,514)	(4,586)	(8,203)
At December 31, 2020							
Expected loss rate . . .	–	1.50%	6.27%	19.14%	79.09%	100.00%	
Gross carrying amount (RMB'000)	26,703	17,341	12,214	16,004	10,666	5,819	88,747
Loss allowance provision (RMB'000)	–	(260)	(766)	(3,063)	(8,436)	(5,819)	(18,344)

The loss allowance provision for trade receivables as at December 31, 2018, 2019 and 2020 reconciles to the opening loss allowance for that provision as follows:

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At the beginning of the year	2,460	5,696	8,203
Provision for loss allowance recognized in profit or loss	3,236	2,507	10,141
At the end of the year	5,696	8,203	18,344

(ii) Other financial assets at amortized cost

Other financial assets at amortized cost mainly include amounts due from related parties and other receivables which mainly include deposits receivables and loans to third parties.

As at December 31, 2018, 2019 and 2020, the internal credit rating of such receivables was performing. The Group has assessed that there is no significant increase of credit risk for other receivables. Thus, the Group used the 12 months expected credit losses model to assess credit loss of other receivables. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of amounts due from related parties and no loss allowances were recognized.

The loss allowance provision for other receivables (excluding prepayments) as at December 31, 2018, 2019 and 2020 reconciles to the opening loss allowance for that provision as follows:

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At the beginning of the year	183	110	78
Provision for loss allowance recognized in profit or loss	448	5	7
Receivables written off as uncollectable	(521)	–	–
Disposal of a subsidiary	–	(37)	–
At the end of the year	110	78	85

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

(c) Liquidity risk

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2018					
Lease liabilities	8,756	5,305	4,073	–	18,134
Amounts due to related parties	1,794	19	57	4,490	6,360
Trade and other payables excluding non-financial liabilities	57,815	–	–	–	57,815
Total	68,365	5,324	4,130	4,490	82,309
As at December 31, 2019					
Lease liabilities	10,627	8,745	5,321	–	24,693
Amounts due to related parties	1,895	19	57	4,472	6,443
Trade and other payables excluding non-financial liabilities	108,110	–	–	–	108,110
Total	120,632	8,764	5,378	4,472	139,246
As at December 31, 2020					
Lease liabilities	9,214	5,408	311	–	14,933
Amounts due to related parties	5,948	–	–	–	5,948
Trade and other payables excluding non-financial liabilities	100,771	–	–	–	100,771
Total	115,933	5,408	311	–	121,652

3.2 Capital management

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

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

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

As at December 31, 2018, 2019 and 2020, the Group maintained at net cash position.

3.3 Fair value estimation

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

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1, 2 and 3 during the years ended December 31, 2018, 2019 and 2020.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and expected rate of return.

As at December 31, 2018, 2019 and 2020, the Group had no level 1 and level 2 financial instruments.

(a) Financial instruments in level 3

The following table presents the changes in level 3 instruments during the Track Record Period, respectively.

	Wealth management products with variable return		
	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	43,000	–	–
Additions	350,000	588,000	1,310,000
Realized fair value gains recognized in profit or loss	2,322	2,512	4,235
Disposals	(395,322)	(590,512)	(1,314,235)
Balance at 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 years ended December 31, 2018, 2019 and 2020, the expected annual return rate of the investments in wealth management products with range from 2.30% to 4.50%.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Revenue recognition

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

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

(b) Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. The recoverable amounts of CGUs have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statements of comprehensive income.

(c) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment and consequently the related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Expected credit loss for trade and other receivables

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

(e) Current tax and deferred tax

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

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

In accordance with the corporate income tax laws in the PRC, a 10% withholding tax will be levied on the dividend declared by the companies established in the PRC to their foreign investors starting from January 1, 2008. During the year ended December 31, 2020, the directors of the Company reassessed the dividend policy of Wuxi EA, its intermediate holding company established in the PRC, based on the Group's current business plan and financial position, certain retained earnings generated by Wuxi EA would be distributed to the Company and as such, deferred tax liabilities in this respect was provided in the year ended December 31, 2020 to the extent that such earnings are estimated by the directors of the Company to be distributed in the foreseeable future.

5 REVENUE AND SEGMENT INFORMATION

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue from external customers is recognized over time and is derived from the rendering of:			
– Clear aligner treatment solutions	464,949	628,059	799,005
– Other services	23,534	17,839	17,523
Total revenue	488,483	645,898	816,528

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

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

Geographical information

The Company is domiciled in the Cayman Islands while most of the Group's revenue and operating profit were generated in Mainland China, and the Group's identifiable assets and liabilities were substantially located in Mainland China, no geographical information is presented in accordance with IFRS 8 "Operating Segments".

Information about major customers

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

(a) Unsatisfied long-term contracts

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

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within 1 year	152,799	283,030	457,142
Over 1 year	109,504	120,835	77,086
	262,303	403,865	534,228

Management expects that unsatisfied performance obligations of approximately RMB457,142,000 as at December 31, 2020 will be recognized as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB77,086,000 will be recognized in 1 to 3 years.

All other contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6 OTHER INCOME, OTHER EXPENSES AND OTHER GAINS – NET

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Other income			
Government grants	4,608	8,804	22,625
Other expenses			
Donations	–	(2,000)	(6,000)
Other gains – net			
Realized fair value gain of wealth management products	2,322	2,512	4,235
Net foreign exchange gains/(losses)	429	161	(1,044)
Losses on disposals of intangible assets	(44)	–	–
Losses on disposals of property, plant and equipment	(728)	(218)	(265)
Losses on disposal of a subsidiary (Note 34)	–	(81)	–
Gains on early termination of lease contracts	–	57	10
Others	(46)	420	160
	1,933	2,851	3,096

7 EXPENSES BY NATURE

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

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Changes in inventories of finished goods and working in progress	(84)	(2,750)	1,309
Raw materials and consumables used	82,703	111,314	124,895
Employee benefit expenses (Note 8)	174,301	284,357	327,459
Advertising and promotion expenses	36,548	40,254	44,663
Depreciation and amortization	20,251	28,373	32,123
Professional service and consulting fees	19,458	18,158	23,282
Entertainment expenses	10,646	7,732	3,776
Delivery costs	8,255	15,189	17,645
Travelling expenses	7,249	9,058	7,945
Short-term lease and variable lease expenses	13,083	21,673	6,994
Outsourcing costs	6,440	4,675	4,701
Taxes and surcharges	4,757	5,447	7,534
Office expenses	2,715	3,955	3,561
Utility costs	1,426	2,614	2,811
Auditor's remuneration	584	660	337
Recruitment expenses	3,963	3,303	4,418
[**REDACTED**] expenses	10,510	664	9,958
Impairment provision of property, plant and equipment	3,344	–	–
Others	9,920	14,174	14,805
	416,069	568,850	638,216

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	124,469	175,456	225,922
Share-based compensation expenses (Note 22)	23,438	61,677	66,319
Pension costs – defined contribution plans (Note (a))	8,741	13,696	4,836
Other social security costs, housing benefits and other employee benefits	17,653	33,528	30,382
	174,301	284,357	327,459

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments, affected by Coronavirus Disease 2019 (COVID-19), social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February 2020 to December 2020 have been reduced or exempted accordingly.

(b) Five highest paid individuals

For the years ended December 31, 2018, 2019 and 2020, the five individuals whose emoluments were the highest in the Group included 2, 3 and 2 directors, respectively, whose emoluments are reflected in the analysis shown in Note 8(c), while the emoluments payable to the remaining 3, 2 and 3 individuals, respectively, are as follows:

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	5,309	1,710	4,426
Pension costs – defined contribution plans	147	82	49
Other social security costs, housing benefits and other employee benefits	131	84	184
Share-based compensation expenses	3,560	5,718	6,819
	9,147	7,594	11,478

The five highest paid individuals fell within the following bands:

	Year ended December 31,		
	2018	2019	2020
Emolument bands			
HK$2,500,001–HK$3,000,000	1	–	–
HK$3,500,001–HK$4,000,000	2	–	–
HK$4,000,001–HK$4,500,000	–	2	2
HK$4,500,001–HK$5,000,000	–	–	1
	3	2	3

(c) Directors' emoluments

The remuneration paid or payable to the directors of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) during the years ended December 31, 2018, 2019 and 2020 was as follows.

Name	Fees	Salaries, wages and bonuses	Share-based compensation expenses	Pension costs – defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2018						
Executive directors						
Ms. LI Huamin	–	1,774	5,209	48	47	7,078
Mr. CHEN Kai	–	1,687	4,044	48	47	5,826
Non-executive directors						
Mr. FENG Dai	–	–	–	–	–	–
Mr. HUANG Kun	–	1,096	991	48	47	2,182
Mr. HU Jiezhang	–	–	–	–	–	–
	–	4,557	10,244	144	141	15,086

Name	Fees	Salaries, wages and bonuses	Share-based compensation expenses	Pension costs – defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2019						
Executive directors						
Ms. LI Huamin	–	1,890	17,666	49	56	19,661
Mr. CHEN Kai	–	1,797	12,980	49	56	14,882
Non-executive directors						
Mr. FENG Dai	–	–	–	–	–	–
Mr. HUANG Kun	–	764	2,087	49	56	2,956
Mr. HU Jiezhang	–	–	–	–	–	–
	–	4,451	32,733	147	168	37,499

Name	Fees	Salaries, wages and bonuses	Share-based compensation expenses	Pension costs – defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2020						
Executive directors						
Ms. LI Huamin	–	2,119	23,578	4	57	25,758
Mr. CHEN Kai	–	2,016	20,237	4	57	22,314
Non-executive directors . .						
Mr. FENG Dai	–	–	–	–	–	–
Mr. HUANG Kun	–	–	2,150	–	–	2,150
Mr. HU Jiezhang	–	–	–	–	–	–
	–	4,135	45,965	8	114	50,222

(i) Mr. FENG Dai was appointed as non-executive director of the Company and chairman of the Board of the Company on November 29, 2018. Ms. LI Huamin and Mr. CHEN Kai were appointed as the executive directors of the Company on November 29, 2018. Mr. HUANG Kun and Mr. HU Jiezhang were appointed as the non-executive directors on November 29, 2018 and December 21, 2020, respectively. The remuneration shown above represents remuneration received and receivable from the Group by these executive directors and non-executive directors in their capacity as employees or/and directors of the companies now comprising the Group. Mr. CHEN Kai resigned as an executive director of the Company with effect from April 17, 2021. Mr. SONG Xin was appointed as the executive director of the Company on April 21, 2021.

(ii) No directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as a compensation for loss of office as director during the Track Record Period.

(iii) No retirement benefits were paid to or receivable by any directors in respect of their services in connection with the management of the affairs of the Company or its subsidiary undertaking during the Track Record Period.

(iv) No payment was made to directors as compensation for the early termination of the appointment during the Track Record Period.

(v) No payment was made to the former employers of directors for making available the services of them as a director of the Company during the Track Record Period.

(vi) Save as disclosed in Note 22 and Note 35, no loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors at the end of or at any time during the Track Record Period.

(vii) Save as disclosed in Note 22 and Note 35, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the Track Record Period.

9 FINANCE (COSTS)/INCOME – NET

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Finance income:			
Interest income on bank deposits	1,060	1,791	4,153
Interest income derived from loans to third parties	49	–	–
Interest income on financial bonds	114	–	–
	1,223	1,791	4,153
Finance costs:			
Interest expense on lease liabilities	(780)	(1,123)	(1,135)
Interest expense on amounts due to related parties	(574)	(19)	(19)
Finance (costs)/income – net	(131)	649	2,999

10 INCOME TAX EXPENSE

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Current income tax			
– PRC corporate income tax	15,536	18,043	34,108
– Hong Kong profits tax	373	1,759	2,388
	15,909	19,802	36,496
Deferred income tax (Note 29)			
– PRC corporate income tax	682	(2,975)	(2,197)
– Withholding tax on undistributed profits (Note (e))	–	–	6,000
	682	(2,975)	3,803
	16,591	16,827	40,299

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

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Profit before income tax	74,777	84,492	191,231
Tax calculated at respective statutory tax rates	21,363	20,518	49,133
Tax effects of:			
– Preferential income tax rates applicable to subsidiaries	(6,154)	(7,656)	(18,833)
– Income not subject to tax	–	20	–
– Utilization of unrecognized tax losses	(15)	(2)	–
– Expenses not deductible for taxation purposes	6,682	11,807	12,040
– Tax losses not recognized for deferred income tax	747	–	10
– Super deduction for research and development expenditure	(6,123)	(7,826)	(7,964)
– Share of results of investments accounted for using the equity method	91	(34)	(87)
– Withholding income tax on undistributed profits	–	–	6,000
	16,591	16,827	40,299

(a) Cayman Islands income tax

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

(b) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowance. The general PRC CIT rate is 25% during the Track Record Period.

The Company's subsidiary, 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 Track Record Period.

The Company's subsidiary, 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% for years ended December 31, 2019 and 2020.

According to the CIT laws and Detailed Implementation Rules, an enterprise is allowed to claim an additional deduction of 50% of research and development expenses incurred for the development of new technologies, new products and new craftsmanship from 2008 onwards. From 2018 to 2020, according to Caishui [2018] No. 99 (財稅[2018]99號), an extra 75% of the actual amount of research and development expenses can be deducted before tax.

(c) Hong Kong profit tax

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

(d) Other overseas income tax

The Germany company income tax rate of the subsidiary of the Group incorporated in Germany is 15%. The United States corporate income tax rate of the subsidiary of the Group incorporated in United States is 21%. No provision for Germany company income tax and United States company income tax was made as the Group did not have any assessable income subject to Germany company income tax and United States company income tax during the Track Record Period.

(e) Withholding tax

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

11 EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, ordinary shares issued in the Reorganization were assumed to have been issued and allocated on January 1, 2018 as if the Company has been established by then.

(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 Track Record Period.

The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the issuance of shares in connection with the Reorganization completed on December 21, 2020 and the share subdivision completed on May 20, 2021 whereby each ordinary share was subdivided into 100 ordinary shares (Note 21 (a)(v)).

	Year ended December 31,		
	2018	2019	2020
Profit attributable to owners of the Company (RMB'000)	59,758	68,837	150,689
Weighted average number of ordinary shares outstanding	120,868,500	117,621,800	119,513,700
Basic earnings per share (in RMB)	0.49	0.59	1.26

For the purpose of calculating the weighted average number of ordinary shares outstanding, the number of shares shown below has taken the share subdivision into account as the share subdivision was deemed to be effective since January 1, 2018, and:

(i) The following shares issued during the Reorganization are treated as if they had been in effect and issued on January 1, 2018:

- 100 shares issued on November 29, 2018, the date of incorporation of the Company; and
- 99,999,900 shares issued on December 21, 2020 to CareCapital Orthotech.

(ii) Out of 47,515,200 shares issued on December 21, 2020 to offshore holding companies controlled by certain directors, senior management and employees of the Group:

- 17,621,800 shares issued to Ms. LI Huamin and Mr. CHEN Kai reflecting their shareholdings in Wuxi prior to January 1, 2018 were treated as if they were outstanding on January 1, 2018; and
- The remaining 19,876,200 shares, 6,382,100 shares and 3,635,100 shares issued to certain directors, senior management and employees of the Group reflecting their respective shareholdings in Wuxi EA, which were purchased by the Group from the then shareholders of Wuxi EA and were granted on December 22, 2016, December 28, 2017 and November 22, 2018 under the Employee Share Award Scheme but unvested (Note 22(b)), were treated as treasury stocks and therefore excluded from the calculation of weighted average number of ordinary shares from January 1, 2018, January 1, 2018 and November 22, 2018, respectively, out of which 7,512,900 shares vested on September 30, 2020 were treated as if they were outstanding on September 30, 2020.

(iii) The 1,002,300 shares offered to Wuxi Jinhe Venture Investment Co., Ltd. (無錫市金禾創業投資有限公司, "Wuxi Jinhe") on December 31, 2020; and

(iv) Out of the 460,000 shares offered to offshore holding companies controlled by certain directors, senior management and employees of the Group issued on December 31, 2020:

- 211,700 unvested shares held on behalf on the Company were excluded from the calculation of weighted average number of ordinary shares; and
- The remaining 248,300 shares were treated as outstanding on December 31, 2020.

(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 Track Record Period which were the shares held for employee scheme (Note 21) and the share options granted to a senior management on October 9, 2020 (Note 22(b)).

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

	Year ended December 31,		
	2018	2019	2020
Profit attributable to owners of the Company (RMB'000)	59,758	68,837	150,689
Weighted average number of ordinary shares in issue	120,868,500	117,621,800	119,513,700
Adjustments for share options and awarded shares	16,716,400	20,437,900	25,925,600
Weighted average number of ordinary shares for diluted earnings per share	137,584,900	138,059,700	145,439,300
Diluted earnings per share (in RMB)	0.43	0.50	1.04

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvements	CIP	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018							
Cost	1,903	29,967	1,102	1,184	11,432	5,206	50,794
Accumulated depreciation	(23)	(14,765)	(801)	(521)	(3,463)	–	(19,573)
Accumulated impairment	–	(1,357)	–	–	–	–	(1,357)
Net book amount	1,880	13,845	301	663	7,969	5,206	29,864
Year ended December 31, 2018							
Opening net book amount	1,880	13,845	301	663	7,969	5,206	29,864
Additions	–	19,152	1,197	1,427	6,442	11,561	39,779
Transfers	–	7,870	–	–	2,862	(10,732)	–
Disposals	–	(1,621)	(32)	(5)	–	–	(1,658)
Depreciation	(90)	(5,605)	(260)	(278)	(3,362)	–	(9,595)
Impairment	–	(3,344)	–	–	–	–	(3,344)
Closing net book amount	1,790	30,297	1,206	1,807	13,911	6,035	55,046
At December 31, 2018							
Cost	1,903	50,442	1,666	2,502	20,736	6,035	83,284
Accumulated depreciation	(113)	(15,917)	(460)	(695)	(6,825)	–	(24,010)
Accumulated impairment	–	(4,228)	–	–	–	–	(4,228)
Closing net book amount	1,790	30,297	1,206	1,807	13,911	6,035	55,046
Year ended December 31, 2019							
Opening net book amount	1,790	30,297	1,206	1,807	13,911	6,035	55,046
Additions	4,735	19,002	–	3,480	1,568	15,778	44,563
Transfers	–	6,050	–	–	14,820	(20,870)	–
Disposal of a subsidiary	–	(263)	–	–	(224)	–	(487)
Other disposals	–	(1,231)	–	(151)	–	–	(1,382)
Depreciation	(267)	(6,560)	(247)	(789)	(5,539)	–	(13,402)
Closing net book amount	6,258	47,295	959	4,347	24,536	943	84,338
At December 31, 2019							
Cost	6,638	72,984	1,666	5,467	36,881	943	124,579
Accumulated depreciation	(380)	(21,639)	(707)	(1,120)	(12,345)	–	(36,191)
Accumulated impairment	–	(4,050)	–	–	–	–	(4,050)
Closing net book amount	6,258	47,295	959	4,347	24,536	943	84,338

	Buildings	Plant and machinery	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvements	CIP	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2020							
Opening net book amount	6,258	47,295	959	4,347	24,536	943	84,338
Additions	–	8,671	–	1,005	1,718	27,657	39,051
Transfers	–	3,590	–	–	1,044	(4,634)	–
Disposals	–	(413)	–	(156)	–	–	(569)
Depreciation	(306)	(8,851)	(324)	(1,050)	(6,990)	–	(17,521)
Closing net book amount	5,952	50,292	635	4,146	20,308	23,966	105,299
At December 31, 2020							
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

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

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cost of revenue	4,565	6,544	10,122
Selling and marketing expenses	65	864	353
Administrative expenses	4,016	4,682	5,500
Research and development expenses	949	1,312	1,546
	9,595	13,402	17,521

During the year ended December 31, 2018, the impairment losses for property, plant and equipment of certain 3D printers amounting to approximately RMB3,344,000 have been recognized in the consolidated statements of comprehensive income. The recoverable amounts of these assets in aggregate are RMB239,000 based on their fair values less costs of disposal. Factors leading to the impairment mainly include the Group's plan to retire or obsolete gradually of these devices according to the further mandatory replacement pursuant to an agreement entered into with a 3D printing solution supplier following the change in technology.

13 RIGHT-OF-USE ASSETS

	Office premises	Land use rights	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2018			
Cost	15,635	–	15,635
Accumulated depreciation	(6,768)	–	(6,768)
Net book amount	8,867	–	8,867
Year ended December 31, 2018			
Opening net book amount	8,867	–	8,867
Additions	15,903	–	15,903
Depreciation	(8,338)	–	(8,338)
Closing net book amount	16,432	–	16,432
At December 31, 2018			
Cost	25,327	–	25,327
Accumulated depreciation	(8,895)	–	(8,895)
Net book amount	16,432	–	16,432

	Office premises	Land use rights	Total
	RMB'000	RMB'000	RMB'000
Year ended December 31, 2019			
Opening net book amount	16,432	–	16,432
Additions	17,506	59,413	76,919
Early termination of lease contracts	(1,522)	–	(1,522)
Disposal of a subsidiary	(667)	–	(667)
Depreciation	(9,373)	(994)	(10,367)
Closing net book amount	22,376	58,419	80,795
At December 31, 2019			
Cost	38,781	59,413	98,194
Accumulated depreciation	(16,405)	(994)	(17,399)
Net book amount	22,376	58,419	80,795
Year ended December 31, 2020			
Opening net book amount	22,376	58,419	80,795
Additions	1,606	-	1,606
Early termination of lease contracts	(565)	-	(565)
Depreciation	(9,889)	(1,188)	(11,077)
Closing net book amount	13,528	57,231	70,759
At December 31, 2020			
Cost	27,833	59,413	87,246
Accumulated depreciation	(14,305)	(2,182)	(16,487)
Net book amount	13,528	57,231	70,759

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

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cost of revenue	3,605	4,493	4,852
Selling and marketing expenses	782	858	780
Administrative expenses	3,608	4,173	4,509
Research and development expenses	343	843	936
	8,338	10,367	11,077

14 INTANGIBLE ASSETS

	Goodwill	Software	Patents	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018					
Cost	320	8,005	1,570	–	9,895
Accumulated amortization	–	(3,477)	(1,004)	–	(4,481)
Net book amount	320	4,528	566	–	5,414
Year ended December 31, 2018					
Opening net book amount	320	4,528	566	–	5,414
Additions	–	6,966	–	3,674	10,640
Disposals	–	(44)	–	–	(44)
Amortization	–	(1,674)	(119)	(525)	(2,318)
Closing net book amount	320	9,776	447	3,149	13,692
At December 31, 2018					
Cost	320	14,343	1,570	3,674	19,907
Accumulated amortization	–	(4,567)	(1,123)	(525)	(6,215)
Net book amount	320	9,776	447	3,149	13,692
Year ended December 31, 2019					
Opening net book amount	320	9,776	447	3,149	13,692
Additions	–	329	–	206	535
Disposal of a subsidiary	(293)	–	–	–	(293)
Amortization	–	(2,180)	(177)	(2,247)	(4,604)
Closing net book amount	27	7,925	270	1,108	9,330
At December 31, 2019					
Cost	27	14,672	1,570	3,880	20,149
Accumulated amortization	–	(6,747)	(1,300)	(2,772)	(10,819)
Net book amount	27	7,925	270	1,108	9,330
Year ended December 31, 2020					
Opening net book amount	27	7,925	270	1,108	9,330
Additions	–	383	–	–	383
Amortization	–	(2,300)	(117)	(1,108)	(3,525)
Closing net book amount	27	6,008	153	–	6,188
At December 31, 2020					
Cost	27	15,055	1,570	3,880	20,532
Accumulated amortization	–	(9,047)	(1,417)	(3,880)	(14,344)
Net book amount	27	6,008	153	–	6,188

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

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cost of revenue	1,201	905	909
Selling and marketing expenses	253	363	367
Administrative expenses	564	749	801
Research and development expenses	300	2,587	1,448
	2,318	4,604	3,525

15 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at amortized cost			
Cash and cash equivalents	216,015	504,697	877,578
Amounts due from related parties	27,712	30,235	4,523
Trade and other receivables excluding non-financial assets	80,930	70,631	75,963
	324,657	605,563	958,064
Financial liabilities			
Financial liabilities at amortized cost			
Trade and other payables excluding non-financial liabilities	57,815	108,110	100,771
Amounts due to related parties	6,190	6,291	5,940
Lease liabilities	16,833	22,870	14,168
	80,838	137,271	120,879

16 TRADE AND OTHER RECEIVABLES

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Included in current assets			
Trade receivables (Note a)			
– Due from third parties	79,031	73,611	88,369
– Due from related parties	351	81	378
	79,382	73,692	88,747
Less: allowance for impairment of trade receivables	(5,696)	(8,203)	(18,344)
	73,686	65,489	70,403
Other receivables (Note b)			
– Deposits receivables	3,018	3,059	3,008
– Staff advances	759	208	3
– Deductible input value-added tax	4,468	3,579	13
– Consideration from disposals of interests in subsidiaries without change of control	969	969	969
– Others	2,608	984	1,665
	11,822	8,799	5,658
Less: allowance for impairment of other receivables	(110)	(78)	(85)
	11,712	8,721	5,573
Prepayments for			
– Taxes	7,120	9,605	3,169
– Suppliers	11,402	10,276	15,624
– [**REDACTED**] expenses	3,503	3,725	6,924
	22,025	23,606	25,717
	107,423	97,816	101,693
Included in non-current assets			
Prepayments for acquisition of a joint venture	3,000	–	–
Prepayments for property, plant and equipment	3,578	1,691	764
	6,578	1,691	764

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

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

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within 60 days	14,719	23,562	26,703
61 to 180 days	17,066	19,887	17,341
181 to 365 days	36,678	9,946	12,214
1 to 2 years	5,136	13,001	16,004
2 to 3 years	4,205	2,710	10,666
Over 3 years	1,578	4,586	5,819
	79,382	73,692	88,747

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

The Group's trade receivables were denominated in RMB.

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

17 CASH AND CASH EQUIVALENTS

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cash at banks	215,960	504,665	877,568
Cash on hand	55	32	10
Cash and cash equivalents	216,015	504,697	877,578

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

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

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
RMB	190,266	445,550	794,299
USD	25,726	59,082	83,245
Others	23	65	34
	216,015	504,697	877,578

18 INVENTORIES

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At cost:			
Raw materials	20,962	19,376	17,772
Work in progress	499	617	755
Finished goods	202	2,834	1,387
	21,663	22,827	19,914

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

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Wealth management products			
Balance at the beginning of the year	43,000	–	–
Additions	350,000	588,000	1,310,000
Realized fair value gain	2,436	2,512	4,235
Disposals	(395,436)	(590,512)	(1,314,235)
Balance at the end of the year	–	–	–

20 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Joint ventures (Note a)	–	6,958	7,269
Associate (Note b)	3,438	6,723	6,579
	3,438	13,681	13,848

(a) Investments in joint ventures

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year	–	–	6,958
Addition	–	7,179	–
Share of results of the joint ventures	(301)	(133)	491
Reclassification as amounts due to related parties	301	(88)	(180)
At the end of the year	–	6,958	7,269

(b) Investment in an associate

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year	–	3,438	6,723
Additions	3,500	3,500	–
Share of results of an associate	(62)	(215)	(144)
At the end of the year	3,438	6,723	6,579

(c) Set out below are the associate and joint ventures of the Group as at December 31, 2018, 2019 and 2020. The associate and joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the Group's proportion of ownership interest is the same as the proportion of voting rights held by the Group. None of the following associate and joint ventures is material to the Group. There were no contingent liabilities relating to the Group's interest in the joint ventures and associate as at December 31, 2018, 2019 and 2020.

		Percentage of ownership interest attributable to the Group				
		As at December 31,				
Name	**Place of incorporation**	**2018**	**2019**	**2020**	**Nature of relationship**	**Principal activities**
Guangzhou Yuelu Oral Cavity Company Limited	Guangdong Province, the PRC	30%	30%	30%	Associate	Dental clinics
Wuxi Beifurui Education Consulting Company Limited ("Wuxi Beifurui")	Jiangsu Province, the PRC	50%	50%	50%	Joint venture	Provision of education Consultancy and training services
Guangzhou Shengshi Oral Outpatient Department Company Limited	Guangdong Province, the PRC	–	40%	40%	Joint venture	Dental clinics
Shanghai Junxiao (Note 1.2(v), Note 34)	Shanghai, the PRC	N/A	70%	70%	Joint venture	Dental clinics

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

(a) Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares	Share capital	Share premium	Total
		USD	RMB'000	RMB'000	RMB'000
Authorized:					
Ordinary shares of USD0.01 each November 29, 2018 (date of incorporation) (i)	5,000,000	50,000	–	–	–
At December 31, 2018, 2019 and 2020	5,000,000	50,000	–	–	–
Issued:					
At November 29, 2018 (incorporation date of the Company)	–	–	–	–	–
Issuance of ordinary shares (i)	1	–	–	–	–
At December 31, 2018 and 2019	1	–	–	–	–
At January 1, 2020	1	–	–	–	–
Issuance of ordinary shares to CareCapital Orthotech (ii)	999,999	10,000	65	300,932	300,997
Issuance of ordinary shares to non-controlling shareholders of Wuxi EA prior to Reorganization (ii)	475,152	4,752	31	145,921	145,952
Issuance of ordinary shares to pre-[**REDACTED**] investor (iii)	10,023	100	1	39,719	39,720
Issuance of ordinary shares for the employee share scheme (iv)	4,600	46	–	–	–
At December 31, 2020	1,489,775	14,898	97	486,572	486,669

(i) The Company was established in the Cayman Islands on November 29, 2018 with one ordinary share of a par value of USD0.01 allotted to Mapcal Limited. On the same day, such ordinary share was transferred to CareCapital Orthotech for a consideration of USD0.01.

(ii) On December 21, 2020, as part of the Reorganization (Note 1.2), an aggregate of 999,999 ordinary shares with cash consideration of approximately RMB65,000 in total were issued to CareCapital Orthotech at nominal value. On December 21, 2020, the Company issued an aggregate of 475,152 ordinary shares with cash consideration approximately RMB2,963,000 in total to seven offshore holding companies used by certain directors, senior management and employees of the Group for the purpose holding their respective corresponding equity interests in Wuxi EA prior to the Reorganization. The exceed in the cash consideration of RMB3,028,000 over the equivalent nominal values of aforesaid 1,475,151 shares amounting to RMB2,932,000 were recognized in share premium. On the same day, the book value of Wuxi EA's net assets as at December 21, 2020, amounting to approximately RMB443,921,000, was transferred from capital reserves to share premium.

(iii) On December 31, 2020, pursuant to the share purchase agreement dated December 21, 2020, Wuxi Jinhe agreed to subscribe for 10,023 ordinary shares of the Company with par value of USD0.01 each at the aggregate consideration of US dollar equivalent to RMB39,720,000.

(iv) On December 31, 2020, the Company issued an aggregate of 4,600 new shares with par value of USD0.01 each to certain directors, senior management and employees of the Company for incentive purposes.

(v) Pursuant to the written resolutions passed by the shareholders of the Company on May 20, 2021, the authorized share capital of the Company was subdivided into 500,000,000 shares with a par value of US$0.0001 each.

(b) Shares held for employee share scheme

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year	42,673	54,994	54,994
Additions	12,321	–	–
Transfer of shares held for employee share scheme upon vesting (Note 22(b))	–	–	(25,465)
Balance at the end of the year	54,994	54,994	29,529

As at December 2018 and 2019, these shares representing 20.26% equity interests in Wuxi EA, are held by several limited liability partnerships for purpose of issuing shares under share incentive schemes (the "ESOP LLPs") (Note 22(b)) and representing 15.02% equity interests in the Company held by several offshore holding companies used by certain directors, senior managements and employees of the Group for the purpose holding their respective corresponding equity interests in Wuxi EA prior to the Reorganization as at December 31, 2020.

On December 31, 2020, the Company issued an aggregate of 4,600 new shares with par value of USD0.01 each to certain directors, senior management and employees of the Company for incentive purposes, out of which 2,117 shares were unvested and held for employee share scheme, representing 0.14% equity interests in the Company.

22 SHARE-BASED PAYMENTS

The share-based compensation expenses recognized are as follows:

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Expenses arising from equity-settled share-based payment transactions	23,438	61,677	66,319

(a) Share-based payments to individuals

On December 22, 2016, CareCapital Orthotech, the then parent company of Wuxi EA, established Wuxi Fujia Management Advisory Company (Limited Partnership) (無錫富嘉管理諮詢企業(有限合夥), "Wuxi Fujia"), an equity awards entity in the form of limited liability partnerships and transferred 8.99% equity interests in Wuxi EA to Wuxi Fujia with consideration of approximately RMB24,690,000. On the same day, by way of subscribing for their partnership interests in Wuxi Fujia, Ms. LI Huamin and Mr. CHEN Kai, as senior management of Wuxi EA, acquired 8.99% equity interests in Wuxi EA in total from CareCapital Orthotech.

These equity interests awarded would be vested in 10 instalments over a 10-years requisite service period commencing from December 31, 2015. The fair value of these incentive interests at the grant date, which was determined by reference to the fair value of the equity interests of Wuxi EA determined by an external independent valuer, over respective cash consideration assumed by Ms. LI Huamin and Mr. CHEN Kai, were treated as share-based payment expenses and charged to the consolidated statements of comprehensive income over the vesting period.

On December 15, 2020, pursuant to a supplemental agreement entered into amongst CareCapital Orthotech, Ms. LI Huamin and Mr. CHEN Kai, the remaining required service periods will be canceled upon the [**REDACTED**].

For the years ended December 31, 2018, 2019 and 2020, the Group recognized share-based payment expenses amounting to RMB601,000, RMB461,000 and RMB2,068,000, respectively, for the aforesaid share-based payments to individuals.

(b) Employee Share Award Scheme

Wuxi EA set up a share incentive scheme for the purpose of retaining talent, promoting the long-term sustainable development of the Group. Under the share incentive scheme, Wuxi EA entered into employee share award contracts with certain senior management and employees of the Group, (collectively, the "Incentive Targets") on December 22, 2016, December 28, 2017 and November 22, 2018 (collectively, the "Grant Dates"), respectively (collectively, the "Engagement Agreements").

Pursuant to the Engagement Agreements, certain ESOP LLPs which held equity interests in Wuxi EA directly, were set up. For the years ended December 31, 2016, 2017 and 2018, the ESOP LLPs acquired 20.26% equity interests in Wuxi EA in total from the then shareholders with consideration of approximately RMB21,041,000, RMB21,632,000 and RMB12,321,000, respectively (the "Predetermined Subscription Prices"). Pursuant to the Engagement Agreements, the Group has discretion to invite any employee of the Group to participate in the ESOP LLPs by subscribing for their partnership interest. The Incentive Targets are entitled to all the economic benefits generated by the ESOP LLPs with the required service period. As the general partner of the ESOP LLPs are designed by the Group for its benefit and the Group has discretion in determining the participating employees, the ESOP LLPs are therefore controlled and consolidated by the Group as structured entities and the equity interests in Wuxi EA held by the ESOP LLPs for the purpose of employee share incentives, amounting to RMB54,994,000, RMB54,994,000 and RMB29,529,000 as at December 31, 2018, 2019 and 2020, respectively, are recorded as "shares held for employee share scheme".

Pursuant to the Engagement Agreements, the Incentive Targets, through their interests in the ESOP LLPs, were granted 20.26% equity interests in Wuxi EA, at the Predetermined Subscription Prices (the "Onshore Awarded Shares"). These Onshore Awarded Shares are limited to be transferred or used in pledge within certain service periods. If an Incentive Target ceases to be employed by the Group within the service periods, the Incentive Target has to sell the Onshore Awarded Shares to designated persons at its original subscription price.

The Incentive Targets obtained above Onshore Share Awards at a price lower than their fair value on the respective Grant Dates, such transactions were considered as equity-settled share-based payment. The Group amortized this share-based compensation expense since the Grant Dates as the relevant services has been received since then and throughout the fulfillment of respective service periods.

On December 31, 2018, due to the Reorganization, the Company modified the employee share award scheme pursuant to which: (a) the subscription prices of the Onshore Awarded Shares were waived; and (b) the ESOP LLPs would transfer all their equity interests in Wuxi EA to CareCapital Orthotech with the considerations equal to the Predetermined Subscription Prices; and (c) the Company would issue an aggregate of 20.26% equity interests of the Company to the Incentive Targets with nominal share price as the replacement of the Onshore Share Awards. As such, the Group modified the terms of the employee share award scheme that are beneficial to the Incentive Targets. The incremental share-based compensation expenses, representing the excess of the fair value of the modified employee share award scheme on December 31, 2018 over the fair of the original employee share award scheme on December 31, 2018, were amortized within the respectively remaining service periods since December 31, 2018.

As mentioned in Note 1.2, on December 17, 2020, CareCapital Orthotech purchased these shares from the ESOP LLPs with cash consideration of RMB49,537,000, following which on December 21, 2020, the Company issued 298,934 shares with par value of USD0.01 each, representing 20.26% equity interests in the Company, to several offshore holding companies established or used by certain of the directors, senior management and employees for the purpose of holding their respective corresponding equity interests in Wuxi EA prior to the Reorganization. The consideration of RMB49,537,000 was credited to "capital reserves" account as contributions from shareholders of the Company. On the same day, 75,129 shares of the Company out of these 298,934 shares of the Company were vested, resulted from which the shares in Wuxi EA held for employee share scheme (Note 21(b)) amounting to RMB25,465,000 were debited from "share-based payment reserves" account.

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 [**REDACTED**] and (ii) each 20% on the last day of each year commencing from October 1, 2020.

On December 31, 2020, the Company further issued and allotted 4,600 shares with par value of USD0.01 each, representing 0.31% equity interests of the Company, to certain directors, senior management and employees of the Group with certain required service periods.

The fair value of incentive interests on the grant dates, being December 22, 2016, December 28, 2017, November 22, 2018 and October 9, 2020, as well as on the modification date being December 31, 2018, were determined by an external independent valuer based on Black-Scholes valuation model. The significant inputs into the model were listed below:

	As at December 22, 2016	As at December 28, 2017	As at November 21, 2018	As at December 31, 2018	As at October 9, 2020
Expected volatility	58.89%	57.96%	41.70%	36.89%	46.33%-58.86%
Risk-free interest rate	3.16%	3.63%	3.26%	3.17%	2.80%-3.34%
Expected option life	6.52 years	5.76 years	4.86 years	4.50-4.75 years	0.50-3.75 years

For the years ended December 31, 2018, 2019 and 2020, the Group recognized share-based payment expenses amounting to aggregate RMB22,837,000, RMB61,216,000 and RMB64,251,000, respectively, for the aforesaid share award scheme.

23 OTHER RESERVES

	Capital reserves	Statutory reserves	Share-based payment reserves	Currency translation reserves	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note (a))	(Note (b))	(Note (22))			
Balance at January 1, 2018	197,695	1,105	11,593	(339)	–	210,054
Currency translation differences	–	–	–	65	–	65
Changes in ownership interests in subsidiaries without change of control (Note 33)	–	–	–	–	328	328
Share-based payments	–	–	23,438	–	–	23,438
Appropriation to statutory reserves	–	6,149	–	–	–	6,149
Balance at December 31, 2018	197,695	7,254	35,031	(274)	328	240,034
Balance at January 1, 2019	197,695	7,254	35,031	(274)	328	240,034
Currency translation differences	–	–	–	394	–	394
Share-based payments	–	–	61,677	–	–	61,677
Appropriation to statutory reserves	–	5,718	–	–	–	5,718
Balance at December 31, 2019	197,695	12,972	96,708	120	328	307,823
Balance at January 1, 2020	197,695	12,972	96,708	120	328	307,823
Currency translation differences	–	–	–	(1,008)	–	(1,008)
Contributions from the shareholders of the Company (Note 22(b))	49,537	–	–	–	–	49,537
Transferred to share premium during the Reorganization (Note 21(a)(ii))	(443,921)	–	–	–	–	(443,921)
Transfer of shares held for employee share scheme upon vesting (Note 22(b))	–	–	(25,465)	–	–	(25,465)
Share-based payments	–	–	66,319	–	–	66,319
Appropriation to statutory reserves	–	24,580	–	–	–	24,580
Balance at December 31, 2020	(196,689)	37,552	137,562	(888)	328	(22,135)

(a) The capital reserves as at January 1, 2018 mainly consisted of the paid-in capital of Wuxi EA, amounting to RMB167,807,000 (equivalent to USD26,000,000), and the paid-in capital and capital reserves of Beijing EA, which was controlled by Wuxi EA through Contractual Arrangements. On April 1, 2018, Wuxi EA executed the exclusive option agreement in favor of Beijing EA, which was a part of the Contractual Arrangements, and legally obtained 100% equity interest in Beijing EA at nil consideration.

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

24 (ACCUMULATED LOSSES)/RETAINED EARNINGS

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At the beginning of the year	(72,139)	(18,530)	44,589
Profit for the year	59,758	68,837	150,689
Appropriation to statutory reserves	(6,149)	(5,718)	(24,580)
Dividends (Note 30)	–	–	(104,000)
At the end of the year	(18,530)	44,589	66,698

25 TRADE AND OTHER PAYABLES

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Trade payables (Note a)	26,942	60,910	34,024
Employee benefits payable	45,217	63,129	82,302
Other taxes payable	25,618	34,642	55,514
Consideration payables in relation with acquisition of a subsidiary (Note 35)	3,432	3,488	3,262
Accrued expenses payable	9,263	9,604	15,531
Deposits payable	5,086	9,829	17,443
Advertising and promotion expenses payable	3,989	5,255	13,955
Donations payable	–	2,000	4,000
Professional service fees payable	2,242	6,208	6,128
Reimbursement payable	2,298	3,397	2,688
Payables in relation with acquisition of property, plant and equipment	537	3,447	286
Others	4,026	3,972	3,454
	128,650	205,881	238,587

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

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
0 to 60 days	21,875	52,328	28,027
61 to 180 days	5,036	6,194	3,566
181 to 365 days	10	236	685
Over 1 year	21	2,152	1,746
	26,942	60,910	34,024

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

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
RMB	11,777	60,158	34,024
USD	15,165	603	–
Others	–	149	–
	26,942	60,910	34,024

(c) As at December 31, 2018, 2019 and 2020, trade and other payables of the Group were interest-free and repayment on demand.

26 CONTRACT LIABILITIES

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

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Included in current liabilities			
Clear aligner treatment solutions	107,598	237,713	397,919
Other services	1,553	1,185	1,773
	109,151	238,898	399,692
Included in non-current liabilities			
Clear aligner treatment solutions	45,856	65,445	18,924

(a) Significant changes in contract liabilities

Contract liabilities of the Group mainly arose from the advance payments made by customers while the underlying goods or services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

(b) Revenue recognized in relation to contract liabilities

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

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year			
– Clear aligner treatment solutions	91,973	107,598	237,713
– Other services	91	1,553	1,185
	92,064	109,151	238,898

27 LEASE LIABILITIES

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Minimum lease payments due			
– Within 1 year	8,756	10,627	9,214
– Between 1 and 2 years	5,305	8,745	5,408
– Between 2 and 5 years	4,073	5,321	311
	18,134	24,693	14,933
Less: future finance charges	(1,301)	(1,823)	(765)
Present value of lease liabilities	16,833	22,870	14,168
Within 1 year	7,995	9,517	8,625
Between 1 and 2 years	4,912	8,193	5,247
Between 2 and 5 years	3,926	5,160	296
	16,833	22,870	14,168

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Interest expense (included in finance costs-net)	780	1,123	1,135
Variable terms lease expenditure for equipment	11,495	20,158	5,895
Short-term lease expenditure for office premises, dormitories and equipment	1,588	1,515	1,099
	13,083	21,673	6,994
Cash outflow for lease payments	9,097	10,322	10,868
Cash outflow for short-term lease and variable terms lease	7,783	14,131	16,689
	16,880	24,453	27,557

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

Some devices leases contain variable payment terms that are linked to the production of aligners. Variable lease payments that depend on production of aligner are recognized in profit or loss in the period in which the condition that triggers those payments occurs. A 5% increase in production of clear aligners in the Group with such variable lease contracts, for the years ended December 31, 2018, 2019 and 2020 would increase total lease payments by approximately RMB575,000, RMB1,008,000 and RMB294,000, respectively.

28 DEFERRED INCOME

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Government grants			
– To be realized within 12 months	82	405	600
– To be realized after more than 12 months	683	5,124	6,280
	765	5,529	6,880

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

29 DEFERRED INCOME TAX

(a) Deferred income tax assets

The analysis of deferred tax assets is as follows:

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:			
Net impairment on financial assets	1,451	1,684	3,267
Unused tax losses	619	2,330	2,809
Impairment for non-current assets	770	743	134
Deferred income	340	1,055	1,258
Others	1,321	1,567	2,105
	4,501	7,379	9,573

The movement in deferred income tax assets is as follows:

	Net impairment on financial assets	Unused tax losses	Impairment for non-current assets	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2018	648	2,711	339	225	1,260	5,183
Credited/(charged) to the consolidated statements of comprehensive income	803	(2,092)	431	115	61	(682)
As at December 31, 2018	1,451	619	770	340	1,321	4,501
As at January 1, 2019	1,451	619	770	340	1,321	4,501
Credited/(charged) to the consolidated statements of comprehensive income	242	1,779	(27)	715	266	2,975
Early termination of lease contracts	–	–	–	–	(19)	(19)
Disposal of a subsidiary	(9)	(68)	–	–	(1)	(78)
As at December 31, 2019	1,684	2,330	743	1,055	1,567	7,379
As at January 1, 2020	1,684	2,330	743	1,055	1,567	7,379
Credited/(charged) to the consolidated statements of comprehensive income	1,583	479	(609)	203	541	2,197
Early termination of lease contracts	–	–	–	–	(3)	(3)
As at December 31, 2020	3,267	2,809	134	1,258	2,105	9,573

Deferred income tax assets are recognized for tax losses carry-forward to the extent that the realization of the related tax benefits through the future taxable profits is probable. For the years ended December 31, 2018, 2019 and 2020, the Group did not recognize deferred income tax assets in respect of losses amounting to RMB3,570,000, RMB79,000 and RMB56,000, respectively, due to the unpredictability of future profit streams, that can be carried forward against future taxable income.

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

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Indefinite	9,719	9,798	9,854

(b) Deferred income tax liabilities

The analysis of deferred tax liabilities was as follows:

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:			
Withholding tax on undistributed profits	–	–	6,000

The movement in deferred income tax assets was as follows:

	Withholding tax on undistributed profits
	RMB'000
As at January 1, 2018, December 31, 2018 and 2019	–
As at January 1, 2020	–
Charged to the consolidated statements of comprehensive income	6,000
As at December 31, 2020	6,000

30 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation during the Track Record Period.

Pursuant to the resolutions of the shareholders' meeting of Wuxi EA held on January 17, 2020, dividends of RMB61,000,000 were declared by Wuxi EA to its shareholders, namely CareCapital Orthotech, Ningbo Meishan Bonded Port Area Yonghan Investment Management Partnership (Limited partnership) (寧波梅山保稅港區永翰投資管理合夥企業(有限合夥), "Ningbo Yonghan") and Ningbo Meishan Bonded Port Area Zhaomin Investment Management Partnership (Limited partnership) (寧波梅山保稅港區照敏投資管理合夥企業(有限合夥), "Ningbo Zhaomin"), which were subsequently paid in October 2020.

Pursuant to the resolutions of the shareholders' meeting of Wuxi EA held on November 10, 2020, dividends of RMB43,000,000 were declared and subsequently fully paid before year ended December 31, 2020, by Wuxi EA to its shareholders, namely CareCapital Orthotech, Ningbo Yonghan and Ningbo Zhaomin.

Pursuant to a resolution passed in the shareholders' meeting of the Company on April 10, 2021, dividends of USD15,230,000 (approximately RMB99,618,000) were declared to the Company's shareholders, which were fully paid up to April 20, 2021.

31 CASH FLOW INFORMATION

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

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Profit before income tax	74,777	84,492	191,231
Adjustments for:			
Interest income (Note 9)	(1,223)	(1,791)	(4,153)
Interest expense (Note 9)	1,354	1,142	1,154
Gains on financial assets at fair value though profit or loss (Note 6)	(2,322)	(2,512)	(4,235)
Depreciation of property, plant and equipment (Note 12)	9,595	13,402	17,521
Depreciation of right-of-use assets (Note 13)	8,338	10,367	11,077
Amortization of intangible assets (Note 14)	2,318	4,604	3,525
Losses on disposal of property, plant and equipment (Note 6)	728	218	265
Gains on early termination of a lease contract (Note 6)	–	(57)	(10)
Net impairment losses on financial assets	3,684	2,512	10,148

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Impairment of property, plant and equipment (Note 12)	3,344	–	–
Share-based compensation expenses (Note 22)	23,438	61,677	66,319
Share of results of investments accounted for using the equity method	363	348	(347)
Losses on disposal of intangible assets (Note 6)	44	–	–
Losses on disposal of a subsidiary (Note 6)	–	81	–
Operating cash flows before changes in working capital	124,438	174,483	292,495
Changes in working capital (excluding the effects of business combination):			
Inventories	(11,059)	(1,190)	2,913
Trade and other receivables	(56,629)	3,061	(15,047)
Trade and other payables	56,555	84,618	37,206
Contract liabilities	55,193	150,202	114,273
Cash generated from operations	168,498	411,174	431,840

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

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Net book amount (Note 12)	1,658	1,382	569
Losses on disposal of property, plant and equipment (Note 6)	(728)	(218)	(265)
Proceeds from disposal of property, plant and equipment	930	1,164	304

(b) Non-cash transaction

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Acquisition of new lease contracts	15,903	17,506	1,606

(c) Net debt reconciliation

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

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	216,015	504,697	877,578
Lease liabilities	(16,833)	(22,870)	(14,168)
Amounts due to related parties	(6,190)	(6,291)	(5,940)
Net cash	192,992	475,536	857,470

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents	Lease liabilities	Amounts due to related parties	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at January 1, 2018	134,051	(9,247)	(43,705)	81,099
Cash flows	80,696	8,317	50,711	139,724
Acquisition of new lease contracts	–	(15,903)	–	(15,903)
Purchase of shares held for employee share scheme	–	–	(12,321)	(12,321)
Interest payable	–	–	(574)	(574)
Reclassification from investments in joint ventures	–	–	(301)	(301)
Exchange differences	1,268	–	–	1,268
Net debt as at December 31, 2018	216,015	(16,833)	(6,190)	192,992
Net debt as at January 1, 2019	216,015	(16,833)	(6,190)	192,992
Cash flows	287,993	9,199	(165)	297,027
Acquisition of new lease contracts	–	(17,506)	–	(17,506)
Early termination of lease contracts	–	1,598	–	1,598
Interest payable	–	–	(19)	(19)
Reclassification to investments in joint ventures	–	–	88	88
Disposal of a subsidiary	–	672	–	672
Exchange differences	689	–	(5)	684
Net debt as at December 31, 2019	504,697	(22,870)	(6,291)	475,536
Net debt as at January 1, 2020	504,697	(22,870)	(6,291)	475,536
Cash flows	377,670	9,733	165	387,568
Acquisition of new lease contracts	–	(1,606)	–	(1,606)
Early termination of lease contracts	–	575	–	575
Interest payable	–	–	(19)	(19)
Reclassification to investments in joint ventures	–	–	180	180
Reclassification to other payable	–	–	12	12
Exchange differences	(4,789)	–	13	(4,776)
Net debt as at December 31, 2020	877,578	(14,168)	(5,940)	857,470

32 COMMITMENTS

(a) Commitments relating to short-term leases

The Group has recognized right-of-use assets and lease liabilities for these leases, except for short-term leases, see Note 13 and Note 27 for further information.

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

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
No later than 1 year	281	503	285

(b) Capital commitments

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

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	9,631	13,093	164,898
Intangible assets	908	–	8
Investment in a joint venture	500	500	500
	11,039	13,593	165,406

33 DISPOSAL OF OWNERSHIP INTEREST IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

During the year ended December 31, 2018, the Group disposed of its 30% interest in Shanghai Tianzhi and 30% interest in Shanghai Junxiao to a third party at cash consideration of RMB900,000 and RMB69,000, respectively. The excess in the Group's 30% equity interest in the net book liabilities of both Shanghai Tianzhi and Shanghai Junxiao over the consideration, amounting to RMB328,000 was credited to other reserves.

34 DISPOSAL OF A SUBSIDIARY

On January 1, 2019, pursuant to a shareholders resolution entered into by, Wuxi Fuchi, a wholly owned subsidiary of the Group, and a third party, who held 70% and 30% equity interest in Shanghai Junxiao, respectively, all the matters within the authority of the shareholders meeting of Shanghai Junxiao shall be determined by both shareholders, which means Wuxi Fuchi is unable to solely control the shareholders meeting of Shanghai Junxiao, and as a result the Group relinquished control over Shanghai Junxiao while it became a joint venture of the Group. Hence, approximately RMB81,000 of loss on disposal was recognized in the consolidated statements of comprehensive income.

On the date of the disposal, cash and cash equivalents of RMB1,096,000 was held by Shanghai Junxiao, which was shown as cash outflows in 2019.

35 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Below is the summary of the Group's related parties during the Track Record Period:

Name of the related party	Relationship with the Group
Mr. FENG Dai	Director of the Company
Ms. LI Huamin	Director of the Company
CareCapital Orthotech	Parent Company
Wuxi Beifurui	Joint venture held by the Group
Shanghai Junxiao	Joint venture held by the Group (After January 1, 2019)
Nanning Tianshi Dental Hospital Company Limited ("Nanning Tianshi Hospital")	An entity significantly influenced by a close family member of Ms. Li Huamin (Before January 1, 2020)
Nanning Tianshi Shengtiandi Oral Cavity Company Limited ("Nanning Tianshi Shengtiandi")	An entity significantly influenced by a close family member of Ms. Li Huamin (Before January 1, 2020)
Shanghai Moer Dental Hospital Investment Management Company Limited ("Shanghai Moer Hospital")	An entity significantly influenced by Mr. FENG Dai
Ningbo Zhaomin	An entity controlled by a director of the Company
Ningbo Yonghan	An entity controlled by a director of the Company
Huizhou Dental Hospital	An entity controlled by CareCapital Group
Guiyang Jinxin Medical Instrument Co., Ltd. ("Guiyang Jinxin")	An entity controlled by CareCapital Group (After January 1, 2020)
Zhengzhou Smile Songbai Industrial Co., Ltd. ("Zhengzhou Smile")	An entity controlled by CareCapital Group (After January 1, 2020)
Changsha Minjian Medical Equipment Co., Ltd. ("Changsha Minjian")	An entity significantly influenced by CareCapital Group (After January 1, 2020)
Henan Red Sun Medical Instrument Co. Ltd. ("Henan Red Sun")	An entity controlled by CareCapital Group (After January 1, 2020)

(b) Transactions with related parties

During the Track Record Period, save as disclosed elsewhere in this report, the following is a summary of the significant transactions carried out between the Group and its related parties.

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Clear aligner treatment solutions			
Nanning Tianshi Hospital	1,271	708	–
Shanghai Moer Hospital	1,344	1,580	2,153
Nanning Tianshi Shengtiandi	485	249	–
Shanghai Junxiao	–	111	107
Huizhou Dental Hospital	605	1,011	1,010
Guiyang Jinxin	–	–	1,525
Zhengzhou Smile	–	–	14,950
Changsha Minjian	–	–	168
Henan Red Sun	–	–	2,799
	3,705	3,659	22,712
Interest expenses			
CareCapital Orthotech	535	–	–
Ningbo Yonghan	27	8	8
Ningbo Zhaomin	12	11	11
	574	19	19

(c) Key management compensation

The Group's key management includes executive directors of the Company. The compensation paid or payable to key management is disclosed in Note 8.

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

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Trade and other receivables			
Nanning Tianshi Hospital	91	74	–
Shanghai Moer Hospital	6	7	7
Zhengzhou Smile	–	–	6
Changsha Minjian	–	–	222
Huizhou Dental Hospital	254	–	–
Guiyang Jinxin	–	–	143
	351	81	378

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Trade and other payables			
CareCapital Orthotech*	3,432	3,488	3,262

* As at December 31, 2018, 2019 and 2020, the Group's payables due to CareCapital Orthotech represented consideration payables in relation with the Group's acquisition of the 100% equity interests in Shanghai EA prior to the Track Record Period.

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Contract liabilities			
Nanning Tianshi Hospital	93	453	–
Shanghai Moer Hospital	372	427	201
Nanning Tianshi Shengtiandi	201	–	–
Shanghai Junxiao	–	96	322
Huizhou Dental Hospital	–	314	482
Guiyang Jinxin	–	–	19
Zhengzhou Smile	–	–	11,227
Henan Red Sun	–	–	927
	666	1,290	13,178

As at December 31, 2018, 2019 and 2020, the balances were with trade nature, unsecured, interest-free, and collectable/repayable on demand.

(e) Amounts due from/to related parties

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Amounts due from related parties			
Wuxi Beifurui	1,000	1,100	1,100
Nanning Tianshi Hospital	12	12	–
Ningbo Yonghan	23,500	23,500	–
Ningbo Zhaomin	3,200	3,200	–
Shanghai Junxiao	–	2,423	3,423
	27,712	30,235	4,523

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Amounts due to related parties			
CareCapital Orthotech	3,003	3,060	2,805
Ningbo Yonghan	1,441	1,448	1,456
Ningbo Zhaomin	1,123	1,134	1,145
Wuxi Beifurui	558	469	289
Ms. LI Huamin	53	–	77
Nanning Tianshi Hospital	12	12	–
Shanghai Junxiao	–	168	168
	6,190	6,291	5,940
Less: Non-current portion of amount due to CareCapital Orthotech, Ningbo Yonghan and Ningbo Zhaomin	(4,415)	(4,415)	–
Current portion	1,775	1,876	5,940

As at December 31, 2018, 2019 and 2020, RMB1,256,000, RMB1,256,000 and RMB1,256,000 out the above balances, respectively, were unsecured and bearing interest rate of 1.5% per annum with maturity of 10 years. The remaining balances were unsecured, interest-free, and collectable/repayable on demand. As at December 31, 2018, 2019 and 2020, the above balances were with non-trade nature and the directors of the Company expect to settle such amounts due to related parties prior to the [**REDACTED**].

36 NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(a) Investment in a subsidiary

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Deemed contribution (i)	–	–	443,921
Equity-settled share-based payment transactions	–	–	4,050
	–	–	447,971

(i) It represented the net asset value of Wuxi EA as at December 21, 2020 acquired by the Company pursuant to the Reorganization.

(b) Cash and cash equivalents

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cash at banks	–	–	42,674

As at December 31, 2020, the Company's cash and cash equivalents were all denominated in USD.

(c) Prepayments

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Prepayments for [**REDACTED**] expenses	3,503	3,725	6,924

(d) Other reserves

	Share-based payment reserves	Currency translation reserves	Total
	RMB'000	RMB'000	RMB'000
Balance at January 1, 2018	–	–	–
Currency translation differences	–	(1)	(1)
Balance at December 31, 2018	–	(1)	(1)
Balance at January 1, 2019	–	(1)	(1)
Currency translation differences	–	(1)	(1)
Balance at December 31, 2019	–	(2)	(2)
Balance at January 1, 2020	–	(2)	(2)
Currency translation differences	–	8	8
Equity-settled share-based payment transactions	4,050	–	4,050
Balance at December 31, 2020	4,050	6	4,056

(e) Other payables

	As at December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Amounts due to subsidiaries	14,383	16,301	29,457
Accrued expenses	–	11	–
	14,383	16,312	29,457

Amounts due to subsidiaries mainly represented [**REDACTED**] expenses paid by subsidiaries on behalf of the Company.

(f) Amounts due to related parties

As at December 31, 2018, 2019 and 2020, amounts due to related parties amounting to RMB17,000, RMB79,000 and RMB259,000, respectively, were unsecured, interest-free, and repayable on demand.

37 CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at December 31, 2018, 2019 and 2020.

38 SUBSEQUENT EVENTS

Save as disclosed in other notes to the Historical Financial Information, there were no other material subsequent events took place after December 31, 2020.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2020 and up to the date of this report.

Save as disclosed in this report, no other dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2020.