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## **Raily Aesthetic Medicine International Holdings Limited**

**瑞麗醫美國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2135)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

#### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Raily Aesthetic Medicine International Holdings Limited (the “**Company**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with the comparative audited figures for the six months ended 30 June 2020.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2021*

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

	<b>2021</b> <b>(Unaudited)</b> <b>RMB'000</b>	2020 <b>(Audited)</b> <b>RMB'000</b>
LOSS FOR THE PERIOD	<u><b>(5,439)</b></u>	<u><b>(11,777)</b></u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	—	(92)
Income tax effect	—	<u>23</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>—</u>	<u>(69)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><b>(5,439)</b></u>	<u><b>(11,846)</b></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 June 2021

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

		<b>30 June</b>	31 December
		<b>2021</b>	2020
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	<i>11</i>	<b>136,267</b>	134,060
Reserves		<b>53,346</b>	51,813
		<b>189,613</b>	185,873
Non-controlling interests		<b>675</b>	877
Total equity		<b>190,288</b>	186,750

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

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

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

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

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. There is no impact on the financial statements of the Group as there were no rent concessions granted by the lessors during the period.

### 3. OPERATING SEGMENT INFORMATION

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

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

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

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

#### 4. REVENUE

An analysis of revenue is as follows:

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

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

For the six months ended 30 June 2021

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

For the six months ended 30 June 2020

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

## 5. LOSS BEFORE TAX

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

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

## 6. INCOME TAX

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

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

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

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

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

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

## 7. DIVIDENDS

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

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

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

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

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

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

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

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

## 9. 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:

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

## 10. TRADE PAYABLES

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

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

## 11. SHARE CAPITAL

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

## 12. RELATED PARTY TRANSACTIONS

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

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

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

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

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

- (c) **Compensation of key management personnel of the Group**

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

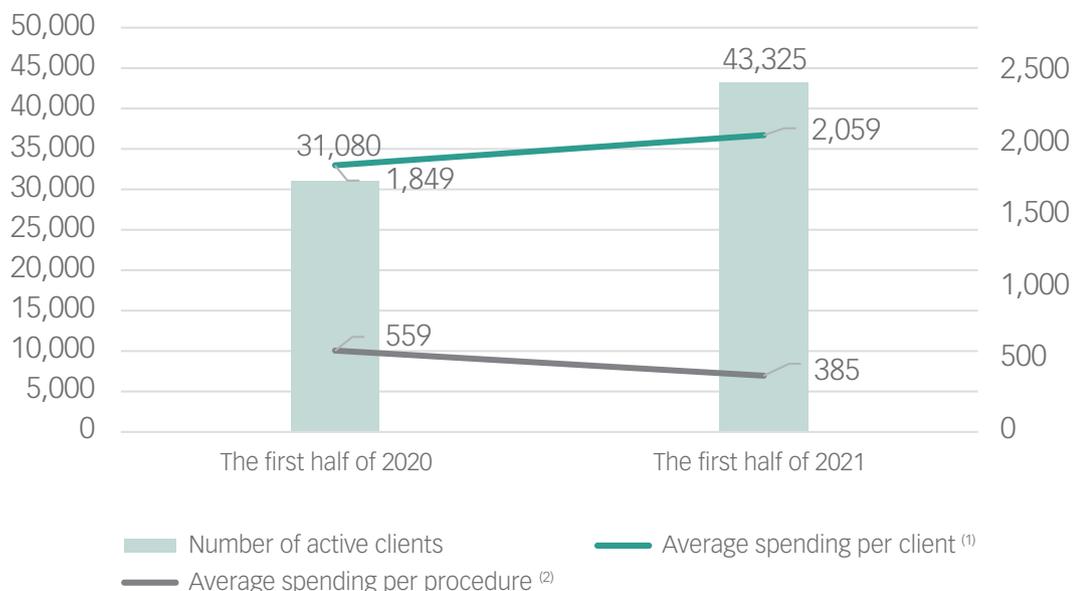
In response to the prospective market recovery in the second half of the year, we have been upgrading and renovating our existing hospitals. It is expected that Wuhu Raily Medical Beauty Clinic Co., Ltd. ("**Wuhu Raily**") will complete the expansion of approximately 1,500 sq.m. within the year, which will increase the gross floor area by approximately 106.8%. Furthermore, by grasping the development trend of China's aesthetic medical market, we plan to pursue acquisition and investment opportunities for vertical expansion of the supply chain of the aesthetic medical services industry, i.e. investing in or entering into business alliance with upstream suppliers of aesthetic medical consumables or equipment in order to have better costs and quality control of our supplies and broaden our revenue base. On 12 July 2021, Shenzhen Ruiquan Management Consulting Co., Ltd. ("**Shenzhen Ruiquan**"), an indirect wholly owned subsidiary of the Company, entered into a capital increase agreement with, among others, 比奧瑞思醫美(北京)商貿有限公司 (Biotrisse Aesthetic Medicine (Beijing) Trading Co., Ltd\*) ("**Biotrisse**"), pursuant to which, Shenzhen Ruiquan contributed RMB3.5 million to the capital of Biotrisse and acquired 25% equity interests in Biotrisse. Our major achievements in the first half of the 2021 are as follows:

#### 1. Responding to the change in consumer behavior

With the achievements of national pandemic prevention and control and the penetration of aesthetic medical services, the demand for aesthetic medical services gradually recovered in the first half of 2021. We increased online and offline promotion and marketing activities to strengthen our brand recognition and restore clients' enthusiasm for aesthetic surgery services. At the same time, we have purchased a number of advanced aesthetic medical service equipment to improve medical technology and service quality. For the Period, the number of our aesthetic medical active clients was

\* For identification purpose only

43,325, representing an increase of 39.4% from the number of active clients of 31,080 in the first half of 2020; among them, the number of new clients and repeat clients was 16,130 and 27,195 respectively, representing an increase of 15.8% and 58.6% as compared to the new clients and repeat clients of 13,928 and 17,152 for the six months ended 30 June 2020, respectively. For the Period, our average spending per client of aesthetic medical services was approximately RMB2,059, representing an increase of approximately 11.4% as compared to the average spending per client of approximately RMB1,849 for the six months ended 30 June 2020. The fact that the number of active clients and the average spending per active client both increase proves that we had a successful response to the change in customers' behavior.



*Notes:*

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

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

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

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

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

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

### 4. Assisting and supporting small and medium aesthetic medical institutions

In the first half of 2021, we served as the main undertaker of the “CAPA Small and Medium Aesthetic Medical Institutions 2021 Assistance Plan” (中國整形美容協會中小醫美機構2021幫扶計劃). The plan is designed to support the development of small and medium aesthetic medical institutions. The first phase of the plan covered 19 provinces across the country and more than 800 aesthetic medical institutions. Through participating in such plan, we have established cooperative relationship with many small and medium institutions and established good brand reputation in the industry.

## FINANCIAL REVIEW

### Revenue

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

	Six months ended 30 June				
	2021		2020		Change
	Revenue	% of the total	Revenue	% of the total	
<i>RMB'000</i>	revenue	<i>RMB'000</i>	revenue		
	(unaudited)	%	(audited)	%	%
<b>Aesthetic medical services</b>	<b>89,194</b>	<b>97.5</b>	57,476	97.9	55.2
Aesthetic surgery services	9,082	9.9	14,384	24.5	(36.9)
Minimally-invasive aesthetic services	34,546	37.8	20,196	34.4	71.1
Aesthetic dermatology services	40,911	44.7	18,417	31.4	122.1
Others <sup>(Note)</sup>	4,655	5.1	4,479	7.6	3.9
<b>Aesthetic medical management consulting services</b>	<b>2,298</b>	<b>2.5</b>	1,254	2.1	83.3
	<u>91,492</u>	<u>100.0</u>	<u>58,730</u>	<u>100.0</u>	<u>55.8</u>

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

We generated revenue primarily from the provision of aesthetic medical services which principally include (i) aesthetic surgery services, which are invasive and are performed to alter the appearance of various parts of the face or body, such as eyelids, nose, breast and facial shape; (ii) minimally-invasive aesthetic services, which involve minimal penetration into the body tissue with no surgical incisions. Such procedures primarily comprise injection of botulinum toxin type A and dermal fillers into different parts of the body and face in order to reduce wrinkles and/or to achieve body and facial contouring; and (iii) aesthetic dermatology services, which primarily comprise aesthetic energy-based procedures performed with equipment that utilize various forms of energy such as laser, radiofrequency and intense pulsed light for various purposes such as acne and pigments removal, skin rejuvenation, skin lifting and tightening, and hair removal.

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

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

#### **Cost of sales**

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

Our cost of sales by nature is as follows:

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

### Gross Profit

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

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

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

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

For the Period, the total gross profit of aesthetic medical services was approximately RMB35.7 million, representing an increase of approximately 51.0% from RMB23.6 million for the six months ended 30 June 2020. The gross profit of aesthetic surgery services decreased by approximately RMB5.3 million, from approximately RMB7.3 million for

the six months ended 30 June 2020 to approximately RMB2.0 million for the Period due to the impact of COVID-19 pandemic. The gross profit of aesthetic medical management consulting services was approximately RMB1.4 million, representing an increase of approximately 117.3% from approximately RMB0.6 million for the six months ended 30 June 2020.

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

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

### **Other Income and Gains**

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

### **Selling and Distribution Expenses**

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

### **Administrative Expenses**

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

### **Finance Costs**

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

## **Income Tax Credit**

Our income tax expenses/credit represented our total current income tax and deferred tax expenses/credit under the relevant PRC income tax policies and regulations. We recorded an income tax credit of approximately RMB0.1 million for the Period (six months ended 30 June 2020: income tax credit of RMB0.6 million).

## **Total Comprehensive Loss for the Period**

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

## **LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

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

### **Lease Liabilities**

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

### **Capital Commitments**

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

### **Capital Expenditures**

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

## **Interest-bearing Bank Borrowings**

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

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

## **Treasury Policies**

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

## **CONTINGENT LIABILITIES AND GUARANTEES**

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

## **PLEDGE OF ASSETS**

As at 30 June 2021, there was no charge on the Group's assets (31 December 2020: bank loans secured by the Group's pledged deposits of RMB10.5 million).

## **GEARING RATIO**

Gearing ratio is calculated by dividing total liabilities by total equity as at 30 June 2021 and multiplying the result by 100%. As at 30 June 2021, the Group had total debt of RMB80.6 million (31 December 2020: RMB85.6 million) and the gearing ratio is 42.4% (31 December 2020: 45.8%).

## **INTEREST RATE RISK**

The Group has no significant interest rate risk.

## **EXCHANGE RATE FLUCTUATION RISK**

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

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

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

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

## EMPLOYEES AND REMUNERATION POLICIES

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

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

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

We believe we provide our physicians and medical staff with competitive compensation packages, continued medical education opportunities and a professional working environment. We review the performance of our physicians and medical staff at least once a year. According to our internal control policy, the results of such reviews will later be considered in the determination of salary, bonus awards and promotion. The human resource department at our headquarters maintains the license records of our physicians and medical staff and regularly reviews their profile to ensure compliance with relevant laws and regulations in the PRC. Our Directors’ remuneration will be reviewed by our remuneration committee once a year to ensure that it is comparable to the market.

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

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

## USE OF PROCEEDS

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

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

Purpose	Percentage to total amount	Planned use of net proceeds <i>HK\$'million</i>	Actual use of proceeds up to 30 June 2021 <i>HK\$'million</i>	Unutilised amount as at 30 June 2021 <i>HK\$'million</i>	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>—</b>	<b>58.0</b>	<b>31 December 2023</b>
— Renovation and expansion of existing aesthetic medical institutions	28.0%	22.9	—	22.9	31 December 2023
— Organic growth	28.0%	22.9	—	22.9	31 December 2023
— Strategic acquisitions	15.0%	12.2	—	12.2	31 December 2023
<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>0.9</b>	<b>8.1</b>	<b>31 December 2022</b>
<b>Actively promote our brand</b>	<b>8.0%</b>	<b>6.5</b>	<b>—</b>	<b>6.5</b>	<b>31 December 2023</b>
<b>General working capital</b>	<b>10.0%</b>	<b>8.2</b>	<b>0.7</b>	<b>7.5</b>	<b>31 December 2023</b>
<b>Total</b>	<b>100.0%</b>	<b>81.7</b>	<b>1.6</b>	<b>80.1</b>	

## **PROSPECTS**

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

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

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

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

## **INTERIM DIVIDEND**

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

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as the code of conduct for securities transactions by the Directors.

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

## **CORPORATE GOVERNANCE PRACTICES**

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

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

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

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company’s articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

## **AUDIT COMMITTEE**

The composition of the audit committee of the Board (the “**Audit Committee**”) is as follows:

### **Independent non-executive Directors**

Mr. Liu Teng (*Chairman*)

Mr. Cao Dequan

Ms. Yang Xiaofen

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

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

## **EVENTS AFTER THE REPORTING PERIOD**

### **Resignation of a director**

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

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

### **Acquisition of 25% equity interest in Biotrisse**

On 12 July 2021, Shenzhen Ruiquan entered into a capital increase agreement with Biotrisse, pursuant to which Shenzhen Ruiquan agrees to inject RMB3,500,000 into the capital of Biotrisse and to acquire 25% equity interests of Biotrisse.

For details, please refer to the Company's announcement dated 12 July 2021.

### **Acquisition of 90% equity interest in the Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd.**

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

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

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

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

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

Hangzhou, China, 20 August 2021

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