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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Raily Aesthetic Medicine International Holdings Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020, together with the comparative audited figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
REVENUE	*3*	**164,545**	191,156
Cost of sales		**(84,374)**	(90,118)
Gross profit		**80,171**	101,038
Other income and gains	*3*	**5,093**	1,626
Selling and distribution expenses		**(33,133)**	(50,172)
Administrative expenses		**(36,971)**	(33,405)
Other expenses		**(1,151)**	(363)
Finance costs	*5*	**(2,442)**	(2,336)
PROFIT BEFORE TAX	*4*	**11,567**	16,388
Income tax expense	*6*	**(6,656)**	(6,111)
PROFIT FOR THE YEAR		**4,911**	10,277
Attributable to:			
Owners of the parent		**4,251**	9,897
Non-controlling interests		**660**	380
		4,911	10,277
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the year *(RMB)*	*8*	**0.25 cents**	0.61 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**4,911**	10,277
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	**(71)**	—
Income tax effect	**18**	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(53)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(53)**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,858**	10,277
Attributable to:		
Owners of the parent	**4,198**	9,897
Non-controlling interests	**660**	380
	4,858	10,277

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**24,487**	24,119
Right-of-use assets		**19,709**	25,121
Intangible assets		**5,041**	401
Goodwill		**20,210**	20,639
Equity investment designated at fair value through other comprehensive income		**5,929**	6,000
Deferred tax assets		**5,348**	8,669
Other non-current assets		—	4,877
Total non-current assets		**80,724**	89,826
CURRENT ASSETS			
Supplies		**11,621**	7,894
Trade receivables	*9*	**5,128**	8,321
Prepayments, other receivables and other current assets		**15,961**	15,762
Due from related companies		—	865
Debt investments at amortised cost		—	11,055
Cash and bank balances		**158,898**	49,410
Total current assets		**191,608**	93,307
CURRENT LIABILITIES			
Due to the controlling shareholder		—	1,672
Due to related companies		—	245
Trade payables	*10*	**12,155**	8,475
Other payables and accruals		**17,431**	19,868
Contract liabilities		**8,014**	5,221
Interest-bearing bank borrowings		**13,000**	6,948
Refund liabilities		**5,352**	6,092
Lease liabilities		**5,076**	6,619
Tax payable		**10,445**	14,928
Total current liabilities		**71,473**	70,068
NET CURRENT ASSETS		**120,135**	23,239
TOTAL ASSETS LESS CURRENT LIABILITIES		**200,859**	113,065

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**14,109**	19,765
Deferred tax liabilities		**—**	25
Total non-current liabilities		**14,109**	19,790
Net assets		**186,750**	93,275
EQUITY			
Equity attributable to owners of the parent			
Share capital		**134,060**	4
Reserves		**51,813**	93,054
		185,873	93,058
Non-controlling interests		**877**	217
Total equity		**186,750**	93,275

NOTES TO FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, wealth management products and equity investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's workspaces have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB3,601,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

1.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018–2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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 RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount 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 amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate ("**LIBOR**") as at 31 December 2020. 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 when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

(a) Aesthetic medical services comprise principally inpatient services including surgical services and outpatient services including injection service, dermatology service and others;

(b) Consulting services comprise principally management consulting services and aesthetic training courses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment operating profit which is calculated based on gross profit less selling and marketing expenses and general and administrative expenses allocated excluding listing expenses. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision-maker for review.

Year ended 31 December 2020	**Aesthetic medical services** *RMB'000*	**Consulting services** *RMB'000*	**Total** *RMB'000*
Segment revenue *(note 3)*:			
External customers	**161,906**	**2,639**	**164,545**
Segment results	**32,144**	**(382)**	**31,762**
Reconciliation:			
Other income and gains			**5,093**
Group and unallocated expenses			**(24,803)**
Finance costs (other than interest on lease liabilities)			**(485)**
Profit before income tax			**11,567**
Other segment information:			
Impairment losses recognised in the statement of profit or loss, net	**(143)**	**755**	**612**
Depreciation and amortisation	**12,473**	**855**	**13,328**
Capital expenditure*	**8,431**	**166**	**8,597**

Year ended 31 December 2019	Aesthetic medical services *RMB'000*	Consulting services *RMB'000*	Total *RMB'000*
Segment revenue *(note 3)*:			
External customers	183,609	7,547	191,156
Segment results	31,506	1,749	33,255
Reconciliation:			
Other income and gains			1,626
Group and unallocated expenses			(18,459)
Finance costs (other than interest on lease liabilities)			(34)
Profit before income tax			16,388
Other segment information:			
Impairment losses recognised in the statement of profit or loss, net	57	7	64
Depreciation and amortisation	10,638	1,115	11,753
Capital expenditure*	10,884	2,476	13,360

* Capital expenditure consists of additions to property, plant and equipment, other non-current assets and intangible assets.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Revenue from contracts with customers		
Aesthetic medical services	**161,906**	183,609
Consulting services	**2,639**	7,547
	164,545	191,156

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2020

Segments	**Aesthetic medical services** *RMB'000*	**Consulting services** *RMB'000*	**Total** *RMB'000*
Timing of revenue recognition			
Services transferred at a point in time	**124,728**	**—**	**124,728**
Services transferred over time	**37,178**	**2,639**	**39,817**
	161,906	**2,639**	**164,545**
Revenue from contracts with customers			
External customers	**161,906**	**2,639**	**164,545**

For the year ended 31 December 2019

Segments	Aesthetic medical services *RMB'000*	Consulting services *RMB'000*	Total *RMB'000*
Timing of revenue recognition			
Services transferred at a point in time	166,766	95	166,861
Services transferred over time	16,843	7,452	24,295
	183,609	7,547	191,156
Revenue from contracts with customers			
External customers	183,609	7,547	191,156

An analysis of other income and gains is as follows:

	2020	2019
	RMB'000	*RMB'000*
Other income		
Government subsidies	**3,245**	—
Investment income on financial investments	**508**	595
Interest income	**174**	110
Lease payments waived	**874**	—
Others	**292**	76
	5,093	781
Gains		
Gain on disposal of items of property, plant and equipment and right-of-use assets	**—**	131
Exchange gains	**—**	714
	—	845
	5,093	1,626

4. PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
Cost of supplies consumed	**48,309**	47,327
Amortisation of intangible assets	**115**	67
Depreciation of property, plant and equipment	**7,401**	5,784
Depreciation of right-of-use assets	**5,812**	5,902
Impairment of goodwill	**429**	—
Lease payments not included in the measurement of lease liabilities	**40**	66
Listing expenses (including reporting accountants' remuneration)	**16,999**	15,316
Auditor's remuneration	**1,180**	—
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**45,277**	56,136
Pension scheme contributions	**4,066**	6,434
Staff welfare expenses	**3,080**	2,604
Reversal of impairment of trade receivables	**(39)**	(15)
Impairment of financial assets included in prepayments, other receivables and other assets	**169**	79
Impairment of property, plant and equipment	**53**	—
Loss/(gain) on disposal of items of property, plant and equipment	**19**	(4)
Gain on derecognition of right-of-use assets	**—**	(127)
Promotion and marketing expenses	**16,169**	23,257

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on lease liabilities	**1,957**	2,302
Interest on bank borrowings	**485**	34
	2,442	2,336

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.

	2020	2019
	RMB'000	*RMB'000*
Current tax	**3,342**	10,588
Deferred tax	**3,314**	(4,477)
Total tax charge for the year	**6,656**	6,111

The majority of the Company's subsidiaries are domiciled in Mainland China. A reconciliation of the tax expenses applicable to profit before tax at the statutory rate for Mainland China to the tax expenses at the Group's effective tax rate is as follows:

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**11,567**	16,388
Tax at the PRC statutory income tax rate*	**2,892**	4,097
Effect of different tax rates of subsidiaries**	**(112)**	15
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**—**	464
Expenses not deductible for tax	**77**	103
Deductible temporary differences and tax losses not recognised	**3,799**	1,432
	6,656	6,111

* The provision for current income tax in Mainland China is based on the statutory rate of 25% of the assessable profit 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% on any estimated assessable profits arising in Hong Kong. Pursuant to Caishui 2017 Circular No.43, 2019 circular No.13 and No. 2 announcement of the State Taxation Administration 2019, Ningbo Zhuerli and Wuhu Raily, as small micro-enterprises, enjoy preferential tax rates of 5% (2019: 10%) for the years ended 31 December 2020.

7. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Dividend	—	11,961

The dividend for the first quarter of 2019 was approved by the then shareholders of the subsidiaries pursuant to a shareholder resolution passed in April 2019.

No dividend was paid or declared by the Company for the year ended 31 December 2020.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,716,243,169 (2019: 1,624,668,794) in issue during the year, and assuming the capitalisation issue had been completed on 1 January 2019.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2019 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 year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2020 included the weighted average of 342,500,000 ordinary shares issued in connection with the Company's initial public offering and the aforesaid 1,712,500,000 ordinary shares.

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

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**4,251**	9,897
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,716,243,169**	1,624,668,794
Basic and diluted earnings per share *(RMB)*	**0.25 cents**	0.61 cents

9. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**5,205**	8,437
Impairment	**(77)**	(116)
	5,128	8,321

The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**4,430**	7,536
4 to 6 months	**339**	724
7 to 12 months	**308**	61
1 to 2 years	**51**	—
	5,128	8,321

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**116**	181
Impairment losses, net	**(39)**	(15)
Amount written off as uncollectible	**—**	(50)
At end of year	**77**	116

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:

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**7,278**	5,022
91 to 180 days	**1,490**	877
181 to 365 days	**769**	730
Over 365 days	**2,618**	1,846
	12,155	8,475

Trade payables are non-interest-bearing and are normally settled on 90-day terms.

11. EVENT AFTER THE REPORTING PERIOD

On 20 January 2021, the Company issued and allotted 34,040,000 shares at HKD0.40 per share due to the partial exercise of the over-allotment option.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

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 to meet their different aesthetic and anti-aging objectives. Our aesthetic medical services principally include (i) aesthetic surgery services, comprising aesthetic surgical procedures performed on various parts of the face or body; (ii) minimally-invasive aesthetic services, primarily comprising aesthetic injection procedures; and (iii) aesthetic dermatology services, primarily comprising various aesthetic energy-based procedures. We have grown our network since our operation commenced in August 2008. As at 31 December 2020, we owned and operated a network of four private for-profit aesthetic medical institutions in the PRC, while three of them were located in Zhejiang Province and one of them was located in Anhui Province.

For 2020, revenue of the Group amounted to approximately RMB164.5 million, representing a decrease of 13.9% compared with approximately RMB191.2 million for 2019. The decrease was generally due to the temporary suspension of the operations of our aesthetic medical institutions from 1 February 2020 until our full scale resumption of operation of all our aesthetic medical institutions on 10 April 2020 to facilitate societal prevention and control of COVID-19 and implementation of our pandemic preventive measures so as to minimize the risk of infection by our clients and staff.

Through our experienced physicians and medical staff, we provide holistic and professional aesthetic medical solutions. As at 31 December 2020, we had 70 physicians who practiced at our aesthetic medical institutions with an average industry experience over ten years. We believe our team of experienced and qualified physicians and medical staff, as well as our stringent safety controls, have underpinned our strong reputation as we continue to attract and retain clients and receive industry recognition for our high-quality services.

We continue to operate online shops on a number of e-commerce online platforms to promote our brand and to sale and market our services. We believe that clients' actual experiences and reviews of our services are exceptionally important in promoting our services to potential clients and establishing confidence in our services among potential clients. One of the key features of these online platforms is that clients can share their good reviews and feedbacks they have experienced with us. This enables us to promote our services and attract clients without incurring extra advertising efforts. As at 31 December 2020, our online shops received an average review rating of 4.0 stars or above out of 5 stars on certain e-commerce online platforms.

In 2020, the total number of our aesthetic medical clients was 73,235, representing an increase of 4.9% from the number of active clients of 69,835 in 2019; among them, the number of new clients was 31,841, accounting for 43.5% of the total number of aesthetic medical clients in 2020.

To a lesser extent, we also provide aesthetic medical management consulting services to aesthetic medical institutions and physicians. Leveraging our years of experience in managing aesthetic medical institutions and our expertise in sales and marketing of aesthetic medical services, we provide consulting services to third parties aesthetic medical institutions in relation primarily to their operations and administration, and sales and marketing; and third parties physicians in relation primarily to their professional biography building, sales and marketing as well as operation and administration of their aesthetic medical business. In 2020, we have provided management consulting services for 12 aesthetic medical institutions.

The following is a summary of the consolidated statement of profit or loss and other comprehensive income:

	Year ended 31 December		
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
Revenue	**164,545**	191,156	(13.9)
Gross profit	**80,171**	101,038	(20.7)
Profit before tax	**11,567**	16,388	(29.4)
Profit for the year	**4,911**	10,277	(52.2)
Attributable to:			
Owners of the parent	**4,251**	9,897	(57.0)
Non-controlling interests	**660**	380	73.7
	4,911	10,277	(52.2)

Non-IFRS Measures

We recognised non-recurring items in the year. To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also present the adjusted profit before tax, adjusted profit for the year and adjusted net profit margin as non-IFRS measures.

We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of non-recurring listing expenses, which is considered not indicative for evaluation of the actual performance of our business. We believe that these non-IFRS measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

	Year ended 31 December		
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
Profit before tax	**11,567**	16,388	(29.4)
Profit for the year	**4,911**	10,277	(52.2)
Adjusted for:			
— Listing expenses	**16,999**	15,316	11.0
Adjusted profit before tax	**28,566**	31,704	(9.9)
Adjusted profit for the year	**21,910**	25,593	(14.4)
Adjusted net profit margin for the year	**13.3%**	13.4%	

FINANCIAL REVIEW

Revenue

The following table sets forth our revenue by service offerings in 2020:

	Year ended 31 December				
	2020		2019		
	Revenue	**% of total revenue**	Revenue	% of total revenue	Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Aesthetic medical services	**161,906**	**98.4**	183,609	96.1	(11.8)
Aesthetic surgery services	**37,754**	**22.9**	54,996	28.8	(31.4)
Minimally-invasive aesthetic services	**48,961**	**29.8**	55,942	29.3	(12.5)
Aesthetic dermatology services	**65,820**	**40.0**	58,092	30.4	13.3
Others *(Note)*	**9,371**	**5.7**	14,579	7.6	(35.7)
Aesthetic medical management consulting services	**2,639**	**1.6**	7,547	3.9	(65.0)
	164,545	**100.0**	191,156	100.0	(13.9)

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.

In 2020, our revenue from aesthetic surgery services and minimally invasive aesthetic services was approximately RMB37.8 million and RMB49.0 million, representing a decrease of 31.4% and 12.5% from approximately RMB55.0 million and RMB55.9 million in 2019, respectively. This was primarily due to the COVID-19 pandemic which severely and adversely affected our clients' overall willingness to visit our aesthetic medical institutions and the general consumer spending sentiment in aesthetic medical services. In particular, high spending clients of aesthetic surgery services would require testing of COVID-19 before operations as part of the preventive measures to minimize the risk of infection by our clients and staff. Also, clients of aesthetic surgery services generally stay in aesthetic medical institutions for longer period of time and would require more frequent visits to the institutions compared to other aesthetic medical services to undergo necessary procedures including consultations, various testings before the operation and the operation itself, thereby increasing their exposure and potential risks of infection during the pandemic. Our revenue from aesthetic dermatology services was approximately RMB65.8 million, representing an increase of 13.3% from approximately RMB58.1 million in 2019, as we have strengthened our marketing and promotion efforts on dermatology services in 2020.

COST OF SALES

Our cost of sales mainly included cost of supplies consumed and staff costs. In 2020, our cost of sales was approximately RMB84.4 million (2019: RMB90.1 million).

Our cost of sales by nature is as follows:

	Year ended 31 December				
	2020		2019		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Cost of supplies consumed	**48,309**	**57.3**	47,327	52.5	2.1
Staff costs	**29,643**	**35.1**	35,791	39.7	(17.2)
Others	**6,422**	**7.6**	7,000	7.8	(8.3)
	84,374	**100.0**	90,118	100.0	(6.4)

Cost of supplies consumed was our largest component of cost of sales in 2020, which represented mainly the cost of (i) our medical consumables mainly representing implants and auxiliary materials used in our aesthetic surgery services, hyaluronic acid used in our minimally-invasive aesthetic services and skincare products used in our aesthetic dermatology services; and (ii) our pharmaceuticals mainly representing botulinum toxin type A used in our minimally-invasive aesthetic services and other drugs used in our aesthetic surgery services.

Staff costs was our second largest component of our cost of sales in 2020, which mainly represented salaries and bonuses paid to our physicians and medical staff. All our aesthetic surgery services, minimally-invasive aesthetic services and aesthetic dermatology procedures are required to be performed by qualified physicians with necessary clinical working experience in accordance with the relevant PRC laws and regulations. Staff cost generally decreased as a result of the temporary suspension of the operations during February to April in 2020.

Other cost of sales mainly included rental, depreciation and travelling expenses which remained stable during 2020.

GROSS PROFIT

In 2020, our gross profit amounted to approximately RMB80.2 million (2019: RMB101.0 million), and our gross profit margin was approximately 48.7% (2019: 52.9%).

The following table sets forth our gross profit and gross profit margin by service offered in 2020:

	Year ended 31 December				
	2020		2019		
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin	Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Aesthetic medical services	**79,250**	**48.9**	96,290	52.4	(17.7)
Aesthetic surgery services	**22,551**	**59.7**	38,369	69.8	(41.2)
Minimally-invasive aesthetic services	**17,759**	**36.3**	23,882	42.7	(25.6)
Aesthetic dermatology services	**42,275**	**64.2**	35,213	60.6	20.1
Others *(Note)*	**(3,335)**	**(35.6)**	(1,174)	(8.1)	184.1
Aesthetic medical management consulting services	**921**	**34.9**	4,748	62.9	(80.6)
	80,171	**48.7**	101,038	52.9	(20.7)

In 2020, aesthetic dermatology services were our largest gross profit contributor. We also recorded high gross profit margin of 59.7% (2019: 69.8%) with aesthetic surgery services because it mainly involved staff cost for the performance of surgery by our physicians and assistance to our physicians by medical staff; and lowest gross profit margin with minimally-invasive aesthetic services as they relied largely on the injection materials, which may be manufactured locally in the PRC or imported from overseas. Aesthetic dermatology services, recorded the highest gross profit margin of 64.2% (2019: 60.6%) during 2020 because the combined effect of the decrease in staff cost due to the temporary suspension and the recovery of the market in the 2nd half of 2020. Our overall gross profit margin in 2020 was 48.7%, which is a drop of 4.2 percentage points compared to 2019, primarily because of the further decrease in proportion of gross profit generated from aesthetic surgery services, which was severely and adversely impacted by the COVID-19 pandemic. Further, despite the suspension of operation and the reduced client flow, particularly for aesthetic surgery services, we had to continue to bear our fixed costs, such as staff costs. Gross profit margin for minimally-invasive aesthetic services also affected during 2020.

OTHER INCOME AND GAINS

In 2020, our other income and gains amounted to approximately RMB5.1 million, mainly representing government subsidies of approximately RMB3.2 million, COVID-19 related concession from lessor, investment income of financial investments and interest income.

SELLING AND DISTRIBUTION EXPENSES

In 2020, our selling and distribution expenses amounted to approximately RMB33.1 million (2019: RMB50.2 million), representing approximately 20.1% of our revenue. Our selling and distribution expenses primarily comprised promotion and marketing expenses, and staff costs. We mainly placed advertisements through online advertising on a number of e-commerce online platforms to promote our brand and online shops in order to drive traffic to our aesthetic medical institutions. In 2020, our online advertisements were generally displayed in the forms of videos, advertorials, and banners on websites and/or applications on the e-commerce online platforms. In addition, we promote our brand and services through out-of-home advertising channels, such as billboards. Due to the temporary suspension of operating from February to April in 2020, the promotion and marketing expenses and the staff costs decreased accordingly during 2020.

ADMINISTRATIVE EXPENSES

In 2020, our administrative expenses amounted to approximately RMB37.0 million (2019: RMB33.4 million), representing approximately 22.5% of our revenue. Our administrative expenses primarily comprised listing expenses, staff costs, rental related expenses, utility and depreciation expenses. The increase in administrative expenses was mainly due to the increase of the listing expenses from approximately RMB15.3 million to RMB17.0 million in 2020.

FINANCE COSTS

In 2020, our finance cost amounted to approximately RMB2.4 million (2019: RMB2.3 million). Our finance costs primarily comprised interest on lease liabilities and interest on bank borrowings.

INCOME TAX EXPENSES

Our income tax expenses represented our total current and deferred tax expenses under the relevant PRC income tax rules and regulations. In 2020, our income tax expenses amounted to approximately RMB6.7 million (2019: RMB6.1 million), and our effective tax rates was 57.5% (2019: 37.3%). Our high effective tax rate was mainly due to tax losses and temporary differences not recognised arising from our offshore entities as a result of listing expenses.

PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Our profit and total comprehensive income for 2020 decreased by approximately RMB5.4 million or 52.2%, from approximately RMB10.3 million for 2019 to approximately RMB4.9 million for 2020.

LIQUIDITY AND CAPITAL RESOURCES

We maintain a strong financial position with cash and bank balance and time deposits of approximately RMB158.9 million as at 31 December 2020. Our net current assets were approximately RMB120.1 million as at 31 December 2020. With the recovery of our normal business operation in the 2nd half of 2020 and the net proceed from the Global Offering, we have adequate liquidity to meet the daily working capital requirements as well as our expansion plans in the coming year. As at 31 December 2020, our Group had unutilised banking facilities for working capital purposes of approximately RMB12 million.

LEASE LIABILITIES

As at 31 December 2020, the Group had lease liabilities of approximately RMB19.2 million (2019: RMB26.4 million).

COMMITMENTS

As at 31 December 2020, our Group had no commitments (2019: RMB2.4 million) relating to the future capital contributions payable.

CAPITAL EXPENDITURES

During 2020, the Group acquired items of plant and equipment amounting to approximately RMB8.6 million (2019: RMB13.4 million).

INDEBTEDNESS

Interest-bearing Bank Borrowings

As at 31 December 2020, our Group had approximately RMB13.0 million outstanding interest-bearing bank borrowings (2019: RMB6.9 million) of which RMB3.0 million are at fixed interest rates (2019: RMB6.9 million).

As at 31 December 2020 and 2019, all of the bank borrowings were repayable within one year and there was no other borrowing as at 31 December 2020 and 2019.

Contingent Liabilities and Guarantees

As at 31 December 2020, our Group had no significant contingent liabilities and guarantees (2019: Nil).

PLEDGE OF ASSETS

The Group's secured bank loans as at 31 December 2020 are secured by the Group's pledged deposits, amounting to approximately RMB10.5 million (2019: secured by debt investments at amortised costs of RMB11.1 million).

GEARING RATIO

Gearing ratio is calculated by dividing total liabilities by total equity as at 31 December 2020 and multiplying the result by 100%. As at 31 December 2020, the Group had total debt of RMB85.6 million and the gearing ratio is 45.8% (2019: 96.3%).

INTEREST RATE RISK

The Group has no significant interest rate risk. Nevertheless, the Group's exposure to the risk of change in market interest rates was primarily from the Group's interest-bearing bank borrowings. As at 31 December 2020, it is estimated that a general increase/decrease of 5 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before tax by approximately RMB7,000. Other components of consolidated equity would not be affected in response to a general increase/decrease in interest rates.

EXCHANGE RATE FLUCTUATION RISK

We deposit certain financial assets in foreign currencies, which are mainly related 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 consider the use of hedging instruments when the need arises.

TREASURY POLICIES

The Group adopts a conservative 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.

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 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report and in the prospectus of the Company dated 15 December 2020 (the "**Prospectus**"), the Group did not have plans for making material investments or acquiring capital assets as at 31 December 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, we had 376 employees in the PRC.

During 2020, our total staff costs amounted to approximately RMB54.7 million (2019: RMB67.9 million), accounting for approximately 33.3% (2019: 35.5%) of our total revenue in 2020.

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.

USE OF PROCEEDS

The Company was successfully listed on the Stock Exchange on 28 December 2020 (the "**Listing**"). The net proceeds from the Global Offering including exercise of over-allotment options were approximately HK$81.7 million, which was based on the issuing price of HK$0.4 per share and the actual expenses related to the Listing. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the Prospectus of the Company. Since the Listing Date and up to 31 December 2020, the Group has not utilized any IPO Proceeds.

PROSPECTS

It is expected that the business environment will be still challenging in the coming year until the spread of the COVID-19 is effectively contained.

Since the full resumption of operation of our Group's aesthetic medical institutions in April 2020, we have not received any correspondences or notices from any governmental authorities nor our Directors are aware of any laws, regulations, announcement or notices being issued by any governmental authorities imposing any controls or restrictions in relation to the outbreak COVID-19 that may materially affect the operation of our Group.

Our Directors will continue to assess the impact of the outbreak of COVID-19 on our Group's operation and financial performance and closely monitor our Group's exposure to the risks and uncertainties in connection with the pandemic.

However, along with the spread of popular culture and celebrity/celebrities effect, and the experience share of key opinions leaders and celebrity/celebrities in social platforms, aesthetic medical services has been fully promoted nowadays. Thus, the society show growing acceptance for aesthetic medical services. Besides, aesthetic medical services have been more popular since people can improve their appearance via the assistance of aesthetic medical services. We are confident to continue our business development and expansion plans as listed in the Prospectus of the Company.

DIVIDEND

The Board resolved not to declare any final dividend for 2020 (2019: RMB12.0 million).

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

Since the Listing Date and up to 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

MODEL CODE FOR 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 of Hong Kong Limited (the "**Listing Rules**") as the code of conduct for securities transactions by the Directors.

The Company was listed on the Stock Exchange on 28 December 2020 (the "**Listing Date**"). Therefore, the relevant standards set out in the Model Code were not applicable to the Company during the period from 1 January 2020 to 27 December 2020. 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 for the period from the Listing Date to 31 December 2020.

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 (effective from 1 April 2012) (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

From the Listing Date to 31 December 2020, 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 Company (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.

A summary of the work performed by the Audit Committee is as follows:

a. Approved the remuneration and terms of engagement of the Company's external auditors, Ernst & Young;

b. Reviewed the independence and objectivity of the external auditors and the effectiveness of audit procedures according to applicable standards;

c. Reviewed the audit plan of the annual results circulated to them;

d. Reviewed the interim and annual financial statements before submitting to the Board; and

e. Reviewed the audit procedures and risk management and internal control systems of the internal audit department.

The Audit Committee has reviewed and approved the annual results of the Group for 2020 prior to approval by the Board.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

SUBSEQUENT EVENTS

On 20 January 2021, the Company issued and allotted 34,040,000 shares at HK$0.4 per share due to the partial exercise of the over-allotment option of the Listing.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Friday, 18 June 2021. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021, both days inclusive, in order to determine the identity of the shareholders of the Company who are entitled to attend the forthcoming AGM to be held on Friday, 18 June 2021. To be eligible for attending and voting at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Friday, 11 June 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report for 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforementioned websites in due course.

By Order of the Board of
Raily Aesthetic Medicine International Holdings Limited
Fu Haishu
Chairman

Hangzhou, China, 26 March 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, two non-executive Directors, namely Mr. Xie Lijun and Ms. Fan Qirui, and three independent non-executive Directors, namely Mr. Cao Dequan, Ms. Yang Xiaofen and Mr. Liu Teng.