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 2023

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 2023 (the "**Year**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
REVENUE	*3*	**189,384**	164,522
Cost of sales		**(117,891)**	(97,739)
Gross profit		**71,493**	66,783
Other income and gains	*3*	**8,774**	8,071
Selling and distribution expenses		**(52,285)**	(49,287)
Administrative expenses		**(40,100)**	(35,882)
Other expenses		**(16,752)**	(6,822)
Research and development expenses		**(1,602)**	(2,000)
Finance costs	*5*	**(2,798)**	(2,801)
Share of loss of an associate		**(1,740)**	(163)
LOSS BEFORE TAX	*4*	**(35,010)**	(22,101)
Income tax (expense)/credit	*6*	**(2,769)**	1,854
LOSS FOR THE YEAR		**(37,779)**	(20,247)
Attributable to:			
Owners of the parent		**(32,457)**	(15,911)
Non-controlling interests		**(5,322)**	(4,336)
		(37,779)	(20,247)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted			
– For loss for the year *(RMB)*		**(7.77) cents**	(3.81) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**50,291**	40,763
Right-of-use assets		**44,335**	43,243
Goodwill		**44,822**	56,764
Other intangible assets		**23,822**	30,467
Investment in an associate		**706**	3,262
Deferred tax assets		**9,396**	12,716
Pledged deposits		**–**	1,543
Other non-current assets		**20,611**	1,333
Total non-current assets		**193,983**	190,091
CURRENT ASSETS			
Inventories and supplies		**11,438**	12,678
Trade receivables	*9*	**9,499**	5,341
Prepayments, other receivables and other current assets		**17,304**	15,762
Pledged deposits		**1,585**	–
Cash and bank balances		**39,790**	78,779
Total current assets		**79,616**	112,560
CURRENT LIABILITIES			
Trade payables	*10*	**9,502**	9,169
Other payables and accruals		**23,943**	18,562
Amount due to an independent director		**–**	466
Interest-bearing bank borrowings		**7,000**	5,000
Contract liabilities		**20,977**	16,608
Refund liabilities		**3,204**	4,076
Contingent consideration		**10,295**	6,386
Lease liabilities		**10,342**	8,666
Tax payable		**6,896**	7,480
Total current liabilities		**92,159**	76,413
NET CURRENT (LIABILITIES)/ASSETS		**(12,543)**	36,147
TOTAL ASSETS LESS CURRENT LIABILITIES		**181,440**	226,238

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**34,442**	34,555
Deferred tax liabilities	**5,875**	6,625
Contingent consideration	**8,141**	19,181
Other non-current liabilities	**392**	–
Total non-current liabilities	**48,850**	60,361
Net assets	**132,590**	165,877
EQUITY		
Equity attributable to owners of the parent		
Share capital	**136,267**	136,267
Other reserves	**1,848**	29,813
	138,115	166,080
Non-controlling interests	**(5,525)**	(203)
Total equity	**132,590**	165,877

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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) approved by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income and a defined benefit plan. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group had net current liabilities of RMB12,543,000 as at 31 December 2023, among which the current contingent consideration amounted to RMB10,295,000 could be paid in shares by the Company. Having taken into account the unused banking facilities and the expected cash flows from operating activities, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 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 (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 27 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

(d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

1.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current (the "**2020 Amendments**")*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] No mandatory effective date yet determined but available for adoption

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

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 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. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

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:

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

- Consulting services comprise principally management consulting services.

- 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 liabilities).

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude contingent consideration, interest-bearing bank borrowings (other than lease liabilities), an amount due to an independent director, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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.

For the year ended 31 December 2023	**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	**174,910**	**–**	**14,474**	**189,384**
Intersegment sales	**–**	**–**	**746**	**746**
	174,910	**–**	**15,220**	**190,130**
Reconciliation:				
Elimination of intersegment sales				**(746)**
Revenue from continuing operations				**189,384**
Segment results	**(13,301)**	**(57)**	**2,548**	**(10,810)**
Reconciliation:				
Elimination of intersegment results				**(25)**
Other income and gains				**1,643**
Corporate and unallocated expenses				**(25,476)**
Finance costs (other than interest on lease liabilities)				**(342)**
Loss before income tax				**(35,010)**
Segment assets	**107,140**	**14**	**86,066**	**193,220**
Reconciliation:				
Corporate and other unallocated assets				**80,379**
Total assets				**273,599**
Segment liabilities	**99,019**	**57**	**3,356**	**102,432**
Reconciliation:				
Corporate and other unallocated liabilities				**38,577**
Total liabilities				**141,009**
Other segment information:				
Share of losses of an associate	**–**	**–**	**1,740**	**1,740**
Impairment losses recognised in the statement of profit or loss, net	**7,701**	**–**	**4,269**	**11,970**
Depreciation and amortisation	**22,013**	**7**	**4,162**	**26,182**
Capital expenditure*	**9,062**	**166**	**–**	**9,228**

* Capital expenditure consists of additions to property, plant and equipment, other non-current assets and intangible assets.

For the year ended 31 December 2022	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	151,661	27	12,834	164,522
Intersegment sales	–	–	1,378	1,378
	151,661	27	14,212	165,900
Reconciliation:				
Elimination of intersegment sales				(1,378)
Revenue from continuing operations				164,522
Segment results	(10,067)	(796)	5,818	(5,045)
Reconciliation:				
Elimination of intersegment results				(94)
Other income and gains				4,201
Corporate and unallocated expenses				(20,945)
Finance costs (other than interest on lease liabilities)				(218)
Loss before income tax				(22,101)
Segment assets	109,388	455	93,421	203,264
Reconciliation:				
Corporate and other unallocated assets				99,387
Total assets				302,651
Segment liabilities	82,477	19	6,462	88,958
Reconciliation:				
Corporate and other unallocated liabilities				47,816
Total liabilities				136,774
Other segment information:				
Share of losses of an associate	–	–	(163)	(163)
Impairment losses recognised in the statement of profit or loss, net	6,364	–	14	6,378
Depreciation and amortisation	19,220	15	3,958	23,193
Capital expenditure*	18,771	–	82	18,853

* Capital expenditure consists of additions to property, plant and equipment, other non-current assets and intangible assets.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Aesthetic medical services	**174,910**	151,661
Aesthetic medical equipment products	**14,474**	12,834
Consulting services	**–**	27
	189,384	164,522

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2023

Segments	**Aesthetic medical services**	**Consulting services**	**Aesthetic medical equipment products**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Types of goods or services				
Sale of products	–	–	14,474	14,474
Services	174,910	–	–	174,910
Total revenue from contracts with customers	174,910	–	14,474	189,384
Geographical market				
Chinese Mainland	174,910	–	14,474	189,384
Timing of revenue recognition				
Goods transferred at a point in time	–	–	14,474	14,474
Services transferred at a point in time	133,591	–	–	133,591
Services transferred over time	41,319	–	–	41,319
Total revenue from contracts with customers	174,910	–	14,474	189,384

For the year ended 31 December 2022

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	–	–	12,834	12,834
Services	151,661	27	–	151,688
Total revenue from contracts with customers	151,661	27	12,834	164,522
Geographical market				
Chinese Mainland	151,661	27	12,834	164,522
Timing of revenue recognition				
Goods transferred at a point in time	–	–	12,834	12,834
Services transferred at a point in time	106,870	–	–	106,870
Services transferred over time	44,791	27	–	44,818
Total revenue from contracts with customers	151,661	27	12,834	164,522

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 2023

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	**174,910**	**–**	**14,474**	**189,384**
Intersegment sales	**–**	**–**	**746**	**746**
Intersegment adjustments and eliminations	**–**	**–**	**(746)**	**(746)**
Total revenue form contracts with customers	**174,910**	**–**	**14,474**	**189,384**

For the year ended 31 December 2022

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	151,661	27	12,834	164,522
Intersegment sales	–	–	1,378	1,378
Intersegment adjustments and eliminations	–	–	(1,378)	(1,378)
Total revenue form contracts with customers	151,661	27	12,834	164,522

An analysis of other income and gains is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Other income		
Interest income	**791**	590
Investment income	**44**	139
Government subsidies	**16**	221
Others	**312**	113
	1,163	1,063
Gains		
Fair value gains on contingent consideration	**7,131**	3,870
Gains on foreign exchange differences	**235**	2,644
Gains on derecognition of financial liabilities measured at amortised cost	**90**	494
Disposal of fixed assets	**155**	–
	7,611	7,008
	8,774	8,071

4. LOSS BEFORE TAX

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

	Notes	**2023** **RMB'000**	2022 *RMB'000*
Cost of supplies consumed		**69,159**	55,018
Cost of inventories sold		**3,528**	2,008
Amortisation of intangible assets		**3,556**	3,541
Depreciation of property, plant and equipment		**12,479**	10,313
Depreciation of right-of-use assets		**10,147**	9,339
Research and development costs		**1,602**	2,000
Lease payments not included in the measurement of lease liabilities		**1,205**	709
Auditor's remuneration		**2,209**	2,250
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**54,449**	52,067
Equity-settled share option expense		**4,411**	3,645
Pension scheme contributions		**5,874**	4,226
Staff welfare expenses		**1,869**	1,816
Impairment of trade receivables, net	*9*	**29**	7
Impairment of financial assets included in prepayments, other receivables and other assets		**–**	6
Impairment of goodwill		**11,942**	6,365
(Gain)/loss on disposal of items of property, plant and equipment		**(155)**	33
Loss on disposal of items of intangible assets		**3,113**	–
Promotion and marketing expenses		**17,344**	19,360
Professional fee		**2,548**	1,903
Foreign exchange differences, net		**(235)**	(2,644)
Fair value gains on contingent consideration		**(7,131)**	(3,870)

5. FINANCE COSTS

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

	2023 **RMB'000**	2022 *RMB'000*
Interest on lease liabilities	**2,456**	2,583
Interest on bank borrowings	**342**	218
	2,798	2,801

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.

	2023	2022
	RMB'000	*RMB'000*
Current tax		
Charge for the year	**130**	187
Overprovision in prior years	**69**	–
Deferred	**2,570**	(2,041)
Total tax charge/(credit) for the year	**2,769**	(1,854)

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

	2023	2022
	RMB'000	*RMB'000*
Loss before tax	**(35,010)**	(22,101)
Tax at the PRC statutory income tax rate*	**(8,753)**	(5,525)
Effect of different tax rates of subsidiaries**	**1,704**	722
Adjustments in respect of current tax of previous periods	**69**	–
Losses attributable to associates	**435**	41
Expenses not deductible for tax	**3,594**	967
Deductible temporary differences and tax losses not recognised	**5,720**	1,941
	2,769	(1,854)

* The provision for current income tax in Chinese Mainland 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, 2021 circular No.12 and 2022 circular No. 13 announcement of the State Taxation Administration, Ningbo Zhuerli, Ruian Raily, Shenzhen Ruiquan, Shenzhen Jiumei, Hangzhou Ruiquan, Hainan Bellafill, as small micro-enterprises, enjoyed preferential tax rate ranging from 2.5% to 5% (2022: 2.5%) for the year ended 31 December 2023.

7. DIVIDENDS

No dividend was paid or declared by the Company for the year ended 31 December 2023.

8. LOSS 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 417,808,000 (2022: 417,808,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 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 calculation of basic earnings per share is based on:

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(32,457)**	(15,911)
Shares*		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**417,808,000**	417,808,000
Basic and diluted*		
– For loss for the year *(RMB)*	**(7.77) cents**	(3.81) cents

* The weighted average number of ordinary shares used to calculate the basic loss per share for the year ended 31 December 2023 and 2022 have been adjusted to reflect the share consolidation after the reporting date. Accordingly, the basic and diluted loss per share for the year ended 31 December 2022 is restated.

9. TRADE RECEIVABLES

	2023 ***RMB'000***	2022 *RMB'000*
Trade receivables	**9,564**	5,377
Impairment	**(65)**	(36)
	9,499	5,341

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:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**1,864**	2,032
4 to 6 months	**245**	1,148
7 to 12 months	**3,147**	2,126
1 to 2 years	**4,243**	35
	9,499	5,341

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**36**	326
Impairment losses, net *(note 4)*	**29**	7
Amount written off as uncollectible	**–**	(297)
At end of year	**65**	36

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:

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**8,634**	8,326
91 to 180 days	**596**	389
181 to 365 days	**237**	263
Over 365 days	**35**	191
	9,502	9,169

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 the Yangtze River Delta region of the People's Republic of China (the "**PRC**"). We offer our clients a broad range of aesthetic medical services which include aesthetic surgery services, minimally-invasive aesthetic services and aesthetic dermatology services. After years of development, our network of service institutions continues to expand. As of 31 December 2023, we own and operate a network of five private for-profit aesthetic medical service institutions in the PRC, three of which are located in Zhejiang Province, one is located in Anhui Province and one is located in Hainan Province. In addition, we provide aesthetic medical management consulting services and engage in sales of aesthetic medical equipment products. We have started the research and development and production of aesthetic medical equipment products.

The year 2023 was a year of opportunities and challenges for the aesthetic medical industry, which faced fierce competition as a result of the relaxation of the national pandemic prevention measures.

The following table sets forth the comparison of our revenue in 2022 and 2023:

	2023			2022		
	the first half	**the second half**	**Total**	the first half	the second half	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Aesthetic medical service	**85,139**	**89,771**	**174,910**	87,773	63,888	151,661
Sales of aesthetic medical equipment products	**12,441**	**2,033**	**14,474**	6,597	6,237	12,834
Aesthetic medical management consulting services	**–**	**–**	**–**	27	–	27
Total	**97,580**	**91,804**	**189,384**	94,397	70,125	164,522

For 2023, the Group's revenue was approximately RMB189.4 million, representing an increase of 15.1% as compared with the revenue of approximately RMB164.5 million for 2022. Our loss for the year attributable to owners of the parent and our loss for the year was approximately RMB32.5 million (2022: RMB15.9 million) and RMB37.8 million (2022: RMB20.2 million), respectively. Our basic and diluted loss per share attributable to ordinary equity holders of the parent was RMB7.77 cents (2022: RMB3.81 cents).

The increase in revenue and the continuous loss were mainly due to (a) during the first month of 2023, the business of medical institutions in Zhejiang and Anhui regions was still affected by the widespread outbreak of the COVID-19 pandemic, hence, it is difficult for most customers to visit the Group's institutions, which affected the results of the Group for the first half of 2023 and led to an increase in marketing costs; (b) in order to accelerate the Group's research and development and production of new medical equipment products, the Group increased its investment in the research and development activities of Suzhou Yonglan Biotechnology Science and Technology Co., Ltd. ("**Suzhou Yonglan**"). In 2023, research and development expenses, factory construction expenses and research and development personnel's remuneration expenses of Suzhou Yonglan amounted to approximately RMB7.7 million (2022: RMB5.8 million). Such expenses had not yet been recovered by the economic benefits to be derived therefrom during 2023; (c) in 2023, the Group continued to record share option expenses of approximately RMB4.5 million (2022: approximately RMB3.8 million); (d) the impairment of goodwill of certain subsidiaries of the Group, including: (i) the impairment of goodwill and derecognition of deferred tax assets of Hangzhou Bellafill Aesthetic Medical Outpatient Department Co., Ltd.（杭州貝麗菲爾醫療美容門診部有限公司）("**Hangzhou Bellafill**") and Wuhu Raily Aesthetic Medical Out-patient Department Co., Ltd. ("**Wuhu Raily**") in an aggregate amount of approximately RMB6.7 million and RMB5.1 million respectively, as affected by the intensified industry competition, both Hangzhou Bellafill and Wuhu Raily recorded loss for 2023; and (ii) the impairment of goodwill of Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd ("**Jiumei Xinhe**") in the amount of approximately RMB4.2 million, attributable to the fact that the downward trend in Jiumei Xinhe's performance for the year has not seen timely improvement; and (e) the loss of approximately RMB2.5 million of the investment in Biotrisse Aesthetic Medicine (Beijing) Trading Co., Ltd*（比奧瑞思醫美（北京）商貿有限公司）("**Biotrisse**") attributable to the fact that product launch cycle was delayed during the COVID-19 pandemic, resulting in the loss.

In 2023, although we incurred a significant loss, the number of active aesthetic medical clients increased from approximately 49,900 in 2022 to approximately 55,900 in 2023, representing an increase of approximately 12.0%; among them, the number of new clients was approximately 24,100 (2022: 18,400), accounting for 43.1% (2022: 36.9%) of the total number of aesthetic medical clients in 2023, representing an increase in the proportion of new clients. On the other hand, we have increased the marketing and promotion in non-surgical treatments with the advantages of fashion, speed, convenience, minimised risks, and shortest recovery period, which has improved the consumption level of clients. The average consumption per client was approximately RMB3,100, representing an increase of approximately 3.3% from the average consumption per client of approximately RMB3,000 in 2022.

* *For identification purpose only*

In addition, we have gradually moved forward with the following development planning and strategic layout:

1. Expanding the Scale of RAILY Urban Flagship Institutions in Various Regions, Introducing High-Quality and Advanced Technology, and Updating Equipment and Products

As consumption concepts evolve, non-surgical aesthetic medical procedures (also known as light aesthetic medicine) have gained widespread popularity among consumers due to their convenience and comfort. Characterised by the promise of "achieving beauty without surgery", these procedures include photoelectric procedures that primarily utilise laser cosmetic medical devices and photon generators, as well as injection procedures that rely on hyaluronic acid, collagen, microneedle, and botulinum toxin. Light aesthetic medicine is experiencing rapid growth within the aesthetic medical industry and is gradually becoming the mainstream trend in the market. While renovating and expanding our flagship institutions, the Group has also increased the investment in minimally-invasive aesthetic services and aesthetic dermatology services rooms.

The following table sets forth the operating area of our aesthetic medical institutions as of 31 December 2023:

Aesthetic medical institution	Date of establishment	After the renovation and expansion Approximate gross floor area (sq.m.)
Hangzhou Raily	August 2013	7,800
Ruian Raily	March 2013	2,900
Hangzhou Bellafill	August 2008	1,000
Wuhu Raily	July 2015	2,900
Hainan Bellafill	June 2022	800
	Total	15,400

2. Continuous application of digital management model

We will continue to use, transform and upgrade the digital medical service management systems to carry out a comprehensive marketing model which integrates precision marketing, digital marketing and thematic marketing. Leveraging digital methods to enhance the marketing capabilities and production efficiency of the medical institutions of the Group, thereby continuously improving customer experience, will be an important development direction for our aesthetic medical services segment. The digital operation enables us to better grasp market demands and consumer psychology, thereby improving our service quality and operational efficiency.

3. **Establish a new medical technology exchange platform and launch a medical technology experience and learning center**

The Group is preparing to cooperate with Hainan Boao Lecheng International Medical Tourism Pilot Zone Administration to build an aesthetic training center. Both parties have completed the formal signing ceremony, and the training center has now been registered and established in the Market Supervision Administration of Hainan Province. The establishment of the training center can sufficiently mobilize the resources of the Chinese Association of Plastics and Aesthetics. Relying on the seminars and training sessions of various branches of the Chinese Association of Plastics and Aesthetics, and the standardized training of domestic and foreign high-tech medical technologies, the training center will attract doctors to gather in Hainan, and transform the operation direction from attracting patients and specially-appointed doctors to attracting medical specialists and customers across the country.

4. **Increase marketing efforts and enhance the diversity of online marketing**

According to the needs and preferences of customers, we have added appropriate online platforms for promotion, and added diversified online marketing models in a timely manner, in order to attract more attention from target audience and maintain their interest. Diversified online marketing elements can build public praise and customer loyalty for our brand, improve our promotion effect, and increase brand exposure, thereby enhancing our brand image and recognition.

5. **Expand the market share of the Group's aesthetic medical equipment products**

We will combine our existing sales experience to improve our sales network and continue to increase the market share of the Group's aesthetic medical equipment products. We will also take advantage of the sales network of existing aesthetic medical equipment products to increase investment in the sales channels of new aesthetic medical equipment products, and seize market opportunities to accelerate the research and development of new aesthetic medical equipment products, paving the way for the expansion of the Group's product lines and improving the market share and product reputation of our overall aesthetic medical equipment products. We have observed that upstream suppliers in the aesthetic medical market are currently exhibiting stable development. Following the completion of the Suzhou Yonglan Plant, the Group will invest more resources in the research and development of other three types of aesthetic medical equipment products based on the development of the Company's existing sales network in recent years. It is expected that there will be new adjustments and planning for the entire sales team in the future.

6. **Establish a R&D and manufacturing platform for advanced aesthetic medical equipment products**

Suzhou Yonglan is mainly engaged in the production and sales of plastic collagen compound biomaterials for subcutaneous implantation system products. The Company is in the process of a share reorganisation and rights issue, and the net proceeds from the rights issue will be used for Suzhou Yonglan in proportion to the following purposes: (i) approximately 40% of the net proceeds will be used for the registration of aesthetic medical equipment products with the National Medical Products Administration ("**NMPA**"), including the clinical trials which are an integral part of the registration process; (ii) approximately 50% of the net proceeds will be used to purchase equipment and raw materials required in the manufacturing process of subcutaneous injection products; and (iii) approximately 10% of the net proceeds will be used for general working capital. We will vigorously develop the R&D and manufacturing capabilities of Suzhou Yonglan to build the Group into a supplier of non-surgical aesthetic medical products in the upstream of the industry.

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

	Year ended 31 December		
	2023	2022	Change
	RMB'000	*RMB'000*	%
Revenue	**189,384**	164,522	15.1
Gross profit	**71,493**	66,783	7.1
Loss before tax	**(35,010)**	(22,101)	58.4
Loss for the year	**(37,779)**	(20,247)	86.6
Attributable to:			
Owners of the parent	**(32,457)**	(15,911)	104.0
Non-controlling interests	**(5,322)**	(4,336)	22.7
	(37,779)	(20,247)	86.6

Note: The increase in loss for the year 2023 as compared to that for the year 2022 was mainly due to the fact that the share option expenses increased to approximately RMB4.5 million (2022: approximately RMB3.8 million), impairment of goodwill increased to approximately RMB11.9 million (2022: approximately RMB6.4 million), and the loss on long-term equity investments of approximately RMB2.5 million (2022: RMB0.1 million). If the impact of the above three non-recurring items is excluded, the net loss for the year 2023 was approximately RMB18.9 million (2022: RMB9.9 million).

PRINCIPAL RISKS AND UNCERTAINTIES

– Medical liability insurance. In 2023, we did not maintain medical liability insurance for our aesthetic medical institutions or our physicians (who include employee physicians and contract physicians) and medical staff, and may be subject to liability claims arising from physicians and medical staff at our aesthetic medical institutions.

– Performance of our physicians and other medical staff. Our physicians' and medical staff's treatment performance, communication and relationship with our clients are vital to our business and results of operations.

– Brand recognition. We need to maintain and enhance the brand image for a long time. Our corporate development and continued growth depend substantially on our brand image, market reputation and consumer trust.

– Adverse 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 Group and the consumption of consumer in medical institutions.

– 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, Wuhu City and Qionghai City, declines or the economic growth in these regions slow down, our operating results and profitability may be adversely affected. Changes in laws and regulations in these regions and the occurrence of any natural disasters, acts of God and epidemics may affect our operations and revenue.

– Research and Development (R&D) risk. The R&D and production of aesthetic medical equipment products that we have engaged need the investment of a large amount of R&D fees in the early stage. If the R&D of products fails, the investment in the early stage will not achieve the expected effect.

OUR CLIENTS

During 2023, all the aesthetic medical service clients were individual retail clients. Aesthetic medical institutions are clients for our aesthetic medical management consulting services whereas sales agencies and individual retail clients are customers of our aesthetic medical equipment products for sale.

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	
	2023	2022
Aesthetic surgery services		
Number of procedures performed	**1,300**	1,800
Average spending per procedure[(1)] *(RMB)*	**5,400**	5,700
Number of active clients	**1,200**	1,600
Average spending per active client[(2)] *(RMB)*	**6,000**	6,500
Minimally-invasive aesthetic services		
Number of procedures performed	**39,500**	42,800
Average spending per procedure[(1)] *(RMB)*	**2,100**	1,700
Number of active clients	**15,300**	15,700
Average spending per active client[(2)] *(RMB)*	**5,400**	4,700
Aesthetic dermatology services		
Number of procedures performed[(3)]	**257,000**	227,500
Average spending per procedure[(1)] *(RMB)*	**300**	300
Number of active clients	**39,500**	32,600
Average spending per active client[(2)] *(RMB)*	**2,100**	2,000

Notes:

(1) We calculate 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 calculate 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 2023, 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 established good relationships with our five largest suppliers with an average term of over five years in 2023.

FINANCIAL REVIEW

Revenue

The following table sets forth our revenue by service offerings in 2023:

	Year ended 31 December				
	2023		2022		
	Revenue	**% of total revenue**	Revenue	% of total revenue	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Aesthetic medical services	**174,910**	**92.4**	151,661	92.2	15.3
Aesthetic surgery services	**6,933**	**3.7**	10,394	6.3	(33.3)
Minimally-invasive aesthetic services	**82,958**	**43.8**	73,860	44.9	12.3
Aesthetic dermatology services	**83,292**	**44.0**	63,692	38.7	30.8
Others *(Note)*	**1,727**	**0.9**	3,715	2.3	(53.5)
Sales of aesthetic medical equipment products	**14,474**	**7.6**	12,834	7.8	12.8
Aesthetic medical management consulting services	**–**	**–**	27	–	–
	189,384	**100.0**	164,522	100.0	15.1

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 eyes, nose, face and breast; (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 2023, our total revenue was approximately RMB189.4 million, representing an increase of 15.1% from approximately RMB164.5 million in 2022. For the Year, our gross revenue from the aesthetic medical services and the sales of aesthetic medical equipment products was approximately RMB174.9 million and RMB14.5 million respectively, representing an increase of 15.3% and 12.8% from approximately RMB151.7 million and RMB12.8 million of the gross revenue from aesthetic medical services and sales of aesthetic medical equipment products in 2022, respectively.

In 2023, our revenue from the minimally-invasive aesthetic services and the aesthetic dermatology services was approximately RMB83.0 million and RMB83.3 million respectively, representing an increase of 12.3% and 30.8% from approximately RMB73.9 million and RMB63.7 million of the revenue from minimally-invasive aesthetic services and the aesthetic dermatology services in 2022, respectively. In 2023, our revenue from the aesthetic surgery services was approximately RMB6.9 million, representing a decrease of 33.3% from approximately RMB10.4 million of the revenue from the aesthetic surgery services in 2022. The decrease in revenue was primarily due to our customers' preference for faster and safer minimally-invasive aesthetic services and aesthetic dermatology services as a result of technological developments and changes in consumer perception.

COST OF SALES

Our cost of sales mainly includes cost of supplies consumed and staff costs. In 2023, our cost of sales was approximately RMB117.9 million, representing an increase of about 20.6% from approximately RMB97.7 million of the cost of sales in 2022.

Our cost of sales by nature is as follows:

	Year ended 31 December				
	2023		2022		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Cost of supplies consumed	**69,159**	**58.7**	55,018	56.3	25.7
Cost of inventories sold	**3,528**	**3.0**	2,008	2.1	75.7
Staff costs	**29,172**	**24.7**	28,056	28.7	4.0
Others	**16,032**	**13.6**	12,657	12.9	26.7
	117,891	**100.0**	97,739	100.0	20.6

Cost of supplies consumed was the largest component of cost of sales in 2023, which included the cost of our medical consumables which mainly represents 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.

Staff costs were the second largest component of our cost of sales in 2023, which mainly represent salaries and bonuses paid to our physicians and medical staff. All our aesthetic surgery services, minimally-invasive aesthetic services and aesthetic dermatology procedures are performed by qualified physicians with necessary clinical work experience in accordance with the relevant PRC laws and regulations.

Other cost of sales mainly includes rental, depreciation and travelling expenses.

GROSS PROFIT

In 2023, our gross profit amounted to approximately RMB71.5 million, representing an increase of 7.1% from approximately RMB66.8 million of the gross profit in 2022. During 2023, our gross profit margin was approximately 37.8%, representing a decrease of 2.8 percentage points from approximately 40.6% of the gross profit margin in 2022, which is mainly due to our sales strategy of lowering the unit price of aesthetic medical service offerings adopted as a result of the intensified competition in the industry.

The following table sets forth our gross profit and gross profit margin by service offered in 2023:

	Year ended 31 December					
	2023		2022			
	Gross profit *RMB'000*	**Gross profit margin** *%*	Gross profit *RMB'000*	Gross profit margin *%*	Change in gross profit *%*	Change in gross profit margin *%*
Aesthetic medical services	**60,546**	**34.6**	56,933	37.5	6.3	(7.7)
Aesthetic surgery services	**(2,439)**	**(35.2)**	3,580	34.4	(168.1)	(202.3)
Minimally-invasive aesthetic services	**30,918**	**37.3**	29,490	39.9	4.8	(6.5)
Aesthetic dermatology services	**36,095**	**43.3**	27,904	43.8	29.4	(1.1)
Others *(Note)*	**(4,028)**	**(233.2)**	(4,041)	(108.8)	(0.3)	114.3
Sales of aesthetic medical equipment products	**10,947**	**75.6**	9,934	77.4	10.2	(2.3)
Aesthetic medical management consulting services	**–**	**–**	(84)	(311.1)	–	–
	71,493	**37.8**	66,783	40.6	7.1	(6.9)

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

In 2023, the total gross profit of the aesthetic medical services was approximately RMB60.5 million, representing an increase of approximately 6.3% from approximately RMB56.9 million of the total gross profit in 2022. In 2023, the gross profit of the sales business of aesthetic medical equipment products was approximately RMB10.9 million, representing an increase of approximately 10.2% from approximately RMB9.9 million of the gross profit of sales business of aesthetic medical equipment products.

OTHER INCOME AND GAINS

In 2023, our other income and gains amounted to approximately RMB8.8 million, representing an increase of approximately 8.7% from approximately RMB8.1 million in 2022. Such increase was mainly attributable to the increase in fair value gains on contingent consideration.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses primarily comprised promotion and marketing expenses, and staff costs. In 2023, our selling and distribution expenses amounted to approximately RMB52.3 million, representing an increase of approximately 6.1% from RMB49.3 million in 2022. The increase of expenses was mainly due to the increase in our live streaming promotion expenses in the second half of the year.

In 2023, our online advertisements were generally displayed in the forms of videos, advertorials, banners and live broadcast on websites and applications on e-commerce online platforms. In addition, we promoted our brand and services through out-of-home advertising channels, such as billboards.

ADMINISTRATIVE EXPENSES

In 2023, our administrative expenses amounted to approximately RMB40.1 million, representing an increase of approximately RMB4.2 million from approximately RMB35.9 million in 2022. The increase of expenses was mainly due to the increase in the amount of rental expenses as a result of the expiration of COVID-19-related rent concessions and the increase in preliminary project costs at Suzhou Yonglan. Our administrative expenses primarily comprised professional fees, staff costs, rental related expenses, utility, depreciation expenses and other administrative office expenses.

FINANCE COSTS

In 2023, our finance cost amounted to approximately RMB2.8 million (2022: RMB2.8 million). Our finance costs primarily comprised interest on lease liabilities and interest on bank borrowings.

INCOME TAX EXPENSE/CREDIT

Our income tax expense/credit represented our total current income tax and deferred tax expense/credit under the relevant PRC income tax policies and regulations. We recorded income tax expense of approximately RMB2.8 million in 2023 (2022: an income tax credit of RMB1.9 million).

TOTAL COMPREHENSIVE LOSS FOR THE YEAR

We recorded a loss of approximately RMB37.8 million in 2023 (2022: loss of RMB20.2 million). Among them, three non-recurring items of the impairment of goodwill, loss on long-term equity investments and share option expense in total in 2023 amounted to approximately RMB18.9 million (2022: RMB10.3 million). Save for these factors, the adjusted net loss in 2023 were approximately RMB18.9 million (2022: the adjusted net loss of RMB9.9 million).

LIQUIDITY AND CAPITAL RESOURCES

Our cash and bank balance and time deposits amounted to approximately RMB39.8 million as at 31 December 2023 (31 December 2022: RMB78.8 million). Our net current liabilities were approximately RMB12.5 million as at 31 December 2023 (31 December 2022: net current assets RMB36.1 million). The decrease was mainly due to our external prepayment for an equity investment of RMB20.0 million during the Reporting Period and the increase in investment in Suzhou Yonglan. Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, cash generated from operating activities 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 2023, our Group has unutilised banking facilities of approximately RMB23.0 million (31 December 2022: RMB10.0 million) for working capital purposes.

LEASE LIABILITIES

As at 31 December 2023, the Group had lease liabilities of approximately RMB44.8 million (31 December 2022: RMB43.2 million).

COMMITMENTS

As at 31 December 2023, the Group had no contracted, but not provided for commitments (31 December 2022: RMB1.1 million).

CAPITAL EXPENDITURES

During 2023, the Group purchased long-term asset amounting to approximately RMB18.0 million (2022: RMB18.9 million).

INDEBTEDNESS

Interest-bearing Bank Borrowings

As at 31 December 2023, our Group had approximately RMB7.0 million outstanding interest-bearing bank borrowings (31 December 2022: RMB5.0 million), of which RMB7.0 million are at fixed interest rates (31 December 2022: RMB5.0 million).

As at 31 December 2022 and 2023, all the bank borrowings are repayable within one year and there was no other borrowing as at 31 December 2022 and 2023. All the borrowings are denominated in RMB.

Contingent Liabilities and Guarantees

As at 31 December 2023, our Group had no significant contingent liabilities and guarantees (31 December 2022: Nil).

PLEDGE OF ASSETS

As at 31 December 2023, the lease arrangements were secured by the Group's pledged deposits of RMB1.6 million (31 December 2022: lease arrangements secured by the Group's pledged deposits of RMB1.5 million).

GEARING RATIO

Gearing ratio is calculated by dividing total liabilities by total equity as at 31 December 2023 and multiplying the result by 100%. As at 31 December 2023, the Group had total debt of approximately RMB141.0 million (31 December 2022: RMB136.8 million) and the gearing ratio is about 106.3% (31 December 2022: 82.5%).

INTEREST RATE RISK

The Group has no significant interest rate risk as all of its borrowings bore interest at fixed rates.

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

On 10 January 2023, the Group entered into a legally binding letter of intent (the "**LOI**") with Hangzhou Tianxin Aesthetic Medical Hospital Co., Ltd.*（杭州天鑫醫療美容醫院有限公司）(the "**Target Company**") and the shareholders of the Target Company. Pursuant to the LOI, the Group conditionally agreed to subscribe for an equity interest in the Target Company of up to 9.0% of the registered capital of the Target Company, at the consideration of up to RMB25.0 million. As at the date of this announcement, an earnest money of RMB20.0 million was paid to the Target Company.

* *For identification purpose only*

On 2 January 2024, the Group entered into a supplemental agreement (the "**Supplemental Agreement**") to the LOI with the Target Company and the shareholders of the Target Company. Pursuant to the Supplemental Agreement, a fund (the "**Raily Development Fund**") shall be set up by the Group within six months from the date of the Supplemental Agreement to assume all the rights and obligations of the Group under the LOI, and the Group shall undertake to complete its due diligence on the Target Company and enter into the formal capital injection agreement (the "**Formal Agreement**") within three months from the date of establishment. Upon signing of the Formal Agreement, the earnest money of RMB20.0 million paid by the Group to the Target Company under the LOI might be applied to settle the equivalent amount of the capital injection by Raily Development Fund under the Formal Agreement.

For details, please refer to the Company's announcements dated 10 January 2023, 18 January 2023 and 2 January 2024.

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.

PROFIT GUARANTEE

Reference is made to the discloseable and share transaction announcement of the Company dated 20 August 2021 in relation to the acquisition of 90% equity interest in Jiumei Xinhe (the "**Announcement**") and the supplemental announcement of the Company dated 25 August 2021 in relation to the same matter. Unless otherwise specified, all capitalised terms used herein shall have the same meanings as those defined in the Announcement.

Requirements of the Profit Guarantee

As disclosed in the Announcement, the Vendors had offered guarantees to the Purchaser that the Actual Net Profit of Jiumei Xinhe for each of the years ending 31 December 2022, 2023 and 2024 shall not be less than the following Guaranteed Net Profit:

Relevant Period(s)	Guaranteed Net Profit (RMB) for the Relevant Period(s)
1st Relevant Period	8,000,000
2nd Relevant Period	11,000,000
3rd Relevant Period	14,500,000
The Relevant Periods	33,500,000

If the Actual Net Profit for each of the Relevant Periods is lower than the Guaranteed Net Profit for that Relevant Period, the Consideration will be adjusted in accordance with the following formula (the "**Adjustment Mechanism**"):

$$\frac{\text{Actual Net Profit for the Relevant Period}}{\text{Guaranteed Net Profit for the Relevant Period}} \times \text{Consideration payable for the Relevant Period}$$

Financial performance of Jiumei Xinhe

Based on the audited financial statements of Jiumei Xinhe for the year ending 31 December 2022, the Actual Net Profit of Jiumei Xinhe for the year ending 31 December 2022 is less than the Guaranteed Net Profit for the 1st Relevant Period of approximately RMB4.9 million (the "**Shortfall**").

Reasons for the Shortfall

The Board has communicated with the Vendors and understands that the Vendors breach of the Profit Guarantee was primarily attributable to the COVID-19 pandemic which has adversely impacted the PRC economy. In particular, under the pandemic, Jiumei Xinhe faced difficulties in meeting the Profit Guarantee for 2022 due to the following reasons:

(a) the continual threat and resurgence of the COVID-19 pandemic and the resulting preventive measures (such as lockdowns, quarantines and travel restrictions) imposed in the PRC during 2022 had led to material impediments to the sales activities of Jiumei Xinhe, such as delays in product delivery and difficulties for sales personnel to meet and follow up with sales leads with a view to securing new orders; and

(b) as the majority of Jiumei Xinhe's customers are located in the PRC, the aforesaid preventive measures in the PRC which may have the same adverse impact on the business of these customers (including aesthetic medical institutions) has also affected the demand for and thus sales of the products provided by Jiumei Xinhe.

Supplemental agreement in relation to extension of Profit Guarantee period

Given that the reasons for the Shortfall are mainly attributable to the extraordinary and unexpected circumstances caused by the COVID-19 pandemic which are beyond the control of the Vendors, and in view of the business prospect of Jiumei Xinhe in light of the gradual relaxation of restrictive COVID-19 measures, the Group and the Vendors (who have remained in the core management team of Jiumei Xinhe) have agreed that Jiumei Xinhe may fulfill the outstanding Profit Guarantee requirement within a period of three months and the Board is of the view that there is no material adverse impact on the Group arising from the extension of the Profit Guarantee period for three months. Accordingly, the Company and the Vendors have entered into an agreement supplemental to the SP Agreement (the "**Supplemental Agreement**") on 10 March 2023 to extend the Profit Guarantee period (the "**Extension**"):

	Original period under the SP Agreement	**Extended period under the Supplemental Agreement**
1st Relevant Period	1/1/2022 to 31/12/2022	1/1/2022 to 31/3/2023
2nd Relevant Period	1/1/2023 to 31/12/2023	1/4/2023 to 31/3/2024
3rd Relevant Period	1/1/2024 to 31/12/2024	1/4/2024 to 31/3/2025
The Relevant Periods	1/1/2022 to 31/12/2024	1/1/2022 to 31/3/2025

The payment schedule of Post-Completion Considerations will therefore be deferred accordingly and thus no adjustment thereof in accordance with the Adjustment Mechanism has yet been made.

In the event the Actual Net Profit of Jiumei Xinhe for any of the extended Relevant Periods still fails to meet the Guaranteed Net Profit for that extended Relevant Period, the relevant Post-Completion Consideration may be adjusted in accordance with the Adjustment Mechanism.

Reasons for the Extension

Considering (i) that the reasons for the Shortfall are mainly attributable to the extraordinary and unexpected circumstances caused by the COVID-19 pandemic which are beyond the control of the Vendors; (ii) the business prospect of Jiumei Xinhe in light of the gradual relaxation of restrictive COVID-19 measures; (iii) that the Extension can serve as an incentive for the Vendors, who have remained in the core management team of Jiumei Xinhe, to commit more time and effort to improving the performance of Jiumei Xinhe; (iv) the relatively short period of extension of three months which will not materially affect the business development of the Group's aesthetic medical equipment product sales; and (v) that the obligation of the Group to pay the Post-Completion Considerations will also be deferred accordingly and still subject to fulfillment of the same amount of guaranteed profit and the Adjustment Mechanism, the Board considers that the Extension and the decision not to exercise the Adjustment Mechanism for the time being are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. The Board will continue to review the performance of Jiumei Xinhe and take appropriate actions as and when necessary.

The first profit guarantee period in relation to Jiumei Xinhe has been extended from 31 December 2022 to 31 March 2023. Jiumei Xinhe has fulfilled the relevant profit guarantee for the extended period.

For details, please refer to the Company's announcements dated 20 August 2021, 25 August 2021 and 10 March 2023.

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 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, we had 335 employees in the PRC (31 December 2022: 322).

	Number of Employees	
Function	**31 December 2023**	31 December 2022
Management	**6**	7
Physicians and medical staff	**124**	131
Sales, marketing, client service and other business staff	**167**	153
Finance and administration staff	**38**	31
Total	**335**	322

During the Year, our staff costs amounted to approximately RMB64.3 million, the share option expenses amounted to approximately RMB4.5 million, and the total staff costs amounted to approximately RMB68.8 million, representing an increase of RMB5.0 million as compared to the total staff costs of approximately RMB63.8 million in 2022, accounting for approximately 36.3% of the total revenue in 2023 (2022: 38.8%).

We believe that we provide our physicians and medical staff with competitive compensation packages, continued medical education opportunities and a professional work 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 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 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 of our employees 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.

During the Year, there were no forfeited contributions (by the Group on behalf of employees who leave the pension scheme prior to vesting fully in such contributions) which has been utilised by the Group to reduce the existing level of contributions. At 31 December 2023, there were no forfeited contributions available to reduce the level of contributions to the pension schemes in future years.

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, HK$12.2 million out of the Net Proceeds for organic growth remains unutilised, while other proceeds have been fully utilised.

The following table sets forth a summary of the utilization of the Net Proceeds as at 31 December 2023:

Purpose	Percentage to total amount	Planned use of net proceeds *HK$'million*	Actual use of proceeds up to 31 December 2023 *HK$'million*	Unutilised amount as at 31 December 2023 *HK$'million*	Expected timeline of full utilisation of the remaining proceeds
Expanding our aesthetic medical institutions network	**71.0%**	**58.0**	**45.8**	**12.2**	**31 December 2024**
– Renovation and expansion of existing aesthetic medical institutions	28.0%	22.9	22.9	–	
– Organic growth	28.0%	22.9	10.7	12.2	31 December 2024
– Strategic acquisitions	15.0%	12.2	12.2	–	
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**	**–**	
Actively promote our brand	**8.0%**	**6.5**	**6.5**	**–**	
General working capital	**10.0%**	**8.2**	**8.2**	**–**	
Total	**100.0%**	**81.7**	**69.5**	**12.2**	

SUBSEQUENT EVENTS

On 2 January 2024, the Group entered into a supplemental agreement to the LOI with Hangzhou Tianxin Aesthetic Medical Hospital Co., Ltd.*（杭州天鑫醫療美容醫院有限公司）(the "**Target Company**") and the existing shareholders of the Target Company.

For details, please refer to the Company's announcements dated 10 January 2023, 18 January 2023 and 2 January 2024.

On 26 January 2024, the Group granted share options to certain eligible persons to subscribe for a total of 48,630,462 ordinary shares of US$0.01 each in the share capital of the Company, which represents approximately 2.33% of the Company's issued share capital at the date of grant.

For details, please refer to the Company's announcement dated 26 January 2024.

On 23 February 2024, the Group granted share options to certain eligible persons to subscribe for a total of 47,430,466 ordinary shares of US$0.01 each in the share capital of the Company, which represents approximately 2.27% of the Company's issued share capital at the date of grant.

For details, please refer to the Company's announcement dated 23 February 2024.

On 26 February 2024, the Board proposed to implement a share consolidation on the basis that every five (5) existing shares in the share capital of the Company be consolidated into one (1) consolidated share (the "**Share Consolidation**"). The Share Consolidation is conditional upon, among other things, the approval by the shareholders of the Company by way of poll at the extraordinary general meeting of the Company held on 15 March 2024 (the "**EGM**"). The Share Consolidation was approved by way of an ordinary resolution at the EGM. As all the conditions in respect of the Share Consolidation have been fulfilled, the Share Consolidation became effective on 19 March 2024.

For details, please refer to the Company's announcements dated 26 February 2024, 29 February 2024 and 15 March 2024 and the Company's circular dated 29 February 2024.

On 26 February 2024, the Board also proposed to raise gross proceeds of up to approximately HK$20.8 million before expenses, by way of a rights issue, by issuing up to 140,728,521 rights shares (the "**Rights Shares**") (assuming no further issue or repurchase of shares of the Company on or before 28 March 2024, the record date, other than the full exercise of the exercisable share options of the Company and all the Rights Shares will be taken up) at the subscription price of HK$0.148 per Rights Share on the basis of one (1) Rights Share for every three (3) consolidated shares held by the qualifying shareholders of the Company at the close of business on the record date (the "**Rights Issue**"). The Rights Issue is only available to the qualifying shareholders of the Company and will not be extended to the excluded shareholders (if any).

* *For identification purpose only*

The net proceeds from the Rights Issue are estimated to be not more than approximately HK$19.4 million (assuming no further issue or repurchase of shares of the Company on or before the record date other than the full exercise of the exercisable share options of the Company and all the Rights Shares will be taken up). The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately HK$9.7 million, representing 50.0% of the net proceeds, will be used for the acquisition of equipment and raw materials necessary to initiate the manufacturing process; (ii) approximately HK$7.8 million, representing 40.0% of the net proceeds, will be used for the registration filing of aesthetic medical equipment products with the National Medical Products Administration, including clinical trials which are integral to the registration process; and (iii) approximately HK$1.9 million, representing 10.0% of the net proceeds, will be used for general working capital of the Group.

For details, please refer to the Company's announcement dated 26 February 2024.

PROSPECTS

With the continuous advancement of technology and the growing market demand, the aesthetic medical industry is demonstrating robust development momentum, indicating a more prosperous and vibrant future for the medical aesthetics market. The Opinions on Developing the Silver Economy and Improving the Well-being of the Elderly (the "**Opinions**") issued by the General Office of the State Council in January 2024 also emphasized the importance of developing the anti-aging industry. The Opinions clearly pointed out that it is necessary to deepen the research on skin aging mechanisms, human aging models, and human hair health, etc., and strengthen the research and development and application of genetic technologies, regenerative medicine, and laser and radio frequency, etc. in the field of anti-aging, which provides strong policy support for the development of the anti-aging industry. Consumers are increasingly receptive to minimally-invasive medical aesthetics, with one of the main reasons being its short recovery period and immediate visible results. Among various minimally-invasive aesthetic medical projects, anti-aging services have emerged as a popular choice among consumers. We will also prioritize the development of non-surgical aesthetic medical service products, increase our investment in technology and scientific research, and introduce personalised and distinctive anti-aging aesthetic medical services and products.

DIVIDEND

The Board resolved not to declare any final dividend for 2023 (2022: Nil).

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

During 2023, 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 C3 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 (the "**CG Code**") as set out in Appendix C1 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 an 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, appointment of external auditors 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 2023 in conjunction with the Company's external auditors, Ernst & Young, and the unaudited financial statements for 6 months ended 30 June 2023 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 2023 which are set out in the annual report of the Company for the year ended 31 December 2023;

- Reviewed the audit planning for the year ended 31 December 2023 in conjunction with the Company's external auditors;

- Prereviewed the financial status for the year ended 31 December 2023;

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 which was held on 16 June 2023;

- 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 2023 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.

2024 ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**2024 AGM**") will be held on Friday, 28 June 2024. A notice convening the 2024 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, 25 June 2024 to Friday, 28 June 2024, both days inclusive, in order to determine the identity of the shareholders of the Company who are entitled to attend the forthcoming 2024 AGM to be held on Friday, 28 June 2024. To be eligible for attending and voting at the 2024 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Monday, 24 June 2024.

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.hkexnews.hk). The annual report for 2023 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 in accordance with the Listing Rules.

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

Hangzhou, China, 28 March 2024

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