



**Raily Aesthetic Medicine International
Holdings Limited**

瑞麗醫美國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2135

2022
Interim Report





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fu Haishu (*Chairman*)
Mr. Song Jianliang
Mr. Wang Ying

Non-executive Director

Ms. Fan Qirui

Independent Non-executive Directors

Mr. Cao Dequan
Mr. Liu Teng
Ms. Yang Xiaofen

AUTHORISED REPRESENTATIVES

Mr. Fu Haishu
Mr. Chan Oi Fat

COMPANY SECRETARY

Mr. Chan Oi Fat

AUDIT COMMITTEE

Mr. Liu Teng (*Chairman*)
Mr. Cao Dequan
Ms. Yang Xiaofen

NOMINATION COMMITTEE

Mr. Fu Haishu (*Chairman*)
Mr. Cao Dequan
Ms. Yang Xiaofen

REMUNERATION COMMITTEE

Mr. Cao Dequan (*Chairman*)
Mr. Fu Haishu
Mr. Liu Teng

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Grand Cayman KY1-1002
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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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Hong Kong

HONG KONG LEGAL ADVISER

TC & Co. Solicitors
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Tai Tung Building
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Wanchai, Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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P.O. Box 10240
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Cayman Islands

STOCK CODE

2135

INVESTOR RELATIONS

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COMPANY'S WEBSITE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKS

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Yuhang District
Hangzhou City
PRC

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Raily Aesthetic Medicine International Holdings Limited (the "Company", together with its subsidiaries, the "Group") is a leading aesthetic medical service provider located in the Yangtze River Delta region, the People's Republic of China (the "PRC"), and our main business is offering a number of high-quality aesthetic medical services to our clients, including aesthetic surgery services, minimally-invasive aesthetic services and aesthetic dermatology services. In addition, we are engaged in aesthetic medical management consulting services and sales of aesthetic medical equipment products.

For the six months ended 30 June 2022 (the "Reporting Period"), although our sales performance continued to be adversely affected by the COVID-19 (the "Pandemic"), due to the continuous improvement in the performance of our

aesthetic medical service business segment, the positive impact of the exchange difference, the Group's newly launched sales of aesthetic medical equipment products, and the tight control of our costs especially the sales, promotion and marketing expenses, we achieved a turnaround in profit for the first half of the year. However, the operating condition of the medical institutions in the Yangtze River Delta region is still pessimistic due to the adverse impact of the Pandemic in Shanghai, PRC. Our revenue is approximately RMB94.4 million for the Reporting Period, representing an increase of 3.2% from approximately RMB91.5 million for the corresponding period in 2021. Our profit for the Reporting Period is approximately RMB0.1 million (six months ended 30 June 2021: loss of approximately RMB5.4 million) and profit attributable to shareholders of the parent is approximately RMB1.5 million (six months ended 30 June 2021: loss attributable to shareholders of the parent of approximately RMB5.2 million).

In response to the volatility of the PRC consumer market and the uncertain industry trend under the Pandemic, we gradually move forward with the following new development planning and strategic layout:

I. Brand and product innovation with aesthetic medical technology and medical quality as the core

1. Expand the scale of RAILY flagship stores in various regions, and introduce high-quality and advanced aesthetic medical technology and updated new products

The rapid development of the aesthetic medical industry in recent years has resulted in product diversification and drove the rapid growth of non-surgical products. In order to meet customers' demand for new products and technologies, the Group has enhanced the capacity of its non-surgical aesthetic medical services through renovation and expansion and introduction of new equipment in the past 12-18 months, especially increased the investment in minimally-invasive aesthetic services and aesthetic dermatology services rooms.

The following table sets forth certain operating data of our aesthetic medical institutions before and after the renovation and expansion as of 30 June 2022:

Aesthetic medical institution	Commencement date of operation	Approximate gross floor area (sq.m)	Before the renovation and expansion				Number of devices (Unit)	Approximate gross floor area (sq.m)	After the renovation and expansion			
			Number of minimally-invasive aesthetic services rooms (Room)	Number of aesthetic surgery services rooms (Room)	Number of other services rooms (Room)	Number of minimally-invasive aesthetic services rooms (Room)			Number of aesthetic surgery services rooms (Room)	Number of other services rooms (Room)	Number of devices (Unit)	
Hangzhou Raily	August 2013	2,800	5	13	4	59	7,300	18	25	16	80	
Ruian Raily	March 2013	2,900	4	10	4	41	2,900	6	17	4	50	
Raily Tiange	August 2008	1,000	2	5	3	40	1,000	3	10	5	50	
Wuhu Raily	July 2015	1,400	2	6	3	26	2,900	8	18	10	38	
Total		8,100	13	34	14	166	14,100	35	70	35	218	

Management Discussion and Analysis

In addition, we have qualified doctors and a stable medical core team, which enabled us to maintain a steady growth in average spending per client. The average spending per client of aesthetic medical services during the Reporting Period was approximately RMB2,906, representing an increase of approximately 41.1% from the average spending per client of approximately RMB2,059 for the six months ended 30 June 2021. We will accelerate the creation of various new aesthetic medical service patents to achieve the Group's goal of becoming the highest quality medical service technical team in the Yangtze River Delta region.

2. *Developing new concept brands in aesthetic medical industry*

In line with the national policy of encouraging the development of the medical industry, the Group has increased its efforts in developing diversified technology in aesthetic medical services. After passing through the project access review of the Boao Lecheng International Medical Tourism Pilot Zone of the Hainan Free Trade Port, PRC during the Reporting Period, the Group has started the process of setting up a new medical institution in Hainan, PRC and expects to obtain the relevant business licences and commence business in the next 12 months. At the same time, the Group has decided to build a new brand for this new project and has designated the second branch hospital in Hangzhou as the first benchmark hospital of the new brand. We will introduce to the customers the world's leading products to develop the non-surgical aesthetic medical consumer concept brand and to prepare for connecting international technologies and international products in the PRC and abroad.

3. *Initiate digital management model*

Since 2019, the Group has conducted a series of digital medical services management systems, which have achieved initial results. We relied on big data to make various marketing strategies.

We have carried out precision marketing, digital marketing and thematic marketing and have established a data simulation model for the consumption of aesthetic medical services for the next five to ten years, so as to provide long-term and high quality aesthetic medical services. The development of these marketing strategies is based on an analysis of the consumer's historical data, i.e. the consumer's past behavior, the number, types and time of receiving services to determine the preference of the consumers and to develop a corresponding marketing strategy.

II. Promotion of the construction of its own aesthetic medical materials R&D and manufacturing center by the Group in line with the market demand for diversified products in the aesthetic medical industry

1. *Expand the market share of facial implants by taking advantage of the technical advantages of e-PTFE materials*

Through an acquisition effected in 2021, the Group has introduced from South Korea the Chuzhen facial implant, a brand of e-PTFE (expanded polytetrafluorethylene) facial implant, which has become the key product of our sales of aesthetic medical equipment products. Through synergy, the Group has accumulated sales experience in the industry and has built up an increasingly sophisticated sales team. China's facial plastic surgery industry is currently in a period of rapid development, especially in the field of e-PTFE medical implant materials. The related products have been well-recognized by consumers. It is expected that our market share will be further enhanced in the future. Moreover, we will accelerate the introduction of more new products through registered import agency, in-house research and distributor service to further increase the market share of the facial plastic surgery materials.

Management Discussion and Analysis

2. Establish a R&D and manufacturing platform for advanced aesthetic medical materials

During the Reporting Period, we have benefited from the supporting policy of the Suzhou Zhangjiagang Yangtze International Metallurgical Park (張家港揚子國際冶金工業園) (the "Zhangjiagang Park"), and have jointly developed new injection products with the technical team of well-known universities and colleges in PRC. The products of our future research will be manufactured in the Suzhou Zhangjiagang Park. We will continue to plan, research and develop and manufacture jointly with well-known universities and colleges in PRC to build up a R&D and manufacturing platform for aesthetic medical materials. Moreover, we will strive to build our own brand as a leading provider of non-surgical aesthetic medical product in the PRC by taking advantage of our strength in production-learning-research.

3. Enhance product sales channels through the establishment of the e-Mall

With insight in the new consumer trend, we have created the Raily Skincare Products Mall. In the second half of the year, we plan to launch a new platform entitled "潤色護膚品集合店" for the sales of medical skincare brands. This Mall will bring together professional skin care brands both in the PRC and abroad and is a retail platform for the new generation of daily and aesthetic medical skincare and lifestyle products. This Mall will adopt a new consumption model of online sales, offline experience, skincare consultation, medical director guidance and professional after-sales skincare to provide the customers with complete solutions for aesthetic medical post-surgery care and repair and daily skin maintenance. The establishment of the "潤色護膚品集合店" will help to expand the Group's customer traffic and secure more sales for our products.

FINANCIAL REVIEW

Revenue

The following table sets forth our revenue by service offerings for the Reporting Period:

	Six months ended 30 June				
	2022		2021		Change %
	Revenue RMB'000 (unaudited)	% of the total revenue %	Revenue RMB'000 (unaudited)	% of the total revenue %	
Aesthetic medical services	87,773	93.0	89,194	97.5	(1.6)
Aesthetic surgery services	6,243	6.6	9,082	9.9	(31.3)
Minimally-invasive aesthetic services	42,979	45.6	34,546	37.8	24.4
Aesthetic dermatology services	36,263	38.4	40,911	44.7	(11.4)
Others <i>(Note)</i>	2,288	2.4	4,655	5.1	(50.8)
Aesthetic medical management consulting services	27	-	2,298	2.5	(98.8)
Sales of aesthetic medical equipment products	6,597	7.0	-	-	-
	94,397	100.0	91,492	100.0	3.2

Note: Others primarily consist of aesthetic dental services and ancillary services such as anesthesiology services, nursing services for inpatients and physical examination services.

Management Discussion and Analysis

We generated revenue primarily from the provision of aesthetic medical services which principally include (i) aesthetic surgery services, which are invasive and are performed to alter the appearance of one or more parts of the face or body, such as eyelids, nose, facial and breast shape; (ii) minimally-invasive aesthetic services, which involve minimal penetration into the body tissue with no surgical incisions in a convenient and rapid manner. Such procedures primarily comprise injection of botulinum toxin type A and dermal fillers into different parts of the face and body in order to reduce wrinkles and/or to achieve facial and body contouring; and (iii) aesthetic dermatology services, which primarily comprise aesthetic energy-based procedures performed with equipment that utilize various forms of energy such as laser, radiofrequency and intense pulsed light for various purposes such as acne, scar and pigments removal, skin whitening, skin rejuvenation, skin lifting and tightening, and hair removal.

For the Reporting Period, our total revenue was approximately RMB94.4 million, representing an increase of 3.2% as compared with approximately RMB91.5 million for the six months ended 30 June 2021. For the Reporting Period, our total revenue from aesthetic medical services was approximately RMB87.8 million, representing a decrease of approximately 1.6% from approximately RMB89.2 million for the six months ended 30 June 2021. For the Reporting Period, the revenue from our newly launched sales business of aesthetic medical equipment products was approximately RMB6.6 million.

Our cost of sales classified by nature is as follows:

	Six months ended 30 June				
	2022		2021		Change
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%	%
Cost of supplies consumed	28,791	57.6	28,725	52.8	0.2
Cost of inventories sold	1,325	2.6	–	–	–
Staff costs	13,997	28.0	20,075	36.9	(30.3)
Others	5,909	11.8	5,596	10.3	5.6
	50,022	100.0	54,396	100.0	(8.0)

Our revenue from minimally-invasive aesthetic services for the Reporting Period was approximately RMB43.0 million, representing a significant increase of approximately 24.4% from approximately RMB34.5 million for the six months ended 30 June 2021, after we strengthened the marketing and promotion of minimally-invasive aesthetic services in 2022. Our revenue from aesthetic dermatology services for the Reporting Period was approximately RMB36.3 million, representing a decrease of approximately 11.4% from approximately RMB40.9 million for the six months ended 30 June 2021. Our revenue from aesthetic surgery services for the Reporting Period was approximately RMB6.2 million, representing a decrease of approximately 31.3% from approximately RMB9.1 million for the six months ended 30 June 2021. The decrease was primarily due to the continuation of the Pandemic and the implementation of prevention and control policies by the PRC Government which changed the habits of our clients' consumption of aesthetic medical services. Customers tend to prefer faster and safer minimally-invasive aesthetic services and aesthetic dermatology services.

Cost of sales

Our cost of sales mainly includes cost of supplies consumed and staff costs. Our cost of sales for the Reporting Period was approximately RMB50.0 million, representing a decrease of approximately 8.0% from approximately RMB54.4 million for the six months ended 30 June 2021. The decrease in our cost of sales was primarily attributable to the decrease in labour costs for medical personnel.

Management Discussion and Analysis

Gross Profit

For the Reporting Period, our gross profit amounted to approximately RMB44.4 million, representing an increase of approximately 19.6% from approximately RMB37.1 million for the six months ended 30 June 2021. Our gross profit margin was approximately 47.0%, representing an increase of approximately 6.5 percentage points from approximately 40.5% for the six months ended 30 June 2021, mainly due to the high gross profit margin of 79.9% from the sales of the newly launched aesthetic medical equipment products and the increase in the gross profit margin of our aesthetic medical services.

The following table sets forth our gross profit and gross profit margin by service offerings for the Reporting Period:

	Six months ended 30 June				
	2022		2021		Change of Gross Profit
	Gross Profit	Gross Profit	Gross Profit	Gross Profit	
<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>%</i>	
	(unaudited)		(unaudited)		
Aesthetic medical services	39,188	44.6	35,703	40.0	9.8
Aesthetic surgery services	2,912	46.6	1,982	21.8	46.9
Minimally-invasive aesthetic services	19,186	44.6	14,515	42.0	32.2
Aesthetic dermatology services	18,948	52.3	20,200	49.4	(6.2)
Others <i>(Note)</i>	(1,858)	(81.2)	(994)	(21.4)	86.9
Aesthetic medical management consulting services	(85)	(314.8)	1,393	60.6	(106.1)
Sales of aesthetic medical equipment products	5,272	79.9	–	–	–
	44,375	47.0	37,096	40.5	19.6

Note: Others primarily consist of aesthetic dental services and ancillary services such as anesthesiology services, nursing services for inpatients and physical examination services.

For the Reporting Period, the total gross profit of our aesthetic medical services was approximately RMB39.2 million, representing an increase of approximately 9.8% from RMB35.7 million for the six months ended 30 June 2021, of which the gross profit of our minimally-invasive aesthetic services was approximately RMB19.2 million, representing a significant increase of approximately 32.2% from RMB14.5 million for the six months ended 30 June 2021. The total gross loss of our aesthetic medical management consulting services for the Reporting Period was approximately RMB0.1 million, while there was a gross profit of approximately RMB1.4 million for the six months ended 30 June 2021. The decrease in the revenue

of the aesthetic medical management consulting services is due to the negative impact of the Pandemic whilst our staff cost in the related services remain unchanged. The total gross profit of the newly launched aesthetic medical equipment during the Reporting Period was approximately RMB5.3 million.

For the Reporting Period, the total gross profit margin of our aesthetic medical services was approximately 44.6%, representing an increase of approximately 4.6 percentage points from 40.0% for the six months ended 30 June 2021. The gross profit margin of our newly launched aesthetic medical equipment was approximately 79.9%.

Management Discussion and Analysis

Other Income and Gains

Our other income and gains for the Reporting Period amounted to approximately RMB2.4 million, representing an increase of approximately 50.0% from approximately RMB1.6 million for the six months ended 30 June 2021.

Selling and Distribution Expenses

Our selling and distribution expenses for the Reporting Period amounted to approximately RMB24.3 million, representing a decrease of approximately RMB0.9 million from approximately RMB25.2 million for the six months ended 30 June 2021.

Administrative Expenses

Our administrative expenses for the Reporting Period amounted to approximately RMB18.6 million representing an increase of approximately RMB2.0 million from approximately RMB16.6 million for the six months ended 30 June 2021. Such increase was primarily attributable to the increase in the expenses for management personnel required for new operations and the increase in rent during the renovation.

Finance Costs

Our finance costs for the Reporting Period amounted to approximately RMB1.6 million (six months ended 30 June 2021: approximately RMB1.1 million). Our finance costs primarily comprised interest on lease liabilities and interest on bank borrowings.

Income Tax Expenses

Our income tax expenses/credit represents our total current income tax and deferred tax expenses/credit under the relevant PRC income tax policies and regulations. We recorded an income tax expenses of approximately RMB1.9 million for the Reporting Period (six months ended 30 June 2021: income tax credit of approximately RMB0.1 million).

Total Comprehensive Profit for the Reporting Period and Total Profit Attributable to Owners of the Parent

The Group recorded a profit of approximately RMB0.1 million for the Reporting Period (six months ended 30 June 2021: loss of approximately RMB5.4 million). Profit for the Reporting Period attributable to owners of the parent was approximately RMB1.5 million (six months ended 30 June 2021: loss attributable to owners of the parent of approximately RMB5.2 million).

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

We maintain a strong financial position with cash and bank balance and time deposits of approximately RMB92.4 million as at 30 June 2022 (31 December 2021: approximately RMB121.7 million). Our net current assets were approximately RMB37.6 million as at 30 June 2022 (31 December 2021: approximately RMB35.7 million). Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, cash generated from operations and available facilities of the Group, and the net proceeds from the issuance of ordinary shares relating to the initial public offering, and after diligent and careful investigation, the Directors are of the view that the Group has sufficient working capital required for the Group's operations at present. As at 30 June 2022, our Group had unutilised banking facilities for working capital purposes of approximately RMB18.0 million (31 December 2021: approximately RMB20.0 million).

Lease Liabilities

As at 30 June 2022, the Group had lease liabilities of approximately RMB46.1 million (31 December 2021: approximately RMB47.5 million).

Capital Commitments

As at 30 June 2022, the Group's contracted, but not provided for commitments amounted to approximately RMB2.5 million, mainly for leasehold improvements (31 December 2021: approximately RMB4.7 million, mainly for leasehold improvements, plant and machinery).

Capital Expenditures

During the Reporting Period, the Group acquired equipment and leasehold improvements amounting to approximately RMB9.3 million (six months ended 30 June 2021: items of plant and equipment amounting to approximately RMB3.0 million).

Interest-bearing Bank Borrowings

As at 30 June 2022, our Group had approximately RMB2.0 million outstanding interest-bearing bank borrowings (31 December 2021: approximately RMB20.0 million) of which approximately RMB2.0 million are at fixed interest rates (31 December 2021: approximately RMB20.0 million).

As at 30 June 2022, all of the bank borrowings were repayable within one year and there was no other borrowing as at 30 June 2022. All the borrowings are denominated in RMB.

Management Discussion and Analysis

Treasury Policies

The Group adopts a prudent approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2022, our Group had no significant contingent liabilities and guarantees (31 December 2021: Nil).

PLEDGE OF ASSETS

As at 30 June 2022, the bank loans and lease arrangements were secured by the Group's pledged deposits of RMB10.5 million and RMB1.5 million, respectively (31 December 2021: RMB10.5 million and RMB1.5 million respectively).

GEARING RATIO

Gearing ratio is calculated by dividing total liabilities by total equity as at 30 June 2022 and multiplying the result by 100%. As at 30 June 2022, the Group had total debt of approximately RMB134.2 million (31 December 2021: approximately RMB162.4 million) and the gearing ratio is 72.8% (31 December 2021: approximately 89.0%).

INTEREST RATE RISK

The Group has no significant interest rate risk.

EXCHANGE RATE FLUCTUATION RISK

As we have deposited with licensed banks certain financial assets that are denominated in Hong Kong dollars, we may be exposed to the risk of exchange rate fluctuations between Hong Kong dollars and Renminbi. The Group currently does not have a foreign currency hedging policy. However, the management will monitor foreign exchange exposure closely and will consider to adopt a proactive but prudent approach to minimize the relevant exposure when necessary.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this interim report and in the prospectus of the Company dated 15 December 2020 (the "Prospectus"), the Group did not have plans for making material investments or acquiring capital assets as at 30 June 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, we have 382 employees in the PRC (31 December 2021: 395).

Function	Number of Employees	
	30 June 2022	31 December 2021
Management	11	11
Physicians and medical Staff	148	175
Sales, marketing and client service Staff	141	140
Finance and administration Staff	82	69
Total	382	395

Management Discussion and Analysis

Our total staff costs for the Reporting Period amounted to approximately RMB30.2 million (six months ended 30 June 2021: approximately RMB37.3 million), accounting for approximately 32.0% (six months ended 30 June 2021: approximately 40.8%) of our total revenue for the Reporting Period.

We believe that we have provided our physicians and medical staff with competitive compensation packages, medical education opportunities and a professional work environment. We will review the performance of our physicians and medical staff at least once a year. According to our internal control policy, the results of such reviews will be taken into consideration in the determination of salary, bonus awards and promotion. The Human Resource Department at our headquarters maintains the license records of our physicians and medical staff and regularly reviews their profiles to ensure compliance with the relevant laws and regulations in the PRC. Our Directors' remuneration will be reviewed by our Remuneration Committee once a year to ensure that it is comparable to the market.

Remuneration is determined based on factors such as comparable market salaries, work performance, time investment and the individual responsibilities. The Group provides the employees with relevant internal and/or external training from time to time. In addition to basic salaries, we also provide year-end bonuses to outstanding employees in order to attract and retain qualified employees, so that they can contribute more to the Group.

The employees of the Group in the PRC are required to participate in the central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll to this central pension scheme. The contributions vest fully once made and are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

As of 30 June 2022, there were no forfeited contributions (by the Group on behalf of employees who leave the pension scheme prior to vesting fully in such contributions) and utilised by the Group to reduce the existing level of contributions. As at 30 June 2022, there were no forfeited contributions available to reduce the level of contributions to the pension schemes in future years.

USE OF PROCEEDS

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 December 2020 (the "Listing"). The net proceeds of the Listing (including exercise of the over-allotment option and after deducting the underwriting fees, commissions and all related expenses in connection to the Listing) amounted to approximately HK\$81.7 million (the "Net Proceeds"), which was based on the issuing price of HK\$0.4 per share and the actual expenses related to the Listing. As at the date of this interim report, except for those disclosed in the following paragraph, there is no change in the intended use of Net Proceeds and the expected timeline as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The time for use of the amount designated for renovation and expansion of our aesthetic medical institutions and the amount designated for promotion of our brands have been utilised in advance by HK\$10.3 million and HK\$4.7 million respectively. The amounts designated for organic growth and strategic acquisitions of HK\$11.5 million and HK\$1.0 million respectively have not been utilized.

Management Discussion and Analysis

The following table sets forth a summary of the utilization of the Net Proceeds as at 30 June 2022:

Purpose	Percentage to total amount	Planned use of net proceeds <i>HK\$'million</i>	Actual use of proceeds up to 30 June 2022 <i>HK\$'million</i>	Unutilised amount as at 30 June 2022 <i>HK\$'million</i>	Expected timeline of full utilisation of the remaining proceeds
Expanding our aesthetic medical institutions network	71.0%	58.0	20.5	37.5	31 December 2023
— Renovation and expansion of existing aesthetic medical institutions	28.0%	22.9	20.5	2.4	31 December 2023
— Organic growth	28.0%	22.9	—	22.9	31 December 2023
— Strategic acquisitions	15.0%	12.2	—	12.2	31 December 2023
Acquire new aesthetic medical service equipment and treatment consumables to extend the spectrum of our treatment services offered in our current aesthetic medical institutions	11.0%	9.0	9.0	—	31 December 2022
Actively promote our brand	8.0%	6.5	6.5	—	31 December 2023
General working capital	10.0%	8.2	3.1	5.1	31 December 2023
Total	100.0%	81.7	39.1	42.6	

PROSPECTS

In China, a large market with population of 1.4 billion, consumers in the aesthetic medical industry are mainly between the ages of 21 and 40. According to statistics, the market size of China's aesthetic medical market will maintain double-digit growth, with a higher growth rate than other markets in the world. With the growing demand for aesthetic medical services, it is expected that the age group of the consumers will continue to expand. With a large consumer base in China's aesthetic medical market, there is still ample room for the development of the market. With the increasing consumer demand for beauty and the growth of disposable income, China's aesthetic medical industry will continue to prosper in the future.

Despite the adverse impact of the Pandemic on the aesthetic medical industry, and the continued uncertainties caused by the Pandemic until it ends, the overall external environment of the industry remains stable and developed, and consumer acceptance and penetration rate will continue to rise along with the normalization of the Pandemic control and prevention measures. The rapid development of the aesthetic medical industry is also accompanied by the increased and

strengthened regulations, steadily improving industry self-regulation, and increasingly standardized and transparent operation of medical institutions, which is more conducive to accelerating the elimination of unqualified industry players and promoting the high-quality development of the aesthetic medical industry.

In the past two years, there were significant changes in consumers' aesthetic medical consumption preferences, from aesthetic surgery services to non-surgical aesthetic medical services in terms of injection micro-shaping and skin anti-aging, with the advantages of wide audience base, low price, small trauma, shorter recovery time, low risk, and high repurchase rate, which have promoted the development of minimally-invasive aesthetic services and aesthetic dermatology services. In addition to the introduction of international advanced innovative technologies and products, we will increase investments in non-surgical aesthetic medical services, to further develop international aesthetic medical brands. Details of the Group's future development plan and strategic layouts are set out on pages 4 to 6 to this section of this interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company is committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value, which emphasise transparency, accountability and independence.

The Company has adopted the code provisions set out in part 2 of the Corporate Governance Code contained in Appendix 14 (the “CG Code”) to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

During the Reporting Period, the Company has complied with all applicable code provisions in the CG Code.

Long Positions in Shares, Underlying Shares and Debentures of the Company

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Section XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules, were as follows:

Name	Capacity/Nature of interests	Number of Shares interested	Approximate percentage of the interest in the Company ¹
Mr. Fu Haishu ²	Interest in a controlled corporation	1,109,283,463	53.10%
Mr. Song Jianliang ³	Beneficial owner	2,000,000	0.10%
Mr. Wang Ying ³	Beneficial owner	2,000,000	0.10%

Notes:

- The percentage is calculated based on the total number of issued shares of the Company as at 30 June 2022 (i.e. 2,089,040,000 shares).*
- These shares are held by Ruide Consultation Limited, a company wholly-owned by Mr. Fu Haishu.*
- These shares of the Company represent the share options granted by the Company on 23 August 2021 under the share option scheme adopted by the shareholders of the Company on 4 December 2020 (the “Share Option Scheme”).*

Corporate Governance and Other Information

Long Positions in Shares, Underlying Shares and Debentures in the Associated Corporation

Name of Director(s)	Name of associated corporation(s)	Capacity/Nature of interests	Number of ordinary share(s) interested	Approximate percentage of the total issued shares of the associated corporation
Mr. Fu Haishu	Ruide Consultation Limited	Beneficial owner	50,000	100%

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to be owned under the relevant provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, the interests or short positions of substantial shareholders of the Company and other persons in the shares and underlying shares of the Company as recorded in the register maintained by the Company under Section 336 of the SFO, or otherwise notified to the Company were as follows:

Substantial Shareholders' and Other Person's Long Positions in Shares and Underlying Shares of the Company

Name	Capacity/Nature of interests	Number of Shares interested	Approximate percentage of the interest in the Company ¹
Ruide Consultation Limited	Beneficial owner	1,109,283,463	53.10%
Jin Chunmiao ²	Interest of spouse	1,109,283,463	53.10%
Beauty Milkway (HK) LIMITED	Beneficial owner	129,128,745	6.18%
China Orient Asset Management (International) Holding Limited ³	Interest in a controlled corporation	112,244,454	5.37%
China Orient Asset Management Co., Ltd. ³	Interest in a controlled corporation	112,244,454	5.37%
Dong Yin Development (Holdings) Limited ³	Interest in a controlled corporation	112,244,454	5.37%
Wise Leader Assets Ltd. ³	Interest in a controlled corporation	112,244,454	5.37%
上海東燻健康管理合夥企業(有限合夥) ³	Beneficial owner	112,244,454	5.37%
東方資產管理(中國)控股有限公司 ³	Interest in a controlled corporation	112,244,454	5.37%
深圳東方創業投資有限公司 ³	Interest in a controlled corporation	112,244,454	5.37%
深圳前海財富東方股權投資基金管理有限公司 ³	Interest in a controlled corporation	112,244,454	5.37%
青海省東方藏醫藥產業發展基金(有限合夥) ³	Interest in a controlled corporation	112,244,454	5.37%
青海省東方藏醫藥產業投資管理有限公司 ³	Interest in a controlled corporation	112,244,454	5.37%

Corporate Governance and Other Information

Notes:

1. The percentage is calculated based on the total number of issued shares of the Company as at 30 June 2022 (i.e. 2,089,040,000 shares).
2. Ms. Jin Chunmiao is the spouse of Mr. Fu Haishu, and is therefore deemed to be interested in the shares deemed or taken to be owned by Mr. Fu Haishu under the SFO.
3. According to information available to the Company, 112,244,454 Shares are held by 上海東燼健康管理合夥企業 (有限合夥) in the capacity of beneficial owner. 上海東燼健康管理合夥企業 (有限合夥) is owned as to approximately 99.81% and approximately 0.19% by 青海省東方藏醫藥產業發展基金 (有限合夥) and 青海省東方藏醫藥產業投資管理有限公司 respectively. 青海省東方藏醫藥產業發展基金 (有限合夥) is owned as to approximately 48.78% and approximately 2.44% by 深圳東方創業投資有限公司 and 青海省東方藏醫藥產業投資管理有限公司 respectively. 青海省東方藏醫藥產業投資管理有限公司 is owned as to approximately 51% by 深圳前海財富東方股權投資基金管理有限公司. 深圳東方創業投資有限公司 is wholly-owned by 東方資產管理 (中國) 有限公司. 深圳前海財富東方股權投資基金管理有限公司 and 東方資產管理 (中國) 有限公司 is wholly-owned by China Orient Asset Management (International) Holding Limited. Each of Dong Yin Development (Holdings) Limited and Wise Leader Assets Ltd. owns 50% of China Orient Asset Management (International) Holding Limited. Wise Leader Assets Ltd. is wholly-owned by Dong Yin Development (Holdings) Limited, which is wholly-owned by China Orient Asset Management Co., Ltd.

Each of 上海東燼健康管理合夥企業 (有限合夥), 青海省東方藏醫藥產業發展基金 (有限合夥), 青海省東方藏醫藥產業投資管理有限公司, 深圳前海財富東方股權投資基金管理有限公司, 深圳東方創業投資有限公司, 東方資產管理 (中國) 有限公司, China Orient Asset Management (International) Holding Limited, Dong Yin Development (Holdings) Limited, Wise Leader Assets Ltd. and China Orient Asset Management Co., Ltd. is deemed to be interested in 112,244,454 Shares held by 上海東燼健康管理合夥企業 (有限合夥) under the SFO.

Save as disclosed above, as at 30 June 2022, there are no other interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors.

The Company has made specific enquiries with all Directors, and all Directors have confirmed that they have complied with the required standards as set out in the Model Code during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed in this interim report and the Prospectus, none of the Company, any of its holding companies, subsidiaries or fellow subsidiaries have entered into any arrangement at any time during the Reporting Period, so that the Directors or chief executives of the Company or any of their respective spouses or children under the age of 18 may acquire benefits by means of the acquisition of shares or debentures of the Company or any other corporate.

Corporate Governance and Other Information

SHARE OPTION SCHEME

A share option scheme was adopted by the shareholders of the Company on 4 December 2020. Details of the share options movements during the Reporting Period under the Share Option Scheme are as follows:

Name or category of grantees	Date of grant of share options	Exercise Price (HK\$)	Vesting Period	Exercise Period	Balance as at 01.01.2022	Number of share options				Balance as at 30.06.2022
						Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	
Directors										
Song Jianliang	23/08/2021	0.492	23/08/2021-22/08/2022	23/08/2022-22/02/2023	1,000,000	-	-	-	-	1,000,000
	23/08/2021	0.492	23/08/2021-22/08/2023	23/08/2023-22/02/2024	1,000,000	-	-	-	-	1,000,000
Wang Ying	23/08/2021	0.492	23/08/2021-22/08/2022	23/08/2022-22/02/2023	1,000,000	-	-	-	-	1,000,000
	23/08/2021	0.492	23/08/2021-22/08/2023	23/08/2023-22/02/2024	1,000,000	-	-	-	-	1,000,000
Other employees										
In aggregate	23/08/2021	0.492	23/08/2021-22/08/2022	23/08/2022-22/02/2023	46,580,464	-	-	550,000	-	46,030,464
	23/08/2021	0.492	23/08/2021-22/08/2023	23/08/2023-22/02/2024	46,580,464	-	-	550,000	-	46,030,464
Total					97,160,928	-	-	1,100,000	-	96,060,928

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Reporting Period (six months ended 30 June 2021: Nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

MAJOR EVENT DURING THE REPORTING PERIOD

The Board proposed to amend the Memorandum and Articles of Association of the Company to conform with the core shareholder protection standards set out in Appendix 3 to the Listing Rules and to allow general meetings to be held as a hybrid meeting where shareholders of the Company may attend by electronic means in addition to as a physical meeting where shareholders of the Company attend in person.

The proposed amendments on the Memorandum and Articles of Association of the Company were approved at the annual general meeting on 10 June 2022.

For details, please refer to the Company's announcements dated 7 April 2022 and 10 June 2022 and the Company's circular dated 19 April 2022.

Corporate Governance and Other Information

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after the Reporting Period and up to the date of this interim report.

CHANGES IN INFORMATION OF DIRECTORS

- (i) Mr. Fu Haishu ceased to be the director of Guangzhou Ruimei Medical Equipment Co., Ltd. (廣州瑞美醫療器械有限公司) during the Reporting Period.
- (ii) During the Reporting Period, Mr. Wang Ying:
 - (a) ceased to be the general manager and legal representative of Guangzhou Ruimei Medical Equipment Co., Ltd. (廣州瑞美醫療器械有限公司);
 - (b) ceased to be the executive director, general manager and legal representative of Hangzhou Ruiquan Medical Equipment Co., Ltd.* (杭州瑞泉醫療器械有限公司); and
 - (c) was appointed as the executive director, general manager and legal representative of Hainan Bellafill Medical Center Co., Ltd. (海南貝麗菲爾醫學中心有限公司).
- (iii) Ms. Fan Qirui ceased to be the director of the special situation investment of China Orient Asset Management (International) Holdings Limited (中國東方資產管理(國際)控股有限公司) and the director and general manager in Qinghai Province Dongfang Tibetan Medicine Industry Investment Management Co., Ltd (青海省東方藏醫藥產業投資管理有限公司) during the Reporting Period.

Save as disclosed above, there were no changes in the information of the Directors required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the publication of the annual report 2021 of the Company.

* For identification purposes only

AUDIT COMMITTEE

The composition of the audit committee of the Board (the "Audit Committee") is as follows:

Independent Non-executive Directors

Mr. Liu Teng (*Chairman*)

Mr. Cao Dequan

Ms. Yang Xiaofen

The Board has established the Audit Committee with written terms of reference in compliance with the Rule 3.22 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to provide oversight of the financial reporting process, the audit process, the mechanism of internal control and compliance with laws and regulations and perform further duties and responsibilities as assigned by our Board from time to time.

The Audit Committee has reviewed and approved the unaudited condensed consolidated financial information of the Group for the Reporting Period and the interim report and the interim results announcement of the Group for the Reporting Period prior to approval by the Board. The Audit Committee has no disagreement with the accounting treatment in unaudited interim financial statements and this interim report. The Company's Auditor, Ernst and Young LLP, has reviewed the unaudited interim financial information of the Group for the Reporting Period 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 Hong Kong Institute of Certified Public Accountants.

By order of the Board

**Raily Aesthetic Medicine International
Holdings Limited**

Mr. Fu Haishu

Chairman and Executive Director

Hangzhou, China, 26 August 2022

As at the date of this interim report, the Board comprises Mr. Fu Haishu, Mr. Song Jianliang and Mr. Wang Ying as Executive Directors; Ms. Fan Qirui as Non-executive Director; and Mr. Cao Dequan, Ms. Yang Xiaofen and Mr. Liu Teng as Independent Non-executive Directors.

INDEPENDENT REVIEW REPORT



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To the board of directors of Raily Aesthetic Medicine International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 40, which comprises the condensed consolidated statement of financial position of Raily Aesthetic Medicine International Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board (the "IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
26 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Notes</i>	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	4	94,397	91,492
Cost of sales		(50,022)	(54,396)
Gross profit		44,375	37,096
Other income and gains		2,445	1,618
Selling and distribution expenses		(24,265)	(25,231)
Administrative expenses		(18,567)	(16,597)
Other expenses		(240)	(1,367)
Finance costs		(1,612)	(1,068)
Share of loss of an associate		(178)	–
PROFIT/(LOSS) BEFORE TAX	5	1,958	(5,549)
Income tax credit/(expense)	6	(1,898)	110
PROFIT/(LOSS) FOR THE PERIOD		60	(5,439)
Attributable to:			
Owners of the parent		1,482	(5,237)
Non-controlling interests		(1,422)	(202)
		60	(5,439)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For profit/(loss) for the period		RMB0.07 cents	RMB(0.25) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	60	(5,439)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	60	(5,439)
Attributable to:		
Owners of the parent	1,482	(5,237)
Non-controlling interests	(1,422)	(202)
	60	(5,439)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	36,674	32,200
Right-of-use assets		45,070	47,859
Goodwill		63,129	63,129
Intangible assets		32,237	34,008
Investment in an associate		3,170	3,348
Deferred tax assets		9,866	11,425
Pledged deposits		1,521	1,500
Other non-current assets		104	240
Total non-current assets		191,771	193,709
CURRENT ASSETS			
Inventories and supplies		9,024	13,266
Trade receivables	10	7,175	6,094
Prepayments, other receivables and other current assets		18,212	9,937
Cash and bank balances		92,426	121,719
Total current assets		126,837	151,016
CURRENT LIABILITIES			
Trade payables	11	12,933	12,565
Other payables and accruals		15,872	17,824
Due to independent directors		225	147
Contract liabilities		7,583	14,686
Interest-bearing bank borrowings		2,000	20,000
Refund liabilities		4,924	5,580
Contingent consideration		29,437	29,437
Lease liabilities		8,181	7,760
Tax payable		8,117	7,303
Total current liabilities		89,272	115,302
NET CURRENT ASSETS		37,565	35,714
TOTAL ASSETS LESS CURRENT LIABILITIES		229,336	229,423
NON-CURRENT LIABILITIES			
Lease liabilities		37,936	39,694
Deferred tax liabilities		7,000	7,375
Total non-current liabilities		44,936	47,069
Net assets		184,400	182,354

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	<i>Notes</i>	
EQUITY		
Equity attributable to owners of the parent		
Share capital	136,267	136,267
Reserves	45,422	41,954
	181,689	178,221
Non-controlling interests	2,711	4,133
Total equity	184,400	182,354

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent								
	Share capital	Capital reserves	Share Option reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Statutory surplus reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	136,267	28,787*	1,038*	–*	9,351*	2,778*	178,221	4,133	182,354
Profit for the period	–	–	–	–	–	1,482	1,482	(1,422)	60
Equity-settled share option arrangements	–	–	1,986	–	–	–	1,986	–	1,986
At 30 June 2022	136,267	28,787*	3,024*	–*	9,351*	4,260*	181,689	2,711	184,400
At 1 January 2021	134,060	22,017*	–	(53)*	9,646*	20,203*	185,873	877	186,750
Loss for the period	–	–	–	–	–	(5,237)	(5,237)	(202)	(5,439)
Issue of shares from initial public offering	2,207	9,181	–	–	–	–	11,388	–	11,388
Share issue expenses	–	(2,411)	–	–	–	–	(2,411)	–	(2,411)
At 30 June 2021	136,267	28,787*	–	(53)*	9,646*	14,966*	189,613	675	190,288

* These reserve accounts comprise the consolidated reserves of RMB45,422,000 (31 December 2021: RMB41,954,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	1,958	(5,549)
Adjustments for:		
Loss on disposal of items of property, plant and equipment	–	18
Investment income	(375)	(399)
Share of loss of an associate	178	–
Finance costs	1,612	1,068
Depreciation of right-of-use assets	4,399	2,820
Depreciation of property, plant and equipment	4,783	3,604
Provision for impairment of trade receivables and other receivables	19	256
Amortisation of intangible assets	1,772	270
Covid-19-related rent concessions from lessors	(346)	–
Equity-settled share option expense	1,986	–
(Gain)/loss on foreign exchange differences	(1,522)	1,053
	14,464	3,141
Decrease/(increase) in inventories and supplies	4,242	(3,509)
(Increase)/decrease in trade receivables	(1,100)	1,205
Increase in prepayments, other receivables and other assets	(8,274)	(12,077)
Increase/(decrease) in trade payables	368	(674)
Increase in amounts due to directors	78	8
(Decrease)/increase in contract liabilities	(7,103)	4,753
(Decrease)/increase in refund liabilities	(656)	209
Decrease in other payables and accruals	(2,311)	(5,840)
Cash used in operations	(292)	(12,784)
Income tax paid	(101)	(3,031)
Net cash flows used in operating activities	(393)	(15,815)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	303	232
Purchases of items of property, plant and equipment	(8,557)	(3,036)
Purchases of items of intangible assets	–	(11)
Purchase of financial investments	(12,020)	(19,500)
Proceeds from disposal of financial investments	12,092	19,168
Proceeds from maturity of time deposits	37,704	15,500
Purchase of time deposits	–	(43,283)
Proceeds from disposal of items of property, plant and equipment	–	107
Net cash flows generated from/(used in) investing activities	29,522	(30,823)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans from banks	2,100	10,000
Repayment of bank loans	(20,100)	(10,000)
Interest paid	(199)	(324)
Net proceeds from issue of shares	–	9,452
Payment of lease liabilities	(4,041)	(1,202)
Net cash flows (used in)/generated from financing activities	(22,240)	7,926
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	68,515	143,398
Effect of foreign exchange rate changes, net	1,522	(1,053)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	76,926	103,633

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3,
Amendments to IAS 16

*Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before
Intended Use*

Amendments to IAS 37
Annual Improvements to IFRS Standards 2018-2020

Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 1, IFRS 9, Illustrative Examples
accompanying IFRS 16, and IAS 41

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

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2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of the revised IFRSs are described below: (continued)

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2022	Aesthetic medical services RMB'000 (Unaudited)	Consulting services RMB'000 (Unaudited)	Aesthetic medical equipment products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue <i>(note 4):</i>				
Sales to external customers	87,773	27	6,597	94,397
Intersegment sales	–	–	837	837
<i>Reconciliation:</i>				
Elimination of intersegment sales				(837)
Revenue from continuing operations				94,397
Segment results	7,424	(510)	283	7,197
<i>Reconciliation:</i>				
Elimination of intersegment results				(112)
Other income and gains				2,445
Group and unallocated expenses				(7,400)
Finance costs (other than interest on lease liabilities)				(172)
Profit before income tax				1,958

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3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2021	Aesthetic medical services RMB'000 (Unaudited)	Consulting services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 4):			
Sales to external customers	89,194	2,298	91,492
Segment results	3,187	309	3,496
<i>Reconciliation:</i>			
Other income and gains			1,618
Group and unallocated expenses			(10,339)
Finance costs (other than interest on lease liabilities)			(324)
Loss before tax			(5,549)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2022 and 31 December 2021.

	Aesthetic medical services RMB'000	Consulting services RMB'000	Aesthetic medical equipment products RMB'000	Total RMB'000
Segment assets				
30 June 2022 (unaudited)	114,171	645	89,240	204,056
Corporate and other unallocated assets				114,552
Total assets				318,608
31 December 2021 (audited)	99,218	1,965	36,455	137,638
Corporate and other unallocated assets				207,087
Total assets				344,725

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3. OPERATING SEGMENT INFORMATION (CONTINUED)

	Aesthetic medical services RMB'000	Consulting services RMB'000	Aesthetic medical equipment products RMB'000	Total RMB'000
Segment liabilities				
30 June 2022 (unaudited)	80,328	44	3,341	83,713
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				50,495
Total liabilities				134,208
31 December 2021 (audited)	92,594	305	3,256	96,155
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				66,216
Total liabilities				162,371

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Aesthetic medical services	87,773	89,194
Aesthetic medical equipment products	6,597	–
Consulting services	27	2,298
	94,397	91,492

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4. REVENUE (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers For the six months ended 30 June 2022

Segments	Aesthetic medical services RMB'000 (Unaudited)	Consulting services RMB'000 (Unaudited)	Aesthetic medical equipment products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services				
Sale of products	–	–	6,597	6,597
Services	87,773	27	–	87,800
Total revenue from contracts with customers	87,773	27	6,597	94,397
Geographical market				
Mainland China	87,773	27	6,597	94,397
Timing of revenue recognition				
Goods transferred at a point in time	–	–	6,597	6,597
Services transferred at a point in time	61,970	–	–	61,970
Services transferred over time	25,803	27	–	25,830
Total revenue from contracts with customers	87,773	27	6,597	94,397

For the six months ended 30 June 2021

Segments	Aesthetic medical services RMB'000 (Unaudited)	Consulting services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Services	89,194	2,298	91,492
Geographical market			
Mainland China	89,194	2,298	91,492
Timing of revenue recognition			
Services transferred at a point in time	55,724	–	55,724
Services transferred over time	33,470	2,298	35,768
Total revenue from contracts with customers	89,194	2,298	91,492

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4. REVENUE (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the six months ended 30 June 2022

Segments	Aesthetic medical services RMB'000 (Unaudited)	Consulting services RMB'000 (Unaudited)	Aesthetic medical equipment products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers				
External customers	87,773	27	6,597	94,397
Intersegment sales	-	-	837	837
	87,773	27	7,434	95,234
Intersegment adjustments and eliminations	-	-	(837)	(837)
	87,773	27	6,597	94,397
Total revenue from contracts with customers	87,773	27	6,597	94,397

For the six months ended 30 June 2021

Segments	Aesthetic medical services RMB'000 (Unaudited)	Consulting services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers			
External customers	89,194	2,298	91,492

Notes to Interim Condensed Consolidated Financial Information

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5. PROFIT/(LOSS) BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of supplies consumed	28,791	28,725
Cost of inventories sold	1,325	–
Amortisation of intangible assets	1,772	270
Depreciation of property, plant and equipment	4,783	3,604
Depreciation of right-of-use assets	4,399	2,820
Lease payments not included in the measurement of lease liabilities	484	420
Auditor's remuneration	650	650
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	27,182	32,014
Equity-settled share option expense	1,892	–
Pension scheme contributions	1,178	2,944
Staff welfare expenses	915	1,050
Impairment of trade receivables, net	19	74
Impairment of financial assets included in prepayments, other receivables and other assets	–	182
Loss on disposal of items of property, plant and equipment	–	18
Promotion and marketing expenses	10,214	12,275
Professional fee	1,131	4,091
Exchange differences, net	(1,737)	1,005

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The majority of the Company's subsidiaries are domiciled in Mainland China. The provision for current income tax in Mainland China is based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

Notes to Interim Condensed Consolidated Financial Information

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6. INCOME TAX (CONTINUED)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI. The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% (2021: 16.5%) on any estimated assessable profits arising in Hong Kong. Pursuant to Caishui 2017 Circular No.43, 2019 circular No.13 and No. 2 announcement of the State Taxation Administration 2019, Ningbo Zhuerli, Ruian Raily, Raily Equipment, Shenzhen Ruiquan, Hangzhou Ruiquan, as small micro-enterprises, enjoyed a preferential tax rate of 2.5% (2021: 5%) for the six months ended 30 June 2022.

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	714	55
Deferred tax	1,184	(165)
Total tax charge for the period	1,898	(110)

7. DIVIDENDS

No dividends were paid or declared by the Company for the period ended 30 June 2022.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,089,040,000 (2021: 2,085,446,889) in issue during the period, as adjusted to reflect the rights issue during the period.

The weighted average number of ordinary shares used to calculate the basic loss per share amount for the period ended 30 June 2021 included the weighted average of 34,040,000 ordinary shares issued in connection with the partial exercise of over-allotment option and the 2,055,000,000 ordinary shares at the beginning of the period.

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2022 in respect of a dilution as the impact of the option outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2021.

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8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

The calculation of basic and diluted earnings/(loss) per share is based on:

	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted profit/(loss) per share calculation:	1,482	(5,237)
	Number of shares 2022	2021
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	2,089,040,000	2,085,446,889
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	–
Basic and diluted earnings/(loss) per share (RMB)	0.07 cents	(0.25) cents

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets at a cost of RMB9,257,000 (30 June 2021: RMB3,036,000).

During the six months ended 30 June 2022, no impairment loss (30 June 2021: Nil) was recognised for certain property, plant and equipment as a result of the significant loss incurred during the period.

Notes to Interim Condensed Consolidated Financial Information

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10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	6,568	5,886
4 to 6 months	499	36
7 to 12 months	53	172
1 to 2 years	55	–
	7,175	6,094

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 90 days	7,216	7,817
91 to 180 days	1,670	2,105
181 to 365 days	2,358	1,629
Over 365 days	1,689	1,014
	12,933	12,565

12. CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities. (31 December 2021: Nil).

Notes to Interim Condensed Consolidated Financial Information

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13. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for:		
Leasehold improvements	2,467	4,022
Plant and machinery	27	670
	2,494	4,692

14. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere, the Group had the following transactions with related parties during the period:

		For the six months ended 30 June	
	<i>Notes</i>	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
The associate:			
Purchases of products	<i>(i)</i>	650	–
The director			
Mr. Fu Haishu	<i>(ii)</i>	–	8

Notes :

- (i) The purchases from the associate were made according to the published prices and conditions offered by the associate to their major customers.
- (ii) The amount was bank service charges paid by Mr. Fu.

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14. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Mr. Cao Dequan	75	147
Mr. Liu Teng	75	–
Ms. Yang Xiaofeng	75	–
	225	147

The outstanding balance due to independent directors of RMB225,000 at the end of the reporting period represented the fees payable to Mr. Cao Dequan, Mr. Liu Teng and Ms. Yang Xiaofeng.

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	860	1,203
Pension scheme contributions	87	75
Equity-settled share option expense	94	–
Total compensation paid to key management personnel	1,041	1,278

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15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial asset				
Pledged deposits, non-current portion	1,521	1,500	1,521	1,500
Financial liabilities				
Contingent consideration	29,437	29,437	29,437	29,437

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values of those financial assets and liabilities measured at fair value:

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

The Group did not have any financial assets measured at fair value as at 30 June 2022 and 31 December 2021.

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15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Liabilities measured at fair value:

As at 30 June 2022 and 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Contingent consideration	–	–	29,437	29,437

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2021: Nil).

16. EVENTS AFTER THE REPORTING PERIOD

There are no other significant events occurred subsequent to the reporting period.