



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



2021
Interim Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fu Haishu (*Chairman*)
Mr. Yu Kai
Mr. Song Jianliang

Non-Executive Directors

Ms. Fan Qirui
Mr. Xie Lijun (resigned on 5 August 2021)

Independent Non-Executive Directors

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

AUTHORISED REPRESENTATIVES

Mr. Fu Haishu
Mr. Chan Oi Fat

COMPANY SECRETARY

Mr. Chan Oi Fat

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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1 Tim Mei Avenue
Central
Hong Kong

COMPLIANCE ADVISER

Innovax Capital Limited
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Wan Chai
Hong Kong

HONG KONG LEGAL ADVISER

William Ji & Co. LLP
in Association with
Tian Yuan Law Firm Hong Kong Office
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One Connaught Place
Central, Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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103 South Church Street
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Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

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Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

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Small and Micro-enterprise Sub-branch
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1786 Binsheng Road
Binjiang District
Hangzhou City
PRC

China Merchants Bank
Hangzhou Future Sci-tech City Sub-branch
1/F, Building 4
Chuangxin Time Plaza
84 Longyuan Road
Yuhang District
Hangzhou City
PRC

STOCK CODE

2135

INVESTOR RELATIONS

Email address:
investor.relationship@raily.com

COMPANY'S WEBSITE

<http://www.ruilizx.com> (changed to www.raily.com with effect from 23 August 2021)



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a leading aesthetic medical service provider in Zhejiang Province, the PRC, and we offer a broad range of aesthetic medical services to our clients. For the six months ended 30 June 2021 (the "Period"), our aesthetic medical services have gradually recovered from the impact of the pandemic. Our revenue was approximately RMB91.5 million for the Period, representing a significant increase of 55.8% from approximately RMB58.7 million for the corresponding period in 2020. Our loss for the Period was approximately RMB5.4 million, representing a decrease of approximately 53.8% as compared with approximately RMB11.8 million for the corresponding period in 2020. Among them, the non-operating professional fees (including auditors' remuneration) and exchange loss during the Period were approximately RMB5.7 million (six months ended 30 June 2020: non-operating professional fees of approximately RMB9.7 million). Save for the above factors, the adjusted net profits under the non-auditing standard were approximately RMB0.3 million (six months ended 30 June 2020: the adjusted net loss under the non-auditing standard of approximately RMB2.1 million).

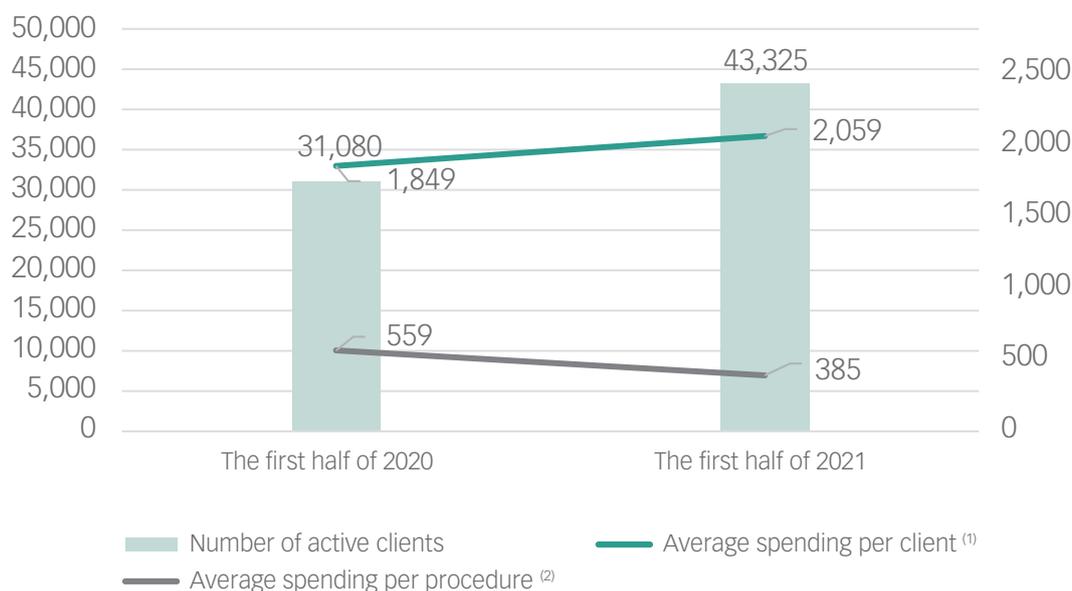
In response to the prospective market recovery in the second half of the year, we have been upgrading and renovating our existing hospitals. It is expected that Wuhu Raily Medical Beauty Clinic Co., Ltd. ("Wuhu Raily") will complete the expansion of approximately 1,500 sq.m. within the year, which will increase the gross floor area by approximately 106.8%. Furthermore, by grasping the development trend of China's aesthetic medical market, we plan to pursue acquisition and investment opportunities for vertical expansion of the supply chain of the aesthetic medical services industry, i.e. investing in or entering into business alliance with upstream suppliers of aesthetic medical consumables or equipment in order to have better costs and quality control of our supplies and broaden our revenue base. 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, among others, 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 contributed RMB3.5 million to the capital of Biotrisse and acquired 25% equity interests in Biotrisse. Our major achievements in the first half of the 2021 are as follows:

1. Responding to the change in consumer behavior

With the achievements of national pandemic prevention and control and the penetration of aesthetic medical services, the demand for aesthetic medical services gradually recovered in the first half of 2021. We increased online and offline promotion and marketing activities to strengthen our brand recognition and restore clients' enthusiasm for aesthetic surgery services. At the same time, we have purchased a number of advanced aesthetic medical service equipment to improve medical technology and service quality. For the Period, the number of our aesthetic medical active clients was 43,325, representing an increase of 39.4% from the number of active clients of 31,080 in the first half of 2020; among them, the number of new clients and repeat clients was 16,130 and 27,195 respectively, representing an increase of 15.8% and 58.6% as compared to the new clients and repeat clients of 13,928 and 17,152 for the six months ended 30 June 2020, respectively. For the Period, our average spending per client of aesthetic medical services was approximately RMB2,059, representing an increase of approximately 11.4% as compared to the average spending per client of approximately RMB1,849 for the six months ended 30 June 2020. The fact that the number of active clients and the average spending per active client both increase proves that we had a successful response to the change in customers' behavior.

* For identification purpose only

Management Discussion and Analysis



Notes:

(1) We calculated the average spending per active client by dividing the revenue of aesthetic medical services by the relevant number of active clients during the Period.

(2) We calculated the average spending per procedure by dividing the revenue of aesthetic medical services by the relevant number of procedures performed during the Period.

2. Implementing the renovation and expansion plan of the existing medical institutions

In light of the rapid growth in the number of clients and the upturn of consumer sentiment, we have been improving the physical environment in our aesthetic medical institutions by fully implementing our renovation and expansion plan. We have been renovating and expanding Wuhu Raily with the extent of expansion in the approximate gross floor areas of 1,500 sq.m. The customer reception area of Wuhu Raily will be enlarged and several rooms will be added, including 3 operation rooms and 12 treatment rooms. It is expected that Wuhu Raily will complete the renovation and expansion in the fourth quarter of this year. After completion of the upgrade, we believe we can enhance our service capacity and improve user experience of our clients.

It is expected that upon completion of renovation and expansion of our existing medical institutions, the gross floor area of our aesthetic medical institutions will increase to approximately 12,672 sq.m., or increase by 59.0%, from approximately 7,972 sq.m. for the six months ended 30 June 2020.

3. Jiumei Xinhe's e-PTFE Chuzhen Facial Implant achieved sales in over 20 cities

We acquired 10% equity interest in Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd. ("Jiumei Xinhe") in 2019. Jiumei Xinhe is the exclusive distributor in the PRC of Chuzhen facial implant, a brand of e-PTFE (expanded polytetrafluoroethylene) facial implant imported from South Korea. In the first half of 2021, Jiumei Xinhe's e-PTFE Chuzhen facial implant has been sold in Beijing, Shanghai, Chongqing and other cities.

Management Discussion and Analysis

4. Assisting and supporting small and medium aesthetic medical institutions

In the first half of 2021, we served 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). The plan is designed to support the development of small and medium aesthetic medical institutions. The first phase of the plan covered 19 provinces across the country and more than 800 aesthetic medical institutions. Through participating in such plan, we have established cooperative relationship with many small and medium institutions and established good brand reputation in the industry.

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June				
	2021		2020		Change %
	Revenue RMB'000 (unaudited)	% of the total revenue %	Revenue RMB'000 (audited)	% of the total revenue %	
Aesthetic medical services	89,194	97.5	57,476	97.9	
Aesthetic surgery services	9,082	9.9	14,384	24.5	(36.9)
Minimally-invasive aesthetic services	34,546	37.8	20,196	34.4	71.1
Aesthetic dermatology services	40,911	44.7	18,417	31.4	122.1
Others <i>(Note)</i>	4,655	5.1	4,479	7.6	3.9
Aesthetic medical management consulting services	2,298	2.5	1,254	2.1	83.3
	91,492	100.0	58,730	100.0	55.8

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.

For the Period, our total revenue was approximately RMB91.5 million, representing a significant increase of 55.8% as compared with approximately RMB58.7 million for the six months ended 30 June 2020. For the Period, our total revenue from aesthetic medical services and aesthetic medical management consulting services were approximately RMB89.2 million and RMB2.3 million, respectively, representing an increase of approximately 55.2% and 83.3% from approximately RMB57.5 million and RMB1.3 million for the six months ended 30 June 2020, respectively.

Management Discussion and Analysis

Our revenue from aesthetic dermatology services and minimally-invasive aesthetic services for the Period was approximately RMB40.9 million and RMB34.5 million, respectively, representing a significant increase of approximately 122.1% and 71.1% from approximately RMB18.4 million and RMB20.2 million for the six months ended 30 June 2020, respectively. Our revenue from aesthetic surgery services for the Period was approximately RMB9.1 million, representing a decrease of approximately 36.9% from approximately RMB14.4 million for the six months ended 30 June 2020. The decrease was primarily due to the COVID-19 pandemic impact on our clients' spending sentiment.

Cost of sales

Our cost of sales mainly included cost of supplies consumed and staff costs. Our cost of sales for the Period was approximately RMB54.4 million, representing an increase of approximately 57.9% from approximately RMB34.4 million for the six months ended 30 June 2020. The increase in our cost of sales was mainly attributable to the increase in client flow and number of procedures performed as our business gradually recovered from the impact of COVID-19 pandemic for the Period.

Our cost of sales by nature is as follows:

	Six months ended 30 June				
	2021		2020		Change
	<i>RMB'000</i> (unaudited)	%	<i>RMB'000</i> (audited)	%	%
Cost of supplies consumed	28,725	52.8	19,241	55.8	49.3
Staff costs	20,075	36.9	12,838	37.3	56.4
Others	5,596	10.3	2,365	6.9	136.6
	54,396	100.0	34,444	100.0	57.9

Management Discussion and Analysis

Gross Profit

For the Period, our gross profit amounted to approximately RMB37.1 million, representing an increase of approximately 52.7% from approximately RMB24.3 million for the six months ended 30 June 2020. Our gross profit margin was approximately 40.5%, representing a decrease of approximately 0.9 percentage points from approximately 41.4% for the six months ended 30 June 2020.

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

	Six months ended 30 June				
	2021		2020		Change of Gross Profit %
	Gross Profit	Gross Profit	Gross Profit	Gross Profit	
RMB'000 (unaudited)	Margin %	RMB'000 (audited)	Margin %		
Aesthetic medical services	35,703	40.0	23,645	41.1	51.0
Aesthetic surgery services	1,982	21.8	7,255	50.4	(72.7)
Minimally-invasive aesthetic services	14,515	42.0	7,247	35.9	100.3
Aesthetic dermatology services	20,200	49.4	10,211	55.4	97.8
Others <i>(Note)</i>	(994)	(21.4)	(1,068)	(23.8)	(6.9)
Aesthetic medical management consulting services	1,393	60.6	641	51.1	117.3
	37,096	40.5	24,286	41.4	52.7

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

For the Period, the total gross profit of aesthetic medical services was approximately RMB35.7 million, representing an increase of approximately 51.0% from RMB23.6 million for the six months ended 30 June 2020. The gross profit of aesthetic surgery services decreased by approximately RMB5.3 million, from approximately RMB7.3 million for the six months ended 30 June 2020 to approximately RMB2.0 million for the Period due to the impact of COVID-19 pandemic. The gross profit of aesthetic medical management consulting services was approximately RMB1.4 million, representing an increase of approximately 117.3% from approximately RMB0.6 million for the six months ended 30 June 2020.

For the Period, the gross profit margin of our aesthetic medical services was approximately 40.0%, representing a decrease of approximately 1.1 percentage points from 41.1% for the six months ended 30 June 2020. The gross profit margin of aesthetic medical management consulting services increased by approximately 9.5 percentage points from approximately 51.1% for the six months ended 30 June 2020 to approximately 60.6% for the Period.

In order to cope with the impact of the pandemic, we have adopted strategies such as adjusting the staff structure and optimizing management procedures to maintain a stable level of our gross profit margin.

Management Discussion and Analysis

Other Income and Gains

Our other income and gains for the Period amounted to approximately RMB1.6 million, representing an increase of approximately 48.4% from approximately RMB1.1 million for the six months ended 30 June 2020.

Selling and Distribution Expenses

Our selling and distribution expenses for the Period amounted to approximately RMB25.2 million, representing an increase of approximately RMB10.1 million from approximately RMB15.1 million for the six months ended 30 June 2020 which is mainly attributable to the increase in marketing and advertising activities to promote our brand name.

Administrative Expenses

Our administrative expenses for the Period amounted to approximately RMB16.6 million representing a decrease of approximately RMB3.7 million from approximately RMB20.3 million for the six months ended 30 June 2020. This is primarily attributable to the decrease in professional fees paid to legal, accounting and other advisers.

Finance Costs

Our finance costs for the Period amounted to approximately RMB1.1 million (six months ended 30 June 2020: RMB1.2 million). Our finance costs primarily comprised interest on lease liabilities and interest on bank borrowings.

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 RMB0.1 million for the Period (six months ended 30 June 2020: income tax credit of RMB0.6 million).

Total Comprehensive Loss for the Period

The Group recorded a loss of approximately RMB5.4 million for the Period (six months ended 30 June 2020: loss of RMB11.8 million). Among them, the non-operating professional fees (including auditors' remuneration) and exchange loss during the Period were approximately RMB5.7 million (six months ended 30 June 2020: non-operating professional fees of approximately RMB9.7 million). Save for the above factors, the adjusted net profits under the non-auditing standard were approximately RMB0.3 million (six months ended 30 June 2020: the adjusted net loss under the non-auditing standard of approximately RMB2.1 million).

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

We maintain a strong financial position with cash and bank balance and time deposits of approximately RMB146.9 million as at 30 June 2021 (31 December 2020: RMB158.9 million). Our net current assets were approximately RMB125.1 million as at 30 June 2021 (31 December 2020: RMB120.1 million). Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, cash generated from operations and available facilities of the Group, and the net proceeds from the issuance of ordinary shares relating to the initial public offering, and after diligent and careful investigation, the Directors are of the view that the Group has sufficient working capital required for the Group's operations at present. As at 30 June 2021, our Group had unutilised banking facilities for working capital purposes of approximately RMB12 million (31 December 2020: RMB12 million).

Lease Liabilities

As at 30 June 2021, the Group had lease liabilities of approximately RMB18.8 million (31 December 2020: RMB19.2 million).

Capital Commitments

As at 30 June 2021, our Group had no commitments (31 December 2020: Nil) relating to the future capital contributions payable.

Capital Expenditures

During the Period, the Group acquired items of plant and equipment amounting to approximately RMB3.0 million (six months ended 30 June 2020: RMB1.7 million).

Interest-bearing Bank Borrowings

As at 30 June 2021, our Group had approximately RMB13.0 million outstanding interest-bearing bank borrowings (31 December 2020: RMB13.0 million) of which RMB13.0 million are at fixed interest rates (31 December 2020: RMB3.0 million).

As at 30 June 2021, all of the bank borrowings were repayable within one year and there was no other borrowing as at 30 June 2021. All the borrowings are denominated in RMB.



Management Discussion and Analysis

Treasury Policies

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

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2021, our Group had no significant contingent liabilities and guarantees (31 December 2020: Nil).

PLEDGE OF ASSETS

As at 30 June 2021, there was no charge on the Group's assets (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 30 June 2021 and multiplying the result by 100%. As at 30 June 2021, the Group had total debt of RMB80.6 million (31 December 2020: RMB85.6 million) and the gearing ratio is 42.4% (31 December 2020: 45.8%).

INTEREST RATE RISK

The Group has no significant interest rate risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, we had 400 employees in the PRC (31 December 2020: 376).

EXCHANGE RATE FLUCTUATION RISK

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report and in the prospectus of the Company dated 15 December 2020 (the "Prospectus"), the Group did not have plans for making material investments or acquiring capital assets as at 30 June 2021.

Function	Number of Employees	
	30 June 2021	31 December 2020
Management	11	13
Physicians and medical Staff	194	198
Sales, marketing and client service Staff	122	115
Finance and administration Staff	73	50
Total	400	376

Management Discussion and Analysis

Our total staff costs for the Period amounted to approximately RMB37.3 million (six months ended 30 June 2020: RMB26.0 million), accounting for approximately 40.8% (six months ended 30 June 2020: 44.3%) of our total revenue for the Period.

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

The following table sets forth a summary of the utilization of the Net Proceeds as at 30 June 2021:

Purpose	Percentage to total amount	Planned use of net proceeds HK\$'million	Actual use of proceeds up to 30 June 2021 HK\$'million	Unutilised amount as at 30 June 2021 HK\$'million	Expected timeline of full utilisation of the remaining proceeds
Expanding our aesthetic medical institutions network	71.0%	58.0	—	58.0	31 December 2023
— Renovation and expansion of existing aesthetic medical institutions	28.0%	22.9	—	22.9	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	0.9	8.1	31 December 2022
Actively promote our brand	8.0%	6.5	—	6.5	31 December 2023
General working capital	10.0%	8.2	0.7	7.5	31 December 2023
Total	100.0%	81.7	1.6	80.1	



Management Discussion and Analysis

PROSPECTS

According to the National Bureau of Statistics of China, the GDP of China in the first half of 2021 has increased compared with the same period last year. As the pandemic has been effectively controlled in the PRC, the national economy and consumer sentiment have rebounded.

With technical innovation and advanced aesthetic medical technologies, more procedures and products are feasible to clients. Compared with aesthetic surgery services, minimally-invasive aesthetic services and aesthetic dermatology services have relatively lower risk, shorter recovery time, and minimal side effects. With the introduction of new aesthetic medical injection fillers and aesthetic dermatology anti-aging instruments and equipment in the market in 2021, consumer sentiment continues to brighten and aesthetic non-surgical procedures become more popular among clients in the PRC. In the second half of the year, we will seize the trend of clients' consumption, initiate and optimize various services in a timely manner and introduce more advanced equipment, in order to improve our service. We will continue to implement a series of cost control policies, improve service efficiency, and optimize product structure to increase our profit.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Section XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, were as follows:

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

Name	Capacity/Nature of interests	Number of Shares held	Approximate percentage of the interest in the Company ¹
Mr. Fu Haishu ²	Interest in a controlled corporation	1,109,283,463	53.10%

Notes:

- The percentage is calculated based on the total number of issued shares of the Company as at 30 June 2021 (i.e. 2,089,040,000 shares).
- These shares are held by Ruide Consultation Limited, a company wholly-owned by Mr. Fu Haishu.

Long Positions in Shares, Underlying Shares and Debentures in the associated corporation

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

Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to be owned under the relevant provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2021, the interests or short positions of substantial shareholders of the Company and other persons in the shares or underlying shares of the Company as recorded in the register maintained by the Company under Section 336 of the SFO, or otherwise notified to the Company were as follows:

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

Name	Capacity/Nature of interests	Number of Shares held	Approximate percentage of the interest in the Company ¹
Ruide Consultation Limited	Beneficial owner	1,109,283,463	53.10%
Jin Chunmiao ²	Interest of spouse	1,109,283,463	53.10%
Beauty Milkway (HK) LIMITED	Beneficial owner	129,128,745	6.18%
China Orient Asset Management (International) Holding Limited ³	Interest in a controlled corporation	112,244,454	5.37%
China Orient Asset Management Co., Ltd. ³	Interest in a controlled corporation	112,244,454	5.37%
Dong Yin Development (Holdings) Limited ³	Interest in a controlled corporation	112,244,454	5.37%
Huamei Medical Investment Fund Limited ⁴	Investment manager	112,244,454	5.37%
Li Gang ⁴	Interest in a controlled corporation	112,244,454	5.37%
Wise Leader Assets Ltd. ³	Interest in a controlled corporation	112,244,454	5.37%
上海東燻健康管理合夥企業（有限合夥） ³	Beneficial owner	112,244,454	5.37%
東方資產管理（中國）控股有限公司 ³	Interest in a controlled corporation	112,244,454	5.37%
深圳東方創業投資有限公司 ³	Interest in a controlled corporation	112,244,454	5.37%
深圳前海財富東方股權投資基金管理有限公司 ³	Interest in a controlled corporation	112,244,454	5.37%
青海省東方藏醫藥產業發展基金（有限合夥） ³	Interest in a controlled corporation	112,244,454	5.37%
青海省東方藏醫藥產業投資管理有限公司 ³	Interest in a controlled corporation	112,244,454	5.37%

Corporate Governance and Other Information

Notes:

1. The percentage is calculated based on the total number of issued shares of the Company as at 30 June 2021 (i.e. 2,089,040,000 shares).
2. Ms. Jin Chunmiao is the spouse of Mr. Fu Haishu, and is therefore deemed to be interested in the shares deemed or taken to be owned by Mr. Fu Haishu under the SFO.
3. According to information available to the Company, 112,244,454 Shares are held by 上海東燾健康管理合夥企業 (有限合夥) in the capacity of beneficial owner. 上海東燾健康管理合夥企業 (有限合夥) is owned as to approximately 99.81% and approximately 0.19% by 青海省東方藏醫藥產業發展基金 (有限合夥) and 青海省東方藏醫藥產業投資管理有限公司 respectively. 青海省東方藏醫藥產業發展基金 (有限合夥) is owned as to approximately 48.78% and approximately 2.44% by 深圳東方創業投資有限公司 and 青海省東方藏醫藥產業投資管理有限公司 respectively. 青海省東方藏醫藥產業投資管理有限公司 is owned as to approximately 51% by 深圳前海財富東方股權投資基金管理有限公司. 深圳東方創業投資有限公司 is wholly-owned by 東方資產管理 (中國) 有限公司. 深圳前海財富東方股權投資基金管理有限公司 and 東方資產管理 (中國) 有限公司 is wholly-owned by China Orient Asset Management (International) Holding Limited. Each of Dong Yin Development (Holdings) Limited and Wise Leader Assets Ltd. owns 50% of China Orient Asset Management (International) Holding Limited. Wise Leader Assets Ltd. is wholly-owned by Dong Yin Development (Holdings) Limited, which is wholly-owned by China Orient Asset Management Co., Ltd.

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

4. According to information available to the Company, 112,244,454 Shares are held by Huamei Medical Investment Fund Limited in the capacity of investment manager. Huamei Medical Investment Fund Limited is indirectly wholly owned by Wonderland International Financial Holdings Company which is directly owned by Hua Zhi Investment Limited as to approximately 57.09%. Hua Zhi Investment Limited is ultimately owned by Mr. Li Gang as to approximately 51.73%.

Mr. Li Gang is deemed to be interested in 112,244,454 Shares held by Huamei Medical Investment Fund Limited.

Save as disclosed above, as at 30 June 2021, there are no other interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO.

SECURITIES TRANSACTIONS BY DIRECTORS

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

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

SHARE OPTION SCHEME

A share option scheme was adopted by the shareholders of the Company on 4 December 2020 (the "Share Option Scheme"). No options had been granted or agreed to be granted under the Share Option Scheme since the adoption of the Share Option Scheme.

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

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Period (six months ended 30 June 2020: Nil).



Corporate Governance and Other Information

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.

EVENTS AFTER THE REPORTING PERIOD

Resignation of a director

On 5 August 2021, Mr. Xie Lijun has resigned from his position as a non-executive Director.

For details, please refer to the Company's announcement dated 5 August 2021.

Acquisition of 25% equity interest in Biotrisse

On 12 July 2021, Shenzhen Ruiquan entered into a capital increase agreement with 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 Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd.

On 20 August 2021, Shenzhen Ruiquan entered into an agreement to acquire 90% equity interest in the Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd..

For details, please refer to the Company's announcement dated 20 August 2021.

CHANGES IN INFORMATION OF DIRECTORS

Ms. Fan Qirui, a non-executive Director, has changed from being the manager of the medical investment department to be the director of special situation investment of China Orient Asset Management (International) Holdings Limited during the Period.

Save as disclosed above, there were no changes in the information of the Directors required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the publication of the annual report 2020 of the Company.

AUDIT COMMITTEE

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

Independent non-executive Directors

Mr. Liu Teng (*Chairman*)

Mr. Cao Dequan

Ms. Yang Xiaofen

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

The Audit Committee has reviewed and approved the unaudited condensed consolidated financial information of the Group for the Period and the interim report of the Group for Period prior to approval by the Board. The Audit Committee has no disagreement with the accounting treatment in unaudited interim financial statements and this report. The Company's auditor, Ernst and Young LLP, has reviewed the unaudited interim financial information of the Group for the Period in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

By order of the Board
**Raily Aesthetic Medicine International
Holdings Limited**
Mr. Fu Haishu
Chairman and executive Director

Hangzhou, China, 20 August 2021

As at the date of this report, the Board comprises three executive Directors, namely Mr. Fu Haishu, Mr. Yu Kai and Mr. Song Jianliang, and a non-executive Director, namely Ms. Fan Qirui, and three independent non-executive Directors, namely Mr. Cao Dequan, Ms. Yang Xiaofen and Mr. Liu Teng.

INDEPENDENT REVIEW REPORT



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To the board of directors of Raily Aesthetic Medicine International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 36, which comprises the condensed consolidated statement of financial position of Raily Aesthetic Medicine International Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board (the "IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Ernst & Young
Certified Public Accountants

Hong Kong
20 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	<i>Notes</i>	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
REVENUE	4	91,492	58,730
Cost of sales		(54,396)	(34,444)
Gross profit		37,096	24,286
Other income and gains		1,618	1,090
Selling and distribution expenses		(25,231)	(15,126)
Administrative expenses		(16,597)	(20,289)
Other expenses		(1,367)	(1,105)
Finance costs		(1,068)	(1,208)
LOSS BEFORE TAX	5	(5,549)	(12,352)
Income tax credit	6	110	575
LOSS FOR THE PERIOD		(5,439)	(11,777)
Attributable to:			
Owners of the parent		(5,237)	(12,000)
Non-controlling interests		(202)	223
		(5,439)	(11,777)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
— For loss for the period		RMB(0.25) cents	RMB(0.70) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
LOSS FOR THE PERIOD	(5,439)	(11,777)
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	—	(92)
Income tax effect	—	23
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	—	(69)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(5,439)	(11,846)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	22,994	24,487
Right-of-use assets		17,002	19,709
Intangible assets		4,782	5,041
Goodwill		20,210	20,210
Equity investment designated at fair value through other comprehensive income		5,929	5,929
Deferred tax assets		5,513	5,348
Other non-current assets		695	—
Total non-current assets		77,125	80,724
CURRENT ASSETS			
Supplies		15,130	11,621
Trade receivables	10	3,849	5,128
Prepayments, other receivables and other current assets		27,381	15,961
Financial assets at fair value through profit or loss		500	—
Cash and bank balances		146,916	158,898
Total current assets		193,776	191,608
CURRENT LIABILITIES			
Due to a director		8	—
Trade payables	11	11,481	12,155
Other payables and accruals		11,486	17,431
Contract liabilities		12,767	8,014
Interest-bearing bank borrowings		13,000	13,000
Refund liabilities		5,561	5,352
Lease liabilities		6,875	5,076
Tax payable		7,469	10,445
Total current liabilities		68,647	71,473
NET CURRENT ASSETS		125,129	120,135
TOTAL ASSETS LESS CURRENT LIABILITIES		202,254	200,859
NON-CURRENT LIABILITIES			
Lease liabilities		11,966	14,109
Total non-current liabilities		11,966	14,109
Net assets		190,288	186,750

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
	<i>Notes</i>		
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	136,267	134,060
Reserves		53,346	51,813
		189,613	185,873
Non-controlling interests		675	877
Total equity		190,288	186,750

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

Attributable to owners of the parent									
		Share capital	Capital reserves	Fair value reserve of financial assets at fair value through other comprehensive income	Statutory surplus reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)		134,060	22,017*	(53)*	9,646*	20,203*	185,873	877	186,750
Loss for the period		—	—	—	—	(5,237)	(5,237)	(202)	(5,439)
Issue of shares from initial public offering	12	2,207	9,181	—	—	—	11,388	—	11,388
Share issue expenses		—	(2,411)	—	—	—	(2,411)	—	(2,411)
At 30 June 2021 (unaudited)		136,267	28,787*	(53)*	9,646*	14,966*	189,613	675	190,288
At 1 January 2020 (audited)		4	67,456*	—*	8,234*	17,364*	93,058	217	93,275
Loss for the period		—	—	—	—	(12,000)	(12,000)	223	(11,777)
Other comprehensive income for the period:									
Change in fair value of equity investment at fair value through other comprehensive income, net of tax		—	—	(69)	—	—	(69)	—	(69)
At 30 June 2020 (audited)		4	67,456*	(69)*	8,234*	5,364*	80,989	440	81,429

* These reserve accounts comprise the consolidated reserves of RMB53,346,000 (31 December 2020: RMB51,813,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	<i>Notes</i>	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(5,549)	(12,352)
Adjustments for:			
Loss on disposal of items of property, plant and equipment		18	5
Investment income		(399)	(150)
Finance costs		1,068	1,208
Depreciation of right-of-use assets		2,820	2,920
Depreciation of property, plant and equipment		3,604	3,640
Provision for impairment of trade receivables and other receivables		256	235
Impairment of property, plant and equipment		—	54
Impairment of goodwill		—	429
Amortisation of intangible assets		270	35
Lease payments waived		—	(1,823)
Loss/(gain) on foreign exchange differences		1,053	(5)
		3,141	(5,804)
(Increase)/decrease in supplies		(3,509)	1,358
Decrease in trade receivables		1,205	2,925
Increase in prepayments, other receivables and other assets		(12,077)	(3,847)
(Decrease)/increase in trade payables		(674)	1,848
Increase in amounts due to a director		8	—
Increase in contract liabilities		4,753	454
Increase in refund liabilities		209	99
Decrease in other payables and accruals		(5,840)	(2,105)
Cash used in operations		(12,784)	(5,072)
Income tax paid		(3,031)	(4,166)
Net cash flows used in operating activities		(15,815)	(9,238)



Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
	<i>Notes</i>	
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	232	—
Decrease in amounts due from the controlling shareholder	—	(1,667)
Decrease in amounts due from related companies	—	865
Purchases of items of property, plant and equipment	(3,036)	(1,567)
Purchases of items of intangible assets	(11)	(91)
Purchase of financial investments	(19,500)	(5,300)
Proceeds from maturity of time deposits	15,500	—
Purchase of time deposits	(43,283)	(10,500)
Proceeds from disposal of financial investments	19,168	20
Proceeds from disposal of items of property, plant and equipment	107	—
Net cash flows used in investing activities	(30,823)	(18,240)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of capital reduction	—	(245)
Loans from banks	10,000	8,057
Repayment of bank loans	(10,000)	—
Interest paid	(324)	(188)
Net proceeds from issue of shares	9,452	—
Payment of lease liabilities	(1,202)	(2,062)
Net cash flows from financing activities	7,926	5,562
NET DECREASE IN CASH AND CASH EQUIVALENTS	(38,712)	(21,916)
Cash and cash equivalents at beginning of the period	143,398	49,410
Effect of foreign exchange rate changes, net	(1,053)	5
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	103,633	27,499

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
Amendment to IFRS 16

*Interest Rate Benchmark Reform — Phase 2
Covid-19-Related Rent Concessions beyond 30 June
2021 (early adopted)*

The nature and 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 phase 2 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 had certain interest-bearing bank borrowings denominated in Renminbi based on fixed rates as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

- (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 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. There is no impact on the financial statements of the Group as there were no rent concessions granted by the lessors during the period.

3. OPERATING SEGMENT INFORMATION

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2020	Aesthetic medical services RMB'000 (Audited)	Consulting services RMB'000 (Audited)	Total RMB'000 (Audited)
Segment revenue (note 4):			
External customers	57,476	1,254	58,730
Segment results	609	(719)	(110)
<i>Reconciliation:</i>			
Other income and gains			1,090
Group and unallocated expenses			(13,144)
Finance costs (other than interest on lease liabilities)			(188)
Loss before tax			(12,352)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2021 and 31 December 2020.

	Aesthetic medical services RMB'000	Consulting services RMB'000	Total RMB'000
Segment assets			
30 June 2021 (unaudited)	132,400	8,535	140,935
31 December 2020 (audited)	132,118	5,533	137,651
Segment liabilities			
30 June 2021 (unaudited)	76,841	619	77,460
31 December 2020 (audited)	77,443	953	78,396

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
<i>Revenue from contracts with customers</i>		
Aesthetic medical services	89,194	57,476
Consulting services	2,298	1,254
	91,492	58,730

Disaggregated revenue information for revenue from contracts with customers For the six months ended 30 June 2021

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

4. REVENUE (CONTINUED)

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

For the six months ended 30 June 2020

Segments	Aesthetic medical services RMB'000 (Audited)	Consulting services RMB'000 (Audited)	Total RMB'000 (Audited)
Services	57,476	1,254	58,730
Geographical market			
Mainland China	57,476	1,254	58,730
Timing of revenue recognition			
Services transferred at a point in time	46,408	—	46,408
Services transferred over time	11,068	1,254	12,322
	57,476	1,254	58,730
Revenue from contracts with customers			
External customers	57,476	1,254	58,730

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Cost of supplies consumed	28,725	19,241
Amortisation of intangible assets	270	35
Depreciation of property, plant and equipment	3,604	3,640
Depreciation of right-of-use assets	2,820	2,920
Impairment of goodwill	—	429
Lease payments not included in the measurement of lease liabilities	420	—
Listing expenses (including reporting accountants' remuneration)	—	9,727
Auditor's remuneration	650	—
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	32,014	22,021
Pension scheme contributions	2,944	1,176
Staff welfare expenses	1,050	1,679
Impairment of trade receivables, net	74	(22)
Impairment of financial assets included in prepayments, other receivables and other assets	182	257
Impairment of property, plant and equipment	—	54
Loss on disposal of items of property, plant and equipment	18	5
Promotion and marketing expenses	12,275	6,909
Professional fee	4,091	—
Exchange differences, net	1,005	159

6. INCOME TAX

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

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

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6. INCOME TAX (CONTINUED)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% (2020: 16.5%) on any estimated assessable profits arising in Hong Kong.

Pursuant to 2019 circular No. 13 and No. 2 announcement of the State Taxation Administration 2019, Ningbo Zhuerli Beauty Consulting Service Co., Ltd. and Wuhu Raily Aesthetic Medical Hospital Co., Ltd., as small micro-enterprises, enjoyed a preferential tax rate of 5% (2020: 5%) for the six months ended 30 June 2021.

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current tax	55	670
Deferred tax	(165)	(1,245)
Total tax charge for the period	(110)	(575)

7. DIVIDENDS

No dividends were paid or declared by the Company for the period ended 30 June 2021.

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,085,446,889 (2020: 1,712,500,000) in issue during the period, as adjusted to reflect the rights issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2021 and 2020.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the period ended 30 June 2020 included 59,334 ordinary shares and 1,712,440,666 shares in connection with the capitalisation issue, which were deemed to be issued as of the beginning of the period.

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

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

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

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	(5,237)	(12,000)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	2,085,446,889	1,712,500,000
Basic and diluted earnings per share (RMB)	(0.25) cents	(0.70) cents

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets at a cost of RMB3,036,000 (30 June 2020: RMB1,567,000).

Assets (other than those classified as held for sale) with a net book value of RMB125,000 were disposed of by the Group during the six months ended 30 June 2021 (30 June 2020: RMB5,000), resulting in a net loss on disposal of RMB18,000 (30 June 2020: a net loss of RMB5,000).

During the six months ended 30 June 2021, no impairment loss (30 June 2020: RMB54,000) was recognised for certain property, plant and equipment as a result of the significant loss incurred during the period.

10. TRADE RECEIVABLES

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 3 months	2,972	4,430
4 to 6 months	328	339
7 to 12 months	411	308
1 to 2 years	138	51
	3,849	5,128

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11. TRADE PAYABLES

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 90 days	8,075	7,278
91 to 180 days	1,400	1,490
181 to 365 days	562	769
Over 365 days	1,444	2,618
	11,481	12,155

12. SHARE CAPITAL

On 20 January 2021, the Company issued and allotted 34,040,000 shares at HK\$0.40 per share due to the partial exercise of the over-allotment option of the listing for a total cash consideration before share issue expense of approximately HK\$13,616,000 (equivalent to RMB11,388,000).

13. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Mr. Fu Haishu	8	—

The amount was bank service charges paid by Mr. Fu.

(b) **Outstanding balances with related parties:**

The outstanding balance due to a director of RMB8,000 at the end of the reporting period mainly represented the expenses paid by Mr. Fu.

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13. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Salaries, allowances and benefits in kind	1,203	1,104
Pension scheme contributions	75	32
Total compensation paid to key management personnel	1,278	1,136

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial asset				
Equity investment designated at fair value through other comprehensive income	5,929	5,929	5,929	5,929

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

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

The fair value of the unlisted equity investment designated at fair value through other comprehensive income is determined using a market approach. The fair value measurement is categorised within Level 3 of the fair value hierarchy.

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

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

For the fair value of the unlisted equity investment at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021 and 31 December 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Valuation multiples	Discount for lack of marketability	29% to 31% (31 December 2020: 29% to 31%)	2% (31 December 2020:2%) increase in multiple would result in decrease in fair value by RMB447,000 (31 December 2020: RMB447,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value: As at 30 June 2021

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Equity investment designated at fair value through other comprehensive income	—	—	5,929	5,929
Financial assets at fair value through profit or loss	500	—	—	500
	500	—	5,929	6,429

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

Fair value hierarchy (continued)

As at 31 December 2020

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Equity investment designated at fair value through other comprehensive income	—	—	5,929	5,929

The movements in fair value measurements within Level 3 during the period are as follows:

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Equity investment at fair value through other comprehensive income-unlisted:		
At 1 January	5,929	—
Transfer from Level 2	—	6,000
Total losses recognised in other comprehensive income	—	(92)
At 30 June	5,929	5,908

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (six months ended 30 June 2020: Nil).

15. EVENTS AFTER THE REPORTING PERIOD

- On 12 July 2021, Shenzhen Ruiquan Management Consulting Co., Ltd (“Shenzhen Ruiquan”), an indirect wholly owned subsidiary of the Group, entered into a capital increase agreement with Biotrisse Aesthetic Medicine (Beijing) Trading Co., Ltd (the “Target”) to inject RMB3,500,000 into the capital of the Target and to acquire 25% equity interests of the Target.
- On 21 July 2021, Hangzhou Raily Beauty Cosmetology Consulting Service Co., Ltd. established Shenzhen Ruiquan Medical Equipment Co., Ltd. for the provision of medical equipment wholesale in Zhejiang Province.
- On 20 August 2021, Shenzhen Ruiquan entered into an agreement to acquire 90% equity interest in the Shenzhen Jumei Xinhe Medical Equipment Co., Ltd..