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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Raily Aesthetic Medicine International Holdings Limited (the “**Company**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the comparative unaudited figures for the six months ended 30 June 2022 and certain comparative audited figures as at 31 December 2022.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	<i>Notes</i>	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	4	97,580	94,397
Cost of sales		<u>(58,551)</u>	<u>(50,022)</u>
Gross profit		39,029	44,375
Other income and gains		1,238	2,445
Selling and distribution expenses		(22,765)	(24,265)
Administrative expenses		(18,539)	(18,567)
Other expenses		(368)	(240)
Finance costs		(1,310)	(1,612)
Share of loss of an associate		<u>(81)</u>	<u>(178)</u>
(LOSS)/PROFIT BEFORE TAX	5	(2,796)	1,958
Income tax expense	6	<u>(1,300)</u>	<u>(1,898)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(4,096)</u>	<u>60</u>
Attributable to:			
Owners of the parent		(2,255)	1,482
Non-controlling interests		<u>(1,841)</u>	<u>(1,422)</u>
		<u>(4,096)</u>	<u>60</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For (loss)/profit for the period (RMB)		<u>(0.11) cents</u>	<u>0.07 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
(LOSS)/PROFIT FOR THE PERIOD	<u>(4,096)</u>	<u>60</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(4,096)</u>	<u>60</u>
Attributable to:		
Owners of the parent	<u>(2,255)</u>	1,482
Non-controlling interests	<u>(1,841)</u>	<u>(1,422)</u>
	<u>(4,096)</u>	<u>60</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		30 June 2023 (Unaudited) <i>RMB'000</i>	31 December 2022 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	40,645	40,763
Right-of-use assets		39,842	43,243
Goodwill		56,764	56,764
Intangible assets		28,714	30,467
Investment in an associate		3,161	3,262
Deferred tax assets		12,826	12,716
Pledged deposits		1,564	1,543
Other non-current assets		2,245	1,333
		185,761	190,091
CURRENT ASSETS			
Inventories and supplies		11,876	12,678
Trade receivables	10	9,452	5,341
Prepayments, other receivables and other current assets		39,130	15,762
Cash and bank balances		57,645	78,779
Financial assets at fair value through profit or loss		2,000	–
		120,103	112,560
CURRENT LIABILITIES			
Trade payables	11	9,785	9,169
Other payables and accruals		17,764	18,562
Due to independent directors		240	466
Contract liabilities		17,876	16,608
Interest-bearing bank borrowings		11,100	5,000
Refund liabilities		3,184	4,076
Contingent consideration		6,386	6,386
Lease liabilities		8,829	8,666
Tax payable		8,455	7,480
		83,619	76,413
NET CURRENT ASSETS		36,484	36,147
TOTAL ASSETS LESS CURRENT LIABILITIES		222,245	226,238

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
<i>Notes</i>		
NON-CURRENT LIABILITIES		
Lease liabilities	32,466	34,555
Deferred tax liabilities	6,250	6,625
Contingent consideration	19,181	19,181
	<hr/>	<hr/>
Total non-current liabilities	57,897	60,361
	<hr/>	<hr/>
Net assets	164,348	165,877
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	136,267	136,267
Reserves	30,125	29,813
	<hr/>	<hr/>
	166,392	166,080
	<hr/>	<hr/>
Non-controlling interests	(2,044)	(203)
	<hr/>	<hr/>
Total equity	164,348	165,877
	<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

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 2022, 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 IAS 1 and IAS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the 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 IAS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated 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. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

- (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. The amendments are not expected to have any significant impact on the Group's financial statements.
- (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. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. 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.

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2023	Aesthetic medical services <i>RMB'000</i> (Unaudited)	Consulting services <i>RMB'000</i> (Unaudited)	Aesthetic medical equipment products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue (note 4):				
Sales to external customers	85,139	–	12,441	97,580
Intersegment sales	–	–	415	415
				<u> </u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(415)</u>
Revenue from continuing operations				<u><u>97,580</u></u>
Segment results	1,632	–	5,160	6,792
<i>Reconciliation:</i>				
Elimination of intersegment results				(28)
Other income and gains				1,238
Group and unallocated expenses				(10,636)
Finance costs (other than interest on lease liabilities)				<u>(162)</u>
Loss before income tax				<u><u>(2,796)</u></u>

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

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2023 and 31 December 2022.

	Aesthetic medical services <i>RMB'000</i>	Consulting services <i>RMB'000</i>	Aesthetic medical equipment products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets				
30 June 2023 (unaudited)	<u>102,508</u>	<u>421</u>	<u>116,746</u>	<u>219,675</u>
Corporate and other unallocated assets				<u>86,189</u>
Total assets				<u>305,864</u>
31 December 2022 (audited)	<u>109,388</u>	<u>455</u>	<u>93,421</u>	<u>203,264</u>
Corporate and other unallocated assets				<u>99,387</u>
Total assets				<u>302,651</u>
Segment liabilities				
30 June 2023 (unaudited)	<u>80,685</u>	<u>25</u>	<u>5,537</u>	<u>86,248</u>
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>55,268</u>
Total liabilities				<u>141,516</u>
31 December 2022 (audited)	<u>82,477</u>	<u>19</u>	<u>6,462</u>	<u>88,958</u>
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>47,816</u>
Total liabilities				<u>136,774</u>

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
<i>Revenue from contracts with customers</i>		
Aesthetic medical services	85,139	87,773
Aesthetic medical equipment products	12,441	6,597
Consulting services	–	27
	<u>97,580</u>	<u>94,397</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

Segments	Aesthetic medical services <i>RMB'000</i> (Unaudited)	Consulting services <i>RMB'000</i> (Unaudited)	Aesthetic medical equipment products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods or services				
Sale of products	–	–	12,441	12,441
Services	85,139	–	–	85,139
Total revenue from contracts with customers	<u>85,139</u>	<u>–</u>	<u>12,441</u>	<u>97,580</u>
Geographical market				
Mainland China	<u>85,139</u>	<u>–</u>	<u>12,441</u>	<u>97,580</u>
Timing of revenue recognition				
Goods transferred at a point in time	–	–	12,441	12,441
Services transferred at a point in time	62,814	–	–	62,814
Services transferred over time	22,325	–	–	22,325
Total revenue from contracts with customers	<u>85,139</u>	<u>–</u>	<u>12,441</u>	<u>97,580</u>

For the six months ended 30 June 2022

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

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

For the six months ended 30 June 2023

Segments	Aesthetic medical services <i>RMB'000</i> (Unaudited)	Consulting services <i>RMB'000</i> (Unaudited)	Aesthetic medical equipment products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers				
External customers	85,139	–	12,441	97,580
Intersegment sales	–	–	415	415
Intersegment adjustments and eliminations	<u>85,139</u>	<u>–</u>	<u>12,856</u>	<u>97,995</u>
Total revenue from contracts with customers	<u>85,139</u>	<u>–</u>	<u>12,441</u>	<u>97,580</u>

For the six months ended 30 June 2022

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

5. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of supplies consumed	33,629	28,791
Cost of inventories sold	2,554	1,325
Amortisation of intangible assets	1,777	1,772
Depreciation of property, plant and equipment	6,083	4,783
Depreciation of right-of-use assets	4,883	4,399
Lease payments not included in the measurement of lease liabilities	234	484
Auditor's remuneration	650	650
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	25,814	27,182
Equity-settled share option expense	2,521	1,892
Pension scheme contributions	2,863	1,178
Staff welfare expenses	832	915
Impairment of trade receivables, net	28	19
Impairment of financial assets included in prepayments, other receivables and other assets	2	–
Loss on disposal of items of property, plant and equipment	2	–
Promotion and marketing expenses	6,686	10,214
Professional fee	1,550	1,131
Exchange differences, net	(557)	(1,737)

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.

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% (2022: 16.5%) on any estimated assessable profits arising in Hong Kong. Pursuant to Caishui 2017 Circular No.43, 2019 Circular No.13 and No. 2 Announcement of the State Taxation Administration 2019, Ningbo Zhuerli, Ruian Raily, Raily Equipment, Shenzhen Ruiquan, Hangzhou Ruiquan, Hainan Bellafill, Hainan Jiumei, as small micro-enterprises, enjoyed a preferential tax rate of 2.5% (2022: 2.5%) for the six months ended 30 June 2023.

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax		
Charge for the year	1,687	714
Underprovision in prior years	98	–
Deferred tax	(485)	1,184
	<hr/>	<hr/>
Total tax charge for the period	<u>1,300</u>	<u>1,898</u>

7. DIVIDENDS

No dividends were paid or declared by the Company for the period ended 30 June 2023.

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

The calculation of the basic loss (2022: earnings) per share amount is based on the loss (2022: profit) for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,089,040,000 (2022: 2,089,040,000) in issue during the period, as adjusted to reflect the rights issue during the period.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the period ended 30 June 2023 and 30 June 2022 in respect of a dilution as the impact of the option outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

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

	2023 RMB'000 (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/profit per share calculation:	<u>(2,255)</u>	<u>1,482</u>
	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	<u>2,089,040,000</u>	<u>2,089,040,000</u>
Basic and diluted (loss)/earnings per share (<i>RMB</i>)	<u>(0.11) cents</u>	<u>0.07 cents</u>

Because the diluted loss per share amount is decreased when taking share options into account, the share options had an anti-dilutive effect on the basic loss per share for the period ended 30 June 2023 and were ignored in the calculation of diluted loss per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB8,172,000 (30 June 2022: RMB9,257,000).

Assets with a net book value of RMB40,000 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: Nil), resulting in a net loss on disposal of RMB2,000 (30 June 2022: Nil).

During the six months ended 30 June 2023, no impairment loss (30 June 2022: Nil) was recognised for any property, plant and equipment.

10. TRADE RECEIVABLES

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	1,902	2,032
4 to 6 months	7,532	1,148
7 to 12 months	–	2,126
1 to 2 years	18	35
	<u>9,452</u>	<u>5,341</u>

11. TRADE PAYABLES

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 90 days	8,888	8,326
91 to 180 days	438	389
181 to 365 days	324	263
Over 365 days	135	191
	<u>9,785</u>	<u>9,169</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is a leading aesthetic medical service provider located in the Yangtze River Delta region, the People's Republic of China (the "PRC"), and our main business is offering a number of high-quality aesthetic medical services to meet the different aesthetic and anti-aging objectives of our clients, including aesthetic surgery services, minimally-invasive aesthetic services and aesthetic dermatology services. At the same time, we are engaged in aesthetic medical management consulting services and sales of aesthetic medical equipment products.

For the Reporting Period, our performance in the first half of the year has recovered with the recovery of the national economy as a result of the relaxation of the national pandemic prevention measures, the gradual recovery of consumer sentiment and customer flow, and the resurgence of aesthetic medical consumption. However, the recovery of China's aesthetic medical market after the pandemic is not rapid, and the operation of the aesthetic medical services industry is still pessimistic. Our revenue is approximately RMB97.6 million for the Reporting Period, representing an increase of 3.4% from approximately RMB94.4 million for the corresponding period in 2022. Our loss for the Reporting Period is approximately RMB4.1 million (six months ended 30 June 2022: profit of approximately RMB0.1 million) and loss attributable to shareholders of the parent is approximately RMB2.3 million (six months ended 30 June 2022: profit attributable to shareholders of the parent of approximately RMB1.5 million).

In response to the volatility of the PRC consumer market and the uncertain industry trend after the pandemic, we are gradually moving forward with the following development planning and strategic layout:

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

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

With the change of consumption concept, the improvement of consumption ability and the increase in the proportion of low-age consumers, non-surgical items have won more consumers' favor and maintained rapid market growth due to the characteristics of low risk, short recovery period and natural effect. In order to meet customers' demand for new products and technologies, the Group has enhanced the capacity of its non-surgical aesthetic medical services through renovation and expansion and introduction of new equipment in the past two years, especially increased the investment in minimally-invasive aesthetic services and aesthetic dermatology services rooms.

The following table sets forth certain operating data of our aesthetic medical institutions before and after the renovation and expansion as of 30 June 2023:

Aesthetic medical institution	Commencement date of operation	Before the renovation and expansion				After the renovation and expansion			
		Approximate gross floor area (sq.m)	Number of minimally-invasive aesthetic services rooms (Room)	Number of aesthetic surgery services rooms (Room)	Number of other services rooms (Room)	Approximate gross floor area (sq.m)	Number of minimally-invasive aesthetic services rooms (Room)	Number of aesthetic surgery services rooms (Room)	Number of other services rooms (Room)
Hangzhou Raily	August 2013	2,800	5	13	4	7,800	23	32	21
Ruian Raily	March 2013	2,900	4	10	4	2,900	6	17	4
Hangzhou Bellafill	August 2008	1,000	2	5	3	1,000	3	10	5
Wuhu Raily	July 2015	1,400	2	6	3	2,900	8	18	10
Total		8,100	13	34	14	14,600	40	77	40

In addition, we have qualified doctors and a stable medical core team, which enabled us to maintain a steady growth in average spending per client. The average spending per client of aesthetic medical services during the Reporting Period was approximately RMB2,978, representing an increase of approximately 2.5% from the average spending per client of approximately RMB2,906 for the six months ended 30 June 2022.

2. *Continuous application of digital management model*

We will continue to use, transform and upgrade the digital medical service management systems, and rely on big data to make various marketing strategies. We have carried out a comprehensive marketing model which integrates precision marketing, digital marketing and thematic marketing, so as to provide long-term and high quality aesthetic medical services. The development of these marketing strategies is based on an analysis of the consumer's historical data, i.e., the consumer's past behavior, the number, types and time of services received to determine the preference of the consumers and develop a corresponding marketing strategy.

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

At present, there are countless aesthetic medical institutions brands in the domestic aesthetic medical industry, but there are no aesthetic medical institutions with medical training as the main model. However, a number of medical centers and regional medical centers have been established in other medical fields. In recent years, the country has been strictly managing the aesthetic medical industry in accordance with the requirements of standardization and legalization. Over the years, the process of transforming the aesthetic medical industry from sales priority to medical care first not only lacks the support for system construction, but also reflects the transformation of the value orientation of doctors and the reconstruction of product value. The nature of the aesthetic medical industry returning to medical care is medical technology first and then beauty care. We planned to cooperate with Hainan Boao Lecheng International Medical Tourism Pilot Zone Administration to build an aesthetic medical institution integrating aesthetic medical services, medical equipment sales and education and training, so as to carry out joint treatment surgery training for various drugs and devices. Through the training center, we can build an academic highland and create a brand of "quality aesthetic medicine"; hosted training activities for major medical equipment manufacturers, gathered numerous famous experts and young and middle-aged doctors

through training, and established a medical group; undertook training courses (with credits) on rhinoplasty, eye-shaping and ear plastic surgery organized by the Chinese Association of Plastics and Aesthetics and other organizations, which were included in the Chinese Journal of Aesthetic and Plastic Surgery (《中國美容整形外科雜誌》), China Medical Cosmetology (《中國醫療美容》) and Chinese Journal of Medical Aesthetics and Cosmetology (《中華醫學美學美容雜誌》). The establishment of the medical 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 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. In addition, through the medical center, the Group will focus on introducing various anti-ageing products and advanced equipment from overseas, take the medical center as the transformation base of imported drugs and devices, fill the technology gap, effectively drive and improve medical service capabilities, benchmark against the treatment technologies of Japan, the United States, Singapore and other countries, and direct customer groups to Hainan Boao Lecheng International Medical Tourism Pilot Zone, so that customers can enjoy international cutting-edge technologies without going abroad.

III. Increase marketing efforts and strive to transform the traffic of live broadcast platforms into new customer expansion channels

With the popularity of smartphones and the development of online media, as an institution behind the internet celebrity economy and popularity of the public, the Multi-Channel Networks (“MCN”) industry has developed rapidly and the business monetization model has become more diversified. MCN is a comprehensive service institution focusing on integrating online media channels, creating original content and conducting social media marketing, which is a product that connects traditional media development with social media. Short video/live broadcast is one of the main channels for MCN institution’ content output and is also an important way for MCN institution to turn ordinary people into internet celebrities. We will develop new customer expansion channels, establish MCN institution, and promote a new marketing model of live broadcast e-commerce through various professional businesses such as talent incubation, content production and user management. At the same time, we will focus on content creation, presentation, sales and distribution to expand new business development. In terms of content, we attach importance to content accuracy and quality control to improve content production efficiency and quality. We will also integrate mobile terminals and social media more closely, with a view to comprehensively improving the effect of communication, providing high-quality content and traffic output for its own marketing platform, improving publicity efficiency and enhancing its market competitiveness. In addition, we will utilize the live broadcast platform of the MCN institution to provide live broadcast e-commerce services for other third-party merchants, so as to enhance the commercial value of the institution, increase the Group’s operating income and facilitate the development of the Group’s brand.

IV. Actively promote the construction of aesthetic medical equipment products R&D and manufacturing center catering to the market demand for diversified products in the aesthetic medical industry

1. *Expand the market share of Group's aesthetic medical equipment products by taking advantage of the technical advantages of e-PTFE materials*

Currently, e-PTFE materials are the new and valuable biological materials that have attracted more attention in facial plastic surgery prosthesis materials in recent years. China's facial plastic surgery industry is in a period of rapid development, especially in the field of medical implantable materials for expanded polytetrafluorethylene, and domestic brands have been making efforts and increasing investment in scientific research, resulting in an explosive growth in the overall e-PTFE market. We acquired the Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd ("**Jiumei Xinhe**") in the second half of 2021 and started to operate the business of sales of aesthetic medical equipment products. Jiumei Xinhe's Chuzhen facial implant, a brand of e-PTFE (expanded polytetrafluorethylene) facial implant, has become the key product of our sales of aesthetic medical equipment products. We will combine our existing sales experience to improve our sales network and continue to increase our market share. During the Reporting Period, Jiumei Xinhe's performance maintained growth and its market share also increased due to the recovery of medical market after the pandemic. We will accelerate the introduction of more new products through registered import agency, in-house research and distributor service and expand into most domestic aesthetic medical hospitals and mainstream medical institutions. 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 improving the market share and product reputation of our overall aesthetic medical equipment products.

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

Suzhou Yonglan Biotechnology Science and Technology Co., Ltd. ("**Suzhou Yonglan**"), a subsidiary of the Group, is building the production facilities for subcutaneous injection products with a plant area of approximately 4,660 sq.m., which is located in the No. 7 Building, Phase I of Maidi Medical Equipment Industry Innovation Port, No. 26 Jinxing Road, Zhangjiagang, Suzhou, and mainly engaged in the production and sales of plastic collagen compound biomaterials for subcutaneous implantation system products. The board meeting of the Company on 25 August 2023 has approved our investment plan in Suzhou Yonglan for the next 36 months. The total investment of Suzhou Yonglan is approximately RMB150 million, the application fee for aesthetic medical equipment products is approximately RMB70 million, the purchase cost of the plant is approximately RMB25 million, the cost of equipment purchase and plant construction is approximately RMB25 million, the research and development cost is approximately RMB15 million, and the administrative expenses is approximately RMB15 million. Suzhou Yonglan has signed a long-term contract with the biomaterials research center of a well-known university in China, which will

transform cutting-edge biomaterial research results into aesthetic medical products. In the second half of the year, we will complete the infrastructure construction and completion acceptance of the Suzhou Yonglan Plant, as well as the commissioning of the production equipment, and complete the construction of the production line for collagen products, which has a white appearance and contains a portfolio of amino acids in degraded products that can effectively inhibit the activity of skin pigment tyrosine enzymes, instantly brighten the skin, improve the thickness and tension of the skin, restore skin smoothness, solve problems such as skin dark, relaxed, wrinkle and other different functions. In addition, we plan to apply the first registration of three types of medical treatment equipment products in China next year. We will continue to plan, research and develop and manufacture jointly with well-known universities and colleges in PRC to build up a R&D and manufacturing platform for aesthetic medical equipment products.

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June				
	2023		2022		Change %
	Revenue <i>RMB'000</i> (unaudited)	% of the total revenue %	Revenue <i>RMB'000</i> (unaudited)	% of the total revenue %	
Aesthetic medical services	85,139	87.3	87,773	93.0	
Aesthetic surgery services	3,791	3.9	6,243	6.6	(39.3)
Minimally-invasive aesthetic services	43,504	44.6	42,979	45.6	1.2
Aesthetic dermatology services	36,296	37.2	36,263	38.4	0.1
Others ^(Note)	1,548	1.6	2,288	2.4	(32.3)
Aesthetic medical management consulting services	–	–	27	–	(100.0)
Sales of aesthetic medical equipment products	12,441	12.7	6,597	7.0	88.6
	<u>97,580</u>	<u>100.0</u>	<u>94,397</u>	<u>100.0</u>	<u>3.4</u>

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

For the Reporting Period, our total revenue was approximately RMB97.6 million, representing an increase of 3.4% as compared with approximately RMB94.4 million for the six months ended 30 June 2022. For the Reporting Period, our total revenue from aesthetic medical services was approximately RMB85.1 million, representing a decrease of approximately 3.0% from approximately RMB87.8 million for the six months ended 30 June 2022, which was mainly due to the continued decline in the results of our aesthetic surgery services and that our results for the first month of the Reporting Period were materially affected by the pandemic. For the Reporting Period, the revenue from the sales business of aesthetic medical equipment products was approximately RMB12.4 million, representing a significant increase of approximately 88.6% from approximately RMB6.6 million for the six months ended 30 June 2022.

Our revenue from minimally-invasive aesthetic services for the Reporting Period was approximately RMB43.5 million, representing an increase of approximately 1.2% from approximately RMB43.0 million for the six months ended 30 June 2022. Our revenue from aesthetic dermatology services for the Reporting Period was approximately RMB36.3 million, which remained stable as compared to approximately RMB36.3 million for the six months ended 30 June 2022. Our revenue from aesthetic surgery services for the Reporting Period was approximately RMB3.8 million, representing a decrease of approximately 39.3% from approximately RMB6.2 million for the six months ended 30 June 2022. The decrease 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. Our cost of sales for the Reporting Period was approximately RMB58.6 million, representing an increase of approximately 17.1% from approximately RMB50.0 million for the six months ended 30 June 2022. The increase in our cost of sales was primarily attributable to an increase in the high-value consumables for our mid-to high-end projects, an increase in the cost of materials as a result of the increased sales performance of aesthetic medical equipment products and an increase in amortisation charge for hospital premises rental and renovation.

Our cost of sales classified by nature is as follows:

	Six months ended 30 June					
	2023		2022		Change	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%	
(unaudited)		(unaudited)				
Cost of supplies consumed	33,629	57.4	28,791	57.6	16.8	
Cost of inventories sold	2,554	4.4	1,325	2.6	92.8	
Staff costs	14,241	24.3	13,997	28.0	1.7	
Others	8,127	13.9	5,909	11.8	37.5	
	58,551	100.0	50,022	100.0	17.1	

Gross Profit

For the Reporting Period, our gross profit amounted to approximately RMB39.0 million, representing a decrease of approximately 12.0% from approximately RMB44.4 million for the six months ended 30 June 2022. During the Reporting Period, our gross profit margin was approximately 40.0%, representing a decrease of approximately 7.0 percentage points from approximately 47.0% for the six months ended 30 June 2022, mainly due to the increase in fixed costs of aesthetic medical service segment, the value of materials consumed by mid-to high-end projects was high and the performance did not increase.

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

	Six months ended 30 June					
	2023		2022		Change of	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Change of Gross Profit	Change of Gross Profit Margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%	%
	(unaudited)		(unaudited)			
Aesthetic medical services	29,142	34.2	39,188	44.6	(25.6)	(10.4)
Aesthetic surgery services	(389)	(10.3)	2,912	46.6	(113.4)	(56.9)
Minimally-invasive aesthetic services	17,672	40.6	19,186	44.6	(7.9)	(4.0)
Aesthetic dermatology services	13,301	36.6	18,948	52.3	(29.8)	(15.7)
Others <i>(Note)</i>	(1,442)	(93.2)	(1,858)	(81.2)	(22.4)	(12.0)
Aesthetic medical management consulting services	-	-	(85)	(314.8)	(100.0)	-
Sales of aesthetic medical equipment products	9,887	79.5	5,272	79.9	87.5	(0.4)
	39,029	40.0	44,375	47.0	(12.0)	(7.0)

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

For the Reporting Period, the total gross profit of our aesthetic medical services was approximately RMB29.1 million, representing a decrease of approximately 25.6% from RMB39.2 million for the six months ended 30 June 2022, of which the gross profit of our minimally-invasive aesthetic services was approximately RMB17.7 million, representing a decrease of approximately 7.9% from RMB19.2 million for the six months ended 30 June 2022. The total gross profit of the sales of aesthetic medical equipment products during the Reporting Period was approximately RMB9.9 million, representing an increase of approximately 87.5% from approximately RMB5.3 million for the six months ended 30 June 2022.

For the Reporting Period, the total gross profit margin of our aesthetic medical services was approximately 34.2%, representing a decrease of approximately 10.4 percentage points from approximately 44.6% for the six months ended 30 June 2022. The gross profit margin of the sales of aesthetic medical equipment products was approximately 79.5%, representing a decrease of approximately 0.4 percentage points from approximately 79.9% for the six months ended 30 June 2022.

Other Income and Gains

Our other income and gains for the Reporting Period amounted to approximately RMB1.2 million, representing a decrease of approximately RMB1.2 million from approximately RMB2.4 million for the six months ended 30 June 2022.

Selling and Distribution Expenses

Our selling and distribution expenses for the Reporting Period amounted to approximately RMB22.8 million, representing a decrease of approximately RMB1.5 million from approximately RMB24.3 million for the six months ended 30 June 2022.

Administrative Expenses

Our administrative expenses for the Reporting Period amounted to approximately RMB18.5 million (six months ended 30 June 2022: approximately RMB18.6 million). Our administrative expenses primarily comprised intermediary team service expenses, staff costs, rental related expenses, utility, depreciation expenses and other administrative office expenses.

Finance Costs

Our finance costs for the Reporting Period amounted to approximately RMB1.3 million (six months ended 30 June 2022: approximately RMB1.6 million). Our finance costs primarily comprised interest on lease liabilities and interest on bank borrowings.

Income Tax Expenses

Our income tax expenses represents our total current income tax and deferred tax expenses/credit under the relevant PRC income tax policies and regulations. We recorded an income tax expenses of approximately RMB1.3 million for the Reporting Period (six months ended 30 June 2022: approximately RMB1.9 million).

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

The Group recorded a loss of approximately RMB4.1 million for the Reporting Period (six months ended 30 June 2022: profit of approximately RMB0.1 million). Loss for the Reporting Period attributable to owners of the parent was approximately RMB2.3 million (six months ended 30 June 2022: profit attributable to owners of the parent of approximately RMB1.5 million).

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

We maintained a strong financial position with cash and bank balance and time deposits of approximately RMB57.6 million as at 30 June 2023 (31 December 2022: approximately RMB78.8 million), and the change was mainly due to our external earnest money of RMB20.0 million during the Reporting Period. Our net current assets were approximately RMB36.5 million as at 30 June 2023 (31 December 2022: approximately RMB36.1 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 2023, our Group had unutilised banking facilities for working capital purposes of approximately RMB8.9 million (31 December 2022: approximately RMB10.0 million).

Lease Liabilities

As at 30 June 2023, the Group had lease liabilities of approximately RMB41.3 million (31 December 2022: approximately RMB43.2 million).

Capital Commitments

As at 30 June 2023, the Group's contracted, but not provided for commitments amounted to approximately RMB5.5 million, mainly for leasehold improvements (31 December 2022: approximately RMB1.1 million, mainly for leasehold improvements, plant and machinery).

Capital Expenditures

During the Reporting Period, the Group acquired equipment and leasehold improvements amounting to approximately RMB8.2 million (six months ended 30 June 2022: equipment and leasehold improvements amounting to approximately RMB9.3 million).

Interest-bearing Bank Borrowings

As at 30 June 2023, our Group had approximately RMB11.1 million outstanding interest-bearing bank borrowings (31 December 2022: approximately RMB5.0 million) of which approximately RMB11.1 million are at fixed interest rates (31 December 2022: approximately RMB5.0 million).

As at 30 June 2023, all of the bank borrowings were repayable within one year and there was no other borrowing as at 30 June 2023. All the borrowings are denominated in RMB.

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

PLEDGE OF ASSETS

As at 30 June 2023, the lease arrangements were secured by the Group's pledged deposits of RMB1.6 million (31 December 2022: lease arrangement 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 30 June 2023 and multiplying the result by 100%. As at 30 June 2023, the Group had total debt of approximately RMB141.5 million (31 December 2022: approximately RMB136.8 million) and the gearing ratio is approximately 86.1% (31 December 2022: approximately 82.5%).

INTEREST RATE RISK

The Group has no significant interest rate risk.

EXCHANGE RATE FLUCTUATION RISK

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

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

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, a refundable earnest money of RMB20.0 million was paid to the Target Company.

* *For identification purpose only*

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

Save 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 Reporting Period.

PROFIT GUARANTEE

As disclosed in the Company’s announcement dated 10 March 2023, the first profit guarantee period in relation to Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd. was extended from 31 December 2022 to 31 March 2023. Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd. has fulfilled the relevant profit guarantee for the extended period.

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 30 June 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, we have 321 employees in the PRC (31 December 2022: 322).

Function	Number of Employees	
	30 June 2023	31 December 2022
Management	7	7
Physicians and medical staff	132	131
Sales, marketing and client service staff	146	153
Finance and administration staff	36	31
Total	<u>321</u>	<u>322</u>

Our total staff costs for the Reporting Period amounted to approximately RMB30.2 million (six months ended 30 June 2022: approximately RMB30.2 million), accounting for approximately 30.9% (six months ended 30 June 2022: approximately 32.0%) of our total revenue for the Reporting Period.

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

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

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

As of 30 June 2023, there were no forfeited contributions (by the Group on behalf of employees who leave the pension scheme prior to vesting fully in such contributions) and utilised by the Group to reduce the existing level of contributions. As at 30 June 2023, there were no forfeited contributions available to reduce the level of contributions to the pension schemes in future years.

USE OF PROCEEDS

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

The planned amount of usage designated for renovation and expansion of our aesthetic medical institutions, strategic acquisition and promotion of our brand has been accumulated for early use of HK\$0.3 million, HK\$2.6 million and HK\$0.3 million, respectively.

The following table sets forth a summary of the utilization of the Net Proceeds as at 30 June 2023:

Purpose	Percentage to total amount	Planned use of net proceeds <i>HK\$'million</i>	Actual use of	Unutilised	Expected timeline of full utilisation of the remaining proceeds
			proceeds up to 30 June 2023 <i>HK\$'million</i>	amount as at 30 June 2023 <i>HK\$'million</i>	
Expanding our aesthetic medical institutions network	71.0%	58.0	38.9	19.1	31 December 2023
– Renovation and expansion of existing aesthetic medical institutions	28.0%	22.9	22.9	–	–
– Organic growth	28.0%	22.9	3.8	19.1	31 December 2023
– Strategic acquisitions	15.0%	12.2	12.2	–	31 December 2023
Acquire new aesthetic medical service equipment and treatment consumables to extend the spectrum of our treatment services offered in our current aesthetic medical institutions	11.0%	9.0	9.0	–	–
Actively promote our brand	8.0%	6.5	6.5	–	–
General working capital	10.0%	8.2	6.3	1.9	31 December 2023
Total	100.0%	81.7	60.7	21.0	

PROSPECTS

The aesthetic medical industry has gradually matured over the past decade. However, with the improvement of the epidemic and the popularity of non-surgical aesthetic medical projects, more beauty-loved clients are entering the aesthetic medical market, which is gradually warming up. It is expected that non-surgical aesthetic medical projects will become mainstream. The risk of non-surgical aesthetic medical projects is low, but the effect is limited to a certain period of time. Therefore, many non-surgical aesthetic medical projects need to be operated on a continuous and cyclical basis in order to maintain the effect, which makes non-surgical aesthetic medical projects become high-frequency products. It is expected that non-surgical aesthetic medical projects still have great potential to increase in consumption, as the public consumers' awareness and acceptance of non-surgical aesthetic medical projects are increasing, and interested clients are no longer rejected. The layout of non-surgical aesthetic medical projects will be more favored by consumers if they are optimized by institutions.

We will continue to vigorously develop non-surgical aesthetic medical projects such as minimally-invasive aesthetic services and aesthetic dermatology services, transform the sales pattern, and occupy the aesthetic medical consumer market rapidly in the post-pandemic era. We will deepen the comprehensive injection concept led by star projects, strengthen client follow-up visits and appointments to promote re-consumption, and formulate a more effective client stratification management mechanism to provide more experience and choices for different clients. In addition, we plan to introduce high-quality new equipment, accelerate the launch of new products, improve the waiting period of client appointment, diagnosis and treatment according to client service processes and routes, and enhance the professional level and service satisfaction of clinical departments.

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

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Reporting Period (six months ended 30 June 2022: Nil).

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on 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 Reporting Period.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix 14 (the “**CG Code**”) to the Listing Rules.

During the Reporting Period, 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 Board (the “**Audit Committee**”) is as follows:

Independent Non-executive Directors

Mr. Liu Teng (*Chairman*)

Mr. Cao Dequan

Ms. Yang Xiaofen

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

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

EVENTS AFTER THE REPORTING PERIOD

Save the approval of the investment plan in Suzhou Yonglan as disclosed in this announcement, the Group does not have any material subsequent event after the Reporting Period and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

By Order of the Board of
Raily Aesthetic Medicine International Holdings Limited
Mr. Fu Haishu
Chairman and Executive Director

Hangzhou, China, 25 August 2023

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.