

APPENDIX I

ACCOUNTANT'S REPORT

The following is the text of a report set out on pages I-1 to I-3, 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 HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[To insert the firm's letterhead]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEAUTY FARM MEDICAL AND HEALTH INDUSTRY INC. AND MORGAN STANLEY ASIA LIMITED, HAITONG INTERNATIONAL CAPITAL LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Beauty Farm Medical and Health Industry Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to [I-[●]], which comprises the consolidated balance sheets as at 31 December 2019, 2020, 2021 and 30 June 2022, the balance sheet of the Company as at 30 June 2022, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022 (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-4 to [I-[●]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the initial [REDACTED] of shares of the Company on the [REDACTED] 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 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 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 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 30 June 2022, and the consolidated financial position of the Group as at 31 December 2019, 2020, 2021 and 30 June 2022, and 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.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set forth in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial

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Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set forth 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-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividends have been paid by Beauty Farm Medical and Health Industry 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

[Date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("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.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended 31 December			Six months ended 30 June	
		2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Revenue	6	1,404,752	1,503,296	1,780,740	836,830	734,318
Cost of sales and services	9	(696,411)	(803,272)	(946,954)	(447,879)	(420,289)
Gross profit		708,341	700,024	833,786	388,951	314,029
Selling expenses	9	(277,973)	(270,521)	(299,464)	(130,338)	(120,236)
Research and development expenses	9	(9,142)	(12,670)	(18,029)	(7,751)	(14,992)
General and administrative expenses	9	(237,375)	(224,057)	(272,450)	(131,835)	(167,260)
Other income	7	15,985	11,646	20,727	12,338	17,515
Other expense	7	-	-	(3,481)	(1,774)	(1,698)
Other gains	8	2,768	6,888	18,252	9,960	9,459
Reversal of/(provision for) impairment losses on financial assets	25	4,571	2,015	(1,306)	(550)	230
Operating profit		207,175	213,325	278,035	139,001	37,047
Finance income	11	852	1,134	1,283	606	1,038
Finance costs	11	(28,264)	(25,928)	(24,216)	(12,325)	(12,045)
Finance costs – net	11	(27,412)	(24,794)	(22,933)	(11,719)	(11,007)
Profit before income tax		179,763	188,531	255,102	127,282	26,040
Income tax expenses	12	(32,340)	(36,346)	(46,761)	(22,175)	(6,191)
Profit for the year/period		147,423	152,185	208,341	105,107	19,849
Profit attributable to:						
Owners of the Company		140,329	150,959	193,475	96,947	15,123
Non-controlling interests		7,094	1,226	14,866	8,160	4,726
		147,423	152,185	208,341	105,107	19,849
Earnings per share for profit attributable to owners of the Company						
Basic and diluted earnings per share (RMB)	13	[1.41]	[1.51]	[1.94]	[0.97]	[0.15]

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year/period		147,423	152,185	208,341	105,107	19,849
Other comprehensive loss						
<i>Items that will not be reclassified to profit or loss</i>						
Changes in the fair value of equity investments at fair value through other comprehensive income	28	(1)	(3)	(105)	53	(74)
Other comprehensive loss for the year/period, net of tax		(1)	(3)	(105)	53	(74)
Total comprehensive income for the year/period		<u>147,422</u>	<u>152,182</u>	<u>208,236</u>	<u>105,160</u>	<u>19,775</u>
Total comprehensive income attributable to:						
Owners of the Company		140,328	150,956	193,370	97,000	15,049
Non-controlling interests		7,094	1,226	14,866	8,160	4,726
		<u>147,422</u>	<u>152,182</u>	<u>208,236</u>	<u>105,160</u>	<u>19,775</u>

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CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December			As at
		2019	2020	2021	30 June
		RMB'000	RMB'000	RMB'000	2022
				RMB'000	
ASSETS					
Non-current assets					
Property, plant and equipment	15	307,943	217,443	259,504	264,733
Investment properties	16	–	78,114	74,538	72,840
Right-of-use assets	17	551,527	466,467	451,795	464,145
Intangible assets	18	78,337	90,344	90,251	85,749
Goodwill	21	152,268	176,057	194,273	191,537
Prepayments, deposits and other receivables	25	42,327	46,823	55,279	55,361
Other non-current assets	19	3,887	5,074	7,103	5,317
Financial assets at fair value through other comprehensive income		182	179	74	–
Deferred income tax assets	32	26,265	35,950	35,015	47,294
Total non-current assets		1,162,736	1,116,451	1,167,832	1,186,976
Current assets					
Inventories	24	77,158	65,349	97,250	117,428
Trade receivables and notes receivables	25	30,316	36,699	31,316	34,380
Prepayments, deposits and other receivables	25	84,700	82,764	87,038	180,054
Financial assets at fair value through profit or loss	22	358,898	658,387	926,338	709,736
Restricted cash	26	–	–	10,254	10,270
Cash and cash equivalents	26	104,819	143,538	157,284	149,696
Total current assets		655,891	986,737	1,309,480	1,201,564
Total assets		1,818,627	2,103,188	2,477,312	2,388,540
EQUITY					
Share capital	27	–	–	–	7
Treasury stock	27	–	–	–	–*
Share premium		–	–	–	84,358
Other reserves	28	(3,164)	7,452	65,439	(7,205)
Retained earnings		50,502	133,421	191,924	87,047
Equity attributable to owners of the Company		47,338	140,873	257,363	164,207
Non-controlling interests		5,417	(165)	5,173	16,251
Total equity		52,755	140,708	262,536	180,458

* Less than RMB1,000

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	<i>Note</i>	As at 31 December			As at
		2019	2020	2021	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2022
				<i>RMB'000</i>	
LIABILITIES					
Non-current liabilities					
Borrowings	29	6,370	–	–	–
Lease liabilities	17	430,100	367,943	352,279	358,328
Deferred tax liabilities	32	2,946	6,218	8,744	10,027
Total non-current liabilities		439,416	374,161	361,023	368,355
Current liabilities					
Trade payables	31	30,022	17,820	15,436	29,304
Other payables and accruals	31	164,680	162,924	215,062	158,451
Contract liabilities	6	914,730	1,155,062	1,347,685	1,387,521
Current tax liabilities		28,448	34,505	31,876	26,032
Borrowings	29	12,740	6,370	–	–
Lease liabilities	17	119,780	141,377	163,181	155,427
Other current liabilities	30	56,056	70,261	80,513	82,992
Total current liabilities		1,326,456	1,588,319	1,853,753	1,839,727
Total liabilities		1,765,872	1,962,480	2,214,776	2,208,082
Total equity and liabilities		1,818,627	2,103,188	2,477,312	2,388,540
Net current liabilities		670,565	601,582	544,273	638,163
Total assets less current liabilities		492,171	514,869	623,559	548,813

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BALANCE SHEET OF THE COMPANY

	<i>Note</i>	As at 30 June 2022
		<i>RMB'000</i>
Non-current assets		
Investment in a subsidiary	39	97,156
Total non-current assets		97,156
Current assets		
Prepayments, deposits and other receivables	25	76,605
Cash and cash equivalents	26	4,213
Total current assets		80,818
Total assets		177,974
LIABILITIES		
Current liabilities		
Other payables	31	18,187
Total current liabilities		18,187
Total liabilities		18,187
EQUITY		
Share capital		7
Share premium		84,358
Other reserves	28	90,661
Accumulated losses		(15,239)
Total equity		159,787
Total equity and liabilities		177,974
Net current assets		62,631
Total assets less current liabilities		159,787

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company						
	Note	Share capital (Note 27)	Other reserves (Note 28)	(Accumulated	Total	Non- controlling interests	Total equity
				losses)/ Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2019		-	4,287	(16,755)	(12,468)	2,325	(10,143)
Profit for the year		-	-	140,329	140,329	7,094	147,423
Other comprehensive loss		-	(1)	-	(1)	-	(1)
Total comprehensive income		-	(1)	140,329	140,328	7,094	147,422
Transactions with owners							
Acquisition of the Shanghai Beauty Farm's shares through a limited partnership reserved for employee share scheme	28	-	(12,421)	-	(12,421)	-	(12,421)
Capital injection		-	3,486	-	3,486	-	3,486
Share-based payment expenses	20	-	1,592	-	1,592	-	1,592
Transactions with non-controlling interests		-	(107)	-	(107)	47	(60)
Dividends declared	14	-	-	(73,072)	(73,072)	(4,049)	(77,121)
		-	(7,450)	(73,072)	(80,522)	(4,002)	(84,524)
Balance at 31 December 2019		-	(3,164)	50,502	47,338	5,417	52,755
Balance at 1 January 2020		-	(3,164)	50,502	47,338	5,417	52,755
Profit for the year		-	-	150,959	150,959	1,226	152,185
Other comprehensive loss		-	(3)	-	(3)	-	(3)
Total comprehensive income		-	(3)	150,959	150,956	1,226	152,182

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Equity attributable to owners of the Company						
Note	Share capital (Note 27)	Other reserves (Note 28)	(Accumulated	Total	Non- controlling interests	Total equity
			losses)/ Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Transactions with owners						
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	200	(200)	-	-	-
Share-based payment expenses	20	6,282	-	6,282	706	6,988
Disposal of subsidiary	36	-	-	-	(6,423)	(6,423)
Transactions with non-controlling interests	28	4,137	-	4,137	3,859	7,996
Dividends declared	14	-	(67,840)	(67,840)	(4,950)	(72,790)
	-	10,619	(68,040)	(57,421)	(6,808)	(64,229)
Balance at 31 December 2020	-	7,452	133,421	140,873	(165)	140,708
Balance at 1 January 2021	-	7,452	133,421	140,873	(165)	140,708
Profit for the year	-	-	193,475	193,475	14,866	208,341
Other comprehensive loss	-	(105)	-	(105)	-	(105)
Total comprehensive income	-	(105)	193,475	193,370	14,866	208,236
Transactions with owners						
Disposal of the Shanghai Beauty Farm's shares through a limited partnership reserved for employee share scheme	28	18,325	-	18,325	-	18,325
Share-based payment expenses	20	5,802	-	5,802	488	6,290
Transactions with non-controlling interests	28	(23,389)	-	(23,389)	1,748	(21,641)
Share reform	27	60,059	(60,059)	-	-	-
Others	-	(2,705)	-	(2,705)	-	(2,705)
Dividends declared	14	-	(74,913)	(74,913)	(11,764)	(86,677)
	-	58,092	(134,972)	(76,880)	(9,528)	(86,408)
Balance at 31 December 2021	-	65,439	191,924	257,363	5,173	262,536

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Equity attributable to owners of the Company						
Note	Share capital (Note 27)	Other reserves (Note 28)	(Accumulated losses)/ Retained earnings		Non- controlling interests	Total equity
			Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
Balance at 1 January 2021	-	7,452	133,421	140,873	(165)	140,708
Profit for the period	-	-	96,947	96,947	8,160	105,107
Other comprehensive loss	-	53	-	53	-	53
Total comprehensive income	-	53	96,947	97,000	8,160	105,160
Transactions with owners						
Share-based payment expenses	20	-	2,852	2,852	-	2,852
Dividends declared	14	-	(74,913)	(74,913)	(3,051)	(77,964)
		-	2,852	(74,913)	(3,051)	(75,112)
Balance at 30 June 2021	-	10,357	155,455	165,812	4,944	170,756

Equity attributable to owners of the Company							
Note	Share capital (Note 27)	Other reserves (Note 28)	(Accumulated losses)/ Retained earnings		Non- controlling interests	Total equity	
			Share premium (Note 28)	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2022	-	65,439	-	191,924	257,363	5,173	262,536
Profit for the period	-	-	-	15,123	15,123	4,726	19,849
Other comprehensive loss	-	(74)	-	-	(74)	-	(74)
Total comprehensive income	-	(74)	-	15,123	15,049	4,726	19,775
Transactions with owners							
Issuance of ordinary shares to shareholders	27	-	3,971	-	3,971	-	3,971
Capital injection from non-controlling interests		-	-	-	-	8,708	8,708
Share-based payment expenses	20	-	6,416	-	6,416	3	6,419
Transactions with non-controlling interests	28	-	1,408	-	1,408	123	1,531
Dividends declared	14	-	-	(120,000)	(120,000)	(2,482)	(122,482)
Completion of reorganisation	28	7	(84,365)	84,358	-	-	-
		7	(72,570)	84,358	(120,000)	6,352	(101,853)
Balance at 30 June 2022	7	(7,205)	84,358	87,047	164,207	16,251	180,458

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)						
Cash flows from operating activities						
Cash generated from operations	33(a)	495,692	717,234	715,862	281,230	151,726
Income tax paid		(32,382)	(36,702)	(45,929)	(26,481)	(23,041)
Net cash inflow from operating activities		<u>463,310</u>	<u>680,532</u>	<u>669,933</u>	<u>254,749</u>	<u>128,685</u>
Cash flows from investing activities						
Payment for acquisition of subsidiaries, net of cash acquired	36(b)	-	(5,529)	(11,297)	-	(232)
Purchases of property, plant and equipment and other non-current assets		(107,828)	(67,506)	(133,169)	(49,847)	(51,145)
Proceeds from sale of property, plant and equipment and other non-current assets		-	3,184	-	13	69
Proceeds from disposal of subsidiaries, net off cash disposed	41	-	(19,978)	3,663	-	(2,125)
Proceeds from redemption of wealth management products	3.3	429,518	785,526	1,369,976	727,046	743,027
Purchase of wealth management products	3.3	(647,080)	(1,071,590)	(1,614,520)	(770,260)	(516,600)
Proceeds from disposal of financial assets at FVOCI	3.3	1,743	-	-	-	-
Borrowings to a related party	34(b)	(5,000)	-	-	-	-
Repayment of borrowings from related parties	34(b)	71,915	6,950	-	-	-
Net cash generated from/(used in) investing activities		<u>(256,732)</u>	<u>(368,943)</u>	<u>(385,347)</u>	<u>(93,048)</u>	<u>172,994</u>

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	<i>Note</i>	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
						(Unaudited)
Cash flows from financing activities						
Repayments of borrowings	33(c)	(11,830)	(12,740)	(6,370)	(6,370)	-
Interest paid		(1,440)	(1,103)	(17)	(17)	-
Dividends paid	33(c)	(80,659)	(106,751)	(81,156)	(76,761)	(122,566)
Payment of lease liabilities	17(b)	(147,297)	(160,732)	(177,501)	(91,633)	(118,022)
Consideration (paid)/received for (acquisition)/disposal of the Shanghai Beauty Farm's shares through a limited partnership reserved for employee share scheme	28	(12,421)	-	18,325	-	-
Transactions with non-controlling interests	28	(60)	7,996	(21,641)	-	1,531
[REDACTED] costs		-	-	-	-	(2,733)
Capital injection from a shareholder		-	-	-	-	3,976
Capital injection from non-controlling interests		3,486	-	-	-	7,708
Other payment for financing activities		-	-	(2,705)	-	-
Proceeds from the owners of Shanghai Beauty Farm	1.2	-	-	-	-	119,235
Capital deduction from the owners of Shanghai Beauty Farm	1.2	-	-	-	-	(198,808)
Net cash used in financing activities		<u>(250,221)</u>	<u>(273,330)</u>	<u>(271,065)</u>	<u>(174,781)</u>	<u>(309,679)</u>

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	<i>Note</i>	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(Unaudited)	
Net (decrease)/increase in cash and cash equivalents		(43,643)	38,259	13,521	(13,080)	(8,000)
Cash and cash equivalents at beginning of the year/period		148,774	104,819	143,538	143,538	157,284
Exchange (losses)/gains on cash and cash equivalents		(312)	460	225	(167)	412
Cash and cash equivalents at end of the year/period	26	<u>104,819</u>	<u>143,538</u>	<u>157,284</u>	<u>130,291</u>	<u>149,696</u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Beauty Farm Medical and Health Industry Inc. (the "Company") was incorporated in the Cayman Islands on 10 February 2022. The address of its registered office is Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, 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 providing beauty and health management service, including traditional beauty services, aesthetic medical services as well as subhealth assessment and intervention services (the "[REDACTED] Business") in the People's Republic of China (the "PRC"). The ultimate controlling parties of the Group are Mr. Li Yang ("Mr Li"), Ms. Li Fangyu ("Ms Li"), Mr. Lian Songyong, Ms. Niu Guifen, Mr. Cui Yuanjun and Mr. Yuan Huimin (together as the "Controlling Shareholders"), who are parties acting in concert and have been collectively controlling the Group.

1.2 Reorganisation

Immediately prior to the Reorganisation (as defined below) and during the Track Record Period, the [REDACTED] Business was operated by Shanghai Beauty Farm Healthcare Industry Co., Ltd. ("Shanghai Beauty Farm", previously named as Hainan Beauty Farm Healthcare Industry Co., Ltd.) and its subsidiaries in the PRC (the "Operating Companies"). The [REDACTED] Business is controlled by the Controlling Shareholders throughout the Track Record Period.

In preparation for the [REDACTED] ("[REDACTED]") and [REDACTED] of the Company's shares on the [REDACTED] of the Stock Exchange of Hong Kong Limited, a group reorganisation (the "Reorganisation") was undertaken pursuant to which the Operating Companies engaged in the [REDACTED] Business were transferred to the Company. The Reorganisation involves the following major steps:

(a) *Establishment of contractual arrangement*

As part of Reorganisation, Shanghai Beauty Farm transferred part of its equity interest in medical institutions, being businesses subject to foreign investment restrictions in the PRC, to Shanghai Liernuo Industry Development Co., Ltd. ("Shanghai Liernuo"). The interest transferred to Shanghai Liernuo is at least 30% of the equity interest in each of the medical institutions.

On 13 April 2022, in order to comply with relevant foreign investment restrictions in the PRC and maintain effective control over the operation of Shanghai Liernuo, Shanghai Beauty Farm, Shanghai Liernuo, Mr. Li and the operating companies of the foreign investment restricted business entered into a series of contractual arrangement (collectively the "Contractual Arrangements"), providing the Group with effective control over, and to consolidate all economic benefits arising from Shanghai Liernuo into the Group.

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(b) *Establishment of offshore corporate structure and introduction of foreign investor to Shanghai Beauty Farm*

On 10 February 2022, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Company then established Beauty Farm Medical and Health Industry Limited, a wholly owned subsidiary incorporated in Hong Kong with limited liability on 22 February 2022 and Aiyumei (Shanghai) Enterprise Management Co., Ltd. ("Shanghai Aiyumei"), a wholly foreign owned enterprise and a subsidiary of the Company in the PRC on 10 March 2022.

After incorporation of the Company, on 23 February 2022, Mr. Zang Ye, an independent third party who is independent from the Company and its connected persons, subscribed for RMB2,041,000 in the registered capital of Shanghai Beauty Farm (representing 0.2% of Shanghai Beauty Farm's equity interest) at a consideration of RMB3,971,000 ("Pre-[REDACTED] Investment"). Upon completion of the Pre-[REDACTED] Investment, Shanghai Beauty Farm was converted into a sino-foreign joint venture entity.

(c) *Injection of Shanghai Beauty Farm into the [REDACTED] Group*

On 10 March 2022, the then shareholders of Shanghai Beauty Farm transferred their equity interest in Shanghai Beauty Farm to Shanghai Aiyumei for a cash consideration of RMB198,808,000.

On 11 March 2022, ZYLot Holdings Limited completed a RMB3,976,000 investment in the Company for 0.2% of the Company's issued share capital and the Company accounted for the surplus amounted to RMB3,971,000 on capital contribution from ZYLot Holdings Limited in other reserves.

As part of the reorganization and upon receiving the cash consideration, the certain then shareholders of Shanghai Beauty Farm injected the cash to the Group amounted to RMB119,235,000 after deduction of reorganization cost of RMB7,279,000 (Note 9) during the six months ended 30 June 2022. As of 30 June 2022, the consideration had not been received from CITIC Private Equity Funds Management Co., Ltd. ("CITIC PE") of RMB72,294,000, and was recorded as amount due from related parties (Note 34(c)(b)). The receivable was subsequently collected on 1 July 2022.

On 21 April 2022, CITIC PE, one of the shareholders of Shanghai Beauty Farm, through Beijing Xinyu Meiyue Holdings Limited, was issued and allotted 37,040,000 preferred shares in the Company at a consideration of RMB72,294,000 upon obtaining its overseas direct investment regulatory approval and the Company accounted for the surplus amounted to RMB72,292,000 on capital contribution from CITIC PE in other reserves. The preferred shares will be automatically converted into ordinary shares of the Company [on an one to one basis] upon [REDACTED].

After the completion of Reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group. Particulars of the principal subsidiaries of the Group are set out in Note 38.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [REDACTED] Business is conducted through Operating Companies which were all ultimately controlled by Controlling Shareholders. Pursuant to the Reorganisation, the [REDACTED] Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the [REDACTED] Business with no change in management of such business and the ultimate owners of the [REDACTED] Business remained the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the [REDACTED] Business under Shanghai Beauty Farm and, for the purpose of this report, the Historical Financial Information of the Group is presented using the carrying values of the [REDACTED] Business for all periods presented.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of significant accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA under the historical cost convention, except for the revaluation of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are stated at fair value.

The preparation of the Historical Financial Information in conformity with HKFRS 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.

2.1.1 Going concern

As at 30 June 2022, the Group had a net current liability position of approximately RMB638,163,000. Besides, up to the date of this report, capital commitment in relation to construction and acquisition of property, plant and equipment within twelve months amounted to approximately RMB23,677,000, while its cash and cash equivalents amounted to RMB149,696,000.

Management closely monitors the Group's financial performance and liquidity position. A number of measures have been put in place by management to improve the financial position and alleviate the liquidity pressure. Management of the Group has prepared a cash flow projection covering a period of not less than 12 months from 30 June 2022.

The Directors have reviewed the Group's cash flow projection and have considered the basis and assumptions of management's projections. The Directors are of the opinion that, taking into account the Group's future operational performance and the expected future operating cash inflows, the Group will have sufficient financial resources to support its operations and to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2022. Accordingly, the Historical Financial information has been prepared on a going concern basis.

2.1.2 New and amended standards adopted by the Group

HKFRS 9, "Financial instruments" and HKFRS 15, "Revenue from contracts with customers" are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. HKFRS 16, "Leases" is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group has adopted HKFRS 9, HKFRS 15 and HKFRS 16 consistently throughout the Track Record Period.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2019, are consistently applied to the Group for the Track Record Period.

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2.1.3 New standards and interpretations not yet adopted

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

The following new standards and amendments to existing standards have been issued but are not yet effective and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 (Amendment) and HKFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policy	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimate	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.1.4 Contractual Arrangements

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the aesthetic medical services and subhealth assessment and intervention services carried out by 20 subsidiaries of the Group (together as the "Medical Institutions") including:

Shanghai Xiukeer Clinic Co., Ltd.* (上海秀可兒門診部有限公司)
 Ningbo Jiangbei Yongjiang Xiukeer Medical Beauty Clinic Co., Ltd.* (寧波江北甬江秀可兒醫療美容診所有限公司)
 Nanjing Xiukeer Medical Beauty Clinic Co., Ltd.* (南京秀可兒醫療美容診所有限公司)
 Shenzhen Xiukeer General Outpatient Department* (深圳秀可兒綜合門診部)
 Hangzhou Liyan Medical Beauty Clinic Co., Ltd.* (杭州麗研醫療美容診所有限公司)
 Zhengzhou Liyan Medical Beauty Service Co., Ltd.* (鄭州麗研醫療美容服務有限公司)
 Haikou Meilan Meisuoyue Medical Beauty Clinic Co., Ltd.* (海口美蘭美東悅醫療美容門診部有限公司)
 Beijing Hexin Medical Beauty Clinic Co., Ltd.* (北京禾欣醫療美容門診部有限公司)
 Beijing Yanyuan Clinic Co., Ltd.* (北京研源診所有限公司)
 Chengdu Gaoxin Xiukeer Medical Beauty Clinic Co., Ltd.* (成都高新秀可兒醫療美容診所有限公司)
 Chongqing Xiukeer Comprehensive Outpatient Department Co., Ltd.* (重慶秀可兒綜合門診部有限公司)
 Xi'an Meiju Medical Technology Development Co., Ltd.* (西安美聚醫療科技發展有限公司)
 Wuhan Qiyan Comprehensive Outpatient Department Co., Ltd.* (武漢啟研綜合門診部有限公司)
 Beijing Meisun Laser Medical Clinic Co., Ltd.* (北京美東激光醫療診所有限公司)
 Changchun Meiju Medical Technology Development Co., Ltd.* (長春美聚醫療科技發展有限公司)
 Qingdao Aimei Medical Beauty Co., Ltd.* (青島艾美醫療美容有限公司)
 Haikou Xiuke'er Medical Beauty Clinic Co., Ltd.* (海口秀可兒醫療美容門診部有限公司)
 Xian Xiuke'er Comprehensive Outpatient Department Co., Ltd.* (西安碑林秀可兒綜合門診部有限公司)
 Haikou Yanyuan Clinic Co., Ltd.* (海口研源診所有限公司)
 Hefei Xiukeer Medical Beauty Clinic Co., Ltd.* (合肥秀可兒醫療美容診所有限公司)

Shanghai Beauty Farm and Mr Li entered into the contractual arrangements (the "Contractual Arrangements") with Shanghai Liernuo and its registered shareholders who hold 30% equity interests of the Medical Institutions on 13 April 2022, which enable the Group to:

- expose, or have rights, to variable returns from their involvement with the investee and have ability to affect those returns through its power over Shanghai Liernuo;
- exercise equity holders' voting rights of Shanghai Liernuo and the Medical Institutions; receive the economic interest returns generated by Medical Institutions in consideration for the technical support, consulting services and other services provided by Shanghai Liernuo;
- obtain an irrevocable and unconditional right to purchase all or part of equity interests in Medical Institutions from Shanghai Liernuo itself or its designated person(s) at minimum purchase price permitted under PRC law. Shanghai Beauty Farm or its designated person may exercise such options at any time until it has acquired all equity interests and/or all assets of the Medical Institutions; and
- obtain a pledge over the entire equity interest of the Shanghai Liernuo from Mr. Li and the equity interest of the Medical Institutions held by Shanghai Liernuo as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements.

The Group does not have any legal equity interest in Shanghai Liernuo. However, as a result of the Contractual Arrangements, the Group has power over Shanghai Liernuo, has rights to variable returns from its involvement with Shanghai Liernuo and has the ability to affect those returns through its power over Shanghai Liernuo and is considered to have control over Shanghai Liernuo. Consequently, the Company regards Shanghai Liernuo as controlled structure entities and consolidated the financial position and result of operations of Shanghai Liernuo upon the execution of the Contractual Agreements.

2.2 Principles of combination

(i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group not under common control (Note 2.3).

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(ii) *Changes in ownership interests in subsidiaries without change of control*

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

2.3 Business combinations not under common control

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

- 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 recognises 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 recognised 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 recognised 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 recognised in profit or loss.

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2.4 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.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of the Company assesses the financial performance and position of the Group, and makes strategic decisions. The chief operating decision maker of the Group consists of the executive directors and the chief financial officer.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Renminbi (RMB), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

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

(iii) Group companies

The results and financial position of foreign operations (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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and 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 transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values of 5% over their estimated useful lives as follows:

Buildings	20 years
Electronic equipment and vehicles	5 years
Beauty equipment	5 years
Office furniture	5 years
Long-term leasehold improvement	Shorter of the lease term and the estimated useful life

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 (Note 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

Construction-in-progress is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

2.8 Investment properties

Investment properties, principally leasehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at cost less accumulated depreciation and impairment losses.

Depreciation of the investment properties is calculated using the straight-line method to allocate cost over their estimated useful lives of 20 to 50 years.

2.9 Intangible assets

(i) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. One of the trademarks has an infinite useful life and is subsequently carried at cost less impairment losses. Those trademarks with finite useful life are subsequently carried at cost less accumulated amortisation and impairment losses.

(ii) Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives.

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(iii) Customer relationships

Customer relationships, which are acquired during business combinations, are recognised at fair value at the acquisition date. Customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives.

(iv) Research and Development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and developing of new or improved products and processes) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(v) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Trademarks with finite useful life	10 years
Software	10 years
Customer relationships	7-8 years

Management estimated the useful life of the trademarks and software based on license period, expected technical obsolescence and innovations. Management estimated the useful life of customer relationships based on their industry knowledge, experience and judgement and took into account the historical customers renewal pattern of the acquired subsidiary. Thus the useful life for the customer relationships are 7~8 years.

2.10 Goodwill

Goodwill is measured as described in Note 2.3. Goodwill is not amortised 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 for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units 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, being the city or region of business that goodwill is attributable to.

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation 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 recognised 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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2.12 Investments and other financial assets

(i) *Classification*

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

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

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

(ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised 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.

(iii) *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:

- **Amortised 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 amortised cost. Any gain or loss arising on derecognition is recognised 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 statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other

gains/(losses). 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) and impairment expenses are presented as separate line item in the statement of profit or loss.

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

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised 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 HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (Note 25).

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Costs of purchased inventory comprise the purchase price (net off discounts), freight charges, duty and other miscellaneous charges. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.14 Trade and other receivables

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

Trade receivables and notes receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1 for further information about the Group's accounting for trade and other receivable and Note 2.11 for a description of the Group's impairment policies.

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2.15 Cash and cash equivalents

For the purpose of presentation in the 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated balance sheets. Restricted cash is excluded from cash and cash equivalents.

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

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

Given the Group has no qualifying assets during the Track Record Period, all borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 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.

(i) 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 regions where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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(ii) 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 statement. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group 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 where there is a legally enforceable right to offset current tax assets and liabilities and where 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 realise the asset and settle the liability simultaneously.

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

2.20 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised 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 balance sheet.

(ii) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulae. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined contribution pension plans even if the employee leaves.

(iii) 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 insurances and other 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.

(iv) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.21 Share-based payments

Share-based compensation benefits are provided to employees via the employee share scheme. Information relating to these schemes is set out in Note 20.

The fair value of awarded shares granted to employees under the employee share scheme less amount paid by employees is recognised as an employee benefits expense over the relevant service period, being the vesting period of the shares, and the credit is recognised in equity in the share-based payment reserves. The fair value of the shares is measured at the grant date.

(i) Share Award Scheme

The Group operates an equity-settled, share-based compensation plan (the "Share Award Scheme"), under which the Group receives services from employees as consideration for equity instruments (shares) of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- excluding the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised 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 shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(ii) Share awards given by the Group's subsidiaries

Shares of subsidiaries of the Group are awarded to certain registered practitioners, including store directors, regional managers, senior operation managers, in respect of their future services for the Group. The fair value of such shares less consideration paid by registered practitioners is recognised as registered practitioner expenses with a corresponding increase in non-controlling interests within equity.

The fair value of such share awards is spread into expense over the vesting periods after the grant date.

2.22 Provisions

Provisions for legal claims are recognised 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 can be reliably estimated. Provisions are not recognised 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 recognised 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 expenditure 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 provision due to the passage of time is recognised as interest expense.

2.23 Revenue recognition

The Group is principally engaged in provision of traditional beauty services, subhealth assessment and intervention services, aesthetic medical services. Revenue comprises the fair value of the consideration received or receivable for the sales of products and services rendered in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, refunds discounts and after eliminating sales within the Group.

Further details of the Group's revenue recognition policies are as follows:

(i) Sales of services

The Group sells prepaid card to end customers, which gives the right to end customers to redeem multiple services. Contract liabilities are recognised when the Group receives cash consideration from end customers. The total consideration is allocated to multiple performance obligations under the prepaid card based on their relative stand-alone selling prices.

Revenue is recognised when the services are rendered or the likelihood of the end customer exercising its remaining rights becomes remote. Based on the historical data, the Group determines no consumption for 3 years as customer churn and recognises the unutilised packages in the prepaid card of these inactive end customers as revenue.

When there is a modification to the contract, for example, provision of additional distinct services to the end customer without any additional charge, the Group accounts for the modification prospectively. The contract consideration, which is the unrecognised consideration initially included in the transaction price of the contract before the modification, is allocated to the remaining performance obligations after the modification, including any unsatisfied performance obligations from the original contract.

The Group also pays sales commission to salesmen, which are treated as acquisition cost to obtain a contract. The Group applies the practical expedient to expense the acquisition cost because the amortization period is normally within one year or less.

(ii) Sales of products

The Group also generates revenue from sales of skincare products to customers. Revenue from the sale of skincare products is recognised when customers accept the products.

(iii) Franchise fee

The Group as the franchisor enters into franchise agreement with franchisee for 3 to 5 years. Franchise is a right to access license because the Group shall undertake activities that significantly affect the license, either positive or negative. Franchisee pays a fixed upfront fee and revenue from franchise fee is recognised over the franchise period. Training fee and other service fee are recognised when the services are rendered.

2.24 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 22.

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Interest income on financial assets at amortised cost calculated using the effective interest method is recognised 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).

2.25 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate, the LPR rates when the leases were signed. 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.

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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 leases of low-value assets are recognised 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. Low-value assets comprise equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised 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.

2.27 Government grants

Grants from the government are recognised 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 recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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 useful lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange 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. The Group does not use any derivative financial instruments to hedge certain risk exposures during the Track Record Period.

(a) Market risk

Foreign exchange risk

The Group mainly operates in mainland China and is exposed to foreign exchange risk arising from currency exposures with respect to USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Group does not hedge against any fluctuation in foreign currency.

At 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, if USD had weakened/strengthened by 5% against the foreign currencies with all other variables held constant, post-tax profit for the year would have been RMB222,000, RMB285,000, RMB252,000 and RMB262,000 respectively lower/higher mainly as a result of foreign exchange gains/losses on translation of foreign currencies cash and cash equivalents.

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(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade receivables and notes receivables, deposit and other receivables and financial assets at FVPL. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Credit risk of cash and cash equivalents, restricted cash and financial assets at FVPL

To manage the risk arising from credit risk of cash and cash equivalents, restricted cash and financial assets at FVPL, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss of cash and cash equivalents is close to zero.

(ii) Credit risk of trade receivables

The majority of the Group's sales are settled through credit cards or e-pay applications against payment without credit terms. The remaining sales, such as to the shopping malls, are settled with credit terms ranging from 14 days to 90 days. The Group applies the HKFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022 and the corresponding historical credit losses experienced within this period. 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 Group has identified the GDP and the unemployment rate of PRC to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and other factors. The utilisation of credit terms is regularly monitored and management does not expect any losses from non-performance by these counterparties (Note 25).

(iii) Credit risk of deposits and other receivables

The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition.

As at 31 December 2019, 2020, 2021 and 30 June 2022, there was no significant increase in credit risk since initial recognition of deposits and other receivables. The assessment the Group made regarding the expected credit losses for these receivables in 12 months were illustrated in Note 25.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group.

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The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2019					
Borrowings	12,759	6,380	–	–	19,139
Lease liabilities	146,590	157,282	229,663	92,575	626,110
Trade payables	30,022	–	–	–	30,022
Other payables and accruals (excluding employee benefits payables and tax payables)	88,250	–	–	–	88,250
	277,621	163,662	229,663	92,575	763,521
At 31 December 2020					
Borrowings	6,380	–	–	–	6,380
Lease liabilities	175,659	138,381	196,837	68,562	579,439
Trade payables	17,820	–	–	–	17,820
Other payables and accruals (excluding employee benefits payables and tax payables)	67,878	–	–	–	67,878
	267,737	138,381	196,837	68,562	671,517
At 31 December 2021					
Lease liabilities	179,017	128,309	191,125	68,852	567,303
Trade payables	15,436	–	–	–	15,436
Other payables and accruals (excluding employee benefits payables and tax payables)	90,409	–	–	–	90,409
	284,862	128,309	191,125	68,852	673,148
As at 30 June 2022					
Lease liabilities	171,490	133,041	202,088	61,008	567,627
Trade payables	29,304	–	–	–	29,304
Other payables and accruals (excluding employee benefits payables and tax payables)	82,655	–	–	–	82,655
	283,449	133,041	202,088	61,008	679,586

3.2 Capital management

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

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 borrowings, lease liabilities less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheets plus net debt.

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The gearing ratios as at 31 December 2019, 2020, 2021 and 30 June, 2022 were as follows:

	As at 31 December,			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
Borrowings (Note 29)	19,110	6,370	–	–
Lease liabilities (Note 17)	549,880	509,320	515,460	513,755
Dividend payable (Note 31)	33,961	–	5,521	5,437
Less: Cash and cash equivalents (Note 26)	(104,819)	(143,538)	(157,284)	(149,696)
Net debt	498,132	372,152	363,697	369,496
Total equity	52,755	140,708	262,536	180,458
Total capital	550,887	512,860	626,233	549,954
Gearing ratio	90%	73%	58%	67%

During the track record period, the gearing ratio gradually decreased from 90% to 58% from 31 December 2019 to 31 December 2021 contributed by decrease of net debt and increased equity arisen from operation excluding dividend declared and increased to 67% from 31 December 2021 to 30 June 2022 contributed by decreased equity arisen from dividends declared.

3.3 Fair value estimation

Financial assets and liabilities

The Group measures its financial assets at FVPL and FVOCI at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset either in the principal market for the asset, or in the absence of a principal market, in the most advantageous market for the asset. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised 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. An explanation of each level follows underneath the table.

Recurring fair value measurements					
At 31 December 2019	<i>Note</i>	Level 1	Level 2	Level 3	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets					
Financial assets at FVPL					
– Wealth management products	22	–	–	358,898	358,898
Financial assets at FVOCI					
– Equity securities		–	–	182	182
Total financial assets		–	–	359,080	359,080
Recurring fair value measurements					
At 31 December 2020	<i>Note</i>	Level 1	Level 2	Level 3	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets					
Financial assets at FVPL					
– Wealth management products	22	–	–	658,387	658,387
Financial assets at FVOCI					
– Equity securities		–	–	179	179
Total financial assets		–	–	658,566	658,566
Recurring fair value measurements					
At 31 December 2021	<i>Note</i>	Level 1	Level 2	Level 3	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets					
Financial assets at FVPL					
– Wealth management products	22	–	–	926,338	926,338
Financial assets at FVOCI					
– Equity securities		–	–	74	74
Total financial assets		–	–	926,412	926,412
Recurring fair value measurements					
At 30 June 2022	<i>Note</i>	Level 1	Level 2	Level 3	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets					
Financial assets at FVPL					
– Wealth management products	22	–	–	709,736	709,736
Financial asset at FVOCI					
– Equity securities		–	–	–	–
Total financial assets		–	–	709,736	709,736

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The fair value of wealth management products that are not traded in an active market is determined by using valuation techniques, which include the use of quoted prices from the relevant financial institutions.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

The carrying amounts of the Group's current financial assets, including cash at banks, trade receivables and notes receivables, deposits and other receivables; and the Group's current financial liabilities, including trade payables, accruals and other payables and lease liabilities approximate their fair values due to their short maturities.

The following table presents the changes in level 3 items for the years ended 31 December 2019, 2020, 2021 and for the six months ended 30 June 2022:

	Wealth management product	Equity securities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance as at 1 January 2019	133,320	1,926	135,246
Acquisitions	647,080	-	647,080
Redemption upon maturity	(429,518)	-	(429,518)
Disposal	-	(1,743)	(1,743)
Net fair value gains on financial assets at FVPL	8,016	-	8,016
Change in fair value through OCI	-	(1)	(1)
Closing balance as at 31 December 2019	358,898	182	359,080
Acquisitions	1,071,590	-	1,071,590
Redemption upon maturity	(785,526)	-	(785,526)
Net fair value gains on financial assets at FVPL	13,425	-	13,425
Change in fair value through OCI	-	(3)	(3)
Closing balance as at 31 December 2020	658,387	179	658,566
Acquisitions	1,614,520	-	1,614,520
Redemption upon maturity	(1,369,976)	-	(1,369,976)
Net fair value gains on financial assets at FVPL	23,407	-	23,407
Change in fair value through OCI	-	(105)	(105)
Closing balance as at 31 December 2021	926,338	74	926,412
Acquisitions	516,600	-	516,600
Redemption upon maturity	(743,027)	-	(743,027)
Net fair value gains on financial assets at FVPL	9,825	-	9,825
Change in fair value through OCI	-	(74)	(74)
Closing balance as at 30 June 2022	<u>709,736</u>	<u>-</u>	<u>709,736</u>

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Valuation inputs and relationships to fair value

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

Description	Fair Value				Significant unobservable inputs	Range of inputs				Relationship of unobservable inputs to fair value
	As at 31 December		As at 30 June			As at 31 December		As at 30 June		
	2019	2020	2021	2022		2019	2020	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	
Wealth management product	358,898	658,387	926,338	709,736	Discount rates	2.55%-4.32%	2.42%-4.15%	2.41%-4.55%	2.26%-4.60%	The higher the discount rate, the lower the fair value

If the discount rate for level 3 fair value measurement had been 10% higher/lower, the fair values of wealth management products for the years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2022 would have been approximately RMB531,000, RMB725,000, RMB945,000 and RMB576,000 lower/higher, respectively.

Valuation processes

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every six months, in line with the group's half-yearly reporting periods.

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

- Discount rates for financial assets are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by the Group's internal credit risk management group.

Changes in level 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

4 Critical accounting estimates and judgements

The preparation of historical financial information requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment of goodwill and trademark with infinite useful life

During the years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2021 and 2022, management conducted an impairment review on goodwill and trademark with infinite useful life. For the reporting periods, the recoverable amount of cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 21. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions are disclosed in Note 21.

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(b) Revenue recognised from unutilised prepaid packages

Most of Group's services are sold on a prepaid basis and offer a variety of prepaid packages. When a customer prepays for a service or product, the relevant payment is recorded as contract liabilities in consolidated statements of financial position until the Group recognise revenue from the relevant prepaid package. These prepayments give the customer a right to receive services or products in the future (and oblige the Group to stand ready to provide services or products). However, customers may not exercise all of their contractual rights for various reasons. Those expected unexercised rights are referred to as "forfeited income".

The expected unexercised rights on prepaid packages are estimated by management based on historical customer behaviour and usage pattern and are recognised as revenue when the customers are inactive for 3 years and the likelihood of the customer exercising its remaining rights becomes remote. Forfeited income will be recognised in the consolidated statements of comprehensive income. For the year ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2021 and 2022, the Group recognised the net forfeited income amounted to RMB10,186,000, RMB13,414,000, RMB14,986,000, RMB5,113,000 and RMB11,716,000 respectively in consolidated statements of comprehensive income.

(c) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets.

Management performs periodic review of the estimated useful lives of property, plant and equipment, and will revise the depreciation charges where estimated useful lives are different than those previously estimated.

(e) Fair value assessment of the trademarks and customer relationships and the recognition of goodwill arising from business combinations

Significant judgements and estimates were involved in the fair value assessment of the identified trademarks and customer relationships and the recognition of goodwill arising from business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly annual revenue growth rate, gross profit margins, discount rates and expected useful lives of customer relationships).

(f) Contractual arrangement

Due to the regulatory restrictions on the foreign ownership of the certain part of [REDACTED] Business in the PRC, the Group does not have any legal equity interest in Shanghai Liernuo. The Directors assessed whether or not the Group has control over Shanghai Liernuo by assessing whether it has the rights to variable returns from its involvement with Shanghai Liernuo and the Medical Institutions and has the ability to affect those returns through its power over Shanghai Liernuo and the Medical Institutions. After assessment, the Directors concluded that the Group has control over Shanghai Liernuo and the Medical Institutions as a result of the Contractual Arrangements and accordingly the

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financial position and the operating results of Shanghai Liernuo and the Medical Institutions can be included in the Group's consolidated financial statements. Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Shanghai Liernuo and the Medical Institutions and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Shanghai Liernuo and the Medical Institutions. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements with Shanghai Liernuo, the Medical Institutions and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive committee, which comprises all executive directors and chief financial officer. The executive committee reviews the Group's internal reporting in order to assess performance and allocate resources.

The executive committee has determined that no business segment information is presented as all business segments are with similar economic characteristics.

The executive committee has also determined that no geographical segment information is presented as all business performance are generated from mainland China.

6 REVENUE & CONTRACT LIABILITIES

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the service at a point in time and over time and the transfer of goods at a point in time in the following major revenue streams:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Traditional beauty services					
– Direct stores (at a point in time)					
– Services	717,358	680,727	857,295	391,244	352,654
– Product Sales	42,468	76,281	84,062	31,979	30,390
– Franchised and others					
– Product sales (at a point in time)	110,513	86,805	101,816	44,668	42,027
– Franchise fee (over time)	5,474	4,297	3,611	1,321	2,971
Subtotal	875,813	848,110	1,046,784	469,212	428,042
Subhealth assessment and intervention services					
– Services recognised at a point in time	64,353	91,110	43,772	22,699	20,555
– Services recognised over time	–	–	17,159	6,285	10,165
Subtotal	64,353	91,110	60,931	28,984	30,720
Aesthetic medical services					
– recognised at a point in time	464,586	564,076	673,025	338,634	275,556
Total	1,404,752	1,503,296	1,780,740	836,830	734,318

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Revenues from external customers come from the rendering of service and sales of the products including traditional beauty services, subhealth assessment and intervention services, aesthetic medical services.

Subhealth assessment and intervention services recognised over time are cooperation fee received from Hainan Qiyang Stem Cell Anti-aging Hospital Co., Ltd. after disposal from the Group in December 2020. Such services include customer referral and consulting services, logistics arrangement services, customer post-treatment caring services rendered to Hainan Qiyang Stem Cell Anti-aging Hospital Co., Ltd., which were disclosed in Note 34(b).

No significant revenue comes from a single external customer. There is no customer contributing more than 10% of revenue. Most of the Group's customers are individuals, which are widely distributed.

The Group is domiciled in China. All of its sales from external customers are generated in China.

(b) Liabilities related to contracts with customers

(i) The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Contract liabilities – services and product sales	914,730	1,155,062	1,347,685	1,387,521

The Group classified these contract liabilities as current because the Group does not have an unconditional right to defer for at least 12 months after the reporting period.

The products are sold on a prepaid basis. When the franchised stores prepay for a product, the relevant payment is recorded as contract liabilities in the consolidated balance sheets until the Group recognizes revenue upon delivery of products to the franchised stores.

(ii) *Significant changes in contract liabilities*

During the Track Record Period, contract liabilities have increased as a result of the business expansion which led to the increase in the number of direct stores and members.

(iii) *Revenue recognised in relation to contract liabilities*

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December			Six months ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period					
Services and product sales	457,856	506,516	709,309	483,457	454,540

(Unaudited)

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(iv) The following table shows the movement of contract liabilities for the periods indicated:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year/period	835,188	914,730	1,155,062	1,347,685
Net forfeited income recognised during the year/period	(10,186)	(13,414)	(14,986)	(11,716)
Revenue recognized from provision of services and product sales to end customers and franchised stores	(1,303,579)	(1,383,266)	(1,661,980)	(679,071)
Payment to franchised stores due to the services provided to our members	(3,334)	(3,910)	(4,428)	(3,242)
Net increase in contract liabilities due to the prepaid cards sold to end customers	1,311,282	1,557,397	1,745,292	699,267
Prepayments received from franchised stores and others	85,359	73,573	101,957	40,179
Acquisition of subsidiaries or business	–	26,656	26,768	–
Disposal of subsidiaries or business	–	(16,704)	–	(5,581)
	<u>914,730</u>	<u>1,155,062</u>	<u>1,347,685</u>	<u>1,387,521</u>

(c) Unsatisfied long-term contracts

Management expects that the proportion of approximately 55%, 55%, 61%, 58% of the transaction to unsatisfied obligations as of 31 December 2019, 2020, 2021 and 30 June 2022 will be recognised as revenue within next one year. The remaining will be recognised in more than one year.

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7 OTHER INCOME AND OTHER EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Other income					
Government grants	10,315	9,756	12,624	8,763	13,687
Interest income derived from amount due from related parties (Note 34(b))	994	-	-	-	-
Rental income	495	632	6,405	3,166	3,153
Others	4,181	1,258	1,698	409	675
	<u>15,985</u>	<u>11,646</u>	<u>20,727</u>	<u>12,338</u>	<u>17,515</u>
Other expense					
Direct cost in relation to the rental income	-	-	3,481	1,774	1,698
	<u>-</u>	<u>-</u>	<u>3,481</u>	<u>1,774</u>	<u>1,698</u>

Government grants represent subsidies from governments as industry support, contributions of the Group to employment stabilization and exemption on valued-added tax granted by the government authority in the PRC. There are no unfulfilled conditions or other contingencies attaching to these grants.

8 OTHER GAINS – NET

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net fair value gains on financial assets at FVPL	8,016	13,425	23,407	10,839	9,825
Net losses on disposal of property, plant and equipment	(2,158)	(3,882)	(2,640)	(188)	(470)
(Losses)/gains on disposal of the subsidiaries	(1,000)	310	-	-	-
Net foreign exchange gains/(losses)	312	(460)	(225)	(129)	412
Others	(2,402)	(2,505)	(2,290)	(562)	(308)
	<u>2,768</u>	<u>6,888</u>	<u>18,252</u>	<u>9,960</u>	<u>9,459</u>

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9 EXPENSES BY NATURE

The expenses charged to cost of sales and services, selling expenses, research and development expenses and general and administrative expenses are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Employee benefits expenses (<i>Note 10</i>)	544,277	582,456	715,091	339,192	332,621
Products and consumables used	249,009	287,987	320,507	154,763	128,803
Depreciation of right-of-use assets (<i>Note 17</i>)	143,013	158,642	174,114	82,675	91,922
Depreciation of property, plant and equipment (<i>Note 15</i>)	70,884	90,184	85,535	41,945	43,129
Amortisation of intangible assets (<i>Note 18</i>)	9,760	10,423	12,058	6,526	7,919
Property management fee	48,148	42,298	54,527	24,684	26,086
Professional service fee	23,367	19,708	19,533	7,348	8,111
Promotion and marketing related expenses	33,132	24,426	33,433	13,181	13,588
Office expenses	20,904	21,744	23,742	10,108	7,129
Utilities	19,819	18,357	22,725	10,806	10,793
Travelling expenses	17,623	13,942	14,092	6,445	3,090
Rental expense for short-term lease and variable lease payments (<i>Note 17(b)</i>)	9,061	7,331	9,897	5,058	5,670
Bank charges	8,424	5,056	5,608	2,653	1,625
Miscellaneous expenses	8,142	10,427	10,824	3,831	2,747
Taxes and surcharges	4,798	3,814	5,378	1,901	1,704
Entertainment expenses	3,707	4,412	5,289	2,587	1,444
[REDACTED] expenses	–	–	12,063	–	24,373
Loss allowance on inventories	123	1,075	712	(839)	2,069
Reorganisation cost (<i>a</i>)	–	–	–	–	7,279
Other expenses	6,710	8,238	11,769	4,939	2,675
Total	1,220,901	1,310,520	1,536,897	717,803	722,777

(a) Reorganisation cost

For the purpose of meeting certain [REDACTED] requirements on its equity interests in the consolidated PRC operating entities, the Group carried out an internal reorganisation by transfer certain equity interests of its PRC operating entities, from the equity holders of these PRC operating entities to a subsidiary under the Company. Pursuant to the reorganization of these PRC operating entities, the pertinent expenses of the equity holders in relation to the share transfer shall be borne by the Group.

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10 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	455,927	506,780	613,803	294,375	278,103
Pension costs – defined contribution plans	30,737	7,618	36,868	16,166	20,791
Welfare and other expenses	28,223	35,971	22,345	8,451	7,156
Other social security costs	19,310	15,772	23,205	10,871	13,084
Housing benefits	8,488	9,327	12,580	6,477	7,068
Share-based compensation expenses	1,592	6,988	6,290	2,852	6,419
Total employee benefit expense	<u>544,277</u>	<u>582,456</u>	<u>715,091</u>	<u>339,192</u>	<u>332,621</u>

(a) Pensions – defined contribution plans

The Group did not have any forfeited contribution for the years ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022 in connection with the defined contribution plan operated by local governments.

Employees of the Group are required to participate in a defined contribution plan administrated and operated by the local municipal government in the PRC. The Group contributes funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the plan to fund the retirement benefits of the employees.

Pension costs – defined contribution plans decreased in 2020, primarily due to the reduction and exemption of pension by the local municipal government due to COVID-19 outbreak in 2020.

(b) Five highest paid individuals

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Director	2,219	–	2,763	1,222	1,639
Non-director	11,134	23,110	23,370	14,467	7,602
	<u>13,353</u>	<u>23,110</u>	<u>26,133</u>	<u>15,689</u>	<u>9,241</u>

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The emolument paid to the directors of the five highest individuals is disclosed in the Note 37, while the emolument paid to the remaining individuals during the respective years is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Basic salaries	1,255	1,646	570	443	-
Bonuses	9,813	21,350	22,671	14,006	7,600
Social security costs, housing benefits and other employee benefits	66	114	129	18	2
	<u>11,134</u>	<u>23,110</u>	<u>23,370</u>	<u>14,467</u>	<u>7,602</u>

The emoluments of the non-director highest paid employees fell within the following range:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
RMB1,000,001 to RMB1,500,000	-	-	-	-	1
RMB1,500,001 to RMB2,000,000	3	1	-	2	2
RMB2,000,001 to RMB2,500,000	-	3	1	-	-
RMB2,500,001 to RMB3,000,000	-	-	-	-	1
RMB3,000,001 to RMB3,500,000	-	-	1	1	-
RMB5,500,001 to RMB6,000,000	-	-	1	-	-
RMB6,000,001 to RMB6,500,000	1	-	-	-	-
RMB8,000,001 to RMB8,500,000	-	-	-	1	-
RMB11,500,001 to RMB12,000,000	-	-	1	-	-
RMB14,000,001 to RMB14,500,000	-	1	-	-	-
	<u>4</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>

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11 FINANCE COSTS – NET

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income					
Interest income on bank deposits	852	1,134	1,283	606	1,038
Finance costs					
Interest expense					
– Interest charges on borrowings	(1,440)	(1,103)	(17)	(17)	–
– Interest charges for lease liabilities	(26,824)	(24,825)	(24,199)	(12,308)	(12,045)
	(28,264)	(25,928)	(24,216)	(12,325)	(12,045)
Finance costs – net	(27,412)	(24,794)	(22,933)	(11,719)	(11,007)

12 INCOME TAX EXPENSES

This note provides an analysis of the Group's income tax expense, presenting how the income tax expense is affected by non-taxable and non-deductible items.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax – PRC income tax (Over)/under provision in prior years	44,568	42,045	44,944	27,131	17,368
Deferred income tax (Note 32)	(1,409)	714	(1,644)	(1,644)	(181)
	(10,819)	(6,413)	3,461	(3,312)	(10,996)
Income tax expense	32,340	36,346	46,761	22,175	6,191

(a) Cayman Islands

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

(b) Hong Kong Profits Tax

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on any estimated assessable profits arising in Hong Kong.

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

PRC CIT was calculated on the taxable profit for the years at the rates of taxation prevailing in the PRC.

CIT was levied at the reduced rate of 15% for new/high-tech subsidiaries. Certain subsidiaries of the Group met the definition of STE (Small and Thin-profit Enterprises) and entitled to a reduced corporate income tax rate of 10%.

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The Company and its subsidiaries, except for STE and new/high tech subsidiaries and those incorporated in Hong Kong, are generally subject to the PRC standard corporate income tax rate of 25% (six months ended 30 June 2021 and 2022: 25%, 2021: 25%, 2020: 25%, 2019: 25%).

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	179,763	188,531	255,102	127,282	26,040
Tax calculated at the applicable statutory tax rate of 25%	44,941	47,133	63,776	31,821	6,510
Adjustment for tax effect of: Preferential income tax rates applicable to certain companies comprising the Group	(11,631)	(13,288)	(16,985)	(8,886)	(9,779)
Tax effects of expenses not deductible for tax purposes	439	1,787	1,614	884	9,641
Current income tax filing difference of prior years	(1,409)	714	(1,644)	(1,644)	(181)
Tax charge	32,340	36,346	46,761	22,175	6,191

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. For the six month ended 30 June 2022, no PRC withholding tax was accrued since the Group estimated that no earnings generated by its PRC entities would be distributed to the holding companies outside PRC. As at 30 June 2022, the PRC subsidiaries of the Group have undistributed earnings of approximately RMB102,286,000, which if paid out as dividends, would be subject to tax in the hands of the recipient.

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13 BASIC AND DILUTED EARNINGS PER SHARE

(i) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during each year/period. The weighted average number of ordinary shares is calculated based on the assumption that 99,800,000 shares, excluding 3,092,784 treasury shares held for employee share scheme as detailed in Note 27, and 200,000 shares issued and allotted to ZYLot Holdings, issued upon the incorporation of the Company in connection with the Reorganisation as detailed in Note 27 were deemed to have been in issue since 1 January 2019. During the six months ended 30 June 2022, the 200,000 shares issued and allotted to ZYLot Holdings was included in the weighted average number of ordinary shares by multiplication of the number of days after investment divided by total number of the days during the respective reporting periods.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(Unaudited)	
Profit attributable to Owners of the Company (RMB'000)	140,329	150,959	193,475	96,947	15,123
Weighted average number of ordinary shares in issue	99,800	99,800	99,800	99,800	99,922
Basic earnings per share for profit attributable to the Owners of the Company during the year/period (expressed in RMB per share)	[1.41]	[1.51]	[1.94]	[0.97]	[0.15]

(ii) Diluted

Dilutive earnings per share during the Track Record Period equal basic earnings per share as no shares have dilutive impact during the Track Record Period.

14 DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Dividends declared	77,121	72,790	86,677	77,964	122,482

During the years ended 31 December 2019, 2020, 2021 and for the six months ended 30 June 2021 and 2022, certain companies now comprising the Group declared dividends of RMB77,121,000, RMB72,790,000 and RMB86,677,000, RMB77,964,000 and RMB122,482,000 respectively to their then shareholders.

No dividends have been paid or declared by the Company in respect of the Track Record Period.

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15 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Electronic equipment and vehicles	Beauty equipment	Office furniture	Long-term leasehold improvement	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019							
Cost	40,816	18,011	120,083	7,633	197,834	46,497	430,874
Accumulated depreciation	(16,995)	(8,930)	(56,270)	(4,472)	(68,323)	-	(154,990)
Net book amount	23,821	9,081	63,813	3,161	129,511	46,497	275,884
Year ended 31 December 2019							
Opening net book amount	23,821	9,081	63,813	3,161	129,511	46,497	275,884
Additions	2,159	2,589	28,608	1,433	8,932	66,806	110,527
Transfers	59,117	-	-	-	38,153	(97,270)	-
Transferred to intangible assets (Note 18)	-	-	-	-	-	(5,426)	(5,426)
Disposals	-	(688)	(925)	-	-	(545)	(2,158)
Depreciation charge (Note 9)	(4,222)	(2,344)	(22,391)	(918)	(41,009)	-	(70,884)
Closing net book amount	80,875	8,638	69,105	3,676	135,587	10,062	307,943
At 31 December 2019							
Cost	102,092	15,536	134,291	7,063	244,919	10,062	513,963
Accumulated depreciation	(21,217)	(6,898)	(65,186)	(3,387)	(109,332)	-	(206,020)
Net book amount	80,875	8,638	69,105	3,676	135,587	10,062	307,943
Year ended 31 December 2020							
Opening net book amount	80,875	8,638	69,105	3,676	135,587	10,062	307,943
Additions	166	3,046	17,013	1,951	18,165	25,978	66,319
Acquisition of subsidiaries (Note 36)	-	-	1,443	-	5,653	850	7,946
Transfers	-	-	-	-	25,122	(25,122)	-
Transferred to intangible assets (Note 18)	-	-	-	-	-	(8,865)	(8,865)
Transferred to investment properties (Note 16)	(56,349)	-	-	-	-	-	(56,349)
Disposal of subsidiaries	-	(275)	(3,735)	(7)	(185)	-	(4,202)
Disposals	-	(201)	(3,403)	(390)	(126)	(183)	(4,303)
Depreciation charge (Note 9)	(4,957)	(2,554)	(26,842)	(1,077)	(54,754)	-	(90,184)
Impairment loss	-	-	(862)	-	-	-	(862)
Closing net book amount	19,735	8,654	52,719	4,153	129,462	2,720	217,443

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	Buildings	Electronic equipment and vehicles	Beauty equipment	Office furniture	Long-term leasehold improvement	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020							
Cost	40,816	18,011	144,181	7,633	293,548	2,720	506,909
Impairment provision	-	-	(862)	-	-	-	(862)
Accumulated depreciation	(21,081)	(9,357)	(90,600)	(3,480)	(164,086)	-	(288,604)
Net book amount	19,735	8,654	52,719	4,153	129,462	2,720	217,443
Year ended 31 December 2021							
Opening net book amount	19,735	8,654	52,719	4,153	129,462	2,720	217,443
Additions	-	4,816	35,932	2,144	18,319	69,964	131,175
Transfers	-	-	-	-	65,907	(65,907)	-
Addition through purchase	-	-	60	-	-	-	60
Transferred to intangible assets (Note 18)	-	-	-	-	-	(999)	(999)
Disposals	-	(319)	(1,813)	(311)	-	(197)	(2,640)
Depreciation charge (Note 9)	(2,037)	(2,900)	(27,824)	(1,298)	(51,476)	-	(85,535)
Closing net book amount	17,698	10,251	59,074	4,688	162,212	5,581	259,504
At 31 December 2021							
Cost	40,815	22,444	177,998	8,900	376,382	5,581	632,120
Impairment provision	-	-	(862)	-	-	-	(862)
Accumulated depreciation	(23,117)	(12,193)	(118,062)	(4,212)	(214,170)	-	(371,754)
Net book amount	17,698	10,251	59,074	4,688	162,212	5,581	259,504
Six months ended 30 June 2022							
Opening net book amount	17,698	10,251	59,074	4,688	162,212	5,581	259,504
Additions	-	1,182	15,958	85	-	35,874	53,099
Transfers	-	-	-	-	13,645	(13,645)	-
Transferred to intangible assets (Note 18)	-	-	-	-	-	(4,013)	(4,013)
Disposals	-	(94)	(301)	(30)	(303)	-	(728)
Depreciation charge (Note 9)	(1,018)	(1,604)	(14,427)	(837)	(25,243)	-	(43,129)
Closing net book amount	16,680	9,735	60,304	3,906	150,311	23,797	264,733
At 30 June 2022							
Cost	40,816	23,193	174,959	8,757	388,924	23,797	660,446
Impairment provision	-	-	(862)	-	-	-	(862)
Accumulated depreciation	(24,136)	(13,458)	(113,793)	(4,851)	(238,613)	-	(394,851)
Net book amount	16,680	9,735	60,304	3,906	150,311	23,797	264,733

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During the Track Record Period, the amounts of depreciation expense charged to profit or loss are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of sales and services	65,907	83,867	80,892	39,436	40,155
Selling expenses	1,895	1,697	3,230	1,779	1,971
General and administrative expenses	2,751	3,761	1,413	730	1,003
Research and development expenses	331	859	-	-	-
	<u>70,884</u>	<u>90,184</u>	<u>85,535</u>	<u>41,945</u>	<u>43,129</u>

16 INVESTMENT PROPERTIES

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Leasehold land and buildings					
Opening net book amount	-	-	78,114	78,114	74,538
Disposals	-	-	(95)	(95)	-
Depreciation charge	-	-	(3,481)	(1,774)	(1,698)
Transferred from property, plant and equipment (Note 15)	-	56,349	-	-	-
Transferred from ROU assets (Note 17)	-	21,765	-	-	-
	<u>-</u>	<u>78,114</u>	<u>74,538</u>	<u>76,245</u>	<u>72,840</u>
Closing net book amount:					
Cost	-	78,114	78,019	78,019	78,019
Accumulated depreciation	-	-	(3,481)	(1,774)	(5,179)
Net book value	<u>-</u>	<u>78,114</u>	<u>74,538</u>	<u>76,245</u>	<u>72,840</u>
Fair value at the end of year/period	<u>-</u>	<u>92,030</u>	<u>92,280</u>	<u>92,190</u>	<u>92,670</u>

The property transfers at the carrying amount into investment properties. No gain or loss was recorded.

As at 31 December 2020, 2021 and 30 June 2022, the Group assessed the fair values of investment properties with reference to valuation reports issued by an independent valuer. The valuation method is the income approach, which takes into account the rental income of such portion of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate.

During the year ended 31 December 2021, the six months ended 30 June 2021 and 2022, rental income of the Group's investment properties of recognised as "other income" (Note 7) amounted to RMB5,611,000, RMB2,814,000 and RMB2,954,000 respectively. And depreciation of the Group's investment properties recognised as "other expense" (Note 7) amounted to RMB3,481,000, RMB1,774,000 and RMB1,698,000 respectively.

The investment properties are leased to tenants under operating leases with rentals payable quarterly. Lease payments for the contract include CPI increases, but there are no other variable lease payments that depend on an index or rate.

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17 LEASES

The consolidated balance sheets show the following amounts relating to leases:

(a) Right-of-use assets

	<u>Properties</u>	<u>Land use rights</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2019			
Opening net book amount	591,783	22,725	614,508
Additions	80,032	–	80,032
Depreciation (Note 9)	(142,533)	(480)	(143,013)
Closing net book amount	<u>529,282</u>	<u>22,245</u>	<u>551,527</u>
At 31 December 2019			
Cost	671,815	24,048	695,863
Accumulated depreciation	(142,533)	(1,803)	(144,336)
Net book amount	<u>529,282</u>	<u>22,245</u>	<u>551,527</u>
Year ended 31 December 2020			
Opening net book amount	529,282	22,245	551,527
Additions	95,347	–	95,347
Transferred to investment properties (Note 16)	–	(21,765)	(21,765)
Depreciation (Note 9)	(158,162)	(480)	(158,642)
Closing net book amount	<u>466,467</u>	<u>–</u>	<u>466,467</u>
At 31 December 2020			
Cost	763,228	–	763,228
Accumulated depreciation	(296,761)	–	(296,761)
Net book amount	<u>466,467</u>	<u>–</u>	<u>466,467</u>
Year ended 31 December 2021			
Opening net book amount	466,467	–	466,467
Additions	159,442	–	159,442
Depreciation (Note 9)	(174,114)	–	(174,114)
Closing net book amount	<u>451,795</u>	<u>–</u>	<u>451,795</u>
At 31 December 2021			
Cost	890,358	–	890,358
Accumulated depreciation	(438,563)	–	(438,563)
Net book amount	<u>451,795</u>	<u>–</u>	<u>451,795</u>
Six months ended 30 June 2022			
Opening net book amount	451,795	–	451,795
Additions	104,272	–	104,272
Depreciation (Note 9)	(91,922)	–	(91,922)
Closing net book amount	<u>464,145</u>	<u>–</u>	<u>464,145</u>
At 30 June 2022			
Cost	942,643	–	942,643
Accumulated depreciation	(478,498)	–	(478,498)
Net book amount	<u>464,145</u>	<u>–</u>	<u>464,145</u>

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The land use rights represent the Group's leasehold land that the Group has made prepayment for the lease of the land located in PRC.

(b) Lease liabilities

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities				
Current	119,780	141,377	163,181	155,427
Non-current	430,100	367,943	352,279	358,328
	<u>549,880</u>	<u>509,320</u>	<u>515,460</u>	<u>513,755</u>

The consolidated statements of comprehensive income and the consolidated statements of cash flows contain the following amounts relating to leases:

	Year ended 31 December			Six months ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(i) Profit or loss:					
Depreciation of right-of-use assets, charged to cost of sales and services and general and administrative expenses	143,013	158,642	174,114	82,675	91,922
Interest expenses relating to lease liabilities, charged to finance costs	26,824	24,825	24,199	12,308	12,045
Expenses relating to variable lease payments	2,140	2,863	4,562	2,921	3,914
Expenses relating to short-term leases	6,921	4,468	5,335	2,137	1,756
	<u>178,898</u>	<u>190,798</u>	<u>208,210</u>	<u>100,041</u>	<u>109,637</u>
(ii) Cash flow:					
The cash outflow for leases as financing activities	147,297	160,732	177,501	91,633	118,022
The cash outflow for leases as operating activities	9,061	7,331	9,897	5,058	5,670
	<u>156,358</u>	<u>168,063</u>	<u>187,398</u>	<u>96,691</u>	<u>123,692</u>

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and stores. Rental contracts are typically made for fixed periods of six months to fifteen years and have no extension options granted to the Group.

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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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(iv) *Variable lease payments*

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores with variable payment arrangements, up to 95% of lease payments are on the basis of variable payment terms with percentages ranging from 10% to 16% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

If revenue had increased/decreased by 5% with all other variables held constant, variable lease payments for the year, and for the six months ended 30 June 2021 and 2022 would have been approximately RMB2,283,000, RMB2,455,000 and RMB2,905,000, RMB1,451,000 and RMB1,506,000 respectively higher/lower mainly as a result of lease expenses of cost of sales and services and cash equivalents.

(v) *Extension and termination options*

Extension and termination options are not included in leases across the Group. The majority of extension and termination options are exercisable by mutual agreements between the Group and the respective lessor.

18 INTANGIBLE ASSETS

	Software	Trademarks	Customer relationships	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019					
Cost	14,550	23,208	63,069	74	100,901
Accumulated amortisation and impairment	(2,670)	(87)	(15,452)	(21)	(18,230)
Net book amount	11,880	23,121	47,617	53	82,671
Year ended 31 December 2019					
Opening net book amount	11,880	23,121	47,617	53	82,671
Transferred from assets under construction (Note 15)	5,426	-	-	-	5,426
Amortisation charge (Note 9)	(1,994)	(21)	(7,738)	(7)	(9,760)
Closing net book amount	15,312	23,100	39,879	46	78,337
At 31 December 2019					
Cost	19,976	23,208	63,069	74	106,327
Accumulated amortisation and impairment	(4,664)	(108)	(23,190)	(28)	(27,990)
Net book amount	15,312	23,100	39,879	46	78,337

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	Software	Trademarks	Customer relationships	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2020					
Opening net book amount	15,312	23,100	39,879	46	78,337
Acquisition of subsidiaries (Note 36)	-	-	16,328	-	16,328
Transferred from assets under construction (Note 15)	8,865	-	-	-	8,865
Disposals	(2,763)	~	-	-	(2,763)
Amortisation charge (Note 9)	(2,111)	(21)	(8,283)	(8)	(10,423)
Closing net book amount	19,303	23,079	47,924	38	90,344
At 31 December 2020					
Cost	22,394	23,208	79,397	74	125,073
Accumulated amortisation and impairment	(3,091)	(129)	(31,473)	(36)	(34,729)
Net book amount	19,303	23,079	47,924	38	90,344
Year ended 31 December 2021					
Opening net book amount	19,303	23,079	47,924	38	90,344
Acquisition of subsidiaries (Note 36)	-	-	11,000	-	11,000
Transferred from assets under construction (Note 15)	999	-	-	-	999
Impairment	-	(34)	-	-	(34)
Amortisation charge (Note 9)	(2,299)	(21)	(9,731)	(7)	(12,058)
Closing net book amount	18,003	23,024	49,193	31	90,251
At 31 December 2021					
Cost	23,393	23,208	90,397	74	137,072
Accumulated amortisation and impairment	(5,390)	(184)	(41,204)	(43)	(46,821)
Net book amount	18,003	23,024	49,193	31	90,251

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	Software	Trademarks	Customer relationships	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2022					
Opening net book amount	18,003	23,024	49,193	31	90,251
Transferred from assets under construction (Note 15)	4,013	-	-	-	4,013
Disposal	-	-	(596)	-	(596)
Amortisation charge (Note 9)	(1,348)	(10)	(6,557)	(4)	(7,919)
Closing net book amount	<u>20,668</u>	<u>23,014</u>	<u>42,040</u>	<u>27</u>	<u>85,749</u>
At 30 June 2022					
Cost	27,406	23,208	88,714	74	139,402
Accumulated amortisation and impairment	(6,738)	(194)	(46,674)	(47)	(53,653)
Net book amount	<u>20,668</u>	<u>23,014</u>	<u>42,040</u>	<u>27</u>	<u>85,749</u>

During the Track Record Period, the amounts of amortisation expenses charged to profit or loss are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Selling expenses	7,035	6,747	7,858	4,482	5,496
General and administrative expenses	2,022	2,140	2,327	1,139	1,356
Research and development expenses	703	1,536	1,873	905	1,067
	<u>9,760</u>	<u>10,423</u>	<u>12,058</u>	<u>6,526</u>	<u>7,919</u>

(i) The Group designs and develops software systems, such as ERP, BPM. The research and development expenses incurred in 2019, 2020, 2021 and for the six months ended 30 June 2021 and 2022 were approximately RMB9,142,000, RMB12,670,000, RMB18,029,000, RMB7,751,000 and RMB14,992,000 respectively, which have been included in the research and development expenses in the statement of profit or loss.

(ii) During the track record period, management conducted an impairment review on the intangible assets of customers relationships and trademarks with infinite useful life together with goodwill. The key assumptions used in the impairment review were disclosed in Note 21.

19 OTHER NON-CURRENT ASSETS

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for constructions	2,637	3,680	4,872	2,329
Prepayment for procurement of equipment	1,250	1,394	2,231	2,988
	<u>3,887</u>	<u>5,074</u>	<u>7,103</u>	<u>5,317</u>

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20 SHARED-BASED PAYMENTS

(1) Share Award Scheme

The Group adopted a number of employee restricted share plans to provide long-term incentives for its employees and directors of the Group to deliver long-term shareholder returns. Under the plans, participants are granted restricted share which only vest if certain conditions are met.

On 16 May 2017, Shanghai Youyi Commercial Management Partnership (Limited Partnership) ("Shanghai Youyi") was established serving as the employee incentive platform, in which Mr. Li was the controlling shareholder and general partner.

In 2017, Mr Li transferred his 0.51% share of Shanghai Beauty Farm to Shanghai Youyi; Shanghai Youyi further subscribed aggregately 2.73% shares of Shanghai Beauty Farm during 2017 and 2018. 0.97% and 1.11% of Shanghai Beauty Farm's shares that were held by Shanghai Youyi were granted to Grantees on 26 December 2017 and 19 December 2018 respectively at subscription price of RMB4,656,000 and RMB13,875,000. In 2019, Shanghai Beauty Farm bought back the remaining ungranted 1.16% shares held by Shanghai Youyi with the consideration of RMB12,421,000 (Note 28). In 2021, Shanghai Beauty Farm further bought back ungranted shares held by Shanghai Youyi with the consideration of RMB232,000. Such shares were treated as treasury stock and were subsequently transferred to Shanghai Youyi on 31 August 2021 at subscription price of RMB18,557,000, who then granted the shares to the employees of Shanghai Beauty Farm. Shanghai Beauty Farm does not have any obligation to repurchase and pay back the subscription price to employee upon forfeiture.

During the reorganisation in 2022 as mentioned in Note 1.2, the above restricted share plans was replaced by the restricted share plans under Crest Sail Limited, the vesting condition does not change, and no additional benefit to the employee upon modification and thus does not have any accounting impact.

The Group adopted the following restricted share plans to the Grantees, as rewards for their services, full time devotion and professional expertise to the Group.

	Percentage of share granted	Subscription price	Fair value of the share granted as at grant date
	(%)	(RMB'000)	(RMB'000)
2017 Restricted Share Plan	0.97	4,656	7,760
2018 Restricted Share Plan	1.11	13,875	17,760
2021 Restricted Share Plan	1.16	18,557	29,125

Expenses for the share-based compensation have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
General and administrative expenses	1,592	1,592	4,234	796	4,759

(Unaudited)

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(2) Key assumptions

The following table sets forth key assumptions on which management has based its cash flow projections to undertake the fair value as at grant date.

	Annual revenue growth rate	EBIT/Revenue
	(%)	(%)
2017 Restricted Share Plan	10.09	4.92
2018 Restricted Share Plan	8.87	11.59
2021 Restricted Share Plan	10.02	8.51

(3) Share awards scheme of Group's subsidiaries

Equity interest of the Group's certain subsidiaries are awarded to certain registered practitioners ("Practitioners"), including store directors, regional managers, senior operation managers, in respect of their future services for the Group.

Several commercial management partnerships ("Limited Partnerships") were established by the Group in 2020 as employee incentive platforms.

Certain percentage of the equity interest of these Limited Partnerships were granted to Practitioners in 2020, 2021 and 2022 respectively at subscription price of RMB16,251,000 and RMB7,256,000 and RMB4,101,000 as a total respectively. Shanghai Beauty Farm does not have any obligation to repurchase and pay back the subscription price to employee upon forfeiture.

Expenses for the share-based compensation have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
General and administrative expenses	-	5,396	2,056	2,056	60

(Unaudited)

(4) Key assumptions

The following table sets forth key assumptions on which management has based its cash flow projections to undertake the fair value as at grant date.

	Annual revenue growth rate	EBIT/Revenue
	(%)	(%)
2020 Restricted Share Plan	4.73~7.53	5.29~15.58
2021 Restricted Share Plan	4.88~8.43	4.43~14.29
2022 Restricted Share Plan	6.93	8.65

(5) On 11 March 2022, ZYLot Holdings Limited completed a RMB3,976,000 investment in the Company for 0.2% of the Company's issued share capital. The difference amounted to RMB1,600,000 between the equity purchase price and the fair value was charged to share-based payment expenses in consolidated statements of profit or loss during six months ended 30 June 2022.

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21 GOODWILL

	Goodwill
	<i>RMB'000</i>
Year ended 31 December 2019	
Opening net book amount	152,268
Acquisition of business	—
Closing net book amount	152,268
At 31 December 2019	
Cost	152,268
Accumulated impairment	—
Net book amount	152,268
Year ended 31 December 2020	
Opening net book amount	152,268
Acquisition of business (<i>Note 36</i>)	23,789
Closing net book amount	176,057
At 31 December 2020	
Cost	176,057
Accumulated impairment	—
Net book amount	176,057
Year ended 31 December 2021	
Opening net book amount	176,057
Acquisition of business (<i>Note 36</i>)	18,216
Closing net book amount	194,273
At 31 December 2021	
Cost	194,273
Accumulated impairment	—
Net book amount	194,273
Six months ended 30 June 2022	
Opening net book amount	194,273
Disposal (i)	(2,736)
Closing net book amount	191,537
At 30 June 2022	
Cost	191,537
Accumulated impairment	—
Net book amount	191,537

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- (i) In March 2022, the Group entered into a store transfer agreement with Beijing Jiyueheyan Beauty Co., Ltd. ("Beijing Jiyueheyan"), pursuant to which the Group transferred one of the Palaispa direct store (the "Store") in its subsidiary Beijing Palaispa Business Management Co., Ltd. ("Beijing Palaispa") to Beijing Jiyueheyan at the total consideration of RMB2,125,000.

The Group derecognised related property, plant and equipments, intangible assets and goodwill attributable to the store amounted RMB123,000, RMB596,000 and RMB2,736,000 respectively of the Store from its consolidated statements of financial position upon losing control. The consideration was determined based on arm's length negotiation between the parties at the time of the disposal.

(a) Impairment tests of goodwill, customer relationships and trademark

Goodwill, customer relationships and trademark is allocated to CGUs by brand, Palaispa, and by cities, including Shanghai, Chongqing, and other cities located in PRC.

The management has involved an independent qualified valuer to perform impairment test applying "value-in-use" method as at 31 December 2019, 2020, 2021 and 30 June 2022 by using the discounted cash flow model. The value-in-use calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews. The forecast period is 5 years.

The recoverable amount of the CGUs based on the estimated value-in-use calculations was higher than the carrying amount at 31 December 2019, 2020, 2021 and 30 June 2022. Accordingly, no provision for impairment loss for goodwill, customer relationships and trademark is considered necessary.

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Asset-unit-level summary of the goodwill allocation is presented below.

2019	Palaispa	Shanghai	Chongqing	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost	74,800	38,939	31,031	7,498	152,268
Impairment	-	-	-	-	-
	<u>74,800</u>	<u>38,939</u>	<u>31,031</u>	<u>7,498</u>	<u>152,268</u>
2020	Palaispa	Shanghai	Chongqing	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost	74,800	38,939	31,031	31,287	176,057
Impairment	-	-	-	-	-
	<u>74,800</u>	<u>38,939</u>	<u>31,031</u>	<u>31,287</u>	<u>176,057</u>
2021	Palaispa	Shanghai	Chongqing	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost	74,800	38,939	31,031	49,503	194,273
Impairment	-	-	-	-	-
	<u>74,800</u>	<u>38,939</u>	<u>31,031</u>	<u>49,503</u>	<u>194,273</u>
30 June 2022	Palaispa	Shanghai	Chongqing	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost	72,064	38,939	31,031	49,503	191,537
Impairment	-	-	-	-	-
	<u>72,064</u>	<u>38,939</u>	<u>31,031</u>	<u>49,503</u>	<u>191,537</u>

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(b) Key assumptions

The following table sets forth key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill and intangible assets of customer relationships and trademark with infinite useful life as at 31 December 2019, 2020, 2021 and 30 June 2022.

	As at 31 December			As at
	2019	2020	2021	30 June
				2022
Palaispa				
Revenue next 5 year (% annual growth rate)	8.43	11.91	7.31	6.51
EBIT/Revenue (%)	5.61	7.69	8.22	8.49
Long term growth rate (%)	2	2	2	2
Pre-tax discount rate (%)	12.45	12.45	13.50	14.60
Shanghai				
Revenue next 5 year (% annual growth rate)	8.59	8.85	8.19	10.65
EBIT/Revenue (%)	3.87	3.83	3.91	0.68
Long term growth rate (%)	2	2	2	2
Pre-tax discount rate (%)	14.70	14.65	13.70	12.06
Chongqing				
Revenue next 5 year (% annual growth rate)	10.13	10.36	7.12	5.60
EBIT/Revenue (%)	11.23	11.35	11.57	11.77
Long term growth rate(%)	2	2	2	2
Pre-tax discount rate (%) (<i>note</i>)	14.60	14.60	14.60	15.50
Other cities				
Revenue next 5 year (% annual growth rate)	8.7~18.94	9.83~17.52	6.49~12.19	6.00~10.35
EBIT/Revenue (%)	2.22~16.34	4.30~17.74	4.42~18.14	0.50~18.25
Long term growth rate (%)	2	2	2	2
Pre-tax discount rate (%)	12.77~14.15	12.80~14.76	13.65~17.85	12.90~17.85

Note: The pre-tax discount rate remained stable at 14.60% for the years ended 31 December 2019, 2020 and 2021 as there was no significant change on the main business and the risk profile of Chongqing CGU.

The long term growth rates were estimated based on the overall long-term business development plan of the Group and the inflation rate of China as a whole during the Track Record Period.

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Management has determined the values assigned to each of the above key assumptions as follows:

<u>Assumption</u>	<u>Approach used to determine values</u>
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Sales price	Average annual growth rate over the five-year forecast period; based on current industry trends and including long term inflation forecasts for each territory.
EBIT/Revenue	Based on past performance and management's expectations for the future.
Long term growth rate	The basis used to determine the value assigned to the long-term growth rate is the forecast price indices during the budget year from where the main services are located.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom was as follows:

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Palaispa	160,640	160,639	107,761	135,997
Shanghai	173,489	185,163	289,234	157,681
Chongqing	113,922	113,922	110,854	117,734
	<u>448,051</u>	<u>459,724</u>	<u>507,849</u>	<u>411,412</u>

The management performed the sensitivity analysis based on the abovementioned key assumptions have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

Palaispa:

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected revenue next 5 year decreased by 3%	96,640	96,639	31,761	53,997
Expected EBIT/Revenue decreased by 3%	117,640	117,639	75,761	107,997
Pre-tax discount rate increased by 1%	149,640	149,639	93,761	115,997
Expected long term growth rate decreased by 1%	<u>142,640</u>	<u>142,639</u>	<u>93,761</u>	<u>115,997</u>

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Shanghai:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
Expected revenue next 5 year decreased by 3%	11,749	121,163	74,234	21,681
Expected EBIT/Revenue decreased by 3%	109,489	45,163	204,234	95,681
Pre-tax discount rate increased by 1%	161,489	171,163	265,234	131,681
Expected long term growth rate decreased by 1%	164,489	175,163	257,234	113,681

Chongqing:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
Expected revenue next 5 year decreased by 3%	49,922	45,922	63,854	74,734
Expected EBIT/Revenue decreased by 3%	102,922	100,922	79,854	107,734
Pre-tax discount rate increased by 1%	104,922	104,922	99,854	111,734
Expected long term growth rate decreased by 1%	106,922	106,922	103,854	114,734

The management believes that any reasonable possible change in any of the key assumptions would not cause the carrying amounts of the CGU to exceed its recoverable amount.

The management of the Company concluded that no provision for impairment on the goodwill has to be recognised as at 31 December 2019, 2020, 2021 and 30 June 2022.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
Wealth management products	358,898	658,387	926,338	709,736

During the Track Record Period, the Group purchases low-risk investments for cash management purposes, which mainly included wealth management products from licensed commercial banks and state-owned trust companies. The products were standardized and short-term wealth management products with maturity day within one year with an estimated annualized return rate ranging from 2.30% to 4.60%. Wealth management products are all held for trading and classified as financial assets at FVPL. For information about the methods and assumptions used in determining fair value see Note 3.3.

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23 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Financial assets at amortised cost				
Cash and cash equivalents (<i>Note 26</i>)	104,819	143,538	157,284	149,696
Restricted cash (<i>Note 26</i>)	–	–	10,254	10,270
Trade receivables and notes receivables (<i>Note 25</i>)	30,316	36,699	31,316	34,380
Deposits, other receivables and amount due from related parties (<i>Note 25</i>)	70,615	77,659	83,869	168,040
Financial assets at FVOCI	182	179	74	–
Financial assets at FVPL (<i>Note 22</i>)	358,898	658,387	926,338	709,736
	<u>564,830</u>	<u>916,462</u>	<u>1,209,135</u>	<u>1,072,122</u>
	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Financial liabilities at amortised cost				
Bank borrowings (<i>Note 29</i>)	19,110	6,370	–	–
Lease liabilities (<i>Note 17</i>)	549,880	509,320	515,460	513,755
Trade payables (<i>Note 31</i>)	30,022	17,820	15,436	29,304
Other payables and accruals excluding employee benefits payables and tax payables (<i>Note 31</i>)	88,250	67,878	90,409	82,655
	<u>687,262</u>	<u>601,388</u>	<u>621,305</u>	<u>625,714</u>

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

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24 INVENTORIES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Body and skin care products and medical consumables	81,723	70,957	103,570	125,817
Less: provision for inventory	(4,565)	(5,608)	(6,320)	(8,389)
	<u>77,158</u>	<u>65,349</u>	<u>97,250</u>	<u>117,428</u>

The provision for inventory as at 31 December 2019, 2020, 2021 and 30 June 2022 reconciles to the opening balance of the provision as follows:

	Years ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
As at the beginning of year/period	4,487	4,565	5,608	5,608	6,320
Increase in loss allowance recognised in profit or loss during the year/period	123	1,075	712	(839)	2,069
Transfer to cost of sales and services upon sales of inventories	(45)	(32)	-	-	-
As at the end of year/period	<u>4,565</u>	<u>5,608</u>	<u>6,320</u>	<u>4,769</u>	<u>8,389</u>

The costs of individual items of inventory are determined using weighted average costs at the end of each month. See Note 2.13 for the Group's accounting policies for inventories.

During the years ended 31 December 2019, 2020, 2021, and the six months ended 30 June 2021 and 2022, the cost of inventories recognised as expense and included in 'cost of sales and services' and 'selling expenses' amounted to RMB249,009,000, RMB287,987,000 and RMB320,507,000, RMB154,763,000 and RMB128,803,000 respectively (Note 9).

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25 NOTES RECEIVABLES, TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Notes receivables				
Bank acceptance bill	–	–	–	1,339
Trade receivables ((i) and (ii))				
Trade receivables	32,655	38,959	33,809	35,152
Less: provision for impairment	(2,339)	(2,260)	(2,493)	(2,111)
Total trade receivables	30,316	36,699	31,316	33,041
Total trade receivables and notes receivables	30,316	36,699	31,316	34,380
Included in current assets				
Prepayments, deposits and other receivables				
Amount due from related parties (Note 34(c))	6,950	–	10,849	86,248
Deposits – current portion (iii)	11,398	16,867	12,394	13,738
Other receivables	11,529	14,578	5,670	13,209
Less: provision for impairment	(1,589)	(609)	(323)	(516)
Prepayments for procurement of inventories and operating expenses (vi)	44,324	29,080	36,494	50,509
Other current assets (iv)	12,088	22,848	18,162	12,555
Prepaid [REDACTED] expense	–	–	3,792	4,311
Total prepayments, deposits and other receivables – current portion	84,700	82,764	87,038	180,054
Included in non-current assets				
Deposits and other receivables				
Deposits – non-current portion (iii)	43,492	46,865	55,360	55,401
Less: provision for impairment	(1,165)	(42)	(81)	(40)
Total	42,327	46,823	55,279	55,361

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(i) Aging analysis of trade receivables

The majority of the Group's sales are settled through credit cards or e-pay applications against payment. At 31 December, the aging analysis of the trade receivables from contracts with customers receivables as at the balance sheet dates based on invoice date was as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
Up to 1 year	30,393	34,870	31,888	32,433
Between 1 and 2 years	1,245	3,242	1,304	1,921
Between 2 and 3 years	660	506	380	457
Over 3 years	357	341	237	341
	<u>32,655</u>	<u>38,959</u>	<u>33,809</u>	<u>35,152</u>

(ii) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(iii) Deposits

The current portion of deposits mainly represented the deposits for guarantee of inventories and short-term lease of stores and buildings, and the non-current portion of deposits represented long-term lease of stores and buildings.

(iv) Other current assets

Other current assets include deductible input VAT, and prepayment of PRC corporate income tax as at 31 December 2019, 2020, 2021 and 30 June 2022.

(v) Impairment and risk exposure

The movements in the loss allowance of impairment of trade receivables are as below:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
As at 1 January	(4,520)	(2,339)	(2,260)	(2,493)
(Provision for)/Reversal of receivables impairment	(545)	54	(732)	382
Receivables written off during the year as uncollectible	<u>2,726</u>	<u>25</u>	<u>499</u>	<u>–</u>
As at 31 December/30 June	<u>(2,339)</u>	<u>(2,260)</u>	<u>(2,493)</u>	<u>(2,111)</u>

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The movements in the loss allowance of impairment of deposits including current and non-current portion and other receivables are as below:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
As at 1 January	(15,662)	(2,754)	(651)	(404)
Reversal of/(Provision for) receivables impairment	5,116	1,961	(574)	(152)
Deposits including current and non-current portion and other receivables written off during the year as uncollectible	7,792	142	821	-
As at 31 December/30 June	(2,754)	(651)	(404)	(556)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
Excepted credit loss rate	6%	10%	20%	68%	7%
Gross carrying amount	30,393	1,245	660	357	32,655
Expected credit losses	1,839	125	132	243	2,339

As at 31 December 2020

	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
Excepted credit loss rate	5%	10%	20%	64%	6%
Gross carrying amount	34,870	3,242	506	341	38,959
Expected credit losses	1,616	324	101	219	2,260

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As at 31 December 2021

	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
Excepted credit loss rate	7%	10%	20%	66%	7%
Gross carrying amount	31,888	1,304	380	237	33,809
Expected credit losses	2,130	130	76	157	2,493

As at 30 June 2022

	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
Excepted credit loss rate	5%	10%	20%	66%	6%
Gross carrying amount	32,433	1,921	457	341	35,152
Expected credit losses	1,603	192	91	225	2,111

The expected credit loss rate remain stable during the Track Record Period for the two time band 'Between 1 and 2 years' and 'Between 2 and 3 years' since there is no significant historical credit loss for the two time bands and no significant change in the credit profiles of the customers. There are no foreseeable significant matter that could have significant impact on the credit rating of the customers.

On the basis as described in Note 3.1(b)(iii), the loss allowance for deposits and other receivables as at 31 December 2019, 2020, 2021 and 30 June 2022 are determined as follows:

	As at 31 December						As at 30 June					
	2019		2020		2021		2022					
	Expected loss rate	Gross Carrying amount	Loss Allowance provision	Expected loss rate	Gross Carrying amount	Loss Allowance provision	Expected loss rate	Gross Carrying amount	Loss Allowance provision	Expected loss rate	Gross Carrying amount	Loss Allowance provision
		RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000
Included in current assets												
Deposits and other receivables												
Amount due from a related party	1%	6,950	70	-	-	-	0.5%	10,849	54	0.1%	86,248	86
Deposits	3%	11,398	342	1%	16,867	151	1%	12,394	148	1%	13,738	110
Other receivables	10%	11,529	1,177	3%	14,578	458	2%	5,670	121	2%	13,209	320
Included in non-current assets												
Deposits and other receivables	3%	43,492	1,165	0.1%	46,865	42	0.1%	55,360	81	0.1%	55,401	40
		<u>73,369</u>	<u>2,754</u>		<u>78,310</u>	<u>651</u>		<u>84,273</u>	<u>404</u>		<u>168,596</u>	<u>556</u>

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Deposits and other receivables are considered to have a low risk of default and each of the counterparties has a strong capacity to meet its contractual cash flow obligations in the near term, hence the Group considers them to have low credit risk, and thus the impairment provision recognised is limited to 12-month expected losses. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(vi) Prepayments and other receivables

The Group makes prepayments for property management fees and utility fees of stores and buildings, certain purchases of inventories, marketing fees, etc.

The carrying amounts of the Group's notes receivables, trade receivables, prepayments, deposits and other receivables are primarily denominated in RMB.

The Company

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Included in current assets				
Prepayments, deposits and other receivables				
Amount due from related parties (Note 34(c))	-	-	-	72,294
Other current assets				
- Prepaid [REDACTED] expense	-	-	-	4,311
Total	-	-	-	76,605

26 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Cash and bank balances				
- Cash on hand	-	-	42	186
- Cash at bank	104,819	143,538	167,496	159,780
	104,819	143,538	167,538	159,966
Less: restricted cash (note a)	-	-	(10,254)	(10,270)
Cash and cash equivalents	104,819	143,538	157,284	149,696

(a) Restricted cash are bank deposits placed by the Group with a bank as a security for prepaid cards issued to customers and are not available for other use by the Group.

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(b) The cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at
				30 June
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	100,214	137,454	151,210	139,220
USD	4,453	5,701	5,049	5,241
EUR	148	150	884	880
HKD	–	–	–	4,213
Others	4	233	141	142
	<u>104,819</u>	<u>143,538</u>	<u>157,284</u>	<u>149,696</u>

The Company

	As at
	30 June 2022
	<i>RMB'000</i>
Cash at bank	<u>4,213</u>
Cash and cash equivalents	<u><u>4,213</u></u>

The carrying amount of the company's cash and cash equivalents are denominated in the following currency:

	As at
	30 June 2022
	<i>RMB'000</i>
HKD	<u><u>4,213</u></u>

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27 SHARE CAPITAL

As of the date of incorporation of the Company, the Company was authorized to issue 5,000,000,000 shares of USD0.00001 each. Upon its incorporation, 62,260,000 shares were issued to the shareholders.

Ordinary shares issued and not fully paid:

	Number of shares	Share capital – USD	Share capital – RMB
At 1 January 2019, 31 December 2019, 2020, 2021	–	–	–
At 10 February 2022 (date of incorporation) (a)	62,260,000	623	3,958
Issuance of ordinary shares on 11 March (b)	700,000	7	44
Issuance of ordinary shares on 29 March (c)	3,092,784	31	197
Issuance of ordinary shares on 21 April (d)	37,040,000	370	2,374
	<hr/>	<hr/>	<hr/>
At 30 June 2022	<u>103,092,784</u>	<u>1,031</u>	<u>6,573</u>

- (a) 62,260,000 share of USD0.00001 was allotted and issued to LIY Holdings Limited, LIY Management Holdings Limited, LIFY Management Holdings Limited, MeiYao Holdings Limited, Individual Group Holdings Limited, You Yi Holdings Limited on 10 February 2022, the date of incorporation.
- (b) 500,000 share of USD0.00001 was allotted and issued to LIY Holdings Limited, LIY Management Holdings Limited, LIFY Management Holdings Limited, MeiYao Holdings Limited, Individual Group Holdings Limited and Crestsail Limited on 11 March 2022. 200,000 share of USD0.00001 was allotted and issued to ZYLot Holdings Limited by cash injection of RMB3,976,000 to the Company.
- (c) 3,092,784 share of USD0.00001 was allotted and issued to Thriving Team Limited on 29 March 2022, which is wholly-owned by the Thriving Team Trust. Such Shares are to be held in trust to facilitate the transfer of Shares to the grantees upon vesting of the relevant Share Options and Share Awards. The Shares of the Company held in Thriving Team Limited were accounted as 'Reserve-Treasury shares held in trust'.
- (d) 37,040,000 share of USD0.00001 was allotted and issued to Beijing Xinyu Meiye Holdings Limited on 21 April 2022. The Company regarded the issued shares as ordinary shares since the preferred rights stipulated in the shareholder agreement among Beijing Xinyu Meiye Holdings Limited and other shareholders mirrored from agreement among shareholders of Shanghai Beauty Farm did not alter. Such shares were treated the same way as ordinary share as they carry the same voting and dividend right and the Group does not have any obligation for redemption.

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28 OTHER RESERVES

	Other comprehensive income	Capital reserve	Other reserve- combined capital	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	(1,007)	587	4,707	4,287
Other comprehensive income	(1)	-	-	(1)
Acquisition of the Shanghai Beauty Farm's shares through a limited partnership reserved for employee share scheme (Note 20)	-	(12,421)	-	(12,421)
Capital injection	-	3,486	-	3,486
Share-based payment expenses (Note 20)	-	1,592	-	1,592
Transactions with non-controlling interests (i)	-	(107)	-	(107)
At 31 December 2019	(1,008)	(6,863)	4,707	(3,164)
At 1 January 2020	(1,008)	(6,863)	4,707	(3,164)
Other comprehensive income	(3)	-	-	(3)
Share-based payment expenses (Note 20)	-	6,282	-	6,282
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	200	-	-	200
Transactions with non-controlling interests (i)	-	4,137	-	4,137
At 31 December 2020	(811)	3,556	4,707	7,452
At 1 January 2021	(811)	3,556	4,707	7,452
Disposal of the Shanghai Beauty Farm's shares through a limited partnership reserved for employee share scheme	-	18,325	-	18,325
Other comprehensive income (Note 20)	(105)	-	-	(105)
Share-based payment expenses (Note 20)	-	5,802	-	5,802
Share reform	-	(35,234)	95,293	60,059
Transactions with non-controlling interests (i)	-	(23,389)	-	(23,389)
Other movement	-	(2,705)	-	(2,705)
At 31 December 2021	(916)	(33,645)	100,000	65,439

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- (i) In December 2020, Shanghai Ranyou Business Management Co., Ltd., one subsidiary of Shanghai Beauty Farm, transferred the equity interests of several subsidiaries to registered practitioners under share awards given by the Group's subsidiaries, with the considerations amount to RMB16,251,000. The change of reserves of RMB14,126,000 represented the difference between the amount of consideration and the relevant disposed identified net liabilities. The effect on the equity attributable to the owners of Shanghai Beauty Farm during the year ended 31 December 2020 is summarized as follows:

	<u>2020</u>
	<i>RMB'000</i>
Consideration received from the non-controlling shareholder	16,251
Carrying amount of non-controlling interests	<u>(2,125)</u>
Excess of consideration of non-controlling interests received recognised in equity	<u><u>14,126</u></u>

- (ii) In September 2020, Shanghai Beauty Farm purchased additional 44% of equity interests of Chengdu Jiahao Beauty Service Co., Ltd. from non-controlling shareholders at a consideration of RMB1,690,000. After this transaction, Shanghai Beauty Farm owned 100% equity interest of Chengdu Jiahao Beauty Service Co., Ltd.. The change of reserves amounted to RMB4,906,000 represented the difference between the amount of consideration and the relevant acquired identified net liabilities from non-controlling shareholder. The effect on the equity attributable to the owners of Shanghai Beauty Farm during the year ended 31 December 2020 is summarized as follows:

	<u>2020</u>
	<i>RMB'000</i>
Consideration paid to the non-controlling shareholder	(1,690)
Carrying amount of non-controlling interests	<u>(3,216)</u>
Excess of consideration of non-controlling interests received recognised in equity	<u><u>(4,906)</u></u>

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- (iii) In September 2020, Shanghai Beauty Farm purchased additional 25% of equity interests of Wuhan Xuemanting Beauty Cosmetics Co., Ltd. from non-controlling shareholders at a consideration of RMB1,140,000. After this transaction, Shanghai Beauty Farm owned 95% equity interest of Wuhan Xuemanting Beauty Cosmetics Co., Ltd.. The change of reserves amounted to RMB2,016,000 represented the difference between the amount of consideration and the relevant acquired identified net liabilities from non-controlling shareholder. The effect on the equity attributable to the owners of Shanghai Beauty Farm during the year ended 31 December 2020 is summarized as follows:

	<u>2020</u>
	<i>RMB'000</i>
Consideration paid to the non-controlling shareholder	(1,140)
Carrying amount of non-controlling interests	<u>(876)</u>
Excess of consideration of non-controlling interests received recognised in equity	<u><u>(2,016)</u></u>

- (b) In October 2021, the transaction with non-controlling interests comprised:

	<u>2021</u>
	<i>RMB'000</i>
Purchase of 12.345% of equity interest of Beijing Palaispa Business Management Co., Ltd. from non-controlling shareholders (<i>Note (i)</i>)	(18,379)
Purchase of 7.655% of equity interest of Beijing Palaispa Business Management Co., Ltd. from non-controlling shareholders (<i>Note (ii)</i>)	(11,035)
Issuance of equity interests of Shanghai Ranyou Business Management Co., Ltd. to the non-controlling shareholders (<i>Note (iii)</i>)	<u>4,151</u>
Others	<u>1,874</u>
	<u><u>(23,389)</u></u>

- (i) Shanghai Beauty Farm purchased additional 12.345% of equity interests of Beijing Palaispa Business Management Co., Ltd. from non-controlling shareholders at a consideration of RMB16,983,000. After this transaction, Shanghai Beauty Farm owned 82.345% equity interest of Beijing Palaispa Business Management Co., Ltd. The change of reserves amounted to RMB18,379,000 represented the difference between the amount of consideration and the relevant acquired identified net liabilities from non-controlling shareholder. The effect on the equity attributable to the owners of Shanghai Beauty Farm during the year ended 31 December 2021 is summarized as follows:

	<u>2021</u>
	<i>RMB'000</i>
Consideration paid to the non-controlling shareholder	(16,983)
Carrying amount of non-controlling interests	<u>(1,396)</u>
Excess of consideration of non-controlling interests received recognised in equity	<u><u>(18,379)</u></u>

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- (ii) In October 2021, Shanghai Beauty Farm purchased additional 7.655% of equity interests of Beijing Palaispa Business Management Co., Ltd. from non-controlling shareholders at a consideration of RMB10,531,000. After this transaction, Shanghai Beauty Farm owned 90% equity interest of Beijing Palaispa Business Management Co., Ltd. The change of reserves amounted to RMB11,035,000 represented the difference between the amount of consideration and the relevant acquired identified net liabilities from non-controlling shareholder. The effect on the equity attributable to the owners of Shanghai Beauty Farm during the year ended 31 December 2021 is summarized as follows:

	<u>2021</u>
	<i>RMB'000</i>
Consideration paid to the non-controlling shareholder	(10,531)
Carrying amount of non-controlling interests	<u>(504)</u>
Excess of consideration of non-controlling interests received recognised in equity	<u><u>(11,035)</u></u>

- (iii) In December 2021, Shanghai Ranyou Business Management Co., Ltd. and Yanyi (Shanghai) Industrial Co., Ltd., two subsidiaries of Shanghai Beauty Farm, transferred the equity interests of several subsidiaries to registered practitioners under share awards given by the Group's subsidiaries, with the considerations amount to RMB7,256,000. The change of reserves of RMB4,151,000 represented the differences between the amount of consideration and the relevant disposed identified net assets. The effect on the equity attributable to the owners of Shanghai Beauty Farm during the year ended 31 December 2021 is summarized as follows:

	<u>2021</u>
	<i>RMB'000</i>
Consideration received from the non-controlling shareholder	7,256
Carrying amount of non-controlling interests	<u>(3,105)</u>
Excess of consideration of non-controlling interests received recognised in equity	<u><u>4,151</u></u>

- (c) In February 2022, Shanghai Beauty Farm purchased additional 30% of equity interests of Qingdao Aimei Medical Beauty Co., Ltd. from non-controlling shareholders at a consideration of RMB2,570,000. After this transaction, Shanghai Beauty Farm owned 100% equity interest of Qingdao Aimei Medical Beauty Co., Ltd. The change of reserves amounted to RMB2,711,000 represented the difference between the amount of consideration and the relevant acquired identified net assets from non-controlling shareholder. The effect on the equity attributable to the owners of Shanghai Beauty Farm during six months ended 30 June 2022 is summarized as follows:

	<u>2022</u>
	<i>RMB'000</i>
Consideration paid to the non-controlling shareholder	(2,570)
Carrying amount of non-controlling interests	<u>(141)</u>
Excess of consideration of non-controlling interests received recognised in equity	<u><u>(2,711)</u></u>

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In June 2022, Shanghai Beauty Farm disposed certain percentage of equity interests of Beijing Palaispa Business Management Co., Ltd. to non-controlling shareholder at a consideration of RMB4,101,000. The non-controlling shareholder is Shanghai Ziqi Business Management Partnership (Limited Partnership) that is the group's new shareholding platform. The change of reserves amounted to RMB4,119,000 represented the difference between the amount of consideration and the relevant acquired identified net assets from non-controlling shareholder. The effect on the equity attributable to the owners of Shanghai Beauty Farm during the year ended 30 June 2022 is summarized as follows:

	Six months ended 30 June 2022
	<i>RMB'000</i>
Consideration received from the non-controlling shareholder	4,101
Carrying amount of non-controlling interests	<u>18</u>
Excess of consideration of non-controlling interests received recognised in equity	<u><u>4,119</u></u>

The Company

	As at 30 June 2022
	<i>RMB'000</i>
As at 1 January 2022	–
Shared based payment	14,398
Capital contribution from owners of the Company (<i>Note</i>)	<u>76,263</u>
As at 30 June 2022	<u><u>90,661</u></u>

Note: Capital contribution from owners of the Company represented surplus of capital issued from ZYLot Holdings Limited and CITIC PE to the Company as set out in Note 1.2.

29 BORROWINGS

	As at 31 December						As at 30 June					
	2019		2020			2021			2022			
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
	<i>RMB'000</i>		<i>RMB'000</i>			<i>RMB'000</i>			<i>RMB'000</i>			
Bank borrowings												
Secured	<u>12,740</u>	<u>6,370</u>	<u>19,110</u>	<u>6,370</u>	<u>–</u>	<u>6,370</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

All bank loans have been repaid in 2021. The bank borrowings as at 31 December 2020 were RMB6,370,000 (31 December 2019: RMB19,110,000), with annual interest rate of the 5.46% (2019: 5.46%).

The loans were secured by the Group's 70% equity interests in one of the subsidiaries.

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As at 31 December 2019, 2020, 2021 and 30 June 2022, the Group's borrowings were repayable as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Within 1 year	12,740	6,370	-	-
Between 1 and 2 years	6,370	-	-	-
	<u>19,110</u>	<u>6,370</u>	<u>-</u>	<u>-</u>

The Group has complied with the financial covenants of its borrowing facilities during 2019, 2020, 2021, and for the six months ended 30 June 2021 and 2022.

30 OTHER CURRENT LIABILITIES

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
VAT recognised in relation to the contract liabilities	<u>56,056</u>	<u>70,261</u>	<u>80,513</u>	<u>82,992</u>

31 TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Trade payables				
–Third parties	<u>30,022</u>	<u>17,820</u>	<u>15,436</u>	<u>29,304</u>
Other payables and accruals				
Employee benefits payables (a)	65,438	80,441	105,943	70,435
Dividend payable (b)	33,961	-	5,521	5,437
Accrual expenses	11,303	14,574	12,057	9,669
Taxes payables	10,992	14,605	18,710	5,361
Constructions payables	10,784	10,156	10,425	11,233
Franchisee deposits	14,432	16,054	17,994	19,154
[REDACTED] expenses payable	-	-	10,731	14,919
Acquisition payable	-	7,559	-	-
Others	<u>17,770</u>	<u>19,535</u>	<u>33,681</u>	<u>22,243</u>
Total other payables and accruals	<u>164,680</u>	<u>162,924</u>	<u>215,062</u>	<u>158,451</u>

Trade payables are usually paid within 30 days of recognition. The Group's trade payables mainly include payments for finished goods. The credit term for finished goods is usually within 30 days.

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The aging analysis of trade payables as at 31 December 2019, 2020 and 2021 and 30 June 2022 based on invoice date was follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Within 1 year	27,782	15,502	13,436	28,077
1-2 years	1,638	1,395	1,544	693
Over 2 years	602	923	456	534
	<u>30,022</u>	<u>17,820</u>	<u>15,436</u>	<u>29,304</u>

(a) Employee benefits payables

The employee benefits payables represented payables for employee salaries for December 2019, 2020, 2021 and June 2022, and accrual for bonuses and social welfare benefits.

The carrying amounts of trade and other payables and accruals are considered to approximate their fair values due to their short-term nature.

(b) Dividend payable

[All the dividend payables will be paid prior to the [REDACTED].]

The Company

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Other payables and accruals				
[REDACTED] expenses payable	-	-	-	14,919
Amount due to the subsidiary	-	-	-	3,268
	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,187</u>

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32 DEFERRED INCOME TAX

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
Deferred income tax assets	26,265	35,950	35,015	47,294
Deferred income tax liabilities	(2,946)	(6,218)	(8,744)	(10,027)
	<u>23,319</u>	<u>29,732</u>	<u>26,271</u>	<u>37,267</u>

The analysis of deferred income tax assets & liabilities is as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
Deferred income tax assets to be recovered after more than 12 months	113,740	112,026	109,502	109,128
Deferred income tax assets to be recovered within 12 months	21,921	25,813	23,844	36,391
Deferred income tax assets	135,661	137,839	133,346	145,519
Net-off of deferred income tax liabilities	(109,396)	(101,889)	(98,331)	(98,225)
Net deferred tax assets	<u>26,265</u>	<u>35,950</u>	<u>35,015</u>	<u>47,294</u>

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
Deferred income tax liabilities to be settled after more than 12 months	94,189	87,862	87,928	81,180
Deferred income tax liabilities to be settled within 12 months	18,153	20,245	19,147	27,072
Deferred income tax liabilities	112,342	108,107	107,075	108,252
Net-off of deferred income tax assets	(109,396)	(101,889)	(98,331)	(98,225)
Net deferred tax liabilities	<u>2,946</u>	<u>6,218</u>	<u>8,744</u>	<u>10,027</u>

The net movement on the deferred income tax account is as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
At beginning of the year	12,500	23,319	29,732	26,271
Credited/(Charged) to income tax expense	10,819	6,413	(3,461)	10,996
At end of the year	<u>23,319</u>	<u>29,732</u>	<u>26,271</u>	<u>37,267</u>

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The gross movements in deferred income tax assets and deferred income tax liabilities during the Track Record Period are as follows

(1) Deferred income tax assets:

	Accumulated loss	Unrealized profit	Lease liabilities	Allowance on doubtful debts	Allowance on Inventory	Accrued Expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	3,937	4,984	121,802	2,346	857	2,319	136,245
Credited/(charged) to the profit or loss	5,607	3,538	(8,062)	(1,628)	70	(109)	(584)
At 31 December 2019 and 1 January 2020	<u>9,544</u>	<u>8,522</u>	<u>113,740</u>	<u>718</u>	<u>927</u>	<u>2,210</u>	<u>135,661</u>
Credited/(charged) to the profit or loss	4,705	(596)	(1,714)	(135)	172	(254)	2,178
At 31 December 2020 and 1 January 2021	<u>14,249</u>	<u>7,926</u>	<u>112,026</u>	<u>583</u>	<u>1,099</u>	<u>1,956</u>	<u>137,839</u>
Credited/(charged) to the profit or loss	351	(3,377)	(2,524)	848	481	(272)	(4,493)
At 31 December 2021	<u>14,600</u>	<u>4,549</u>	<u>109,502</u>	<u>1,431</u>	<u>1,580</u>	<u>1,684</u>	<u>133,346</u>
Credited/(charged) to the profit or loss	10,031	1,533	(374)	(58)	517	524	12,173
At 30 June 2022	<u>24,631</u>	<u>6,082</u>	<u>109,128</u>	<u>1,373</u>	<u>2,097</u>	<u>2,208</u>	<u>145,519</u>

(2) Deferred income tax liabilities:

	Depreciation of property, plant and equipment	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019	3,963	119,782	123,745
Credited to profit or loss	(145)	(11,258)	(11,403)
At 31 December 2019	<u>3,818</u>	<u>108,524</u>	<u>112,342</u>
Charged/(credited) to profit or loss	3,835	(8,070)	(4,235)
At 31 December 2020	<u>7,653</u>	<u>100,454</u>	<u>108,107</u>
Charged/(credited) to profit or loss	2,159	(3,191)	(1,032)
At 31 December 2021	<u>9,812</u>	<u>97,263</u>	<u>107,075</u>
Charged/(credited) to profit or loss	215	962	1,177
At 30 June 2022	<u>10,027</u>	<u>98,225</u>	<u>108,252</u>

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33 CASH FLOW INFORMATION

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

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	179,763	188,531	255,102	127,282	26,040
Adjustments for:					
Depreciation of property, plant and equipment (Note 15)	70,884	90,184	85,535	41,945	43,129
Depreciation of investment properties (Note 16)	-	-	3,481	1,774	1,698
Amortisation of intangible assets (Note 18)	9,760	10,423	12,058	6,526	7,919
Depreciation of right-of-use asset (Note 17)	143,013	158,642	174,114	82,675	91,922
Provision for/(reversal of) loss allowance on trade and other receivables (Note 25)	(4,571)	(2,015)	1,306	550	(230)
Provision of impairment on inventory (Note 24)	123	1,075	712	(839)	2,069
Loss on disposal of property, plant and equipment	2,158	3,882	2,640	188	470
Reorganisation costs (Note 9)	-	-	-	-	7,279
Finance costs (Note 11)	28,264	25,928	24,216	12,325	12,045
Share-based compensation (Note 10)	1,592	6,988	6,290	2,852	6,419
Provision of impairment on property, plant and equipment (Note 15)	-	862	-	-	-
Provision of impairment on intangible assets (Note 18)	-	-	34	-	-
Net fair value gains on financial assets at FVPL (Note 8)	(8,016)	(13,425)	(23,407)	(10,839)	(9,825)
Gains/(losses) on disposal of the subsidiaries	1,000	(310)	-	-	-
Interest income derived from amount due to related parties	(994)	-	-	-	-
Operating profit before working capital changes	422,976	470,765	542,081	264,439	188,935
Changes in working capital:					
Restricted cash	-	-	(10,254)	(10,239)	(16)
Inventories	(5,279)	11,267	(31,733)	(25,429)	(22,247)
Trade receivables, other receivables and prepayments	30,165	(14,979)	(9,316)	(46,800)	(23,810)
Contract liabilities	84,372	236,634	165,855	86,532	45,417
Trade payables, other payables and accruals	(36,542)	13,547	59,229	12,727	(36,553)
Net cash generated from operations activities	495,692	717,234	715,862	281,230	151,726

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(b) Non-cash financing activities

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Addition of right-of-use assets	80,032	95,347	159,442	110,494	104,272

(c) Net debt reconciliation

	Note	As at December 31			As at 30 June
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	26	104,819	143,538	157,284	149,696
Borrowings	29	(19,110)	(6,370)	–	–
Lease liabilities	17	(549,880)	(509,320)	(515,460)	(513,755)
Dividend payable	31	(33,961)	–	(5,521)	(5,437)
Net debt		(498,132)	(372,152)	(363,697)	(369,496)
Cash and cash equivalents	26	104,819	143,538	157,284	149,696
Gross debt		(602,951)	(515,690)	(520,981)	(519,192)
Net debt		(498,132)	(372,152)	(363,697)	(369,496)

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	Liabilities from financing activities			Other assets	
	Leases	Dividend payable	Borrowings	Cash and cash equivalents	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 1 January 2019	(590,321)	(37,499)	(30,940)	148,774	(509,986)
Cash flows	147,297	80,659	11,830	(43,643)	196,143
Exchange losses on cash and cash equivalents	-	-	-	(312)	(312)
New leases	(80,032)	-	-	-	(80,032)
Dividends declared	-	(77,121)	-	-	(77,121)
Finance costs recognised	(26,824)	-	-	-	(26,824)
Net debt as at 31 December 2019	(549,880)	(33,961)	(19,110)	104,819	(498,132)
Cash flows	160,732	106,751	12,740	38,259	318,482
Exchange gains on cash and cash equivalents	-	-	-	460	460
New leases	(95,347)	-	-	-	(95,347)
Dividends declared	-	(72,790)	-	-	(72,790)
Finance costs recognised	(24,825)	-	-	-	(24,825)
Net debt as at 31 December 2020	(509,320)	-	(6,370)	143,538	(372,152)
Cash flows	177,501	81,156	6,370	13,521	278,548
Exchange gains on cash and cash equivalents	-	-	-	225	225
New leases	(159,442)	-	-	-	(159,442)
Dividends declared	-	(86,677)	-	-	(86,677)
Finance costs recognised	(24,199)	-	-	-	(24,199)
Net debt as at 31 December 2021	(515,460)	(5,521)	-	157,284	(363,697)
Cash flows	118,022	122,566	-	(8,000)	232,588
Exchange gains on cash and cash equivalents	-	-	-	412	412
New leases	(104,272)	-	-	-	(104,272)
Dividends declared	-	(122,482)	-	-	(122,482)
Finance costs recognised	(12,045)	-	-	-	(12,045)
Net debt as at 30 June 2022	(513,755)	(5,437)	-	149,696	(369,496)

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34 RELATED PARTY TRANSACTIONS

(a) Related parties of the Group during the Track Record Period

Name of related parties	Relationship
Zhongjingxin Tourism Investment Development Co., Ltd.	Shareholder of the Company and controlled by the same ultimate shareholder
Shaanxi Character Montessori Enterprise Management Service Co., Ltd.	Shareholder of the Company and controlled by the same ultimate shareholder
Hainan Qiyan Stem Cell Anti-aging Hospital Co., Ltd.	Controlled by the Controlling Shareholders
Shanghai Youyi Business Management Partnership (Limited Partnership)	Shareholder of the Company
Beijing Xinyu Meiye Holdings Limited	Shareholder of the Company

Save as disclosed in Note 1.2 and 25 of this report, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Track Record Period, and balances with related parties as at the respective balance sheet dates.

(b) Transactions with related parties

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(i) Cooperation fee in relation to subhealth assessment and intervention services					
Hainan Qiyan Stem Cell Anti-aging Hospital Co., Ltd.	-	-	17,159	6,285	10,165
(ii) Rental income					
Hainan Qiyan Stem Cell Anti-aging Hospital Co., Ltd.	-	-	5,592	2,814	2,936
(iii) Borrowings to a related party					
Shanghai Youyi Business Management Partnership (Limited Partnership)	5,000	-	-	-	-
(iv) Repayment of borrowings from related parties					
Shaanxi Character Montessori Enterprise Management Service Co., Ltd.	27,715	-	-	-	-
Zhongjingxin Tourism Investment Development Co., Ltd.	30,000	6,950	-	-	-
Shanghai Youyi Business Management Partnership (Limited Partnership)	14,200	-	-	-	-
	<u>71,915</u>	<u>6,950</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(v) Interest income from borrowings to related parties					
Zhongjingxin Tourism Investment Development Co., Ltd.	214	-	-	-	-
Shaanxi Character Montessori Enterprise Management Service Co., Ltd.	780	-	-	-	-
	<u>994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(vi) Receivables of equity transactions from related parties					
- Beijing Xinyu Meiye Holdings Limited	-	-	-	-	72,294
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,294</u>
(c) Balances with related parties					

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due from related parties				
Trade				
Hainan Qiyang Stem Cell Anti-aging Hospital Co., Ltd.	-	-	10,849	13,954
Non-trade				
Zhongjingxin Tourism Investment Development Co., Ltd. (a)	6,950	-	-	-
Beijing Xinyu Meiye Holdings Limited (Note 25) (b)	-	-	-	72,294
	<u>6,950</u>	<u>-</u>	<u>10,849</u>	<u>86,248</u>

- (a) The amount due from Zhongjingxin Tourism Investment Development Co., Ltd. was unsecured, with interest bearing at 11% per annum and without fixed repayment terms; The amounts due from other related parties were unsecured, non-interest bearing and without fixed repayment terms.
- (b) The amount due from Beijing Xinyu Meiye Holdings Limited was subsequently collected on or before 1 July 2022 (Note 1.2(c)).

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35 COMMITMENTS

(a) Capital commitments

Significant capital expenditure commitments are set out below:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
Contracted but not provided for:				RMB'000
Property, plant and equipment	17,328	17,370	21,579	23,677

(b) Non-cancellable short-term operating leases

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
Less than 1 year	3,170	5,024	6,685	4,986

36 BUSINESS COMBINATION

(a) Summary of acquisition

During the Track Recorded Period, the Group acquired business from third parties to enlarge the Group's market share in the industry. Details of the purchase consideration, the net liabilities acquired and goodwill are as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
Purchase consideration (refer to (b) below):				
Cash paid	–	6,016	11,297	2,000
Total purchase consideration	–	6,016	11,297	2,000

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The assets and liabilities recognised as a result of the acquisition are as follows:

<u>Six months ended 30 June 2022</u>	<u>Luan mei</u>
	<i>RMB'000</i>
Cash and cash equivalents	1,768
Trade receivable	12
Prepayments	28
Other receivables	202
Tax payables	(10)
	<hr/>
Net identifiable assets acquired	2,000
Shares acquired percentage	100%
	<hr/>
Shares of net identifiable assets acquired	2,000
	<hr/>
Net assets acquired	2,000
	<hr/> <hr/>
	Wuhan
<u>2021</u>	<u>Yingmier</u>
	<i>RMB'000</i>
Inventories	880
Other receivables	3,000
Intangible assets - customer relationship	11,000
Other payables	(1,531)
Contract liabilities – service	(26,768)
	<hr/>
Net identifiable liabilities acquired	(13,419)
Shares acquired percentage	100%
	<hr/>
Shares of net identifiable assets acquired	(13,419)
Add: goodwill	18,216
	<hr/>
Net assets acquired	4,797
	<hr/> <hr/>

<u>2020</u>	<u>Shanxi</u> <u>Lixing</u>	<u>Chengdu</u> <u>Jinchun</u>	<u>Xi'an</u> <u>Manzelian</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other current assets	1,799	155	515	2,469
Property, plant and equipment	6,412	112	1,422	7,946
Intangible assets – customer relationship	5,900	2,900	7,528	16,328
Contract liabilities	(7,396)	(3,816)	(15,444)	(26,656)
Other current liabilities	(19,823)	–	–	(19,823)
	<hr/>	<hr/>	<hr/>	<hr/>
Net identifiable liabilities acquired	(13,108)	(649)	(5,979)	(19,736)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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2020	Shanxi Lixing	Chengdu Jinchun	Xi'an Manzelian	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Shares acquired percentage	51%	100%	100%	
Less: non-controlling interests	(6,423)	-	-	(6,423)
Shares of net identifiable liabilities acquired	(6,685)	(649)	(5,979)	(13,313)
Add: goodwill	8,645	2,165	12,979	23,789
Cash used for capital injection	2,040	-	-	2,040
Net assets acquired	<u>4,000</u>	<u>1,516</u>	<u>7,000</u>	<u>12,516</u>

(b) Purchase consideration – cash outflow

The goodwill of approximately RMB18,216,000 arising from the acquisition in 2021 and RMB23,789,000 in 2020 respectively are attributable to the synergy of business expansion within a city. None of the goodwill recognised is expected to be deductible for income tax purpose.

Luanmei contributed revenue of RMB450,000 and net loss of RMB24,000 to the Group for the six month ended 30 June 2022. If the acquisition had occurred on 1 January 2022, consolidated pro-forma revenue and net profit for the six month ended 30 June 2022 of the Group would have been RMB737,921,000 and RMB27,133,000 respectively.

Wuhan Yingmier contributed revenue of RMB7,290,000 and net loss of RMB784,000 to the Group for the year of 2021. If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and net profit for the year of 2021 of the Group would have been RMB1,788,030,000 and RMB207,556,000, respectively.

Shanxi Lixing, Chengdu Jinchun and Xi'an Manzelian contributed revenue of RMB7,962,000 and net profit of RMB417,000 to the Group for the year of 2020. If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and net profit for the year of 2020 of the Group would have been RMB1,519,712,000 and RMB150,471,000, respectively.

	2019	2020	2021	Six months ended 30 June 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	-	6,016	11,297	2,000
Less: Balances acquired				
Cash	-	(487)	-	(1,768)
Net outflow of cash – investing activities	<u>-</u>	<u>5,529</u>	<u>11,297</u>	<u>232</u>

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37 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Remuneration of every director and the chief executive during the years ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022 was as follows:

Name of Directors	Salary	Discretionary Bonus	Social security costs housing benefits and other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2019					
Executive directors:					
Mr. Li Yang	255	300	8	1	564
Mr. Lian Songyong	984	877	101	257	2,219
Non-executive Directors:					
Ms. Li Fangyu	87	-	-	-	87
Mr. Geng Jiaqi*	-	-	-	-	-
Mr. Zhai Feng*	-	-	-	-	-
	1,326	1,177	109	258	2,870
For the year ended 31 December 2020					
Executive directors:					
Mr. Li Yang	261	-	-	1	262
Mr. Lian Songyong	902	140	108	257	1,407
Non-executive Directors:					
Ms. Li Fangyu	85	-	-	-	85
Mr. Geng Jiaqi*	-	-	-	-	-
Mr. Zhai Feng*	-	-	-	-	-
	1,248	140	108	258	1,754
For the year ended 31 December 2021					
Executive directors:					
Mr. Li Yang	367	287	-	877	1,531
Mr. Lian Songyong	1,007	1,378	121	257	2,763
Non-executive Directors:					
Ms. Li Fangyu	87	-	-	-	87
Mr. Geng Jiaqi*	-	-	-	-	-
Mr. Zhai Feng*	-	-	-	-	-
	1,461	1,665	121	1,134	4,381

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Name of Directors	Salary	Discretionary Bonus	Social security costs housing benefits and other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2021 (Unaudited)					
Executive directors:					
Mr. Li Yang	183	144	-	1	328
Mr. Lian Songyong	503	532	58	129	1,222
Non-executive Directors:					
Ms. Li Fangyu	32	-	10	-	42
Mr. Geng Jiaqi*	-	-	-	-	-
Mr. Zhai Feng*	-	-	-	-	-
	<u>718</u>	<u>676</u>	<u>68</u>	<u>130</u>	<u>1,592</u>
For the six months ended 30 June 2022					
Executive directors:					
Mr. Li Yang	185	140	-	1,314	1,639
Mr. Lian Songyong	505	614	64	129	1,312
Non-executive Directors:					
Ms. Li Fangyu	32	-	12	-	44
Mr. Geng Jiaqi*	-	-	-	-	-
Mr. Zhai Feng*	-	-	-	-	-
Independent non-executive Directors:					
Mr. Fan Mingchao	-	-	-	-	-
Mr. Liu Teng	-	-	-	-	-
Mr. Jiang Hua	-	-	-	-	-
	<u>722</u>	<u>754</u>	<u>76</u>	<u>1,443</u>	<u>2,995</u>

* Mr. Geng Jiaqi and Mr. Zhai Feng are non-executive directors designated by a shareholder and have no labour relation with the Group. Therefore they do not receive any emoluments from the Group during the track record period.

No emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office or no directors waived or agreed to waive any emoluments during the years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2021 and 2022.

(b) Directors' retirement and termination benefits

There were no retirement and termination benefits paid to any director during the years ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022, no consideration to third parties for making available director's services.

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

Other than those disclosed in Note 34, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2019, 2020, 2021 and 30 June 2022 or at any time during the years ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022.

38 DETAILS OF SUBSIDIARIES

The Registered Shareholders, Shanghai Beauty Farm and the Medical Institutions have entered into exclusive operation services agreements with Shanghai Liernuo on 13 June 2022, (the "Exclusive Operation Services Agreement"), pursuant to which, the Medical Institutions, Registered Shareholders and Shanghai Beauty Farm agreed to engage Shanghai Liernuo as their exclusive provider of technical support, consulting services and other services in exchange for a service fee. Further details of the Contractual Arrangements are set out in Note 2.1.4.

Company name	Date of incorporation	Country/Place of incorporation/ establishment	Registered/Issued and paid-up capital		Effective interest held				At the date of report	Principle activities
					As at 31 December		As at 30 June			
					2019	2020	2021	2022		
('000, in RMB unless otherwise stated)										
Directly hold:										
Beauty Farm Medical and Health Industry Inc.	10 February 2022	Cayman Islands limited liability company	USD50	USD50	N/A	N/A	N/A	100%	100%	Holding company
Beauty Farm Medical and Health Industry Limited,	22 February 2022	Hong Kong, China limited liability company	HKD10	HKD10	N/A	N/A	N/A	100%	100%	Holding company
Aiyumei (Shanghai) Enterprise Management Co., Ltd.	10 March 2022	Mainland China, limited liability company	3,800	3,800	N/A	N/A	N/A	100%	100%	Holding company
Beautyfarm Hongkong Limited 美麗田園香港有限公司	6 January 2014	Hong Kong, China limited liability company	12,204	12,204	100%	100%	100%	100%	100%	Holding company
Beijing Beauty Farm Beauty Technology Co., Ltd. 北京美麗田園美容科技有限公司	27 July 2006	Mainland China, limited liability company	2,000	2,000	100%	96%	95%	95%	95%	Provision of traditional beauty services
Beijing Beauty Farm Enterprise Management Consulting Co., Ltd. 北京美麗田園企業管理諮詢有限公司	26 August 2011	Mainland China, limited liability company	2,000	2,000	100%	96%	95%	95%	95%	Provision of traditional beauty services
Beijing Limei Farm Beauty Co., Ltd. 北京麗美田園美容有限公司	20 September 2012	Mainland China, limited liability company	1,000	1,000	75%	72%	71%	71%	71%	Provision of traditional beauty services
Beijing Limei Farm Enterprise Management Co., Ltd. 北京麗美田園企業管理有限公司	9 September 2013	Mainland China, limited liability company	500	500	75%	72%	71%	71%	71%	Provision of traditional beauty services
Beijing Manshu Enterprise Management Co., Ltd. 北京曼束企業管理服務有限公司	25 October 2013	Mainland China, limited liability company	500	500	86%	82%	82%	82%	82%	Provision of traditional beauty services

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					As at 31 December		As at 30 June			
					2019	2020	2021	2022		
			<i>(('000, in RMB unless otherwise stated)</i>							
Beijing Palaispa Business Management Co., Ltd. 北京貝黎詩商業管理有限公司	13 September 2016	Mainland China, limited liability company	10,000	10,000	70%	70%	82%	85%	85%	Provision of traditional beauty services
Changchun Zhuoyan Beauty Service Co., Ltd. 長春卓妍美容服務有限公司	29 September 2009	Mainland China, limited liability company	500	500	70%	66%	66%	66%	66%	Provision of traditional beauty services
Changsha Yuhua Xiukeer Medical Beauty Clinic Co., Ltd. 長沙雨花區秀可兒醫療美容診所有限公司 ⁽⁴⁾	6 June 2019	Mainland China, limited liability company	1,000	1,000	60%	60%	60%	60%	60%	Provision of aesthetic medical services
Chengdu Jiahao Beauty Service Co., Ltd. 成都嘉好美容服務有限公司	8 December 2010	Mainland China, limited liability company	500	500	56%	100%	100%	97.5%	97.5%	Provision of traditional beauty services
Chengdu Meishu Beauty Co., Ltd. 成都美束美容有限公司	16 February 2015	Mainland China, limited liability company	1,000	100	100%	100%	100%	97.5%	97.50%	Provision of traditional beauty services
Chengdu Wuhou Meiju Medical Beauty Clinic Co., Ltd. 成都武侯美聚醫療美容診所有限公司 ⁽¹⁰⁾	12 November 2015	Mainland China, limited liability company	200	200	100%	100%	100%	100%	N/A	Provision of aesthetic medical services
Chongqing Beauty Farm Beauty Development Co., Ltd. 重慶美麗田園美容發展有限公司	28 September 1998	Mainland China, limited liability company	5,600	5,600	95%	91%	90%	90%	90%	Provision of traditional beauty services
Chongqing Liyan Medical Beauty Clinic Co., Ltd. 重慶麗研醫療美容門診部有限公司 ⁽¹⁾	31 August 2018	Mainland China, limited liability company	2,000	2,000	95%	91%	90%	90%	90%	Provision of aesthetic medical services
Haikou Limei Beauty Co., Ltd. 海口麗美美容有限公司	27 January 2011	Mainland China, limited liability company	1,000	1,000	100%	97%	98%	98%	98%	Provision of traditional beauty services
Hainan Meirui International Medical&Health Industry Co., Ltd. 海南美瑞國際醫療健康產業有限公司	14 January 2016	Mainland China, limited liability company	30,000	30,000	100%	100%	100%	100%	100%	Provision of traditional beauty services
Hainan Qiyang Stem Cell Anti-Aging Hospital Co., Ltd. 海南啟研幹細胞抗衰老醫院有限公司 ⁽²⁾	28 January 2016	Mainland China, limited liability company	20,000	20,000	100%	N/A	N/A	N/A	N/A	Operation of a hospital primarily focused on the provision of frontier medical services
Hangzhou Beauty Farm Beauty Co., Ltd. 杭州美麗田園美容有限公司	28 July 2003	Mainland China, limited liability company	1,500	1,500	100%	99%	97%	97%	97%	Provision of traditional beauty services
Hefei Beauty Farm Beauty Service Co., Ltd. 合肥美麗田園美容服務有限公司	23 October 2018	Mainland China, limited liability company	3,000	3,000	75%	73%	62%	62%	62%	Provision of traditional beauty services

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					As at 31 December		As at 30 June			
					2019	2020	2021	2022		
			('000, in RMB unless otherwise stated)							
Hefei Limei Farm Beauty Service Co., Ltd. 合肥麗美田園美容服務有限公司	15 February 2012	Mainland China, limited liability company	2,500	995	95%	95%	N/A	N/A	N/A	Provision of traditional beauty services
Nanjing Xuanwu Ouhua Medical Beauty Clinic Co., Ltd. 南京玄武歐華醫療美容診所有限公司 ⁽¹¹⁾	15 November 2010	Mainland China, limited liability company	2,600	2,600	100%	100%	100%	100%	N/A	Provision of aesthetic medical services
Nanning Xiukeer Medical Beauty Clinic Co., Ltd. 南寧秀可兒醫療美容診所有限公司 ⁽⁴⁾	26 March 2020	Mainland China, limited liability company	750	750	N/A	60%	60%	60%	60%	Provision of aesthetic medical services
Ningbo Haishu New Beautiful Farm Beauty Co., Ltd. 寧波海曙新美麗田園美容有限公司	16 June 2004	Mainland China, limited liability company	500	500	100%	100%	100%	100%	100%	Provision of traditional beauty services
Sanya Beauty Farm Beauty Service Co., Ltd. 三亞麗田園美容服務有限公司	16 May 2011	Mainland China, limited liability company	500	500	51%	51%	51%	51%	51%	Provision of traditional beauty services
Shanghai Beauty Farm Vocational Skills training Co., Ltd. 上海美麗田園職業技能培訓有限公司	04 June 2020	Mainland China, limited liability company	1,000	1,000	N/A	100%	100%	100%	100%	Training school
Shanghai Lingxiu Business Management Co., Ltd. 上海領秀商業管理有限公司	03 April 2019	Mainland China, limited liability company	1,000	1,000	70%	70%	82%	85%	85%	Management company
Shanghai Luanmei E-Commerce Co., Ltd. 上海樂美電子商務有限公司	13 March 2018	Mainland China, limited liability company	20,000	20,000	80%	N/A	N/A	100%	100%	Provision of E-business
Shanghai Meiju Medical Technology Development Co., Ltd. 上海美聚醫療科技發展有限公司	23 December 2010	Mainland China, limited liability company	1,000	1,000	100%	100%	100%	100%	100%	Products sales
Shanghai Meili Tianyuan Beauty Development Co., Ltd. 上海美麗田園美容發展有限公司	24 July 1998	Mainland China, limited liability company	5,000	5,000	100%	97%	96%	96%	96%	Provision of traditional beauty services
Shanghai Ouhua Medical Beauty Clinic Co., Ltd. 上海歐華醫療美容門診部有限公司 ⁽³⁾	12 August 2011	Mainland China, limited liability company	1,000	510	100%	N/A	N/A	N/A	N/A	Provision of aesthetic medical services
Shanghai Palaispa Business Management Co., Ltd. 上海貝黎詩商業管理有限公司	13 September 2017	Mainland China, limited liability company	1,000	1,000	70%	70%	82%	85%	85%	Provision of traditional beauty services
Shanghai Ronglin Information Technology Co., Ltd. 上海融麟信息科技有限公司	14 July 2014	Mainland China, limited liability company	10,000	2,000	100%	100%	100%	100%	100%	IT service
Shanghai Xiujia Business Management Co., Ltd. 上海秀嘉商業管理有限公司	21 March 2019	Mainland China, limited liability company	1,000	1,000	70%	70%	82%	85%	85%	Management company
Shanghai Xuanyan Business Management Co., Ltd. 上海喧顏商業管理有限公司	13 June 2019	Mainland China, limited liability company	1,000	1,000	70%	70%	82%	85%	85%	Management company
Shanghai Yigao Industrial Co., Ltd. 上海逸高實業有限公司	26 July 2010	Mainland China, limited liability company	1,000	1,000	100%	100%	100%	100%	100%	Products sales

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					As at 31 December		As at 30 June			
					2019	2020	2021	2022		
			('000, in RMB unless otherwise stated)							
Shanxi Living Tianxia Beauty Co., Ltd. 山西麗行天下美容有限公司	6 March 2018	Mainland China, limited liability company	3,673	3,673	N/A	51%	51%	51%	51%	Provision of traditional beauty services
Shenzhen Beauty Farm Beauty Co., Ltd. 深圳市美麗田園美容有限公司	17 March 2008	Mainland China, limited liability company	2,000	2,000	100%	97%	95%	95%	95%	Provision of traditional beauty services
Shenzhen Qiyuan Medical Beauty Clinic 深圳啟研醫療美容診所 ⁽¹⁾	17 November 2016	Mainland China, limited liability company	2,000	200	100%	100%	100%	100%	100%	Provision of aesthetic medical services
Taiyuan Xiaodian Yanpan Medical Beauty Clinic Co., Ltd. 太原市小店區妍潘醫療美容診所有限公司 ⁽⁴⁾	4 January 2017	Mainland China, limited liability company	2,000	2,000	60%	60%	60%	60%	60%	Provision of aesthetic medical services
Tianjing Beauty Farm Enterprise Management Co., Ltd. 天津美麗田園企業管理服務有限公司	19 June 2012	Mainland China, limited liability company	3,636	3,636	100%	100%	76%	76%	76%	Provision of traditional beauty services
Wuhan Beauty Farm School 武漢美麗田園美容職業培訓學校	06 February 2007	Mainland China	1,000	1,000	100%	N/A	N/A	N/A	N/A	Training school
Wuhan Beauty Farm Vocational Skills Training Co., Ltd. 武漢美麗田園職業培訓學校有限責任公司	24 September 2020	Mainland China, limited liability company	500	500	N/A	100%	100%	100%	100%	Training school
Wuhan Handerui Beauty Co., Ltd. 武漢市漢德瑞美容有限公司	10 June 2010	Mainland China, limited liability company	700	700	73%	69%	69%	69%	69%	Provision of traditional beauty services
Wuhan Meiju Beauty Development Co., Ltd. 武漢美聚美容發展有限公司	16 November 2011	Mainland China, limited liability company	2,000	2,000	95%	90%	89%	89%	89%	Provision of traditional beauty services
Wuhan Mengze Jingru Beauty Co., Ltd. 武漢夢澤境如美容有限公司	24 March 2011	Mainland China, limited liability company	700	700	70%	67%	66%	66%	66%	Provision of traditional beauty services
Wuhan Xuemanting Beauty Cosmetics Co., Ltd. 武漢市雪曼婷美容化妝品有限公司	22 October 2002	Mainland China, limited liability company	500	500	70%	95%	N/A	N/A	N/A	Provision of traditional beauty services
Wuhan Yijiangpan Beauty Co., Ltd. 武漢依江畔美容有限公司	1 November 2013	Mainland China, limited liability company	700	700	100%	95%	94%	94%	94%	Provision of traditional beauty services
Wuxi Xiukeer Medical Beauty Clinic Co., Ltd. 無錫秀可兒醫療美容診所有限公司 ⁽⁴⁾	15 May 2020	Mainland China, limited liability company	2,450	2,450	N/A	60%	60%	60%	60%	Provision of aesthetic medical services
Xian Beauty Farm Beauty Service Co., Ltd. 西安美麗田園美容服務有限公司	24 February 2012	Mainland China, limited liability company	1,667	1,667	60%	60%	59%	59%	59%	Provision of traditional beauty services
Yanyi (Shanghai) Industrial Co., Ltd. 懿逸(上海)實業有限公司	05 February 2018	Mainland China, limited liability company	10,000	10,000	90%	100%	100%	100%	100%	Products sales
Zhengzhou Beauty Farm Trading Co., Ltd. 鄭州美麗田園商貿有限公司	30 August 2012	Mainland China, limited liability company	1,500	1,500	100%	98%	95%	95%	95%	Provision of traditional beauty services
Controlled by the Company pursuant to the Contractual Agreements (Note 2.1.4)										
Shanghai Liernuo Industry Development Co., Ltd. 上海麗爾諾實業發展有限公司	10 March 2022	Mainland China, limited liability company	1,000	-	N/A	N/A	N/A	100%	100%	Holding company that holds no more than 30% equity interest of Restricted Medical Institutions

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Company name	Date of incorporation	Country/Place of incorporation/ establishment	Registered/Issued and paid-up capital		Effective interest held				At the date of report	Principle activities
					As at 31 December		As at 30 June			
					2019	2020	2021	2022		
Controlled by the Company through directly hold and pursuant to the Contractual Agreements (Note 2.1.4)										
Shanghai Xiukeer Clinic Co., Ltd. 上海秀可兒門診部有限公司	30 November 2017	Mainland China, limited liability company	30,000	30,000	100%	100%	100%	100%	100%	Provision of aesthetic medical services and subhealth assessment and intervention services
Ningbo Jiangbei Yongjiang Xiuke'er Medical Beauty Clinic Co., Ltd. 寧波江北甬江秀可兒醫療美容診所有限公司	22 March 2021	Mainland China, limited liability company	1,500	1,500	N/A	N/A	100%	100%	100%	Provision of aesthetic medical services
Nanjing Xiukeer Medical Beauty Clinic Co., Ltd. 南京秀可兒醫療美容診所有限公司	30 April 2020	Mainland China, limited liability company	2,000	2,000	N/A	100%	100%	100%	100%	Provision of aesthetic medical services
Shenzhen Xiukeer General Outpatient Department 深圳秀可兒綜合門診部	23 March 2021	Mainland China, limited liability company	10,000	10,000	N/A	N/A	100%	100%	100%	Provision of aesthetic medical services and subhealth assessment and intervention services
Hangzhou Liyan Medical Beauty Clinic Co., Ltd. 杭州麗研醫療美容診所有限公司	29 September 2018	Mainland China, limited liability company	1,000	1,000	100%	100%	100%	100%	100%	Provision of aesthetic medical services
Zhengzhou Liyan Beauty Service Co., Ltd. 鄭州麗研醫療美容服務有限公司	5 September 2018	Mainland China, limited liability company	1,000	1,000	100%	100%	100%	100%	100%	Provision of aesthetic medical services
Haikou Meilan Meishuyue Medical Beauty Clinic Co., Ltd. 海口美蘭美束悅醫療美容門診部有限公司	21 August 2017	Mainland China, limited liability company	1,000	1,000	100%	100%	100%	100%	100%	Provision of aesthetic medical services
Beijing Hexin Medical Beauty Clinic Co., Ltd. 北京禾欣醫療美容門診部有限公司	22 September 2015	Mainland China, limited liability company	5,000	5,000	100%	100%	100%	100%	100%	Provision of aesthetic medical services
Beijing Yanyuan Clinic Co., Ltd. 北京研源診所有限公司 ⁽⁵⁾	6 August 2021	Mainland China, limited liability company	5,000	5,000	N/A	N/A	100%	100%	100%	Provision of subhealth assessment and intervention services
Chengdu Gaoxin Xiuke'er Medical Beauty Clinic Co., Ltd. 成都高新秀可兒醫療美容診所有限公司	27 July 2020	Mainland China, limited liability company	500	500	N/A	100%	100%	100%	100%	Provision of aesthetic medical services
Chongqing Xiukeer Comprehensive Outpatient Department Co., Ltd. 重慶秀可兒綜合門診部有限公司	13 November 2020	Mainland China, limited liability company	20,000	20,000	N/A	91%	90%	95%	95%	Provision of aesthetic medical services and subhealth assessment and intervention services
Xian Meiju Medical Technology Development Co., Ltd. 西安美聚醫療科技發展有限公司 ⁽⁶⁾	24 November 2015	Mainland China, limited liability company	2,000	2,000	84%	84%	84%	84%	84%	Provision of aesthetic medical services
Wuhan Qiyuan Comprehensive Outpatient Department Co., Ltd. 武漢啟研綜合門診部有限公司	10 May 2019	Mainland China, limited liability company	21,053	21,053	95%	95%	90.25%	90.25%	90.25%	Provision of aesthetic medical services and subhealth assessment and intervention services
Beijing Meishu Laser Medical Clinic Co., Ltd. 北京美束激光醫療診所有限公司 ⁽⁷⁾	25 June 2013	Mainland China, limited liability company	1,000	1,000	86%	86%	86%	86%	86%	Provision of subhealth assessment and intervention services
Changchun Meiju Medical Technology Development Co., Ltd. 長春美聚醫療科技發展有限公司 ⁽⁶⁾	17 May 2017	Mainland China, limited liability company	1,000	1,000	90%	90%	90%	90%	90%	Provision of aesthetic medical services

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Company name	Date of incorporation	Country/Place of incorporation/ establishment	Registered/Issued and paid-up capital		Effective interest held				At the date of report	Principle activities
					As at 31 December		As at 30 June			
					2019	2020	2021	2022		
			<i>(/000, in RMB unless otherwise stated)</i>							
Qingdao Aimei Medical Beauty Co., Ltd. 青島艾美醫療美容有限公司 ⁽⁶⁾	11 November 2015	Mainland China, limited liability company	5,900	5,900	70%	70%	70%	100%	100%	Provision of aesthetic medical services
Haikou Xiukeer Medical Beauty Clinic Co., Ltd. 海口秀可兒醫療美容門診部有限公司 ⁽⁵⁾	15 February 2022	Mainland China, limited liability company	7,000	-	N/A	N/A	N/A	100%	100%	Provision of aesthetic medical services
Xian Xiukeer Comprehensive Outpatient Department Co., Ltd. 西安碑林秀可兒綜合門診部有限公司 ⁽⁵⁾	9 March 2022	Mainland China, limited liability company	9,800	-	N/A	N/A	N/A	84%	84%	Provision of aesthetic medical services
Haikou Yanyuan Clinic Co., Ltd. (海口研源診所有限公司) ⁽⁵⁾	30 April 2022	Mainland China, limited liability company	1,200	840	N/A	N/A	N/A	100%	100%	Provision of subhealth assessment and intervention services
Hefei Xiukeer Medical Beauty Clinic Co., Ltd. (合肥秀可兒醫療美容診所有限公司) ⁽⁵⁾	15 June 2022	Mainland China, limited liability company	1,000	700	N/A	N/A	N/A	100%	100%	Provision of aesthetic medical services

Notes:

- (1) The relevant stores were closed as at 31 December 2021.
- (2) The entity was disposed in December 2020.
- (3) The entity was disposed in March 2020.
- (4) The effective interest held was less than 70%, which is the level of equity interest permitted under the Foreign Ownership Restriction, thus no Contractual Arrangements were entered into for these entities.
- (5) The relevant stores were at the pre-opening stage.
- (6) The entities that provide medical services and hold Medical Institution Practicing License are the branch of the relevant entities.
- (7) The relevant store was closed while the Medical Institution Practicing License was not cancelled yet.
- (8) All companies comprising the Group have adopted 31 December as their financial year end date.
- (9) No statutory audited financial statements were issued for the years ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022 for all companies now comprising the Group, as they were not required to issue audited financial statements under relevant rules and regulations in their jurisdiction of incorporation/establishment.
- (10) The entity was deregistered on 18 October 2022.
- (11) The entity was deregistered on 27 June 2022.

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39 INVESTMENT IN A SUBSIDIARY – COMPANY

The Company

	As at 30 June 2022
	<u>RMB'000</u>
Deemed investment arising from share-based compensation expenses	12,798
Investment in subsidiaries	<u>84,358</u>
	<u>97,156</u>

40 CONTINGENCIES

As at 31 December 2019, 2020, 2021 and 30 June 2022, there were no significant contingencies for the Group and the Company.

41 DISPOSAL OF SUBSIDIARIES

(a) Disposal of Hainan Qiyan

In December 2020, the Group entered into an equity transfer agreement with Shanghai Qishi Commercial Management Partnership (Limited Partnership) ("Shanghai Qishi") and Mr. Li, pursuant to which the Group transferred 99.999% equity interest in Hainan Qiyan Stem Cell Anti-aging Hospital Co., Ltd. ("Hainan Qiyan") to Shanghai Qishi and 0.001% equity interests to Mr. Li. The consideration paid by Shanghai Qishi and Mr. Li was RMB19,999,800 and RMB200 respectively, the consideration was determined via arm's length negotiation by reference to the valuation report prepared by an independent valuer. The consideration has been settled upon completion of the disposal, and the Group cease to hold any interest in Hainan Qiyan after then.

The cash outflow from disposal of Hainan Qiyan amounted to RMB20,265,000, equivalent to the cash consideration of RMB16,336,000 received in 2020 deducted by the cash and cash equivalent of RMB36,601,000 on the date of disposal.

(b) Disposal of Shanghai Luanmei

In April 2020, the Group entered into an equity transfer agreement with Shanghai Purkang Data Technology (Group) Co., Ltd. ("Shanghai Purkang"), Jin Xiaobo and Ye Rongrong, pursuant to which the Group transferred 100% equity interest in its then wholly-owned subsidiary Shanghai Luanmei E-Commerce Co., Ltd. ("Shanghai Luanmei"), to Shanghai Purkang, Jin Xiaobo and Ye Rongrong at the total consideration of RMB20,000,000.

The Group derecognise the assets and liabilities of Shanghai Luanmei from its consolidated balance sheets upon losing control. The consideration was determined based on arm's length negotiation between the parties by reference to the net asset of Shanghai Luanmei at the time of the disposal.

On 16 March 2022, the Group completed the acquisition in the entire equity interest in Shanghai Luanmei with cash consideration of RMB2,000,000.

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42 EVENTS AFTER THE BALANCE SHEET DATE

On 21 November 2022, 12 eligible employees were granted 3,092,784 share options of the Group at an exercise price of RMB24.25 per option. The share options will be vested 25% annually over 4 years, subject to certain performance conditions.

Dividend of RMB[REDACTED] have been declared by the Company on 8 December 2022.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of its subsidiaries now comprising the Group in respect of any period subsequent to 30 June 2022 and up to the date of this report.