



**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



2024  
INTERIM REPORT

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Fu Haishu (*Chairman*)  
Mr. Song Jianliang (*Chief Executive Officer*)  
Mr. Wang Ying

### Independent Non-executive Directors

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

## AUTHORISED REPRESENTATIVES

Mr. Fu Haishu  
Mr. Chan Oi Fat

## COMPANY SECRETARY

Mr. Chan Oi Fat

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

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

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

4th Floor, Harbour Place  
103 South Church Street  
P.O. Box 10240  
Grand Cayman KY1-1002  
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## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

3-5/F, Minhang Tower  
No. 290 North Zhongshan Road  
Gongshu District  
Hangzhou City  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Workshop A2, 29/F, TML Tower  
3 Hoi Shing Road  
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Hong Kong

## AUDITORS

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
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Hong Kong

## HONG KONG LEGAL ADVISER

Tian Yuan Law Firm LLP  
Suites 3304-3309, 33/F  
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## Corporate Information

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Harneys Fiduciary (Cayman) Limited  
4th Floor, Harbour Place  
103 South Church Street  
P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

### STOCK CODE

2135

### INVESTOR RELATIONS

Email address:  
[investor.relationship@raily.com](mailto:investor.relationship@raily.com)

### COMPANY'S WEBSITE

<http://www.raily.com>

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F., Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### PRINCIPAL BANKS

Bank of Jiangsu  
Hangzhou Binjiang  
Small and Micro-enterprise Sub-branch  
8 Chunxiao Road  
Xixing Sub-District  
Binjiang District  
Hangzhou City  
PRC

China Merchants Bank  
Hangzhou, Yuhang Sub-branch  
5/F, Tower B, Building 3  
Lvchuang Plaza  
84 Longyuan Road  
Yuhang District  
Hangzhou City  
PRC

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Raily Aesthetic Medicine International Holdings Limited (the "Company", together with its subsidiaries, the "Group") 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 six months ended 30 June 2024 (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

## Management Discussion and Analysis

### 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 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.

## Management Discussion and Analysis

### 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 RMB'000 (unaudited)	% of the total revenue %	Revenue RMB'000 (unaudited)	% of the total revenue %	
<b>Aesthetic medical services</b>	<b>83,026</b>	<b>70.7</b>	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 <sup>(Note)</sup>	534	0.4	1,548	1.6	(65.5)
<b>Aesthetic medical management consulting services</b>	<b>29</b>	<b>–</b>	–	–	–
<b>Sales of aesthetic medical equipment products</b>	<b>34,420</b>	<b>29.3</b>	12,441	12.7	176.7
	<b>117,475</b>	<b>100.0</b>	97,580	100.0	20.4

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

## Management Discussion and Analysis

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 by nature is as follows:

Six months ended 30 June					
	2024		2023		Change
	RMB'000 (unaudited)	%	RMB'000 (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)
	<b>69,008</b>	<b>100.0</b>	58,551	100.0	17.9



## Management Discussion and Analysis

### 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 %
<b>Aesthetic medical services</b>	<b>24,329</b>	<b>29.3</b>	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)
<b>Aesthetic medical management consulting services</b>	<b>29</b>	<b>100.0</b>	–	–	–	–
<b>Sales of aesthetic medical equipment products</b>	<b>24,109</b>	<b>70.0</b>	9,887	79.5	143.8	(9.5)
	<b>48,467</b>	<b>41.3</b>	39,029	40.0	24.2	1.3

*Note: Others primarily consist of aesthetic dental services and ancillary services such as anaesthetic 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 due to the fact that the high-priced collagen injection products we newly introduced during the Reporting Period have slightly lower gross profit margin than our existing products.

## Management Discussion and Analysis

### 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 represent our total current income tax and deferred tax expenses/credits under the relevant PRC income tax policies and regulations. We recorded 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 balances 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 of 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 bank 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).

## Management Discussion and Analysis

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 arrangements 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 gearing ratio is approximately 115.8% (31 December 2023: approximately 106.3s%).

### 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 interim report, 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 interim report, 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. The second profit guarantee period in relation to Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd. was extended from 31 December 2023 to 31 March 2024.

Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd. has fulfilled the relevant profit guarantee for the extended first profit guarantee period ended 31 March 2023. Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd. has not fulfilled the relevant profit guarantee for the extended second profit guarantee period ended 31 March 2024. The relevant post-completion considerations are expected to be adjusted in accordance with the adjustment mechanism.

## Management Discussion and Analysis

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this interim report and in the prospectus of the Company dated 15 December 2020 (the "Prospectus"), the Group did not have plans for making

material investments or acquiring capital assets as at 30 June 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	321	335

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 of 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 scheme in future years.

## Management Discussion and Analysis

### 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 interim report, 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 HK\$ million	Actual use of proceeds up to 30 June 2024 HK\$ million	Unutilised amount as at 30 June 2024 HK\$ million	Expected timeline of full utilisation of the remaining proceeds
<b>Expanding our aesthetic medical institutions network</b>	<b>71.0%</b>	<b>58.0</b>	<b>48.5</b>	<b>9.5</b>	<b>31 December 2024</b>
– 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	–	
<b>Acquire new aesthetic medical service equipment and treatment consumables to extend the spectrum of our treatment services offered in our current aesthetic medical institutions</b>	<b>11.0%</b>	<b>9.0</b>	<b>9.0</b>	<b>–</b>	
<b>Active promotion of our brand</b>	<b>8.0%</b>	<b>6.5</b>	<b>6.5</b>	<b>–</b>	
<b>General working capital</b>	<b>10.0%</b>	<b>8.2</b>	<b>8.2</b>	<b>–</b>	
<b>Total</b>	<b>100.0%</b>	<b>81.7</b>	<b>72.2</b>	<b>9.5</b>	

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 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 interim report, HK\$7.6 million out of the net proceeds remains unutilised.

## Management Discussion and Analysis

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	-	
<b>Total</b>	<b>100.0%</b>	<b>19.0</b>	<b>11.4</b>	<b>7.6</b>	

## 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix C1 (the "CG Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

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

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

As at 30 June 2024, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Section XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules, were as follows:

Name	Capacity/Nature of interests	Number of shares interested	Approximate percentage of the interest in the Company <sup>1</sup>
Mr. Fu Haishu <sup>2</sup>	Interest in a controlled corporation	295,808,923	53.10%

Notes:

- <sup>1</sup> The percentage is calculated based on the total number of issued shares of the Company as at 30 June 2024 (i.e. 557,077,333 shares).
- <sup>2</sup> These shares are held by Ruide Consultation Limited, a company wholly-owned by Mr. Fu Haishu.

## Corporate Governance and Other Information

### Long Positions in Shares, Underlying Shares and Debentures in the Associated Corporation

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

Save as disclosed above, as at 30 June 2024, none of the Directors and chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to be owned under the relevant provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2024, the interests or short positions of substantial shareholders of the Company and other persons in the shares and underlying shares of the Company as recorded in the register maintained by the Company under Section 336 of the SFO, or otherwise notified to the Company were as follows:

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

Name	Capacity/Nature of interests	Number of shares interested	Approximate percentage of the interest in the Company <sup>1</sup>
Ruide Consultation Limited	Beneficial owner	295,808,923	53.10%
Jin Chunmiao <sup>2</sup>	Interest of spouse	295,808,923	53.10%
Youxin Management Co., Ltd.	Beneficial owner	46,133,008	8.28%



## Corporate Governance and Other Information

### Notes:

1. *The percentage is calculated based on the total number of issued shares of the Company as at 30 June 2024 (i.e. 557,077,333 shares).*
2. *Ms. Jin Chunmiao is the spouse of Mr. Fu Haishu, and is therefore deemed to be interested in the shares deemed or taken to be owned by Mr. Fu Haishu under the SFO.*

Save as disclosed above, as at 30 June 2024, there are no other interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO.

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by the Directors.

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

### DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

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

## Corporate Governance and Other Information

### SHARE OPTION SCHEME

A share option scheme was adopted by the shareholders of the Company on 4 December 2020 (the "Share Option Scheme"). Details of the share options movements during the Reporting Period under the Share Option Scheme are as follows:

Name or category of grantees	Date of grant of share options	Exercise price during 1 January 2024 to 24 April 2024 (HK\$)	Exercise price during 25 April 2024 to 30 June 2024 (HK\$)	Vesting period	Exercise period	Number of share options						
						Balance as at 1 January 2024	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Adjusted on 25 April 2024	Balance as at 30 June 2024
<b>Directors</b>												
Song Jianliang	23/08/2021	0.4920	N/A	23/08/2021-22/08/2023	23/08/2023-22/02/2024	1,000,000	-	-	1,000,000	-	-	-
Wang Ying	23/08/2021	0.4920	N/A	23/08/2021-22/08/2023	23/08/2023-22/02/2024	1,000,000	-	-	1,000,000	-	-	-
<b>Other employees</b>												
In aggregate	23/08/2021	0.4920	N/A	23/08/2021-22/08/2023	23/08/2023-22/02/2024	4,750,000	-	-	4,750,000	-	-	-
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2023	29/08/2023-28/08/2032	287,814	-	-	-	-	221,600	66,214
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2024	29/08/2024-28/08/2032	287,814	-	-	-	-	221,601	66,213
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2025	29/08/2025-28/08/2032	431,722	-	-	-	-	332,402	99,320
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2026	29/08/2026-28/08/2032	431,722	-	-	-	-	332,402	99,320
	26/01/2024	0.1150	0.4999	26/01/2024-25/01/2025	26/01/2025-25/01/2034	-	48,630,462	-	-	-	37,442,749	11,187,713
	23/02/2024	0.1220	0.5303	23/02/2024-22/02/2025	23/02/2025-22/02/2034	-	46,430,466	-	-	-	35,748,875	10,681,591
	23/02/2024	0.1220	0.5303	23/02/2024-22/02/2026	23/02/2026-22/02/2034	-	1,000,000	-	-	-	769,944	230,056
<b>Service Providers</b>												
In aggregate	23/08/2021	0.4920	N/A	23/08/2021-22/08/2023	23/08/2023-22/02/2024	40,680,466	-	-	40,680,466	-	-	-
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2023	29/08/2023-28/08/2032	21,600,000	-	-	-	-	16,630,798	4,969,202
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2024	29/08/2024-28/08/2032	21,600,000	-	-	-	-	16,630,798	4,969,202
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2025	29/08/2025-28/08/2032	32,400,000	-	-	-	-	24,946,197	7,453,803
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2026	29/08/2026-28/08/2032	32,400,000	-	-	-	-	24,946,197	7,453,803
<b>Total</b>						<b>156,869,538</b>	<b>96,060,928</b>	<b>-</b>	<b>47,430,466</b>	<b>-</b>	<b>158,223,563</b>	<b>47,276,437</b>

As at the beginning of the Reporting Period, the number of options available for grant under the Share Option Scheme is 48,630,462 shares. As at the end of the Reporting Period, no options will be available for grant under the Share Option Scheme. The number of shares that may be issued in respect of options granted under all share option schemes of the Company during the Reporting Period divided by the weighted average number of issued Shares for the Reporting Period is 0.0902.

## Corporate Governance and Other Information

The closing price of the shares immediately before the date of grant of share options on 26 January 2024 was HK\$0.112. The granted share options are not subject to any performance target.

The closing price of the shares immediately before the date of grant of share options on 23 February 2024 was HK\$0.122. The granted share options are not subject to any performance target.

The aggregate fair value of the share options granted during the Reporting Period amounted to approximately RMB7,026,000. The value of the options granted during the Reporting Period is measured by reference to the fair value at the date at which they are granted.

The fair value of the options granted during the Reporting Period was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	–
Expected volatility (%)	56
Historical volatility (%)	56
Risk-free interest rate (%)	3
Expected life of options (year)	10

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

### 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 (including sale of treasury shares) 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).

### 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.

## 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.

On 26 February 2024, the Board proposed to implement a share consolidation (the "Share Consolidation") on the basis that every five (5) existing shares in the share capital of the Company before the Share Consolidation becoming effective be consolidated into one (1) consolidated share. 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 identification purpose only

## Corporate Governance and Other Information

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 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 interim report.

### CHANGES IN INFORMATION OF DIRECTORS

There were no changes in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the annual report 2023 of the Company.

## Corporate Governance and Other Information

### 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 the interim results 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 interim report. 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.

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

Hangzhou, China, 30 August 2024

*As at the date of this interim report, 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.*

# INDEPENDENT REVIEW REPORT



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## To the board of directors of Raily Aesthetic Medicine International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

### INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 44, which comprises the condensed consolidated statement of financial position of Raily Aesthetic Medicine International Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board (the "IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

**Ernst & Young**  
*Certified Public Accountants*

Hong Kong  
30 August 2024

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

For the six months ended 30 June 2024

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	<i>Notes</i>	<b>30 June 2024 (Unaudited) RMB'000</b>	31 December 2023 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
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
<b>Total non-current assets</b>		<b>226,006</b>	193,983
<b>CURRENT ASSETS</b>			
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	–
<b>Total current assets</b>		<b>98,884</b>	79,616
<b>CURRENT LIABILITIES</b>			
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
<b>Total current liabilities</b>		<b>137,761</b>	92,159
<b>NET CURRENT ASSETS</b>		<b>(38,877)</b>	(12,543)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>187,129</b>	181,440
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		30,417	34,442
Deferred tax liabilities		2,180	5,875
Other non-current liabilities		3,984	392
Contingent consideration	15	–	8,141
<b>Total non-current liabilities</b>		<b>36,581</b>	48,850
<b>Net assets</b>		<b>150,548</b>	132,590



## Interim Condensed Consolidated Statement of Financial Position

30 June 2024

	<b>30 June 2024 (Unaudited) RMB'000</b>	31 December 2023 (Audited) RMB'000
<i>Notes</i>		
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>185,748</b>	136,267
(Deficits)/Reserves	<b>(28,295)</b>	1,848
	<b>157,453</b>	138,115
Non-controlling interests	<b>(6,905)</b>	(5,525)
Total equity	<b>150,548</b>	132,590

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the parent							
	Share capital	Capital reserves	Share option reserve	Statutory surplus reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	136,267	28,787*	9,300*	9,351*	(45,590)*	138,115	(5,525)	132,590
Loss for the period	-	-	-	-	(1,617)	(1,617)	(1,380)	(2,997)
Issue of shares	49,481	(27,330)	-	-	(3,447)	18,704	-	18,704
Share issue expenses	-	(1,457)	-	-	-	(1,457)	-	(1,457)
Equity-settled share option arrangements	-	-	3,708	-	-	3,708	-	3,708
At 30 June 2024	185,748	-	13,008*	9,351*	(50,654)*	157,453	(6,905)	150,548
At 1 January 2023	136,267	28,787*	4,808*	9,351*	(13,133)*	166,080	(203)	165,877
Loss for the period	-	-	-	-	(2,255)	(2,255)	(1,841)	(4,096)
Equity-settled share option arrangements	-	-	2,567	-	-	2,567	-	2,567
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	(2,056)	-	2,056	-	-	-
At 30 June 2023	136,267	28,787*	5,319*	9,351*	(13,332)*	166,392	(2,044)	164,348

\* These reserve accounts comprise the consolidated deficits of RMB28,295,000 (30 June 2023: reserves of RMB30,125,000) in the consolidated statement of financial position.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(2,257)	(2,796)
Adjustments for:		
Loss on disposal of items of property, plant and equipment	109	2
Gain on disposal of items of right-of-use assets	(490)	–
Investment income	(268)	(209)
Share of loss of an associate	40	81
Finance costs	1,577	1,310
Depreciation of right-of-use assets	5,468	4,883
Depreciation of property, plant and equipment	5,848	6,083
Provision for impairment of trade receivables and other receivables	29	30
Amortisation of intangible assets	3,036	1,777
Provision for impairment of intangible assets	13,279	–
Provision for inventories	(74)	–
Equity-settled share option expense	3,708	2,567
Gain on foreign exchange differences	(126)	(621)
Fair value change in contingent consideration	(9,039)	–
Write-off of payables	–	(90)
Extra VAT deductions	–	(80)
	<b>20,840</b>	12,937
(Increase)/decrease in inventories and supplies	(36)	823
Increase in trade receivables	(4,833)	(3,963)
Increase in prepayments, other receivables and other assets	(23,515)	(3,394)
(Decrease)/increase in trade payables	(1,122)	707
Increase/(decrease) in amounts due to directors	246	(226)
Increase in contract liabilities	8,855	1,268
Decrease in refund liabilities	(105)	(892)
Decrease in other long-term payables	(392)	–
Increase in other payables and accruals	2,105	536
Cash generated from operations	<b>2,043</b>	7,796
Income tax paid	–	(810)
Net cash flows generated from operating activities	<b>2,043</b>	6,986

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	130	203
Purchases of items of property, plant and equipment	(4,303)	(8,172)
Purchases of items of intangible assets	(21,273)	(23)
Purchase of financial investments	(1,000)	(2,000)
Proceeds from disposal of financial investments	97	6
Purchase of time deposits	-	(11,399)
Redemption of time deposits	23,593	11,325
Receipt of government grants for property, plant and equipment	3,500	-
Purchase of equity investment	(500)	-
Deposit for an intended acquisition	(3,551)	(20,000)
Proceeds from disposal of items of property, plant and equipment	-	38
<b>Net cash flows used in investing activities</b>	<b>(3,307)</b>	<b>(30,022)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans from banks	18,000	16,490
Repayment of bank loans	(10,000)	(10,390)
Interest paid	(399)	(158)
Proceeds from issue of shares	18,704	-
Share issue expenses	(1,457)	-
Payment of lease liabilities	(5,164)	(4,558)
<b>Net cash flows generated from financing activities</b>	<b>19,684</b>	<b>1,384</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>18,420</b>	<b>(21,652)</b>
Cash and cash equivalents at beginning of period	15,930	43,937
Effect of foreign exchange rate changes, net	126	621
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>34,476</b>	<b>22,906</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	34,762	57,645
Time deposit with maturity of more than 3 months	(286)	(34,739)
<b>Cash and cash equivalents as stated in the statement of cash flows</b>	<b>34,476</b>	<b>22,906</b>

# 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</i> (the "2020 Amendments")
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
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.

## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(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 RMB'000 (Unaudited)	Consulting services RMB'000 (Unaudited)	Aesthetic medical equipment products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue (note 4):</b>				
Sales to external customers	83,026	29	34,420	117,475
Intersegment sales	–	–	2,205	2,205
Total segment revenue	83,026	29	36,625	119,680
<i>Reconciliation:</i>				
Elimination of intersegment sales				(2,205)
<b>Revenue from continuing operations</b>				<b>117,475</b>
<b>Segment results</b>	<b>(2,983)</b>	<b>(364)</b>	<b>14,439</b>	<b>11,092</b>
<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)				(399)
Loss before income tax				(2,257)

## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2023	Aesthetic medical services RMB'000 (Unaudited)	Consulting services RMB'000 (Unaudited)	Aesthetic medical equipment products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue (note 4):</b>				
Sales to external customers	85,139	–	12,441	97,580
Intersegment sales	–	–	415	415
<b>Total segment revenue</b>	<b>85,139</b>	<b>–</b>	<b>12,856</b>	<b>97,995</b>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(415)
<b>Revenue from continuing operations</b>				<b>97,580</b>
<b>Segment results</b>	<b>1,632</b>	<b>–</b>	<b>5,160</b>	<b>6,792</b>
<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)				(162)
<b>Loss before income tax</b>				<b>(2,796)</b>

## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

	<b>Aesthetic medical services</b> RMB'000	<b>Consulting services</b> RMB'000	<b>Aesthetic medical equipment products</b> RMB'000	<b>Total</b> RMB'000
<b>Segment assets</b>				
30 June 2024 (unaudited)	93,576	4	147,785	241,365
Corporate and other unallocated assets				83,525
Total assets				324,890
31 December 2023 (audited)	107,140	14	86,066	193,220
Corporate and other unallocated assets				80,379
Total assets				273,599
<b>Segment liabilities</b>				
30 June 2024 (unaudited)	91,109	61	35,863	127,033
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				47,309
Total liabilities				174,342
31 December 2023 (audited)	99,019	57	3,356	102,432
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				38,577
Total liabilities				141,009



## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (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	–
Total	117,475	97,580

#### Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2024

Segments	Aesthetic medical services RMB'000 (Unaudited)	Consulting services RMB'000 (Unaudited)	Aesthetic medical equipment products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Types of goods or services</b>				
Sale of products	–	–	34,420	34,420
Services	83,026	29	–	83,055
Total	83,026	29	34,420	117,475
<b>Geographical market</b>				
Chinese Mainland	83,026	29	34,420	117,475
<b>Timing of revenue recognition</b>				
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
Total	83,026	29	34,420	117,475

## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 4. REVENUE (CONTINUED)

#### Disaggregated revenue information for revenue from contracts with customers (Continued)

For the six months ended 30 June 2023

Segments	Aesthetic medical services RMB'000 (Unaudited)	Consulting services RMB'000 (Unaudited)	Aesthetic medical equipment products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Types of goods or services</b>				
Sale of products	–	–	12,441	12,441
Services	85,139	–	–	85,139
Total	85,139	–	12,441	97,580
<b>Geographical market</b>				
Chinese Mainland	85,139	–	12,441	97,580
<b>Timing of revenue recognition</b>				
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	85,139	–	12,441	97,580

## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 4. REVENUE (CONTINUED)

#### Disaggregated revenue information for revenue from contracts with customers (Continued)

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 RMB'000 (Unaudited)	Consulting services RMB'000 (Unaudited)	Aesthetic medical equipment products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Revenue from contracts with customers</b>				
External customers	83,026	29	34,420	117,475
Intersegment sales	–	–	2,205	2,205
Subtotal	83,026	29	36,625	119,680
Intersegment adjustments and eliminations	–	–	(2,205)	(2,205)
Total	83,026	29	34,420	117,475

For the six months ended 30 June 2023

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

## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (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)

## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 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 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax		
Charge for the year	4,135	1,687
Underprovision in prior years	–	98
Deferred tax	(3,395)	(485)
Total tax charge for the period	740	1,300

### 7. DIVIDENDS

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

## Notes to Interim Condensed Consolidated Financial Information

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

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.

## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 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
Total	14,299	9,499

## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<b>30 June 2024 RMB'000 (Unaudited)</b>	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
	<b>35,672</b>	17,311
Impairment allowance	(4)	(7)
	<b>35,668</b>	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:

	<b>30 June 2024 RMB'000 (Unaudited)</b>	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
Total	<b>8,380</b>	9,502



## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 14. OTHER PAYABLES AND ACCRUALS

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

	<b>30 June 2024 RMB'000</b>	31 December 2023 RMB'000
Carrying amount	<b>9,397</b>	18,436
Analysed into:		
Current	<b>9,397</b>	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%

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### 16. CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: Nil).

### 17. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with a related party during the period:

	Note	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
The associate:			
Purchases of products	(i)	–	100

Note:

(i) The purchases from the associate were made according to the published prices and conditions offered by the associate to its major customers.

(b) Outstanding balances with related parties:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Mr. Cao Dequan	82	162
Mr. Liu Teng	82	162
Ms. Yang Xiaofeng	82	162
Total	246	486

The outstanding balance due to independent directors of RMB246,000 at the end of the reporting period represented the fees payable to Mr. Cao Dequan, Mr. Liu Teng and Ms. Yang Xiaofeng.

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### 17. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	710	984
Pension scheme contributions	100	19
Equity-settled share option expense	281	46
Total compensation paid to key management personnel	1,091	1,049

### 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
<b>Financial asset</b>				
Financial assets at fair value through profit or loss	1,000	–	1,000	–
<b>Financial liability</b>				
Contingent consideration	9,397	18,436	9,397	18,436

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

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

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### 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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

As part of the purchase agreement which the Group acquired a 90% equity interest in Jiumei Xinhe from third parties, contingent consideration is payable. For the fair value of the contingent consideration liability, 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.

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

**As at 30 June 2024**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	-	1,000	-	1,000

The Group did not have any financial assets measured at fair value as at 31 December 2023.

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### 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value hierarchy (Continued)

Liabilities measured at fair value

As at 30 June 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Contingent consideration	–	–	9,397	9,397

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Contingent consideration	–	–	18,436	18,436

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2023: Nil).

### 19. EVENTS AFTER THE REPORTING PERIOD

On 13 August 2024, Raily Beauty Consultation entered into a termination agreement to the legally binding letter with Hangzhou Tianxin Aesthetic Medical Hospital Co., Ltd. (the "Target Company") and the existing shareholders of the Target Company whereby the parties have mutually agreed to terminate the capital injection. Pursuant to the termination agreement, the existing shareholders and the Target Company shall refund the earnest money of RMB20 million to the Group under the LOI and the supplemental agreement and none of the parties shall have any claim against the others thereafter.