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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 2024

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 2024 (the “**Reporting Period**”), together with the comparative unaudited figures for the six months ended 30 June 2023 and certain comparative audited figures as at 31 December 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	<i>Notes</i>	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
REVENUE	4	117,475	97,580
Cost of sales		<u>(69,008)</u>	<u>(58,551)</u>
Gross profit		48,467	39,029
Other income and gains		9,950	1,238
Selling and distribution expenses		(23,687)	(22,765)
Administrative expenses		(20,207)	(18,539)
Research and development expenses		(446)	–
Other expenses		(14,717)	(368)
Finance costs		(1,577)	(1,310)
Share of loss of an associate		<u>(40)</u>	<u>(81)</u>
LOSS BEFORE TAX	5	(2,257)	(2,796)
Income tax expense	6	<u>(740)</u>	<u>(1,300)</u>
LOSS FOR THE PERIOD		<u>(2,997)</u>	<u>(4,096)</u>
Attributable to:			
Owners of the parent		(1,617)	(2,255)
Non-controlling interests		<u>(1,380)</u>	<u>(1,841)</u>
		<u>(2,997)</u>	<u>(4,096)</u>
LOSS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For loss for the period (RMB)		<u>(0.32) cent</u>	<u>(0.47) cent</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024 (Unaudited) <i>RMB'000</i>	31 December 2023 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	49,613	50,291
Right-of-use assets		37,368	44,335
Goodwill		44,822	44,822
Intangible assets	10	52,298	23,822
Investment in an associate		1,167	706
Deferred tax assets		9,096	9,396
Other non-current assets		31,642	20,611
		226,006	193,983
CURRENT ASSETS			
Inventories and supplies		11,548	11,438
Trade receivables	11	14,299	9,499
Prepayments, other receivables and other current assets	12	35,668	17,304
Cash and bank balances		34,762	39,790
Pledged deposits		1,607	1,585
Financial assets at fair value through profit or loss		1,000	–
		98,884	79,616
CURRENT LIABILITIES			
Trade payables	13	8,380	9,502
Other payables and accruals	14	50,396	23,943
Amount due to independent directors		246	–
Contract liabilities		29,832	20,977
Interest-bearing bank borrowings		15,000	7,000
Refund liabilities		3,099	3,204
Contingent consideration	15	9,397	10,295
Lease liabilities		10,381	10,342
Tax payable		11,030	6,896
		137,761	92,159
NET CURRENT ASSETS		(38,877)	(12,543)
TOTAL ASSETS LESS CURRENT LIABILITIES		187,129	181,440

		30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Lease liabilities		30,417	34,442
Deferred tax liabilities		2,180	5,875
Other non-current liabilities		3,984	392
Contingent consideration	<i>15</i>	–	8,141
		<hr/>	<hr/>
Total non-current liabilities		36,581	48,850
		<hr/>	<hr/>
Net assets		150,548	132,590
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		185,748	136,267
(Deficits)/Reserves		(28,295)	1,848
		<hr/>	<hr/>
		157,453	138,115
Non-controlling interests		(6,905)	(5,525)
		<hr/>	<hr/>
Total equity		150,548	132,590
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

The Group had net current liabilities of RMB38,877,000 as at 30 June 2024, among which the current contingent consideration amounting to RMB9,397,000 could be paid by shares. Having taken into account the unused banking facilities and the expected cash flows from operating activities, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2024	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	83,026	29	34,420	117,475
Intersegment sales	–	–	2,205	2,205
	<hr/>	<hr/>	<hr/>	<hr/>
Total segment revenue	83,026	29	36,625	119,680
<i>Reconciliation:</i>				
Elimination of intersegment sales				<hr/> <u>(2,205)</u>
Revenue from continuing operations				<hr/> <u>117,475</u>
Segment results	(2,983)	(364)	14,439	11,092
<i>Reconciliation:</i>				
Elimination of intersegment results				(1,983)
Other income and gains				911
Group and unallocated expenses				(11,878)
Finance costs (other than interest on lease liabilities)				<hr/> (399)
Loss before income tax				<hr/> <u>(2,257)</u>

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
	<hr/>	<hr/>	<hr/>	<hr/>
Total segment revenue	85,139	–	12,856	97,995
<i>Reconciliation:</i>				
Elimination of intersegment sales				<hr/> (415)
Revenue from continuing operations				<hr/> 97,580 <hr/>
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)				<hr/> (162)
Loss before income tax				<hr/> (2,796) <hr/>

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2024 and 31 December 2023.

	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 2024 (unaudited)	<u>93,576</u>	<u>4</u>	<u>147,785</u>	<u>241,365</u>
Corporate and other unallocated assets				<u>83,525</u>
Total assets				<u>324,890</u>
31 December 2023 (audited)	<u>107,140</u>	<u>14</u>	<u>86,066</u>	<u>193,220</u>
Corporate and other unallocated assets				<u>80,379</u>
Total assets				<u>273,599</u>
Segment liabilities				
30 June 2024 (unaudited)	<u>91,109</u>	<u>61</u>	<u>35,863</u>	<u>127,033</u>
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>47,309</u>
Total liabilities				<u>174,342</u>
31 December 2023 (audited)	<u>99,019</u>	<u>57</u>	<u>3,356</u>	<u>102,432</u>
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>38,577</u>
Total liabilities				<u>141,009</u>

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
<i>Revenue from contracts with customers</i>		
Aesthetic medical services	83,026	85,139
Aesthetic medical equipment products	34,420	12,441
Consulting services	29	–
	<u>117,475</u>	<u>97,580</u>
Total	<u>117,475</u>	<u>97,580</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2024

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	–	–	34,420	34,420
Services	83,026	29	–	83,055
	<u>83,026</u>	<u>29</u>	<u>34,420</u>	<u>117,475</u>
Total	<u>83,026</u>	<u>29</u>	<u>34,420</u>	<u>117,475</u>
Geographical market				
Chinese Mainland	83,026	29	34,420	117,475
	<u>83,026</u>	<u>29</u>	<u>34,420</u>	<u>117,475</u>
Timing of revenue recognition				
Goods transferred at a point in time	–	–	34,420	34,420
Services transferred at a point in time	52,553	–	–	52,553
Services transferred over time	30,473	29	–	30,502
	<u>30,473</u>	<u>29</u>	<u>–</u>	<u>30,502</u>
Total	<u>83,026</u>	<u>29</u>	<u>34,420</u>	<u>117,475</u>

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	<u>85,139</u>	<u>–</u>	<u>12,441</u>	<u>97,580</u>
Geographical market				
Chinese Mainland	<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	<u>85,139</u>	<u>–</u>	<u>12,441</u>	<u>97,580</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 2024

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	83,026	29	34,420	117,475
Intersegment sales	–	–	2,205	2,205
Subtotal	<u>83,026</u>	<u>29</u>	<u>36,625</u>	<u>119,680</u>
Intersegment adjustments and eliminations	–	–	(2,205)	(2,205)
Total	<u>83,026</u>	<u>29</u>	<u>34,420</u>	<u>117,475</u>

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
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	85,139	–	12,856	97,995
Intersegment adjustments and eliminations	–	–	(415)	(415)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>85,139</u>	<u>–</u>	<u>12,441</u>	<u>97,580</u>

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of supplies consumed	36,639	33,629
Cost of inventories sold	10,311	2,554
Amortisation of intangible assets	3,036	1,777
Depreciation of property, plant and equipment	5,848	6,083
Depreciation of right-of-use assets	5,468	4,883
Lease payments not included in the measurement of lease liabilities	126	234
Auditor's remuneration	707	650
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	26,487	25,814
Equity-settled share option expense	3,427	2,521
Pension scheme contributions	3,198	2,863
Staff welfare expenses	537	832
Impairment of trade receivables, net	33	28
Impairment of financial assets included in prepayments, other receivables and other assets	(4)	2
Impairment of intangible assets	13,279	–
Loss on disposal of items of property, plant and equipment	109	2
Gain on disposal of items of right-of-use assets	(490)	–
Promotion and marketing expenses	6,011	6,686
Professional fee	2,005	1,550
Fair value change in contingent consideration	(9,039)	–
Exchange differences, net	187	(557)
	<hr/> 187 <hr/>	<hr/> (557) <hr/>

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 Chinese Mainland. The provision for current income tax in Chinese Mainland 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% (2023: 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, Raily Equipment, Ningbo Zhuerli, Ruian Raily, Wuhu Raily, Hangzhou Ruiyan, Suzhou Yonglan, Shenzhen Ruiquan, Hainan Bellafill and Hangzhou Bellafill, as small micro-enterprises, enjoyed a preferential tax rate of 5% (2023: 2.5%) for the six months ended 30 June 2024.

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Charge for the year	4,135	1,687
Underprovision in prior years	–	98
Deferred tax	(3,395)	(485)
	<hr/>	<hr/>
Total tax charge for the period	<u>740</u>	<u>1,300</u>

7. DIVIDENDS

No dividends were paid or declared by the Company for the period ended 30 June 2024.

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

The calculation of the basic loss (2023: loss) per share amount is based on the loss (2023: loss) for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 508,330,653 (2023: 480,595,473) in issue during the period, as adjusted to reflect the rights issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the period ended 30 June 2024 and 30 June 2023 in respect of a dilution as the impact of the option outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic and diluted loss per share is based on:

	2024 RMB'000 (Unaudited)	2023 <i>RMB'000</i> <i>(Unaudited)</i>
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	<u>(1,617)</u>	<u>(2,255)</u>
	Numbers of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<u>508,330,653</u>	<u>480,595,473</u>
Basic and diluted loss per share (<i>RMB</i>)	<u>(0.32) cent</u>	<u>(0.47) cent</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 2024 and were ignored in the calculation of diluted loss per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets at a cost of RMB5,277,000 (30 June 2023: RMB8,172,000).

Assets with a net book value of RMB109,000 were disposed of by the Group during the six months ended 30 June 2024 (30 June 2023: RMB40,000), resulting in a net loss on disposal of RMB109,000 (30 June 2023: RMB2,000).

During the six months ended 30 June 2024, no impairment loss (30 June 2023: Nil) was recognised for any property, plant and equipment.

10. INTANGIBLE ASSETS

During the six months ended 30 June 2024, the Group signed a 15-year sales and purchase agreement with a Class III medical device supplier and acquired the distribution right at a cost of RMB44,792,000.

During the six months ended 30 June 2024, an impairment loss of RMB13,279,000 (30 June 2023: Nil) was recognised for certain intangible asset of exclusive distributor agreement as a result of the downward trend in Jiumei Xinhe's performance during the period. The recoverable amount was RMB8,721,000 which has been determined based on a value-in-use calculation using cash flow projections. The discount rate applied to the cash flow projections is 16%.

11. 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	9,988	1,864
4 to 6 months	–	245
7 to 12 months	877	3,147
Over 1 year	3,434	4,243
	<hr/>	<hr/>
Total	14,299	9,499

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Prepayments for inventories and supplies	22,957	223
Prepayments for services	4,185	2,286
Prepaid expense	1,431	1,906
Deposits	5,091	11,377
Other receivables	2,008	1,519
	<hr/>	<hr/>
	35,672	17,311
Impairment allowance	(4)	(7)
	<hr/>	<hr/>
	35,668	17,304

13. 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 90 days	6,560	8,634
91 to 180 days	1,540	596
181 to 365 days	65	237
Over 365 days	215	35
	<hr/>	<hr/>
Total	8,380	9,502

14. OTHER PAYABLES AND ACCRUALS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Other payables*	34,912	10,578
Payroll payable	8,130	7,683
Advances received	4,360	4,587
Tax liabilities (other than income tax)	2,994	1,095
	50,396	23,943

* *Other payables are non-interest-bearing and repayable on demand. The balance as at 30 June 2024 includes consideration of RMB23,519,000 to be paid for the distribution right acquired. As of the date of this announcement, RMB14,254,000 has been paid.*

15. CONTINGENT CONSIDERATIONS

On 29 October 2021, the Group acquired a 90% equity interest in Jiumei Xinhe from third parties. A contingent consideration liability had been recognised initially at RMB29,437,000, which was measured at fair value. The management remeasured its fair value at each reporting date using valuation techniques based on the estimate of future performance of Jiumei Xinhe and other future market conditions. The fair value was classified as Level 3 fair value hierarchy.

The carrying amount of contingent consideration is as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Carrying amount	9,397	18,436
Analysed into:		
Current	9,397	10,295
Non-current	–	8,141

Significant unobservable valuation inputs for the fair value measurement of the contingent consideration are as follows:

Volatility	20%-30%
Discount rate after tax	16%

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 to offer 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 revenue in the first half of the year increased, mainly attributable to the growth in sales performance of the Group's aesthetic medical equipment products, which was benefited from the room for and pace of growth of the overall aesthetic medical industry. Our revenue was approximately RMB117.5 million for the Reporting Period, representing an increase of approximately 20.4% from approximately RMB97.6 million for the corresponding period in 2023. Our loss for the Reporting Period was approximately RMB3.0 million (six months ended 30 June 2023: loss of approximately RMB4.1 million) and loss attributable to shareholders of the parent was approximately RMB1.6 million (six months ended 30 June 2023: loss attributable to shareholders of the parent of approximately RMB2.3 million).

For the Reporting Period, we had approximately 31,700 active aesthetic medical clients, representing an increase of approximately 1.9% as compared to approximately 31,100 active clients for the first half of 2023. The number of new clients and repeat clients was approximately 12,100 and 19,600, respectively, representing a decrease of approximately 4.1% and an increase of approximately 5.9%, respectively, as compared to approximately 12,600 new clients and approximately 18,500 repeat clients for the six months ended 30 June 2023. For the Reporting Period, the average consumption per client for our aesthetic medical services was approximately RMB2,621, representing a decrease of approximately 13.6% from the average consumption per client of approximately RMB2,978 for the six months ended 30 June 2023.

We have gradually moved forward with the following development planning and strategic layout:

1. Adopt differentiated product strategy and enhance the productivity of non-surgical procedure services rooms

Non-surgical procedures are occupying a leading position in the market by virtue of their advantages, such as low risk, quick recovery, short treatment durations and noticeable results. Such procedures include injection procedures such as collagen, hyaluronic acid and botulinum toxin, and photoelectric procedures such as photon rejuvenation and ultrasonic scalpel. Emphasizing technological innovation is a crucial path to achieving differentiation. To meet customer demands for new products and advanced technologies, the Group will continue to introduce cutting-edge aesthetic medical technologies, equipment and medications, and will expand the investment in minimally-invasive aesthetic services and aesthetic dermatology services rooms, thereby strengthening our capabilities in non-surgical aesthetic medical services, enhancing customer loyalty and improving brand reputation. We remain confident in the long-term growth prospects of our medical institutions. While enhancing productivity of our services rooms, we will also optimise and reform unnecessary aesthetic medical services segments. Therefore, Hangzhou Bellafill Aesthetic Medical

Out-patient Department gradually ceased its operation, and its business was merged into our flagship institution, Hangzhou Raily Aesthetic Medical Hospital. Both customers and employees were transferred accordingly, and such transfer helped optimise the Group’s premise resources and reduce operational expenses.

The following table sets forth certain operating data of our aesthetic medical institutions as of 30 June 2024:

Aesthetic medical institution	Commencement date of operation	Approximate gross floor area (sq.m.)	Number of minimally-invasive aesthetic services rooms (Room)	Number of dermatology department services rooms (Room)	Number of other services rooms (Room)
Hangzhou Raily	August 2013	7,500	23	32	21
Ruian Raily	March 2013	2,900	6	17	4
Wuhu Raily	July 2015	2,900	8	18	10
Hainan Bellafill	June 2022	800	3	2	2
	Total	14,100	40	69	37

2. Continue to control costs and optimise personnel structure

We will regularly review and assess all costs and expenses, including employee salaries, promotion expenses, equipment maintenance and material procurement, and then come up with reasonable budgets. Through meticulous budget management, we can avoid cost wastage and redundancy and reduce unnecessary expenditures. Moreover, we will negotiate for more favorable procurement prices and payment terms and rationalise procurement plans to reduce inventory backlogs. We will also reasonably allocate human resources and optimise post setups to ensure that employees’ positions and working hours are reasonably arranged, and will allocate additional staff during peak periods to enhance work efficiency.

3. Develop a medical technology exchange platform and launch a medical technology experience and learning center

We have collaborated with Hainan Boao Lecheng International Medical Tourism Pilot Zone Administration to build an aesthetic training center. Since its establishment, the Boao Lecheng Aesthetic Training Center has, under the guidance of the National Medical Products Administration, relied on the open and shared platform of Lecheng to fully utilise the resource advantages of different parties, empower doctors and medical institutions, support the use of licensed aesthetic medical products, further facilitate academic exchanges and enhance technical proficiencies of healthcare professionals. Training plays a crucial role in promoting innovative aesthetic medical technologies and can enhance doctors’ ability to make technological breakthroughs. Aesthetic medical services are medical treatment in nature and need to stay true to the essence of medical treatment, that is, “medical services, patient experience, medical quality and medical safety”. Therefore, high-quality and advanced medical technologies are the most fundamental guarantee for providing aesthetic medical services to external parties. In addition to the Boao Lecheng Aesthetic Training Center, we have also established a doctor training base at our flagship institution, Hangzhou

Raily Aesthetic Medical Hospital, allowing doctors and experts from different medical institutions to gather and share cutting-edge innovative aesthetic pharmaceuticals, device and technology resources. This is crucial for enhancing the professional abilities of doctors of our Group, improving medical service quality and efficiency, promoting innovative and high-quality development of the Group's aesthetic medical business. Going forward, we will further utilise the training center in two ways: first, to provide a platform for pharmaceuticals and medical device manufacturers to showcase their outstanding products; second, to collaborate with multiple authoritative entities to develop a series of high-quality courses to further enhance the theoretical, aesthetic and practical skills of domestic aesthetic medical practitioners.

4. Diversify the aesthetic medical business and pursue transformation and breakthrough

Since the acquisition of Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd. (“**Jiumei Xinhe**”) in 2021, we have been exploring the upstream of the aesthetic medical industry. Jiumei Xinhe's e-PTFE (expanded polytetrafluorethylene) facial implant under the brand of Chuzhen facial implant are implantable medical devices in the field of surgery. As the market size of non-surgical procedures continues to expand, and in order to cope with market changes, we have shifted the focus of our sales of aesthetic medical equipment products from surgical implant products to subcutaneous injection products. During the transition, we reached supply agreements with overseas suppliers for collagen injection products, marking new breakthroughs. In May and June 2024, our sales of collagen injection products reached approximately RMB25.2 million, covering various provinces and municipalities in the PRC, such as Heilongjiang, Jilin, Liaoning, Beijing, Hebei, Shanxi, Shandong, Hunan, Jiangsu, Shanghai, Zhejiang, Anhui, Fujian, Hubei, Sichuan, Guangxi and Guangdong. For the Reporting Period, our sales of aesthetic medical equipment products amounted to approximately RMB34.4 million, representing an increase of approximately 176.7% from approximately RMB12.4 million for the six months ended 30 June 2023, with Chuzhen facial implant and collagen injection product contributing approximately 24.8% and 73.2% of total sales, respectively. Among products in the upstream supply chain of medical industry, regenerative aesthetic medical injection materials have shown a strong momentum with higher market demand. Our outstanding performance in sales of aesthetic medical equipment products in the first half of 2024 was primarily attributed to our ability to diversify the operation of aesthetic medical business which was gained during the transition, and the new collagen injection product business was the highlight of the performance growth.

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

Currently, the domestic regenerative aesthetic medical market shows a vast prospect for development. Injectable aesthetic medical treatments, due to their relatively more noticeable effects, are expected to maintain a high compound annual growth rate over the next five years. Suzhou Yonglan Biosciences Co., Ltd. (“**Suzhou Yonglan**”), a subsidiary of the Group, has completed the construction of a factory which is dedicated to manufacture subcutaneous injection products, with a plant area of approximately 4,660 sq.m.. Suzhou Yonglan has reached collaboration with technology teams from well-known universities and colleges in China to jointly develop new subcutaneous injection products. Currently, Suzhou Yonglan is in the stage of trial production of injection samples and is actively engaged in the preparation for the application for a Class III medical device registration certificate from the National Medical Products Administration (“**NMPA**”). We will continue to cooperate with well-known universities and colleges in China to build a research and development platform of aesthetic medical equipment products through joint planning, research and development and manufacturing, and consolidate the Group’s position as a leading supplier of non-surgical aesthetic medical services and products in the upstream sector of the industry.

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June				
	2024		2023		Change
	Revenue	% of the total	Revenue	% of the total	
<i>RMB'000</i>	revenue	<i>RMB'000</i>	revenue		
	(unaudited)	%	(unaudited)	%	%
Aesthetic medical services	83,026	70.7	85,139	87.3	(2.5)
Aesthetic surgery services	2,586	2.2	3,791	3.9	(31.8)
Minimally-invasive aesthetic services	40,134	34.2	43,504	44.6	(7.7)
Aesthetic dermatology services	39,772	33.9	36,296	37.2	9.6
Others <i>(Note)</i>	534	0.4	1,548	1.6	(65.5)
Aesthetic medical management consulting services	29	–	–	–	–
Sales of aesthetic medical equipment products	34,420	29.3	12,441	12.7	176.7
	117,475	100.0	97,580	100.0	20.4

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 revenue was approximately RMB117.5 million, representing an increase of approximately 20.4% as compared with approximately RMB97.6 million for the six months ended 30 June 2023. For the Reporting Period, our revenue from aesthetic medical services was approximately RMB83.0 million, representing a decrease of approximately 2.5% from approximately RMB85.1 million for the six months ended 30 June 2023, which was as a result of decrease in revenue in minimally-invasive aesthetic services and aesthetic surgery services attributable to that the increase in the number of active clients was not sufficient to offset the impact of lower consumption per client due to intense industry competition. For the Reporting Period, the revenue from the sales of aesthetic medical equipment products was approximately RMB34.4 million, representing a significant increase of approximately 176.7% from approximately RMB12.4 million for the six months ended 30 June 2023, which was attributable to the rapid growth of sales performance as a result of higher prices of collagen injection products we newly introduced during the Reporting Period.

Our revenue from minimally-invasive aesthetic services for the Reporting Period was approximately RMB40.1 million, representing a decrease of approximately 7.7% from approximately RMB43.5 million for the six months ended 30 June 2023. Our revenue from aesthetic dermatology services for the Reporting Period was approximately RMB39.8 million, representing an increase of approximately 9.6% from approximately RMB36.3 million for the six months ended 30 June 2023. Our revenue from aesthetic surgery services for the Reporting Period was approximately RMB2.6 million, representing a decrease of approximately 31.8% from approximately RMB3.8 million for the six months ended 30 June 2023. 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 RMB69.0 million, representing an increase of approximately 17.9% from approximately RMB58.6 million for the six months ended 30 June 2023. The increase in our cost of sales was primarily attributable to an increase in the cost of materials as a result of the significant growth of sales performance of aesthetic medical equipment products.

Our cost of sales classified by nature is as follows:

	Six months ended 30 June				Change %
	2024 <i>RMB'000</i> (unaudited)	%	2023 <i>RMB'000</i> (unaudited)	%	
Cost of supplies consumed	36,639	53.1	33,629	57.4	9.0
Cost of inventories sold	10,311	14.9	2,554	4.4	303.7
Staff costs	14,638	21.2	14,241	24.3	2.8
Others	7,420	10.8	8,127	13.9	(8.7)
	<u>69,008</u>	<u>100.0</u>	<u>58,551</u>	<u>100.0</u>	<u>17.9</u>

Gross Profit

For the Reporting Period, our gross profit amounted to approximately RMB48.5 million, representing an increase of approximately 24.2% from approximately RMB39.0 million for the six months ended 30 June 2023. During the Reporting Period, our gross profit margin was approximately 41.3%, which was 40.0% for the first half of 2023.

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

	Six months ended 30 June					
	2024		2023		Change of	
	Gross Profit RMB'000 (unaudited)	Gross Profit Margin %	Gross Profit RMB'000 (unaudited)	Gross Profit Margin %	Change of Gross Profit %	Change of Gross Profit Margin %
Aesthetic medical services	24,329	29.3	29,142	34.2	(16.5)	(4.9)
Aesthetic surgery services	(1,152)	(44.5)	(389)	(10.3)	196.1	(34.2)
Minimally-invasive aesthetic services	13,399	33.4	17,672	40.6	(24.2)	(7.2)
Aesthetic dermatology services	14,382	36.2	13,301	36.6	8.1	(0.4)
Others <i>(Note)</i>	(2,300)	(430.7)	(1,442)	(93.2)	59.5	(337.5)
Aesthetic medical management consulting services	29	100	–	–	–	–
Sales of aesthetic medical equipment products	24,109	70.0	9,887	79.5	143.8	(9.5)
	48,467	41.3	39,029	40.0	24.2	1.3

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 RMB24.3 million, representing a decrease of approximately 16.5% from approximately RMB29.1 million for the six months ended 30 June 2023, of which the gross profit of our aesthetic dermatology services was approximately RMB14.4 million, representing an increase of approximately 8.1% from approximately RMB13.3 million for the six months ended 30 June 2023. The total gross profit of the sales of aesthetic medical equipment products during the Reporting Period was approximately RMB24.1 million, representing an increase of approximately 143.8% from approximately RMB9.9 million for the six months ended 30 June 2023.

For the Reporting Period, the total gross profit margin of our aesthetic medical services was approximately 29.3%, representing a decrease of approximately 4.9 percentage points from approximately 34.2% for the six months ended 30 June 2023. The gross profit margin of the sales of aesthetic medical equipment products was approximately 70.0%, representing a decrease of approximately 9.5 percentage points from approximately 79.5% for the six months ended 30 June 2023, which was mainly because the high-priced collagen injection products we newly introduced during the Reporting Period have slightly lower gross profit margin than our existing products.

Other Income and Gains

Our other income and gains for the Reporting Period amounted to approximately RMB10.0 million, representing an increase of approximately RMB8.8 million from approximately RMB1.2 million for the six months ended 30 June 2023. Such increase was mainly attributable to the increase in fair value gains on contingent consideration.

Selling and Distribution Expenses

Our selling and distribution expenses for the Reporting Period amounted to approximately RMB23.7 million, representing an increase of approximately RMB0.9 million from approximately RMB22.8 million for the six months ended 30 June 2023. The increase in such expenses was mainly attributable to the increase in selling expenses required for the growth of sales business of aesthetic medical equipment products.

Administrative Expenses

Our administrative expenses for the Reporting Period amounted to approximately RMB20.2 million (six months ended 30 June 2023: approximately RMB18.5 million). The increase in such expenses was mainly attributable to the increase in staff costs for the management of aesthetic medical equipment products during the Reporting Period. Our administrative expenses primarily comprised intermediary team service expenses, staff costs, rental related expenses, utility, depreciation expenses and other administrative office expenses.

Other Expenses

Our other expenses for the Reporting Period amounted to approximately RMB14.7 million (six months ended 30 June 2023: approximately RMB0.4 million). The increase in such expenses was mainly attributable to the impairment of intangible assets of RMB13.3 million during the Reporting Period.

Finance Costs

Our finance costs for the Reporting Period amounted to approximately RMB1.6 million (six months ended 30 June 2023: approximately RMB1.3 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 RMB0.7 million for the Reporting Period (six months ended 30 June 2023: approximately RMB1.3 million).

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

The Group recorded a loss of approximately RMB3.0 million for the Reporting Period (six months ended 30 June 2023: loss of approximately RMB4.1 million). Loss for the Reporting Period attributable to owners of the parent was approximately RMB1.6 million (six months ended 30 June 2023: loss attributable to owners of the parent of approximately RMB2.3 million).

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

We maintained a strong financial position with cash and bank balance and time deposits of approximately RMB34.8 million as at 30 June 2024 (31 December 2023: approximately RMB39.8 million). Our net current liabilities were approximately RMB38.9 million as at 30 June 2024 (31 December 2023: net current liabilities approximately RMB12.5 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 after diligent and careful investigation, the directors of the Company (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 2024, our Group had unutilised banking facilities for working capital purposes of approximately RMB15.0 million (31 December 2023: approximately RMB23.0 million).

Lease Liabilities

As at 30 June 2024, the Group had lease liabilities of approximately RMB40.8 million (31 December 2023: approximately RMB44.8 million).

Capital Commitments

As at 30 June 2024, the Group had no contracted, but not provided for commitments (31 December 2023: Nil).

Capital Expenditures

During the Reporting Period, the Group acquired equipment and leasehold improvements amounting to approximately RMB4.3 million (six months ended 30 June 2023: equipment and leasehold improvements amounting to approximately RMB8.2 million).

Interest-bearing Bank Borrowings

As at 30 June 2024, our Group had approximately RMB15.0 million outstanding interest-bearing bank borrowings (31 December 2023: approximately RMB7.0 million) of which approximately RMB15.0 million are at fixed interest rates (31 December 2023: approximately RMB7.0 million).

As at 30 June 2024, all of the bank borrowings were repayable within one year and there was no other borrowing as at 30 June 2024. 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 of Directors (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 2024, our Group had no significant contingent liabilities and guarantees (31 December 2023: Nil).

PLEDGE OF ASSETS

As at 30 June 2024, the lease arrangements were secured by the Group’s pledged deposits of RMB1.6 million (31 December 2023: lease arrangement secured by the Group’s pledged deposits of RMB1.6 million).

GEARING RATIO

Gearing ratio is calculated by dividing total liabilities by total equity as at 30 June 2024 and multiplying the result by 100%. As at 30 June 2024, the Group had total debt of approximately RMB174.3 million (31 December 2023: approximately RMB141.0 million) and the gearing ratio is approximately 115.8% (31 December 2023: approximately 106.3%).

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

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

On 13 August 2024, the Group entered into a termination agreement to the LOI and supplemental agreement with the Target Company and the existing shareholders of the Target Company whereby the parties have mutually agreed to terminate the capital injection therein.

For details, please refer to the Company’s announcements dated 10 January 2023, 18 January 2023, 2 January 2024 and 13 August 2024.

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 Jumei Xinhe Medical Equipment Co., Ltd. was extended from 31 December 2022 to 31 March 2023. Shenzhen Jumei 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 2024. Thereafter, the Group may continue to focus on sales of aesthetic medical equipment products and may consider to invest further in related business.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, we have 321 employees in the PRC (31 December 2023: 335).

Function	Number of Employees	
	30 June 2024	31 December 2023
Management	5	6
Physicians and medical staff	131	124
Sales, marketing, client service and other business staff	139	167
Finance and administration staff	46	38
Total	<u>321</u>	<u>335</u>

For the Reporting Period, our staff costs amounted to approximately RMB31.0 million, the share option expenses amounted to approximately RMB3.7 million (six months ended 30 June 2023: approximately RMB2.6 million), and the total staff costs amounted to approximately RMB34.7 million (six months ended 30 June 2023: approximately RMB32.8 million), accounting for approximately 29.6% (six months ended 30 June 2023: approximately 33.6%) 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 2024, there were no forfeited contributions (by the Group on behalf of employees who leave the pension scheme prior to vesting fully in such contributions) which has been utilised by the Group to reduce the existing level of contributions. As at 30 June 2024, there were no forfeited contributions available to reduce the level of contributions to the pension schemes in future years.

USE OF PROCEEDS

The Company was successfully listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 December 2020 (the “**Listing**”). The net proceeds from the 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, HK\$9.5 million out of the Net Proceeds for organic growth remains unutilised, while other proceeds have been fully utilised.

The following table sets forth a summary of the utilization of the Net Proceeds as at 30 June 2024:

Purpose	Percentage to total amount	Planned use of net proceeds <i>HK\$'million</i>	Actual use of proceeds up to 30 June 2024 <i>HK\$'million</i>	Unutilised amount as at 30 June 2024 <i>HK\$'million</i>	Expected timeline of full utilisation of the remaining proceeds
Expanding our aesthetic medical institutions network	71.0%	58.0	48.5	9.5	31 December 2024
– Renovation and expansion of existing aesthetic medical institutions	28.0%	22.9	22.9	–	
– Organic growth	28.0%	22.9	13.4	9.5	31 December 2024
– Strategic acquisitions	15.0%	12.2	12.2	–	
Acquire new aesthetic medical service equipment and treatment consumables to extend the spectrum of our treatment services offered in our current aesthetic medical institutions	11.0%	9.0	9.0	–	
Actively promote our brand	8.0%	6.5	6.5	–	
General working capital	10.0%	8.2	8.2	–	
Total	100.0%	81.7	72.2	9.5	

On 26 February 2024, the Company proposed to raise gross proceeds of up to approximately HK\$20.8 million before expenses, by way of rights issue, by issuing up to 140,728,521 rights shares (the “**Rights Shares**”) (assuming no further issue or repurchase of shares on or before 28 March 2024, the record date, other than the full exercise of the exercisable share options of the Company and all the Rights Shares will be taken up and without taking into account the proceeds from the exercise of the exercisable share options of the Company) at the subscription price of HK\$0.148 per Rights Share on the basis of one (1) Rights Share for every three (3) consolidated shares in issue held by the qualifying shareholders of the Company at the close of business on the record date (the “**Rights Issue**”). The Rights Issue became effective on 25 April 2024. The Company issued and allotted 139,269,333 new shares pursuant to the Rights Issue. The

gross proceeds from the Rights Issue are approximately HK\$20.6 million and the net proceeds from the Rights Issue after expenses are approximately HK\$19.0 million. As at the date of this announcement, HK\$7.6 million out of the net proceeds remains unutilised.

The following table sets forth a summary of the utilization of the net proceeds from the Rights Issue as at 30 June 2024:

Purpose	Percentage to total amount	Planned use of net proceeds <i>HK\$'million</i>	Actual use of Proceeds up to 30 June 2024 <i>HK\$'million</i>	Unutilised amount as at 30 June 2024 <i>HK\$'million</i>	Expected timeline of full utilization of the remaining proceeds
Acquisition of equipment and raw materials necessary to initiate the manufacturing process	50.0%	9.5	9.5	-	
Registration filing of aesthetic medical equipment products with the National Medical Products Administration, including clinical trials which are integral to the registration process	40.0%	7.6	-	7.6	31 March 2026
General working capital	10.0%	1.9	1.9	-	
Total	100.0%	19.0	11.4	7.6	

PROSPECTS

As the aesthetic medical market becomes further regulated and professional technologies become increasingly mature, consumer demands for medical aesthetics will be on the rise, and the market size will further expand. Non-surgical aesthetic medical procedures, characterized by flexible application methods, minimal trauma, short recovery period and low risk, have quickly captured a significant share of the aesthetic medical consumer market, with skin management and anti-aging expected to be sub-sectors with the largest demand. With the rising awareness of medical aesthetics among the public, the younger consumers, rapid promotion of non-surgical aesthetic medical procedures and the emergence of internet platforms, medical aesthetics has shifted from niche consumption to regular consumption. We will prioritize the development of non-surgical aesthetic medical services and products, expand investment in technology and research, and enhance the professional knowledge and clinical experience of aesthetic medical practitioners to ensure consumer safety and satisfaction.

Since everyone has unique standards and needs for beauty, personalised and customised aesthetic medical services have become a future development trend. Through scientific measurements and assessments, doctors can tailor exclusive aesthetic medical solutions based on individual characteristic and need of each consumer, providing more targeted and effective aesthetic medical services. In our aesthetic medical service offerings, we will place greater emphasis on quality of products, services and management, strive for refined management and launch personalised and distinctive aesthetic medical services and products.

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 2023: 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 C3 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 C1 (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, 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.

MAJOR EVENTS DURING THE REPORTING PERIOD

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

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

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

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

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

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

* *For identification purpose only*

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

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

On 26 February 2024, the Board also proposed to raise gross proceeds of up to approximately HK\$20.8 million before expenses, by way of a rights issue, by issuing up to 140,728,521 Rights Shares (assuming no further issue or repurchase of shares of the Company on or before 28 March 2024, the record date, other than the full exercise of the exercisable share options of the Company and all the Rights Shares will be taken up and without taking into account the proceeds from the exercise of the exercisable share options of the Company) at the subscription price of HK\$0.148 per Rights Share on the basis of one (1) Rights Share for every three (3) consolidated shares held by the qualifying shareholders of the Company at the close of business on the record date. The Rights Issue became effective on 25 April 2024. The Company issued and allotted 139,269,333 new shares pursuant to the Rights Issue.

The gross proceeds from the Rights Issue are approximately HK\$20.6 million and the net proceeds from the Rights Issue after expenses are approximately HK\$19.0 million. The Company intended to apply the net proceeds from the Rights Issue as to (i) approximately HK\$9.5 million, representing 50.0% of the net proceeds, will be used for the acquisition of equipment and raw materials necessary to initiate the manufacturing process; (ii) approximately HK\$7.6 million, representing 40.0% of the net proceeds, will be used for the registration filing of aesthetic medical equipment products with the National Medical Products Administration, including clinical trials which are integral to the registration process; and (iii) approximately HK\$1.9 million, representing 10.0% of the net proceeds, will be used for general working capital of the Group.

For details, please refer to the Company’s announcements dated 26 February 2024 and 24 April 2024.

On 28 June 2024, the Company held an annual general meeting and an ordinary resolution was passed, approving the increase in authorised share capital of the Company to US\$50,000,000 divided into 1,000,000,000 shares of US\$0.05 each. The increase in authorised share capital became effective on 28 June 2024.

For details, please refer to the Company’s announcements dated 22 April 2024 and 28 June 2024 and the Company’s circular dated 22 April 2024.

EVENTS AFTER THE REPORTING PERIOD

On 13 August 2024, the Group entered into a termination agreement to the LOI and supplemental agreement with the Target Company and the existing shareholders of the Target Company whereby the parties have mutually agreed to terminate the capital injection therein.

For details, please refer to the Company's announcement dated 13 August 2024.

On 30 August 2024, the principal place of business in Hong Kong of the Company has been changed to Workshop A2, 29/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, Hong Kong. For details, please refer to the Company's announcement dated 30 August 2024.

Save for the above, 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, 30 August 2024

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