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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of Raily Aesthetic Medicine International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021 (the "**Year**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	3	**188,367**	164,545
Cost of sales		**(118,675)**	(84,374)
Gross profit		**69,692**	80,171
Other income and gains	3	**2,681**	5,093
Selling and distribution expenses		**(54,533)**	(33,133)
Administrative expenses		**(34,724)**	(36,971)
Other expenses		**(3,493)**	(1,151)
Finance costs	5	**(2,419)**	(2,442)
Share of loss of an associate		**(152)**	–
(LOSS)/PROFIT BEFORE TAX	4	**(22,948)**	11,567
Income tax (expense)/credit	6	**4,682**	(6,656)
(LOSS)/PROFIT FOR THE YEAR		**(18,266)**	4,911
Attributable to:			
Owners of the parent		**(17,691)**	4,251
Non-controlling interests		**(575)**	660
		(18,266)	4,911
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For (loss)/profit for the year *(RMB)*		**(0.85) cents**	0.25 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 *RMB'000*	2020 *RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(18,266)**	4,911
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	**32**	(71)
Income tax effect	**(8)**	18
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**24**	(53)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**24**	(53)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(18,242)**	4,858
Attributable to:		
Owners of the parent	**(17,667)**	4,198
Non-controlling interests	**(575)**	660
	(18,242)	4,858

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**32,200**	24,487
Right-of-use assets		**47,859**	19,709
Goodwill		**63,129**	20,210
Intangible assets		**34,008**	5,041
Investment in an associate		**3,348**	–
Equity investment designated at fair value through other comprehensive income		**–**	5,929
Deferred tax assets		**11,425**	5,348
Pledged deposits		**1,500**	–
Other non-current assets		**240**	–
Total non-current assets		**193,709**	80,724
CURRENT ASSETS			
Inventories and supplies		**13,266**	11,621
Trade receivables	*9*	**6,094**	5,128
Prepayments, other receivables and other current assets		**9,937**	15,961
Cash and bank balances		**121,719**	158,898
Total current assets		**151,016**	191,608
CURRENT LIABILITIES			
Trade payables	*10*	**12,565**	12,155
Other payables and accruals		**17,824**	17,431
Due to an independent director		**147**	–
Interest-bearing bank borrowings		**20,000**	13,000
Contract liabilities		**14,686**	8,014
Refund liabilities		**5,580**	5,352
Contingent consideration		**29,437**	–
Lease liabilities		**7,760**	5,076
Tax payable		**7,303**	10,445
Total current liabilities		**115,302**	71,473
NET CURRENT ASSETS		**35,714**	120,135
TOTAL ASSETS LESS CURRENT LIABILITIES		**229,423**	200,859

	Notes	**2021** *RMB'000*	2020 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**39,694**	14,109
Deferred tax liabilities		**7,375**	–
Total non-current liabilities		**47,069**	14,109
Net assets		**182,354**	186,750
EQUITY			
Equity attributable to owners of the parent			
Share capital		**136,267**	134,060
Reserves		**41,954**	51,813
		178,221	185,873
Non-controlling interests		**4,133**	877
Total equity		**182,354**	186,750

NOTES TO FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for contingent consideration which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group did not have any interest-bearing bank borrowings based on the Interbank Offered Rates as at 31 December 2021. The amendments are not expected to have any significant impact on the Group's financial statements.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

1.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to 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 expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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 expected to be 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- *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.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has three reportable operating segments as follows:

(a) Aesthetic medical services comprise principally inpatient services including surgical services and outpatient services including injection service, dermatology service and others.

(b) Consulting services comprise principally management consulting services.

(c) Aesthetic medical equipment products comprise principally sales of surgical implants and aesthetic medical skincare products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment operating profit which is calculated based on gross profit less selling and marketing expenses and general and administrative expenses allocated excluding other income and gains, corporate and unallocated expenses, and finance costs(other than interest on lease liablities).

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2021	**Aesthetic medical services** *RMB'000*	**Consulting services** *RMB'000*	**Aesthetic medical equipment products** *RMB'000*	**Total** *RMB'000*
Segment revenue *(note 3)*:				
Sales to external customers	**183,712**	**3,173**	**1,482**	**188,367**
Intersegment sales	**–**	**–**	**172**	**172**
	183,712	**3,173**	**1,654**	**188,539**
Reconciliation:				
Elimination of intersegment sales				**(172)**
Revenue from continuing operations				**188,367**
Segment results	**(1,717)**	**(983)**	**709**	**(1,991)**
Reconciliation:				
Elimination of intersegment results				**(38)**
Other income and gains				**2,681**
Corporate and unallocated expenses				**(22,930)**
Finance costs (other than interest on lease liabilities)				**(670)**
Loss before income tax				**(22,948)**
Other segment information:				
Share of losses of the associate:	**–**	**–**	**(152)**	**(152)**
Impairment losses recognised in the statement of profit or loss, net	**(11)**	**603**	**(1)**	**591**
Depreciation and amortisation	**12,290**	**574**	**1,664**	**14,528**
Capital expenditure*	**15,426**	**10**	**30,343**	**45,779**

Year ended 31 December 2020	Aesthetic medical services *RMB'000*	Consulting services *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*:			
Sales to external customers	161,906	2,639	164,545
Segment results	32,144	(382)	31,762
Reconciliation:			
Other income and gains			5,093
Corporate and unallocated expenses			(24,803)
Finance costs (other than interest on lease liabilities)			(485)
Profit before income tax			11,567
Other segment information:			
Impairment losses recognised in the statement of profit or loss, net	(143)	755	612
Depreciation and amortisation	12,473	855	13,328
Capital expenditure*	8,431	166	8,597

* Capital expenditure consists of additions to property, plant and equipment, other non-current assets and intangible assets from the acquisition of a subsidiary.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Revenue from contracts with customers		
Aesthetic medical services	**183,712**	161,906
Consulting services	**3,173**	2,639
Aesthetic medical equipment products	**1,482**	–
	188,367	164,545

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2021

Segments	**Aesthetic medical services** *RMB'000*	**Consulting services** *RMB'000*	**Aesthetic medical equipment products** *RMB'000*	**Total** *RMB'000*
Types of goods or services				
Sale of products	–	–	1,482	1,482
Services	183,712	3,173	–	186,885
Total revenue from contracts with customers	183,712	3,173	1,482	188,367
Geographical market				
Mainland China	183,712	3,173	1,482	188,367
Timing of revenue Recognition				
Goods transferred at a point in time	–	–	1,482	1,482
Services transferred at a point in time	49,179	–	–	49,179
Services transferred over time	134,533	3,173	–	137,706
Total revenue from contracts with customers	183,712	3,173	1,482	188,367

For the year ended 31 December 2020

Segments	Aesthetic medical services *RMB'000*	Consulting services *RMB'000*	Total *RMB'000*
Services	161,906	2,639	164,545
Geographical market			
Mainland China	161,906	2,639	164,545
Timing of revenue recognition			
Services transferred at a point in time	124,728	–	124,728
Services transferred over time	37,178	2,639	39,817
	161,906	2,639	164,545

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

For the year ended 31 December 2021

Segments	**Aesthetic medical services** *RMB'000*	**Consulting services** *RMB'000*	**Aesthetic medical equipment products** *RMB'000*	**Total** *RMB'000*
Revenue from contracts with customers				
External customers	**183,712**	**3,173**	**1,482**	**188,367**
Intersegment sales	**–**	**–**	**172**	**172**
	183,712	**3,173**	**1,654**	**188,539**
Intersegment adjustments and eliminations	**–**	**–**	**(172)**	**(172)**
Total revenue form contracts with customers	**183,712**	**3,173**	**1,482**	**188,367**

For the year ended 31 December 2020

Segments	Aesthetic medical services *RMB'000*	Consulting services *RMB'000*	Total *RMB'000*
Revenue from contracts with customers			
External customers	161,906	2,639	164,545

An analysis of other income and gains is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Other income		
Government subsidies	**281**	3,245
Investment income	**246**	508
Interest income	**988**	174
Lease payments waived	**-**	874
Others	**92**	292
	1,607	5,093
Gains		
Gains on derecognition of financial liabilities measured at amortised cost	**1,074**	-
	2,681	5,093

4. PROFIT/(LOSS) BEFORE TAX

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

	2021	2020
	RMB'000	*RMB'000*
Cost of supplies consumed	**66,199**	48,309
Cost of inventories sold	**322**	–
Amortisation of intangible assets	**1,044**	115
Depreciation of property, plant and equipment	**7,461**	7,401
Depreciation of right-of-use assets	**6,023**	5,812
Impairment of goodwill	**–**	429
Lease payments not included in the measurement of lease liabilities	**1,354**	40
Listing expenses (including reporting accountants' remuneration)	**–**	16,999
Auditor's remuneration	**2,200**	1,180
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**65,040**	45,277
Equity-settled share option expense	**987**	–
Pension scheme contributions	**6,465**	4,066
Staff welfare expenses	**2,141**	3,080
Impairment of trade receivables, net	**596**	(39)
Impairment of financial assets included in prepayments, other receivables and other assets	**(5)**	169
Impairment of property, plant and equipment	**–**	53
Loss on disposal of items of property, plant and equipment	**329**	19
Promotion and marketing expenses	**26,849**	16,169
Professional fee	**8,856**	–
Foreign exchange differences, net	**2,403**	256

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on lease liabilities	**1,749**	1,957
Interest on bank borrowings	**670**	485
	2,419	2,442

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.

	2021	2020
	RMB'000	*RMB'000*
Current tax		
Charge for the year	**224**	3,342
Overprovision in prior years	**(107)**	–
Deferred tax	**(4,799)**	3,314
Total tax charge/(credit) for the year	**(4,682)**	6,656

The majority of the Company's subsidiaries are domiciled in Mainland China. A reconciliation of the tax expenses applicable to loss/profit before tax at the statutory rate for Mainland China to the tax expenses at the Group's effective tax rate is as follows:

	2021	2020
	RMB'000	*RMB'000*
(Loss)/Profit before tax	**(22,948)**	11,567
Tax at the PRC statutory income tax rate*	**(5,737)**	2,892
Effect of different tax rates of subsidiaries**	**1,421**	(112)
Adjustments in respect of current tax of previous periods	**(107)**	–
Losses attributable to associates	**38**	–
Expenses not deductible for tax	**43**	77
Utilisation of deductible temporary differences previously not recognised	**(356)**	–
Deductible temporary differences and tax losses not recognised	**16**	3,799
	(4,682)	6,656

* The provision for current income tax in Mainland China is based on the statutory rate of 25% of the assessable profit of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

** 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% 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 preferential tax rate of 2.5% (2020: 5%) for the year ended 31 December 2021.

7. DIVIDENDS

No dividend was paid or declared by the Company for the year ended 31 December 2021.

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,087,268,055 (2020: 1,716,243,169) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 in respect of a dilution as the impact of the option outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2020 included the weighted average of 342,500,000 ordinary shares issued in connection with the Company's initial public offering and 1,712,500,000 shares in connection with the capitalisation issue, which were deemed to be issued as of the beginning of 2020.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2021 included the weighted average of 34,040,000 ordinary shares issued in connection with the Company's over allotment of initial public offering and the aforesaid 2,055,000,000 ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2021	2020
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**(17,691)**	4,251
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,087,268,055**	1,716,243,169
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	–
	2,087,268,055	1,716,243,169

9. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**6,420**	5,205
Impairment	**(326)**	(77)
	6,094	5,128

The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**5,886**	4,430
4 to 6 months	**36**	339
7 to 12 months	**172**	308
1 to 2 years	**–**	51
	6,094	5,128

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**77**	116
Impairment losses, net	**596**	(39)
Amount written off as uncollectible	**(347)**	–
At end of year	**326**	77

10. 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:

	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**7,817**	7,278
91 to 180 days	**2,105**	1,490
181 to 365 days	**1,629**	769
Over 365 days	**1,014**	2,618
	12,565	12,155

Trade payables are non-interest-bearing and are normally settled on 90-day terms.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a leading aesthetic medical service provider in Zhejiang Province, the People's Republic of China (the "**PRC**"), and our main business is offering a broad range of aesthetic medical services to our clients, including aesthetic surgery services, minimally-invasive aesthetic services and aesthetic dermatology services. After 14 years of brand operation of the Group, our network of service institutions has continued to expand. As at 31 December 2021, we own and operate a network of four private for-profit aesthetic medical service institutions in the PRC, while three of them are located in Zhejiang Province and one of them is located in Anhui Province. We have over 70 physicians who practiced at our aesthetic medical institutions with an average industry experience over ten years. Based on this, we have also developed aesthetic medical management consulting services and sales of aesthetic medical equipment products.

For the year of 2021, the Group's income was approximately RMB188.4 million, representing an increase of 14.5% as compared with the income of approximately RMB164.5 million for the year of 2020. Our annual loss was approximately RMB18.3 million (2020: profit of approximately RMB4.9 million). The increase in revenue and turnaround from profit to loss are mainly attributable to the businesses of our medical institutions in Hangzhou and Zhejiang were affected by the new travel restrictions and strict pandemic control policies (the "**New Control Measures**") imposed by the Hangzhou and the Zhejiang governments for nearly a month since November 2021, resulting in (i) our customers were unable to fulfill the online sales orders at our medical institutions in November and December 2021; (ii) we were unable to adjust our staff structure (a new marketing team) ready for the "double 11" and "double 12" events within a short period of time, resulting in an increase in our staff costs when compared to that in 2020; and (iii) the marketing activities and the Group's brand promotion of "double 11" and "double 12" that we have invested heavily failed to achieve the expected results.

In 2021, under the ongoing adverse impact of the COVID-19 pandemic, we have incurred a significant loss. The number of active aesthetic medical clients was approximately 65,500, representing a decrease of 10.5% from the number of active clients of approximately 73,200 in 2020; among them, the number of new clients was approximately 25,800 (2020: 31,800), accounting for 39.4% (2020: 43.5%) of the total number of aesthetic medical clients in 2021. However, during the Year, we increased investment in the "light aesthetic medical" market with the advantages of fashion, speed, convenience, minimized risks, and shortest repair period, and took other effective measures, which won the favor of many beauty seekers and improved the consumption level of clients. The average consumption per client was approximately RMB2,800, representing an increase of approximately 27.3% from the average consumption per client of approximately RMB2,200 in 2020. In addition, we made the following achievements in 2021:

Affected by the pandemic in 2021, the volume of consulting services we provide to third-party aesthetic medical institutions has decreased and the number of aesthetic medical institutions which we provide such service has reduced from 12 in 2020 to 6 in 2021. Therefore, while developing our main business, we have also actively carried out activities to support small and medium aesthetic medical institutions. As the main undertaker of the "CAPA Small and Medium Aesthetic Medical Institutions 2021 Assistance Plan"（中國整形美容協會中小醫美機構2021幫扶計劃）, which covers 19 provinces across the country and more than 800 aesthetic medical institutions, we have established cooperative relationship with many small and medium aesthetic medical institutions and have established good brand reputation in the industry. As a result, our revenue from the aesthetic medical management consulting services in 2021 was approximately RMB3.2 million, representing an increase of approximately 20.2% from approximately RMB2.6 million of revenue from aesthetic medical management consulting services in 2020.

In the second half of 2021, we acquired Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd ("**Jiumei Xinhe**"). Since then, we have officially entered the sales field of aesthetic medical equipment products (i.e. surgical implants and aesthetic medical skincare products, etc.). The sales of surgical implants mainly represent the sales of Chuzhen facial implant of Jiumei Xinhe, a brand of e-PTFE (expanded polytetrafluoroethylene) facial implant imported from South Korea. In 2021, Jiumei Xinhe's e-PTFE Chuzhen facial implant started to be sold in Beijing, Shanghai, Chongqing and other cities. Chuzhen e-PTFE (expanded polytetrafluoroethylene) facial implant is rich in fluorinated ethylene propylene (FEP), with greater strength and good support, and is easy to sculpt, anti-deformation. Tissues and blood vessels are easier to invade and grow, and the Chunzhen material has the advantages of quick recovery, no displacement and better stability. It is available in two hardness series, in nearly 100 types of molded bulk and block sizes. The sales of aesthetic medical skincare products were mainly the sales of the aesthetic medical skincare products from the WeChat applet of RAILY Skincare Products Mall. RAILY Skincare Products Mall is a professional aesthetic medical skincare products platform. We have selected domestic and foreign aesthetic medical skincare products with clearer effects, simpler ingredients, milder use and safety under the professional support and strict selection requirements of a team of senior skin experts. Whether it is skincare after aesthetic medical projects or daily skincare, it can meet the diverse skincare needs of different customers. At present, the Mall has been officially authorized by many domestic and foreign brands.

Upgrading and expansion of the existing medical institutions help to improve the service environment of our aesthetic medical institutions, enhance user experience and attract more customers. In 2021, we have completed the renovation and expansion of the facilities of Wuhu Raily Medical Beauty Clinic Co., Ltd ("**Wuhu Raily**"). The renovation and expansion of the facilities of the Hangzhou Raily Aesthetic Medical Hospital Co., Ltd. ("**Hangzhou Raily**") is expected to be completed in the second quarter of 2022.

The following table sets forth the gross floor area of our aesthetic medical institutions after the renovation and expansion plan in 2022:

Aesthetic Medical Institution	**Commencement Date of Operation**	**Before the renovation and expansion Approximate Gross Floor Area** *(sq.m)*	**After the renovation and expansion Approximate Gross Floor Area** *(sq.m)*
Hangzhou Raily	August 2013	2,800	7,300
Ruian Raily	March 2013	2,900	2,900
Raily Tiange	August 2008	1,000	1,000
Wuhu Raily	July 2015	1,400	2,900
Total	–	8,100	14,100

The following is a summary of the consolidated statement of profit or loss and other comprehensive income:

	Year ended 31 December		
	2021	2020	Change
	RMB'000	*RMB'000*	*%*
Revenue	**188,367**	164,545	14.5
Gross profit	**69,692**	80,171	(13.1)
(Loss)/Profit before tax	**(22,948)**	11,567	(298.4)
(Loss)/Profit for the year	**(18,266)**	4,911	(471.9)
Attributable to:			
Owners of the parent	**(17,691)**	4,251	(516.2)
Non-controlling interests	**(575)**	660	(187.1)
	(18,266)	4,911	(471.9)

Non-IFRS Measures

We recognised non-recurring items in the Year. To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also present the adjusted profit before tax, adjusted profit for the Year and adjusted net profit margin as non-IFRS measures.

We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of professional fee, exchange loss, and share option expense, which are considered not indicative for evaluation of the actual performance of our business. We believe that these non-IFRS measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

	Year ended 31 December		
	2021	2020	Change
	RMB'000	*RMB'000*	*%*
(Loss)/profit before tax	**(22,948)**	11,567	(298.4)
(Loss)/profit for the year	**(18,266)**	4,911	(471.9)
Adjusted for:			
– Professional fee and listing expenses	**8,856**	16,999	(47.9)
– Exchange loss	**2,403**	256	838.7
– Share option expense	**1,038**	–	–
Adjusted (loss)/profit before tax	**(10,651)**	28,822	(137.0)
Adjusted (loss)/profit for the year	**(5,969)**	22,166	(126.9)
Adjusted net (loss)/profit margin for the year	**(3.2%)**	13.5%	

PRINCIPAL RISKS AND UNCERTAINTIES

– Medical liability insurance. During the Year, we did not maintain medical liability insurance for our aesthetic medical institutions or our physicians (including employee physicians and contract physicians) and medical staff.

– We rely on the performance of our physicians and other staff. Our physicians' and medical staff's treatment performance, communication and relationship with our clients are vital to our business.

– We rely on the brand recognition. We need to maintain and enhance the brand image for a long time, and we believe our success and continued growth depend substantially on our brand, market reputation and consumer perception.

– Impact of the COVID-19 pandemic. The continuation or recurrence of the COVID-19 pandemic may have a certain adverse impact on the normal operation of the Company, the travel of clients and the consumption of clients in medical institutions.

– We rely on the development of the cities where medical institutions are located. If the average spending power of the population in the cities where our medical institutions are located, namely Hangzhou City, Ruian City and Wuhu City, declines or the economic growth in these regions slow down, our operating results and profitability may be adversely affected.

– Exchange risk. Our listing proceeds are denominated in Hong Kong dollars and a decrease in the exchange rate from Hong Kong dollars to Renminbi may result in additional foreign exchange losses for us.

– Research and Development (R&D) risk. The R&D and production of new aesthetic medical materials that we initially engaged need investment of a large amount of R&D fees and factory construction costs in the early stage. The failure of the product R&D will lead to the failure of the investment in the early stage to achieve the expected effect.

OUR CLIENTS

During the Year, all of our aesthetic medical service clients were individual retail clients, clients for our aesthetic medical management consulting services were aesthetic medical institutions, and clients for sales of aesthetic medical products were sales agencies and individual retail clients.

The following table sets forth the approximate number of aesthetic medical procedures we provided, the approximate average spending per procedure, the approximate number of active clients and the approximate average spending per active client during the Year:

	Year ended 31 December	
	2021	2020
Aesthetic surgery services		
Number of procedures performed	**2,900**	5,900
Average spending per procedure[1] *(RMB)*	**5,800**	6,400
Number of active clients	**2,900**	3,100
Average spending per active client[2] *(RMB)*	**5,900**	12,100
Minimally-invasive aesthetic services		
Number of procedures performed	**56,000**	49,200
Average spending per procedure[1] *(RMB)*	**1,400**	1,000
Number of active clients	**20,300**	20,600
Average spending per active client[2] *(RMB)*	**3,800**	2,400
Aesthetic dermatology services		
Number of procedures performed[3]	**462,100**	298,000
Average spending per procedure[1] *(RMB)*	**200**	200
Number of active clients	**42,000**	49,500
Average spending per active client[2] *(RMB)*	**1,900**	1,300

Notes:

(1) We calculated the average spending per procedure by dividing the revenue of each type of aesthetic medical services by the relevant number of procedures performed during the Year.

(2) We calculated the average spending per active client by dividing the revenue of each type of aesthetic medical services by their relevant number of active clients during the Year.

(3) The number of procedures performed includes trial procedures, retouch procedures and procedures performed as promotional gifts.

OUR SUPPLIERS

During the Year, the supplies required in our operations primarily include implants, injection materials, pharmaceuticals, other medical consumables and aesthetic medical skincare products. Our five largest suppliers include suppliers of injection materials, implants and medical consumables. We have good relationship with our five largest suppliers for one to eight years in 2021.

FINANCIAL REVIEW

Revenue

The following table sets forth our revenue by service offerings in 2021:

	Year ended 31 December				
	2021		2020		
	Revenue	**% of total revenue**	Revenue	% of total revenue	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Aesthetic medical services	**183,712**	**97.5**	161,906	98.4	13.5
Aesthetic surgery services	**16,934**	**9.0**	37,754	22.9	(55.1)
Minimally-invasive aesthetic services	**76,423**	**40.6**	48,961	29.8	56.1
Aesthetic dermatology services	**81,759**	**43.4**	65,820	40.0	24.2
Others *(Note)*	**8,596**	**4.5**	9,371	5.7	(8.3)
Aesthetic medical management consulting services	**3,173**	**1.7**	2,639	1.6	20.2
Sales of aesthetic medical equipment products	**1,482**	**0.8**	–	–	–
	188,367	**100.0**	164,545	100.0	14.5

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

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 various parts of the face or body, such as eyelids, nose, breast and facial shape; (ii) minimally-invasive aesthetic services, which involve minimal penetration into the body tissue with no surgical incisions. Such procedures primarily comprise injection of botulinum toxin type A and dermal fillers into different parts of the body and face in order to reduce wrinkles and/or to achieve body and facial 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 and pigments removal, skin rejuvenation, skin lifting and tightening, and hair removal.

In 2021, our gross revenue from the aesthetic medical services and the aesthetic medical management consulting services was approximately RMB183.7 million and RMB3.2 million, representing an increase of 13.5% and 20.2% from approximately RMB161.9 million and RMB2.6 million of the gross revenue from aesthetic medical services and aesthetic medical management consulting services in 2020, respectively.

In 2021, our revenue from the aesthetic dermatology services and the minimally-invasive aesthetic services was approximately RMB81.8 million and RMB76.4 million respectively, representing a significant increase of 24.2% and 56.1% from approximately RMB65.8 million and RMB49.0 million of the revenue from aesthetic dermatology services and minimally-invasive aesthetic services in 2020, respectively. In 2021, our revenue from the aesthetic surgery services was approximately RMB16.9 million, representing a decrease of 55.1% from approximately RMB37.8 million of the revenue from aesthetic surgery services in 2020. The decrease in revenue was primarily due to the continuation of the COVID-19 pandemic and the implementation of prevention and control policies by the Government which changed the structure of our clients' consumption of aesthetic medical services, customers prefer faster and safer minimally-invasive aesthetic services.

In 2021, the revenue from our newly conducted sales business of aesthetic medical equipment products was approximately RMB1.5 million.

COST OF SALES

Our cost of sales mainly included cost of supplies consumed and staff costs. In 2021, our cost of sales was approximately RMB118.7 million representing an increase of about 40.7% from approximately RMB84.4 million of the cost of sales in 2020.

Our cost of sales by nature is as follows:

	Year ended 31 December				
	2021		2020		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Cost of supplies consumed	**66,199**	**55.8**	48,309	57.3	37.0
Cost of inventories sold	**322**	**0.3**	–	–	–
Staff costs	**39,769**	**33.5**	29,643	35.1	34.2
Others	**12,385**	**10.4**	6,422	7.6	92.9
	118,675	**100.0**	84,374	100.0	40.7

Cost of supplies consumed was our largest component of cost of sales in 2021, which included the cost of our medical consumables mainly representing implants and auxiliary materials used in our aesthetic surgery services, hyaluronic acid used in our minimally-invasive aesthetic services, laser consumables and auxiliary materials and aesthetic medical equipment products used in our aesthetic dermatology services. Cost of inventories sold is the main cost of the new business of aesthetic medical equipment products sales which was launched this year. With the increase in the revenue of minimally-invasive aesthetic services and aesthetic dermatology services and the development of new business of aesthetic medical equipment products sales, the consumed supplies increased accordingly.

Staff costs were our second largest component of our cost of sales in 2021, which mainly represented salaries and bonuses paid to our physicians and medical staff. All our aesthetic surgery services, minimally-invasive aesthetic services and aesthetic dermatology procedures are required to be performed by qualified physicians with necessary clinical working experience in accordance with the relevant PRC laws and regulations.

Other cost of sales mainly included rental, depreciation and travelling expenses. Other cost of sales increased significantly due to the large increase of rental, resulting from the implementation of the expansion plan in 2021 and the failure to enjoy the rent concessions policy.

GROSS PROFIT

In 2021, our gross profit amounted to approximately RMB69.7 million, representing a decrease of 13.1% from approximately RMB80.2 million of the gross profit in 2020. During the Year, our gross profit margin was approximately 37.0%, representing a decrease of 11.7 percentage points from approximately 48.7% of the gross profit margin in 2020.

The following table sets forth our gross profit and gross profit margin by service offered in 2021:

	Year ended 31 December				
	2021		2020		
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Aesthetic medical services	**66,860**	**36.4**	79,250	48.9	(15.6)
Aesthetic surgery services	**3,803**	**22.5**	22,551	59.7	(83.1)
Minimally-invasive aesthetic services	**26,642**	**34.9**	17,759	36.3	50.0
Aesthetic dermatology services	**38,908**	**47.6**	42,275	64.2	(8.0)
Others *(Note)*	**(2,493)**	**(29.0)**	(3,335)	(35.6)	(25.2)
Aesthetic medical management consulting services	**1,827**	**57.6**	921	34.9	98.4
Sales of aesthetic medical equipment products	**1,005**	**67.8**	–	–	–
	69,692	**37.0**	80,171	48.7	(13.1)

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

In 2021, the total gross profit of aesthetic medical services was approximately RMB66.9 million, representing a decrease of approximately 15.6% from RMB79.3 million of the total gross profit in 2020. Among them, the gross profit of the aesthetic surgery services decreased by approximately RMB18.8 million, from approximately RMB22.6 million in 2020 to approximately RMB3.8 million in 2021. The reason is that the decrease in the revenue of aesthetic surgery services due to the impact of COVID-19 pandemic, but the staff costs and fixed costs such as rent and depreciation of our aesthetic surgery services are still normal. In 2021, the gross profit of the aesthetic medical management consulting services was approximately RMB1.8 million, representing an increase of approximately 98.4% from approximately RMB0.9 million of the gross profit of aesthetic medical management consulting services in 2020. The gross profit margin of the newly conducted sales business of aesthetic medical equipment products during the Year was approximately 67.8%.

Our overall gross profit margin in 2021 was 37.0%, which is a drop of 11.7 percentage points compared to that in 2020, which is mainly due to the decrease in customer flow (especially in aesthetic surgical services) due to the strict COVID-19 prevention and control measures, as well as the increase in material costs and staff costs.

OTHER INCOME AND GAINS

In 2021, our other income and gains amounted to approximately RMB2.7 million, representing a decrease of approximately 47.1% from approximately RMB5.1 million in 2020. Such decrease was mainly attributable to the decrease of Government grants.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses primarily comprised promotion and marketing expenses, and staff costs. In 2021, our selling and distribution expenses amounted to approximately RMB54.5 million, representing an increase of approximately 64.7% from RMB33.1 million in 2020, which is mainly attributable to the increase in marketing and advertising activities to promote our brand name. In 2021, our online advertisements were generally displayed in the forms of videos, advertorials, banners and live broadcast on websites and applications on the e-commerce online platforms. In addition, we promote our brand and services through out-of-home advertising channels, such as billboards. Due to the increased investment in the marketing activities and brand promotion of the "Double 11" and "Double 12" in 2021, promotion and marketing expenses and staff costs increased accordingly. But under the ongoing impact of COVID-19 pandemic, the marketing activities and the Group's brand promotion of "Double 11" and "Double 12" that we have invested heavily failed to achieve the expected results.

ADMINISTRATIVE EXPENSES

In 2021, our administrative expenses amounted to approximately RMB34.7 million, representing a decrease of approximately RMB2.3 million from RMB37.0 million in 2020. This is primarily attributable to the decrease in professional fees paid to legal, accounting and other advisers. Our administrative expenses primarily comprised professional fees, staff costs, rental related expenses, utility, depreciation expenses and other administrative office expenses.

FINANCE COSTS

In 2021, our finance cost amounted to approximately RMB2.4 million (2020: RMB2.4 million). Our finance costs primarily comprised interest on lease liabilities, interest on bank borrowings and exchange loss.

INCOME TAX CREDIT

Our income tax expenses/credit represented our total current income tax and deferred tax expenses/ credit under the relevant PRC income tax policies and regulations. We recorded an income tax credit of approximately RMB4.7 million in 2021 (2020: income tax expenses of RMB6.7 million), and our effective tax rate was 20.4% (2020: 57.5%).

TOTAL COMPREHENSIVE LOSS FOR THE YEAR

We recorded a loss of approximately RMB18.3 million in 2021 (2020: profit of RMB4.9 million). Among them, the professional fee, exchange loss and share option expense in 2021 were approximately RMB12.3 million (2020: RMB17.3 million). Save for the above factors, the adjusted net loss under the non-auditing standard were approximately RMB6.0 million (2020: the adjusted net profit under the non-auditing standard of approximately RMB22.2 million).

LIQUIDITY AND CAPITAL RESOURCES

We maintain a strong financial position with cash and bank balance and time deposits of approximately RMB121.7 million as at 31 December 2021 (31 December 2020: RMB158.9 million). Our net current assets were approximately RMB35.7 million as at 31 December 2021 (31 December 2020: RMB120.1 million). The decrease was mainly attributable to the decrease in cash and bank balances and the increase in the contingent consideration for the acquisition of Jiumei Xinhe. 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 31 December 2021, our Group has unutilised banking facilities of approximately RMB20.0 million for working capital purposes (approximately RMB12.0 million was unutilised as at 31 December 2020 for working capital purposes).

LEASE LIABILITIES

As at 31 December 2021, the Group had lease liabilities of approximately RMB47.5 million (31 December 2020: RMB19.2 million).

COMMITMENTS

As at 31 December 2021, the Group's contracted, but not provided for commitments amounting to approximately RMB4.7 million, mainly for leasehold improvements, plant and machinery (31 December 2020: Nil).

CAPITAL EXPENDITURES

During the Year, the Group purchased long-term asset amounting to approximately RMB45.8 million (2020: RMB8.6 million).

INDEBTEDNESS

Interest-bearing Bank Borrowings

As at 31 December 2021, our Group had approximately RMB20.0 million outstanding interest-bearing bank borrowings (31 December 2020: RMB13.0 million) of which RMB20.0 million are at fixed interest rates (31 December 2020: RMB13.0 million).

As at 31 December 2021, all of the bank borrowings were repayable within one year and there was no other borrowing as at 31 December 2021. All the borrowings are denominated in RMB.

Contingent Liabilities and Guarantees

As at 31 December 2021, our Group had no significant contingent liabilities and guarantees (31 December 2020: Nil).

PLEDGE OF ASSETS

As at 31 December 2021, 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 2020: bank loans secured by the Group's pledged deposits of RMB10.5 million).

GEARING RATIO

Gearing ratio is calculated by dividing total liabilities by total equity as at 31 December 2021 and multiplying the result by 100%. As at 31 December 2021, the Group had total debt of approximately RMB162.4 million (31 December 2020: RMB85.6 million) and the gearing ratio is about 89.0% (31 December 2020: 45.8%).

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.

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.

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

Acquisition of 25% equity interest in Biotrisse

On 12 July 2021, Shenzhen Ruiquan Management Consulting Co., Ltd. ("**Shenzhen Ruiquan**"), an indirect wholly owned subsidiary of the Company, entered into a capital increase agreement with 比奧瑞思醫美（北京）商貿有限公司 (Biotrisse Aesthetic Medicine (Beijing) Trading Co., Ltd*) ("**Biotrisse**"), pursuant to which Shenzhen Ruiquan agrees to inject RMB3,500,000 into the capital of Biotrisse and to acquire 25% equity interests of Biotrisse.

For details, please refer to the Company's announcement dated 12 July 2021.

Acquisition of 90% equity interest in the Jiumei Xinhe

On 20 August 2021, Shenzhen Ruiquan entered into an agreement to acquire 90% equity interest in Jiumei Xinhe at the consideration of RMB95.0 million.

Pursuant to the sale and purchase agreement, among the consideration, RMB25.0 million shall be settled in cash upon completion of the acquisition and the remaining RMB70.0 million shall be settled by the allotment and issue of the consideration shares at the issue price of HK$0.477 per consideration shares or by cash, at the discretion of Shenzhen Ruiquan, in four instalments upon satisfaction of the profit guarantee.

For details, please refer to the Company's announcements dated 20 August 2021 and 25 August 2021.

Saved as disclosed in this announcement, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

* *For identification purposes only*

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement 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 31 December 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, we had 395 employees in the PRC.

Function	**Number of Employees**
Management	11
Physicians and medical Staff	175
Sales, marketing and client service Staff	140
Finance and administration Staff	69
Total	395

During the Year, our total staff costs amounted to approximately RMB76.3 million (2020: RMB54.7 million), accounting for approximately 40.5% (2020: 33.3%) of our total revenue in 2021.

We believe we provide our physicians and medical staff with competitive compensation packages, continued medical education opportunities and a professional working environment. We 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 later be considered 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 profile to ensure compliance with 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 Company provides employees with relevant internal and/or external training from time to time. In addition to basic salaries, the Company also provides year-end bonuses to outstanding employees in order to attract and retain qualified employees, so that they can contribute to the Group.

The employees of the Group in PRC are required to participate in a central pension scheme operated by local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the 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.

USE OF PROCEEDS

The Company was successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2020 (the "**Listing**"). The net proceeds from the Global Offering including exercise of over-allotment options were 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 announcement, there was no change in the intended use of Net Proceeds as previously disclosed in the section headed "**Future Plans and Use of Proceeds**" in the Prospectus. However, the net proceeds planned to be used for renovation and expansion of existing aesthetic medical institutions and actively promotion of our brand have been utilised in advance by HK$8.4 million and HK$5.6 million, respectively.

The following table sets forth a summary of the utilization of the Net Proceeds as at 31 December 2021:

Purpose	Percentage to total amount	Planned use of net proceeds *HK$'million*	Actual use of proceeds up to 31 December 2021 *HK$'million*	Unutilised amount as at 31 December 2021 *HK$'million*	Expected timeline of full utilisation of the remaining proceeds
Expanding our aesthetic medical institutions network	**71.0%**	**58.0**	**12.5**	**45.5**	**31 December 2023**
– Renovation and expansion of existing aesthetic medical institutions	28.0%	22.9	12.5	10.4	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**	**3.1**	**5.9**	**31 December 2022**
Actively promote our brand	**8.0%**	**6.5**	**6.5**	**–**	**31 December 2023**
General working capital	**10.0%**	**8.2**	**1.5**	**6.7**	**31 December 2023**
Total	**100.0%**	**81.7**	**23.6**	**58.1**	

PROSPECTS

At present, the COVID-19 pandemic in China has been effectively controlled. With the recovery of China's economy and the arrival of the era of beauty, the demand for aesthetic medical projects has been increasing, and the aesthetic medical market has developed rapidly with extensive room for progression.

With technological innovation, more and more clients tend to order safe and pain-free aesthetic medical services, such as photon rejuvenation. Due to clients' general concern on the risks associated with aesthetic procedures, aesthetic injection procedures and energy-based aesthetic procedures need a shorter recovery time and have relatively lower risks of complications. In the future, more clients will prefer aesthetic injection procedures and energy-based aesthetic procedures to satisfy their needs. We will carry out clinical research, accumulate clinical data and conduct in-depth re-research and innovation while introducing international advanced aesthetic medical products and aesthetic medical equipment.

With strong sense of experience, significant efficacy and higher safety, minimally-invasive aesthetic medical projects are popular among young clients. Minimally-invasive aesthetic medical area is being upgraded in a more diversified and easier way. We will also gradually expand the sales of our minimally-invasive, aesthetic dermatology and aesthetic medical skincare products.

We have acquired Jiumei Xinhe in August 2021 and commenced a new business of aesthetic medical equipment products sales, which will generate a net profit of approximately RMB8.0 million, RMB11.0 million and RMB14.5 million for the Group in 2022, 2023 and 2024, respectively.

We plan to establish a Raily Aesthetic Medicine Biomaterial R & D Center and to implement the Boao Lecheng International Medical Tourism Pilot Zone High-end Aesthetic Medical Hospital project, and explore the integration and innovation of mature high-tech and aesthetic medical services; The Group also organized the construction of the R & D plant of Suzhou Yonglan and commenced the R & D and production of new aesthetic medical materials.

DIVIDEND

The Board resolved not to declare any final dividend for 2021 (2020: Nil).

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

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities of the Stock Exchange (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 Year.

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 the Corporate Governance Code (effective from 1 January 2022) (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

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

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.

AUDIT COMMITTEE

The composition of the audit committee of the Company (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 paragraph D.3 of 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.

A summary of the work performed by the Audit Committee is as follows:

a. Financial Reporting

- Reviewed and approved the audited consolidated financial statements for the year ended 31 December 2021 in conjunction with the Company's external auditors, Ernst & Young, and the unaudited financial statements for 6 months ended 30 June 2021 prior to approval by the Board;

- Reviewed the accounting principles and practices adopted by the Group;

- Reviewed the auditing and financial reporting matters, including the key audit matters of the consolidated financial statements for the year ended 31 December 2020 which are set out in the annual report of the Company for the year ended 31 December 2020;

- Reviewed the audit planning for the year ended 31 December 2021 in conjunction with the Company's external auditors;

b. External Auditors

- Approved the remuneration and terms of engagement of the Company's external auditors;

- Reviewed the independence and objectivity of the Company's external auditors and the effectiveness of audit procedures according to applicable standards;

- Reviewed the re-appointment of Company's external auditors and was satisfied with their work, their independence, and their objectivity, and therefore recommended the re-appointment of Ernst & Young (which had indicated their willingness to continue in office) as the Company's external auditors for Shareholders' approval in the annual general meeting to be held on 10 June 2022;

- Met with the Company's external auditors without the attendance from the executive Directors;

c. Internal Audit

- Reviewed the audit procedures and risk management and internal control systems of the internal audit department; and

d. Risk Management and Internal Controls

- Reviewed the effectiveness of risk management and internal control systems.

The Audit Committee has reviewed and approved the annual results of the Group for the year ended 31 December 2021 prior to approval by the Board, which was of the view that the preparation of such annual results have complied with the requirements of the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

2022 ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**2022 AGM**") will be held on Friday, 10 June 2022. A notice convening the 2022 AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022, both days inclusive, in order to determine the identity of the shareholders of the Company who are entitled to attend the forthcoming 2022 AGM to be held on Friday, 10 June 2022. To be eligible for attending and voting at the 2022 AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, 6 June 2022.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the Company's website (http://www.raily.com) and the Stock Exchange's website (https://www.hkex.com.hk). The annual report for 2021 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforementioned websites in due course.

By Order of the Board of
Raily Aesthetic Medicine International Holdings Limited
Fu Haishu
Chairman

Hangzhou, China, 31 March 2022

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