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 2022

The board (the "**Board**") of directors (the "**Directors**") of Raily Aesthetic Medicine International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022 (the "**Year**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	3	**164,522**	188,367
Cost of sales		**(97,739)**	(118,675)
Gross profit		**66,783**	69,692
Other income and gains	3	**8,071**	2,681
Selling and distribution expenses		**(49,287)**	(54,533)
Administrative expenses		**(35,882)**	(34,724)
Other expenses		**(6,822)**	(3,493)
Research and development expenses		**(2,000)**	–
Finance costs	5	**(2,801)**	(2,419)
Share of loss of an associate		**(163)**	(152)
LOSS BEFORE TAX	4	**(22,101)**	(22,948)
Income tax credit	6	**1,854**	4,682
LOSS FOR THE YEAR		**(20,247)**	(18,266)
Attributable to:			
Owners of the parent		**(15,911)**	(17,691)
Non-controlling interests		**(4,336)**	(575)
		(20,247)	(18,266)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For loss for the year (RMB)		**(0.76) cents**	(0.85) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(20,247)**	(18,266)
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	**–**	32
Income tax effect	**–**	(8)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**–**	24
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**–**	24
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(20,247)**	(18,242)
Attributable to:		
Owners of the parent	**(15,911)**	(17,667)
Non-controlling interests	**(4,336)**	(575)
	(20,247)	(18,242)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**40,763**	32,200
Right-of-use assets		**43,243**	47,859
Goodwill		**56,764**	63,129
Other intangible assets		**30,467**	34,008
Investment in an associate		**3,262**	3,348
Deferred tax assets		**12,716**	11,425
Pledged deposits		**1,543**	1,500
Other non-current assets		**1,333**	240
Total non-current assets		**190,091**	193,709
CURRENT ASSETS			
Inventories and supplies		**12,678**	13,266
Trade receivables	*9*	**5,341**	6,094
Prepayments, other receivables and other current assets		**15,762**	9,937
Cash and bank balances		**78,779**	121,719
Total current assets		**112,560**	151,016
CURRENT LIABILITIES			
Trade payables	*10*	**9,169**	12,565
Other payables and accruals		**18,562**	17,824
Amount due to an independent director		**466**	147
Interest-bearing bank borrowings		**5,000**	20,000
Contract liabilities		**16,608**	14,686
Refund liabilities		**4,076**	5,580
Contingent consideration		**6,386**	29,437
Lease liabilities		**8,666**	7,760
Tax payable		**7,480**	7,303
Total current liabilities		**76,413**	115,302
NET CURRENT ASSETS		**36,147**	35,714
TOTAL ASSETS LESS CURRENT LIABILITIES		**226,238**	229,423

	Notes	**2022** *RMB'000*	2021 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**34,555**	39,694
Deferred tax liabilities		**6,625**	7,375
Contingent consideration		**19,181**	–
Total non-current liabilities		**60,361**	47,069
Net assets		**165,877**	182,354
EQUITY			
Equity attributable to owners of the parent			
Share capital		**136,267**	136,267
Other reserves		**29,813**	41,954
		166,080	178,221
Non-controlling interests		**(203)**	4,133
Total equity		**165,877**	182,354

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 contingent consideration which have been measured at fair value. 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 following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract Annual*
Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 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* (the "**Conceptual Framework**") issued in June 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) 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 recognizes the proceeds from selling any such items, and the cost of those items, as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *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 amendment that are 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or 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 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**") [2,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**") [2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.

5 As a consequence of the amendments to IFRS 17 issued in October 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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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

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 resulting from a downstream transaction 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 HKICPA in January 2016 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 IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements. In respect of sale and leaseback transactions with variable lease payments that do not depend on an index or a rate, the Group will develop an accounting policy for such transactions.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. OPERATING SEGMENT INFORMATION

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

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

(b) Consulting services comprise principally management consulting services.

(c) Aesthetic medical equipment products comprise principally sales of surgical implants and aesthetic medical skincare products.

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 other income and gains, corporate and unallocated expenses, and finance costs (other than interest on lease liabilities).

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2022	**Aesthetic medical services** *RMB'000*	**Consulting services** *RMB'000*	**Aesthetic medical equipment products** *RMB'000*	**Total** *RMB'000*
Segment revenue *(note 3)*:				
Sales to external customers	**151,661**	**27**	**12,834**	**164,522**
Intersegment sales	**–**	**–**	**1,378**	**1,378**
	151,661	**27**	**14,212**	**165,900**
Reconciliation:				
Elimination of intersegment sales				**(1,378)**
Revenue from continuing operations				**164,522**
Segment results	**(10,067)**	**(796)**	**5,818**	**(5,045)**
Reconciliation:				
Elimination of intersegment results				**(94)**
Other income and gains				**4,201**
Corporate and unallocated expenses				**(20,945)**
Finance costs (other than interest on lease liabilities)				**(218)**
Loss before income tax				**(22,101)**
Other segment information:				
Share of losses of an associate:	**–**	**–**	**(163)**	**(163)**
Impairment losses recognised in the statement of profit or loss, net	**6,364**	**–**	**14**	**6,378**
Depreciation and amortisation	**19,220**	**15**	**3,958**	**23,193**
Capital expenditure*	**18,771**	**–**	**82**	**18,853**

Year ended 31 December 2021	Aesthetic medical services *RMB'000*	Consulting services *RMB'000*	Aesthetic medical equipment products *RMB'000*	Total *RMB'000*
Segment revenue *(note 3):*				
Sales to external customers	183,712	3,173	1,482	188,367
Intersegment sales	–	–	172	172
	183,712	3,173	1,654	188,539
Reconciliation:				
Elimination of intersegment sales				(172)
Revenue from continuing operations				188,367
Segment results	(1,717)	(983)	709	(1,991)
Reconciliation:				
Elimination of intersegment results				(38)
Other income and gains				2,681
Corporate and unallocated expenses				(22,930)
Finance costs (other than interest on lease liabilities)				(670)
Loss before income tax				(22,948)
Other segment information:				
Share of losses of an associate:	–	–	(152)	(152)
Impairment losses recognised in the statement of profit or loss, net	(11)	603	(1)	591
Depreciation and amortisation	12,290	574	1,664	14,528
Capital expenditure*	15,426	10	30,343	45,779

* Capital expenditure consists of additions to property, plant and equipment, other non-current assets and intangible assets from the acquisition of a subsidiary.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Revenue from contracts with customers		
Aesthetic medical services	**151,661**	183,712
Consulting services	**27**	3,173
Aesthetic medical equipment products	**12,834**	1,482
	164,522	188,367

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2022

Segments	**Aesthetic medical services** *RMB'000*	**Consulting services** *RMB'000*	**Aesthetic medical equipment products** *RMB'000*	**Total** *RMB'000*
Types of goods or services				
Sale of products	**–**	**–**	**12,834**	**12,834**
Services	**151,661**	**27**	**–**	**151,688**
Total revenue from contracts with customers	**151,661**	**27**	**12,834**	**164,522**
Geographical market				
Mainland China	**151,661**	**27**	**12,834**	**164,522**
Timing of revenue recognition				
Goods transferred at a point in time	**–**	**–**	**12,834**	**12,834**
Services transferred at a point in time	**106,870**	**–**	**–**	**106,870**
Services transferred over time	**44,791**	**27**	**–**	**44,818**
Total revenue from contracts with customers	**151,661**	**27**	**12,834**	**164,522**

For the year ended 31 December 2021

Segments	Aesthetic medical services *RMB'000*	Consulting services *RMB'000*	Aesthetic medical equipment products *RMB'000*	Total *RMB'000*
Types of goods or services				
Sale of products	–	–	1,482	1,482
Services	183,712	3,173	–	186,885
Total revenue from contracts with customers	183,712	3,173	1,482	188,367
Geographical market				
Mainland China	183,712	3,173	1,482	188,367
Timing of revenue Recognition				
Goods transferred at a point in time	–	–	1,482	1,482
Services transferred at a point in time	49,179	–	–	49,179
Services transferred over time	134,533	3,173	–	137,706
Total revenue from contracts with customers	183,712	3,173	1,482	188,367

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

For the year ended 31 December 2022

Segments	**Aesthetic medical services** *RMB'000*	**Consulting services** *RMB'000*	**Aesthetic medical equipment products** *RMB'000*	**Total** *RMB'000*
Revenue from contracts with customers				
External customers	**151,661**	**27**	**12,834**	**164,522**
Intersegment sales	**–**	**–**	**1,378**	**1,378**
Intersegment adjustments and eliminations	**–**	**–**	**(1,378)**	**(1,378)**
Total revenue form contracts with customers	**151,661**	**27**	**12,834**	**164,522**

For the year ended 31 December 2021

Segments	Aesthetic medical services *RMB'000*	Consulting services *RMB'000*	Aesthetic medical equipment products *RMB'000*	Total *RMB'000*
Revenue from contracts with customers				
External customers	183,712	3,173	1,482	188,367
Intersegment sales	–	–	172	172
	183,712	3,173	1,654	188,539
Intersegment adjustments and eliminations	–	–	(172)	(172)
Total revenue form contracts with customers	183,712	3,173	1,482	188,367

An analysis of other income and gains is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Other income		
Government subsidies	**221**	281
Investment income	**139**	246
Interest income	**590**	988
Others	**113**	92
	1,063	1,607
Gains		
Gains on derecognition of financial liabilities measured at amortised cost	**494**	1,074
Fair value gains on contingent consideration	**3,870**	–
Gains on foreign exchange differences	**2,644**	–
	7,008	1,074
	8,071	2,681

4. LOSS BEFORE TAX

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

	2022 *RMB'000*	2021 *RMB'000*
Cost of supplies consumed	**55,018**	66,199
Cost of inventories sold	**2,008**	322
Amortisation of intangible assets	**3,541**	1,044
Depreciation of property, plant and equipment	**10,313**	7,461
Depreciation of right-of-use assets	**9,339**	6,023
Research and development costs	**2,000**	–
Lease payments not included in the measurement of lease liabilities	**709**	1,354
Auditor's remuneration	**2,250**	2,200
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**52,067**	65,040
Equity-settled share option expense	**3,645**	987
Pension scheme contributions	**4,226**	6,465
Staff welfare expenses	**1,816**	2,141
Impairment of trade receivables, net	**7**	596
Impairment of financial assets included in prepayments, other receivables and other assets	**6**	(5)
Impairment of goodwill	**6,365**	–
Loss on disposal of items of property, plant and equipment	**33**	329
Promotion and marketing expenses	**19,360**	26,849
Professional fee	**1,903**	8,856
Foreign exchange differences, net	**(2,644)**	2,403
Fair value gains on contingent consideration	**(3,870)**	–

5. FINANCE COSTS

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

	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**2,583**	1,749
Interest on bank borrowings	**218**	670
	2,801	2,419

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.

	2022	2021
	RMB'000	*RMB'000*
Current tax		
Charge for the year	**187**	224
Overprovision in prior years	**–**	(107)
Deferred	**(2,041)**	(4,799)
Total tax credit for the year	**(1,854)**	(4,682)

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

	2022	2021
	RMB'000	*RMB'000*
Loss before tax	**(22,101)**	(22,948)
Tax at the PRC statutory income tax rate*	**(5,525)**	(5,737)
Effect of different tax rates of subsidiaries**	**722**	1,421
Adjustments in respect of current tax of previous periods	**–**	(107)
Losses attributable to associates	**41**	38
Expenses not deductible for tax	**967**	43
Utilisation of deductible temporary differences previously not recognised	**–**	(356)
Deductible temporary differences and tax losses not recognised	**1,941**	16
	(1,854)	(4,682)

* 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, 2021 circular No.12 and 2022 circular No. 13 announcement of the State Taxation Administration, Ningbo Zhuerli, Ruian Raily, Raily Equipment, Shenzhen Ruiquan, Hangzhou Ruiquan, Hainan Bellafill, as small micro-enterprises, enjoyed preferential tax rate of 2.5% (2021: 2.5%) for the year ended 31 December 2022.

7. DIVIDENDS

No dividend was paid or declared by the Company for the year ended 31 December 2022.

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,089,040,000 (2021: 2,087,268,055) in issue during the year, as adjusted to reflect the rights issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2021 included the weighted average of 34,040,000 ordinary shares issued in connection with the Company's over allotment of initial public offering and the aforesaid 2,055,000,000 ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of the option outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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

	2022	2021
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**(15,911)**	(17,691)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,089,040,000**	2,087,268,055

9. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**5,377**	6,420
Impairment	**(36)**	(326)
	5,341	6,094

The Group seeks to maintain strict control over its outstanding receivables to minimize 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:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**2,032**	5,886
4 to 6 months	**1,148**	36
7 to 12 months	**2,126**	172
1 to 2 years	**35**	–
	5,341	6,094

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**326**	77
Impairment losses, net *(note 4)*	**7**	596
Amount written off as uncollectible	**(297)**	(347)
At end of year	**36**	326

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:

	2022	2021
	RMB'000	*RMB'000*
Within 90 days	**8,326**	7,817
91 to 180 days	**389**	2,105
181 to 365 days	**263**	1,629
Over 365 days	**191**	1,014
	9,169	12,565

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a leading aesthetic medical service provider in the Yangtze River Delta region of the People's Republic of China (the "**PRC**"). We offer our clients a broad range of aesthetic medical services which include aesthetic surgery services, minimally-invasive aesthetic services and aesthetic dermatology services. After over 15 years of development, our network of service institutions continues to expand. As of 31 December 2022, we own and operate a network of four private for-profit aesthetic medical service institutions in the PRC, while three of them are located in Zhejiang Province and one of them is located in Anhui Province. In addition, we provide aesthetic medical management consulting services and engage in sales of aesthetic medical equipment products. We have started to enter into the field of research and development and production of aesthetic medical biotechnology.

The pandemic in 2022 has the greatest adverse impact on our aesthetic medical institutions. The medical institutions of the Group have been unable to operate normally for a long time. With the relaxation of the national pandemic prevention measures, the management expects that PRC aesthetic medical industry will gradually recover in the coming years.

The following table sets forth the comparison of our revenue in 2021 and 2022:

	2022			2021		
	the first half	**the second half**	**Total**	the first half	the second half	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Aesthetic medical service	**87,773**	**63,888**	**151,661**	89,194	94,518	183,712
Aesthetic medical management consulting services	**27**	**–**	**27**	2,298	875	3,173
Sales of aesthetic medical equipment products	**6,597**	**6,237**	**12,834**	–	1,482	1,482
Total	**94,397**	**70,125**	**164,522**	91,492	96,875	188,367

For 2022, the Group's revenue was approximately RMB164.5 million, representing a decrease of 12.7% as compared with the income of approximately RMB188.4 million for the year of 2021. Our loss for the year attributable to owners of the parent and our loss for the year was approximately RMB15.9 million (2021: RMB17.7 million) and RMB20.2 million (2021: RMB18.3 million), respectively. Our basic and diluted loss per share attributable to ordinary equity holders of the parent was RMB0.76 cents (2021: RMB0.85 cents).

The decrease in revenue and the continuous loss were mainly attributable to: (a) in the last month of the Year, the business of medical institutions in Zhejiang and Anhui regions was badly affected by the widespread outbreak of the COVID-19 pandemic, resulting in the difficulty of the customers in visiting the Group's institutions, and the medical institution business of the Group had been suspended for nearly one month, which adversely affected the Company's results in the second half of the Year; (b) the non-fulfillment of the profit guarantee in respect of Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd.（深圳市九美信禾醫療器械有限公司）("**Jiumei Xinhe**") for the Year with a shortfall of approximately RMB4.9 million; (c) in order to accelerate the Group's research and development and production of new materials for medical devices, the Group increased its investment in the research and development activities of Suzhou Yonglan Biosciences Co., Ltd.（蘇州詠藍生物醫藥科技有限公司）("**Suzhou Yonglan**"). For the year ended 31 December 2022, the research and development expenses, factory design expenses and research and development personnel's remuneration expenses of Suzhou Yonglan amounted to approximately RMB5.8 million. Such increase in expenses had not yet been recovered by the economic benefits to be derived therefrom during the Year; and (d) due to the adverse impact of the pandemic, the number of customers visiting Hangzhou Bellafill Aesthetic Medical Outpatient Department Co., Ltd.（杭州貝麗菲爾醫療美容門診部有限公司）("**Hangzhou Bellafill**", formerly known as "**Hangzhou Raily Tiange Plastic Surgery Outpatient Department Co., Ltd.（杭州瑞麗天鴿整形外科門診部有限公司）**") had decreased significantly during the Year. The management of the Group predicts that the future customer flow of Hangzhou Bellafill will not be fully restored. After careful consideration, the management of the Group made a decision on impairment of goodwill of Hangzhou Bellafill in the amount of approximately RMB6.4 million.

In 2022, under the ongoing adverse impact of the COVID-19 pandemic, we have incurred a significant loss. The number of active aesthetic medical clients also decreased from approximately 65,500 in 2021 to approximately 49,900 in 2022, representing a decrease of approximately 23.8%; among them, the number of new clients was approximately 18,400 (2021: 25,800), accounting for 36.9% (2021: 39.4%) of the total number of aesthetic medical clients in 2022. The proportion of new clients remained relatively stable. On the other hand, we have increased the marketing and promotion in non-surgical treatments with the advantages of fashion, speed, convenience, minimized risks, and shortest recovery period, which has improved the consumption level of clients. The average consumption per client was approximately RMB3,000, representing an increase of approximately 7.1% from the average consumption per client of approximately RMB2,800 in 2021. The increase in the average consumption has partially offset the adverse impact of loss of active clients on the revenue of the aesthetic medical services business segment for the Year.

In addition, we have gradually moved forward with the following development planning and strategic layout:

1. Expand the scale of the Group's flagship stores in various cities, and introduce advanced technologies and updated equipment and products

With the change of consumption concept, the improvement of consumption ability and the increase in the proportion of low-age consumers, non-surgical items have won more consumers' favor and maintained rapid market growth. In order to meet customers' demand for new products and technologies, the Group has enhanced the capacity of its non-surgical aesthetic medial services through renovation and expansion and introduction of new equipment in the past 18 months, especially increased the investment in minimally-invasive aesthetic services and aesthetic dermatology services rooms.

The following table sets forth certain operating data of our aesthetic medical institutions before and after the renovation and expansion as of 31 December 2022:

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

2. Promoting new concept brands in aesthetic medical industry

In June this year, we have established the Hainan Bellafill Medical Center in the Boao Lecheng International Medical Tourism Pilot Zone of the Hainan Free Trade Port, which is expected to be approved by the National Health Commission in the first half of 2023 and then to obtain the approval for special filing application for imported medical devices. The Group has designated the second branch hospital in the Hangzhou region as the first benchmark hospital under the new brand name of Bellafill, and will introduce international leading products and technologies to customers, promote the development of non-surgical aesthetic medical consumption concept brands, and pave the way for connecting domestic and overseas advanced technologies, equipment, products and services.

3. Continuous application of digital management model

We will continue to use, transform and upgrade the digital medical service management systems, and adopt the comprehensive marketing model which integrates precision marketing, digital marketing and thematic marketing. Through the analysis of the consumer's historical data, i.e. the consumer's past behaviors, the number, types and time of receiving services to determine the preference of the consumers and to develop a corresponding marketing strategy.

4. Expand the market share of facial implant brand

We have acquired Jiumei Xinhe in the second half of 2021 and started to sell of aesthetic medical equipment products. Jiumei Xinhe's Chuzhen facial implant, a brand of e-PTFE (expanded polytetrafluorethylene) facial implant imported from South Korea, is the flagship product of the Group's aesthetic medical equipment products. We will continue to improve our sales network in order to increase our market share. Moreover, we will accelerate the introduction of more new products through registered import agency, in-house research and distributor service to further increase the market share of facial plastic surgery materials.

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

During the Year, Suzhou Yonglan has relocated to a new site and has commenced the construction of an aesthetic medical equipment product factory. Moreover, it has jointly developed new skin injection products with the technical team of well-known universities in PRC. We will continue to plan, research and develop and manufacture jointly with well-known universities and colleges in PRC to build up a research and development and manufacturing platform for advanced aesthetic medical equipment products and to become a supplier of non-surgical aesthetic medical products in the upstream of the industry.

6. Vigorously developing sales channels on e-Mall

The Group is operating RunSe skin care product collection store, which is a professional platform of aesthetic medical skincare products and integrates domestic and foreign professional skincare brands. It will provide the customers with complete solutions for aesthetic medical post-surgery care and repair and daily skin maintenance by adopting a new skincare and consumption model of online sales, offline experience, skincare consultation, medical director guidance and professional after-sales. We will continue to expand the sales volume of the brand in this mall and to increase our marketing and promotion efforts to expand the customer flow of the Group.

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

	Year ended 31 December		
	2022	2021	Change
	RMB'000	*RMB'000*	*%*
Revenue	**164,522**	188,367	(12.7)
Gross profit	**66,783**	69,692	(4.2)
Loss before tax	**(22,101)**	(22,948)	(3.7)
Loss for the year	**(20,247)**	(18,266)	10.8
Attributable to:			
Owners of the parent	**(15,911)**	(17,691)	(10.1)
Non-controlling interests	**(4,336)**	(575)	654.1
	(20,247)	(18,266)	10.8

Note: The increase in loss for the year 2022 as compared to that for the year 2021 was mainly due to the fact that the share option expenses increased to approximately RMB3.8 million (2021: approximately RMB1.0 million) and the additional impairment of goodwill of approximately RMB6.4 million (2021: Nil). If the impact of the above two non-recurring items is excluded, the net loss for the year 2022 will be RMB10.0 million (2021: RMB17.3 million).

PRINCIPAL RISKS AND UNCERTAINTIES

– Medical liability insurance. In 2022, we did not maintain medical liability insurance for our aesthetic medical institutions or our physicians (who include employee physicians and contract physicians) and medical staff, and may be subject to liability claims arising from physicians and medical staff at our aesthetic medical institutions.

– Performance of our physicians and other medical staff. Our physicians' and medical staff's treatment performance, communication and relationship with our clients are vital to our business and results of operations.

– Brand recognition. We need to maintain and enhance the brand image for a long time. Our corporate development and continued growth depend substantially on our brand image, market reputation and consumer trust.

– Adverse impact of the COVID-19 pandemic. The continuation or recurrence of the COVID-19 pandemic may have a certain adverse impact on the normal operation of the Group and the consumption of consumer in medical institutions.

– The development of the cities where medical institutions are located. If the average spending power of the population in the cities where our medical institutions are located, namely Hangzhou City, Ruian City and Wuhu City, declines or the economic growth in these regions slow down, our operating results and profitability may be adversely affected. Changes in laws and regulations in these regions and the occurrence of any natural disasters, acts of God and epidemics may affect our operations and revenue.

– Research and Development (R&D) risk. The R&D and production of aesthetic medical equipment products that we initially engaged need the investment of a large amount of R&D fees and factory construction costs in the early stage. If the R&D of products fails, the investment in the early stage will not achieve the expected effect.

OUR CLIENTS

During the Year, all the aesthetic medical service clients were individual retail clients. Aesthetic medical institutions are clients for our aesthetic medical management consulting services whereas sales agencies and individual retail clients are customers of our aesthetic medical equipment products for sale.

The following table sets forth the approximate number of aesthetic medical procedures we provided, the approximate average spending per procedure, the approximate number of active clients and the approximate average spending per active client during the Year:

	Year ended 31 December	
	2022	2021
Aesthetic surgery services		
Number of procedures performed	**1,800**	2,900
Average spending per procedure[(1)] *(RMB)*	**5,700**	5,800
Number of active clients	**1,600**	2,900
Average spending per active client[(2)] *(RMB)*	**6,500**	5,900
Minimally-invasive aesthetic services		
Number of procedures performed	**42,800**	56,000
Average spending per procedure[(1)] *(RMB)*	**1,700**	1,400
Number of active clients	**15,700**	20,300
Average spending per active client[(2)] *(RMB)*	**4,700**	3,800
Aesthetic dermatology services		
Number of procedures performed[(3)]	**227,500**	462,100
Average spending per procedure[(1)] *(RMB)*	**300**	200
Number of active clients	**32,600**	42,000
Average spending per active client[(2)] *(RMB)*	**2,000**	1,900

Notes:

(1) We calculate the average spending per procedure by dividing the revenue of each type of aesthetic medical services by the relevant number of procedures performed during the Year.

(2) We calculate the average spending per active client by dividing the revenue of each type of aesthetic medical services by their relevant number of active clients during the Year.

(3) The number of procedures performed includes trial procedures, retouch procedures and procedures performed as promotional gifts.

OUR SUPPLIERS

During the Year, the supplies required in our operations primarily include implants, injection materials, pharmaceuticals, other medical consumables and aesthetic medical skincare products. Our five largest suppliers include suppliers of injection materials, implants and medical consumables. We have established good relationships with our five largest suppliers with an average term of over five years in 2022.

FINANCIAL REVIEW

Revenue

The following table sets forth our revenue by service offerings in 2022:

	Year ended 31 December				
	2022		2021		
	Revenue	**% of total revenue**	Revenue	% of total revenue	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Aesthetic medical services	**151,661**	**92.2**	183,712	97.5	(17.4)
Aesthetic surgery services	**10,394**	**6.3**	16,934	9.0	(38.6)
Minimally-invasive aesthetic services	**73,860**	**44.9**	76,423	40.6	(3.4)
Aesthetic dermatology services	**63,692**	**38.7**	81,759	43.4	(22.1)
Others (Note)	**3,715**	**2.3**	8,596	4.5	(56.8)
Aesthetic medical management consulting services	**27**	**–**	3,173	1.7	(99.1)
Sales of aesthetic medical equipment products	**12,834**	**7.8**	1,482	0.8	766.0
	164,522	**100.0**	188,367	100.0	(12.7)

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 eyes, nose, face and breast; (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 2022, our total revenue was approximately RMB164.5 million, representing a decrease of 12.7% from approximately RMB188.4 million in 2021. For the Year, our gross revenue from the aesthetic medical services and the sales of aesthetic medical equipment products was approximately RMB151.7 million and RMB12.8 million respectively, representing a decrease and an increase of 17.4% and 766.0% from approximately RMB183.7 million and RMB1.5 million of the gross revenue from aesthetic medical services and sales of aesthetic medical equipment products in 2021, respectively.

In 2022, our revenue from the minimally-invasive aesthetic services and the aesthetic dermatology services was approximately RMB73.9 million and RMB63.7 million respectively, representing a decrease of 3.4% and 22.1% from approximately RMB76.4 million and RMB81.8 million of the revenue from minimally-invasive aesthetic services and the aesthetic dermatology services in 2021, respectively. In 2022, our revenue from the aesthetic surgery services was approximately RMB10.4 million, representing a decrease of 38.6% from approximately RMB16.9 million of the revenue from the aesthetic surgery services in 2021. The decrease in revenue was primarily due to the fact that in the last month of the Year, the medical institutions business in Zhejiang and Anhui were affected by the large-scale outbreak of the COVID-19 pandemic, resulting in customers being unable to visit the Group's medical institutions, and the Group's medical institutions have been closed for nearly one month, which affected the Company's performance in the fourth quarter.

COST OF SALES

Our cost of sales mainly includes cost of supplies consumed and staff costs. In 2022, our cost of sales was approximately RMB97.7 million, representing a decrease of about 17.6% from approximately RMB118.7 million of the cost of sales in 2021.

Our cost of sales by nature is as follows:

	Year ended 31 December				
	2022		2021		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Cost of supplies consumed	**55,018**	**56.3**	66,199	55.8	(16.9)
Cost of inventories sold	**2,008**	**2.1**	322	0.3	523.6
Staff costs	**28,056**	**28.7**	39,769	33.5	(29.5)
Others	**12,657**	**12.9**	12,385	10.4	2.2
	97,739	**100.0**	118,675	100.0	(17.6)

Cost of supplies consumed was the largest component of cost of sales in 2022, which included the cost of our medical consumables which mainly represents implants and auxiliary materials used in our aesthetic surgery services, hyaluronic acid used in our minimally-invasive aesthetic services, laser consumables and auxiliary materials and aesthetic medical equipment products used in our aesthetic dermatology services. Cost of inventories sold is the main cost of the new business of aesthetic medical equipment products sales.

Staff costs were the second largest component of our cost of sales in 2022, which mainly represent salaries and bonuses paid to our physicians and medical staff. All our aesthetic surgery services, minimally-invasive aesthetic services and aesthetic dermatology procedures are performed by qualified physicians with necessary clinical work experience in accordance with the relevant PRC laws and regulations.

Other cost of sales mainly includes rental, depreciation and travelling expenses.

GROSS PROFIT

In 2022, our gross profit amounted to approximately RMB66.8 million, representing a decrease of 4.2% from approximately RMB69.7 million of the gross profit in 2021. During the Year, our gross profit margin was approximately 40.6%, representing an increase of 3.6 percentage points from approximately 37.0% of the gross profit margin in 2021, which is mainly due to the significant increase in revenue from the sales of aesthetic medical equipment products.

The following table sets forth our gross profit and gross profit margin by service offered in 2022:

	Year ended 31 December					
	2022		2021			
	Gross profit *RMB'000*	**Gross profit margin** *%*	Gross profit *RMB'000*	Gross profit margin *%*	Change in gross profit *%*	Change in gross profit margin *%*
Aesthetic medical services	**56,933**	**37.5**	66,860	36.4	(14.8)	1.1
Aesthetic surgery services	**3,580**	**34.4**	3,803	22.5	(5.9)	11.9
Minimally-invasive aesthetic services	**29,490**	**39.9**	26,642	34.9	10.7	5.0
Aesthetic dermatology services	**27,904**	**43.8**	38,908	47.6	(28.3)	(3.8)
Others (Note)	**(4,041)**	**(108.8)**	(2,493)	(29.0)	62.1	(79.8)
Aesthetic medical management consulting services	**(84)**	**(311.1)**	1,827	57.6	(104.6)	(368.7)
Sales of aesthetic medical equipment products	**9,934**	**77.4**	1,005	67.8	888.5	9.6
	66,783	**40.6**	69,692	37.0	(4.2)	3.6

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

In 2022, the total gross profit of the aesthetic medical services was approximately RMB56.9 million, representing a decrease of approximately 14.8% from RMB66.9 million of the total gross profit in 2021. In 2022, the gross profit of the sales business of aesthetic medical equipment products was approximately RMB9.9 million, representing an increase of approximately 888.5% from approximately RMB1.0 million of the gross profit of sales business of aesthetic medical equipment products.

OTHER INCOME AND GAINS

In 2022, our other income and gains amounted to approximately RMB8.1 million, representing an increase of approximately 200.0% from approximately RMB2.7 million in 2021. Such increase was mainly attributable to the increase in exchange gain and the decrease in contingent consideration.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses primarily comprised promotion and marketing expenses, and staff costs. In 2022, our selling and distribution expenses amounted to approximately RMB49.3 million, representing a decrease of approximately 9.6% from RMB54.5 million in 2021. The decrease of expenses was mainly due to the adverse impact of the pandemic in the last month of the Year, which led to the closure of aesthetic medical institutions, and the decrease in the corresponding promotion expenses and personnel expenses.

In 2022, our online advertisements were generally displayed in the forms of videos, advertorials, banners and live broadcast on websites and applications on e-commerce online platforms. In addition, we promoted our brand and services through out-of-home advertising channels, such as billboards.

ADMINISTRATIVE EXPENSES

In 2022, our administrative expenses amounted to approximately RMB35.9 million, representing an increase of approximately RMB1.2 million from RMB34.7 million in 2021, which remained relatively stable. Our administrative expenses primarily comprised professional fees, staff costs, rental related expenses, utility, depreciation expenses and other administrative office expenses.

FINANCE COSTS

In 2022, our finance cost amounted to approximately RMB2.8 million (2021: RMB2.4 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 RMB1.9 million in 2022 (2021: RMB4.7 million), and our effective tax rate was approximately 8.4% (2021: 20.4%).

TOTAL COMPREHENSIVE LOSS FOR THE YEAR

We recorded a loss of approximately RMB20.2 million in 2022 (2021: RMB18.3 million). Among them, two non-recurring items of the impairment of goodwill and share option expense in total in 2022 amounted to approximately RMB10.2 million (2021: RMB1.0 million). Save for these factors, the adjusted net loss in 2022 were approximately RMB10.0 million (2021: RMB17.3 million).

LIQUIDITY AND CAPITAL RESOURCES

Our cash and bank balance and time deposits amounted to approximately RMB78.8 million as at 31 December 2022 (31 December 2021: RMB121.7 million). The decrease was mainly attributable to the increase in decoration expenses for the expanded area of aesthetic medical institutions, the decrease in bank loans and the increase in investment in Suzhou Yonglan. Our net current assets were approximately RMB36.1 million as at 31 December 2022 (31 December 2021: RMB35.7 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 31 December 2022, our Group has unutilised banking facilities of approximately RMB10.0 million (31 December 2021: RMB20.0 million) for working capital purposes.

LEASE LIABILITIES

As at 31 December 2022, the Group had lease liabilities of approximately RMB43.2 million (31 December 2021: RMB47.5 million).

COMMITMENTS

As at 31 December 2022, the Group's contracted, but not provided for commitments amounting to approximately RMB1.1 million, mainly for leasehold improvements, plant and machinery (31 December 2021: RMB4.7 million).

CAPITAL EXPENDITURES

During the Year, the Group purchased long-term asset amounting to approximately RMB18.9 million (2021: RMB45.8 million).

INDEBTEDNESS

Interest-bearing Bank Borrowings

As at 31 December 2022, our Group had approximately RMB5.0 million outstanding interest-bearing bank borrowings (31 December 2021: RMB20.0 million), of which RMB5.0 million are at fixed interest rates (31 December 2021: RMB20.0 million).

As at 31 December 2021 and 2022, all the bank borrowings are repayable within one year and there was no other borrowing as at 31 December 2021 and 2022. All the borrowings are denominated in RMB.

Contingent Liabilities and Guarantees

As at 31 December 2022, our Group had no significant contingent liabilities and guarantees (31 December 2021: Nil).

PLEDGE OF ASSETS

As at 31 December 2022, the lease arrangements were secured by the Group's pledged deposits of RMB1.5 million (31 December 2021: bank loans and lease arrangements secured by the Group's pledged deposits of RMB10.5 million and RMB1.5 million respectively).

GEARING RATIO

Gearing ratio is calculated by dividing total liabilities by total equity as at 31 December 2022 and multiplying the result by 100%. As at 31 December 2022, the Group had total debt of approximately RMB136.8 million (31 December 2021: RMB162.4 million) and the gearing ratio is about 82.5% (31 December 2021: 89.0%).

INTEREST RATE RISK

The Group has no significant interest rate risk.

EXCHANGE RATE FLUCTUATION RISK

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

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.

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

Saved as disclosed in this announcement, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

PROFIT GUARANTEE

Reference is made to the discloseable and share transaction announcement of the Company dated 20 August 2021 in relation to the acquisition of 90% equity interest in Jiumei Xinhe (the "**Announcement**") and the supplemental announcement of the Company dated 25 August 2021 in relation to the same matter. Unless otherwise specified, all capitalised terms used herein shall have the same meanings as those defined in the Announcement.

Requirements of the Profit Guarantee

As disclosed in the Announcement, the Vendors had offered guarantees to the Purchaser that the Actual Net Profit of Jiumei Xinhe for each of the years ending 31 December 2022, 2023 and 2024 shall not be less than the following Guaranteed Net Profit:

Relevant Period(s)	**Guaranteed Net Profit (RMB) for the Relevant Period(s)**
1st Relevant Period	8,000,000
2nd Relevant Period	11,000,000
3rd Relevant Period	14,500,000
The Relevant Periods	33,500,000

If the Actual Net Profit for each of the Relevant Periods is lower than the Guaranteed Net Profit for that Relevant Period, the Consideration will be adjusted in accordance with the following formula (the "**Adjustment Mechanism**"):

$$\frac{\text{Actual Net Profit for the Relevant Period}}{\text{Guaranteed Net Profit for the Relevant Period}} \times \text{Consideration payable for the Relevant Period}$$

Financial performance of Jiumei Xinhe

Based on the audited financial statements of Jiumei Xinhe for the year ending 31 December 2022, the Actual Net Profit of Jiumei Xinhe for the year ending 31 December 2022 is less than the Guaranteed Net Profit for the 1st Relevant Period of approximately RMB4.9 million (the "**Shortfall**").

Reasons for the Shortfall

The Board has communicated with the Vendors and understands that the Vendors breach of the Profit Guarantee was primarily attributable to the COVID-19 pandemic which has adversely impacted the PRC economy. In particular, under the pandemic, Jiumei Xinhe faced difficulties in meeting the Profit Guarantee for 2022 due to the following reasons:

(a) the continual threat and resurgence of the COVID-19 pandemic and the resulting preventive measures (such as lockdowns, quarantines and travel restrictions) imposed in the PRC during 2022 had led to material impediments to the sales activities of Jiumei Xinhe, such as delays in product delivery and difficulties for sales personnel to meet and follow up with sales leads with a view to securing new orders; and

(b) as the majority of Jiumei Xinhe's customers are located in the PRC, the aforesaid preventive measures in the PRC which may have the same adverse impact on the business of these customers (including aesthetic medical institutions) has also affected the demand for and thus sales of the products provided by Jiumei Xinhe.

Supplemental agreement in relation to extension of Profit Guarantee period

Given that the reasons for the Shortfall are mainly attributable to the extraordinary and unexpected circumstances caused by the COVID-19 pandemic which are beyond the control of the Vendors, and in view of the business prospect of Jiumei Xinhe in light of the gradual relaxation of restrictive COVID-19 measures, the Group and the Vendors (who have remained in the core management team of Jiumei Xinhe) have agreed that Jiumei Xinhe may fulfill the outstanding Profit Guarantee requirement within a period of three months and the Board is of the view that there is no material adverse impact on the Group arising from the extension of the Profit Guarantee period for three months. Accordingly, the Company and the Vendors have entered into an agreement supplemental to the SP Agreement (the "**Supplemental Agreement**") on 10 March 2023 to extend the Profit Guarantee period (the "**Extension**"):

	Original period under the SP Agreement	**Extended period under the Supplemental Agreement**
1st Relevant Period	1/1/2022 to 31/12/2022	1/1/2022 to 31/3/2023
2nd Relevant Period	1/1/2023 to 31/12/2023	1/4/2023 to 31/3/2024
3rd Relevant Period	1/1/2024 to 31/12/2024	1/4/2024 to 31/3/2025
The Relevant Periods	1/1/2022 to 31/12/2024	1/1/2022 to 31/3/2025

The payment schedule of Post-Completion Considerations will therefore be deferred accordingly and thus no adjustment thereof in accordance with the Adjustment Mechanism has yet been made.

In the event the Actual Net Profit of Jiumei Xinhe for any of the extended Relevant Periods still fails to meet the Guaranteed Net Profit for that extended Relevant Period, the relevant Post-Completion Consideration may be adjusted in accordance with the Adjustment Mechanism.

Reasons for the Extension

Considering (i) that the reasons for the Shortfall are mainly attributable to the extraordinary and unexpected circumstances caused by the COVID-19 pandemic which are beyond the control of the Vendors; (ii) the business prospect of Jiumei Xinhe in light of the gradual relaxation of restrictive COVID-19 measures; (iii) that the Extension can serve as an incentive for the Vendors, who have remained in the core management team of Jiumei Xinhe, to commit more time and effort to improving the performance of Jiumei Xinhe; (iv) the relatively short period of extension of three months which will not materially affect the business development of the Group's aesthetic medical equipment product sales; and (v) that the obligation of the Group to pay the Post-Completion Considerations will also be deferred accordingly and still subject to fulfillment of the same amount of guaranteed profit and the Adjustment Mechanism, the Board considers that the Extension and the decision not to exercise the Adjustment Mechanism for the time being are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. The Board will continue to review the performance of Jiumei Xinhe and take appropriate actions as and when necessary.

For details, please refer to the Company's announcements dated 20 August 2021, 25 August 2021 and 10 March 2023.

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 31 December 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, we had 322 employees in the PRC.

Function	**Number of Employees**
Management	7
Physicians and medical staff	131
Sales, marketing, client service and other business staff	153
Finance and administration staff	31
Total	322

During the Year, our total staff costs amounted to approximately RMB60.0 million (2021: RMB76.3 million), accounting for approximately 38.8% (2021: 40.5%) of our total revenue in 2022.

We believe that we provide our physicians and medical staff with competitive compensation packages, continued medical education opportunities and a professional work 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 taken into consideration in the determination of salary, bonus awards and promotion. The Human Resource Department at our headquarters maintains the license records of our physicians and medical staff and regularly reviews their 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 of our employees 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.

During the year ended 31 December 2022, there were no forfeited contributions (by the Group on behalf of employees who leave the pension scheme prior to vesting fully in such contributions) which has been utilised by the Group to reduce the existing level of contributions. At 31 December 2022, there were no forfeited contributions available to reduce the level of contributions to the pension schemes in future years.

USE OF PROCEEDS

The Company was successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2020 (the "**Listing**"). The net proceeds from the Global Offering including exercise of over-allotment options were approximately HK$81.7 million (the "**Net Proceeds**"), which was based on the issuing price of HK$0.4 per share and the actual expenses related to the Listing. As at the date of this announcement, there was no change in the intended use of Net Proceeds as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. However, the net proceeds planned to be used for renovation and expansion of our aesthetic medical institutions and promotion of our brands have been utilised in advance by HK$5.7 million and HK$1.6 million, respectively.

The following table sets forth a summary of the utilization of the Net Proceeds as at 31 December 2022:

Purpose	Percentage to total amount	Planned use of net proceeds *HK$'million*	Actual use of proceeds up to 31 December 2022 *HK$'million*	Unutilised amount as at 31 December 2022 *HK$'million*	Expected timeline of full utilisation of the remaining proceeds
Expanding our aesthetic medical institutions network	**71.0%**	**58.0**	**24.5**	**33.5**	**31 December 2023**
– Renovation and expansion of existing aesthetic medical institutions	28.0%	22.9	22.9	–	31 December 2023
– Organic growth	28.0%	22.9	1.6	21.3	31 December 2023
– Strategic acquisitions	15.0%	12.2	–	12.2	31 December 2023
Acquire new aesthetic medical service equipment and treatment consumables to extend the spectrum of our treatment services offered in our current aesthetic medical institutions	**11.0%**	**9.0**	**9.0**	**–**	**31 December 2023**
Actively promote our brand	**8.0%**	**6.5**	**6.5**	**–**	**31 December 2023**
General working capital	**10.0%**	**8.2**	**4.7**	**3.5**	**31 December 2023**
Total	**100.0%**	**81.7**	**44.7**	**37.0**	

SUBSEQUENT EVENTS

On 10 January 2023, the Group entered into a legally binding letter of intent (the "**LOI**") with Hangzhou Tianxin Aesthetic Medical Hospital Co., Ltd.*（杭州天鑫醫療美容醫院有限公司）(the "**Target Company**") and the shareholders of the Target Company. Pursuant to the LOI, the Group conditionally agreed to subscribe for an equity interest in the Target Company of up to 9.0% of the registered capital of the Target Company, at the consideration of up to RMB25 million. As at the date of this announcement, a refundable earnest money of RMB20 million was paid to the Target Company.

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

PROSPECTS

With the relaxation of the national epidemic prevention measures and the growth of the social economy, the aesthetic medical industry in China will go through the trough, and the market will start to show a rebound trend. Aesthetic medical consumption is characterized by high viscosity and a large room for development in the industry.

* *For identification purpose only*

Driven by the strengthened regulation of aesthetic medical policies, the advancement of science and technology and the change of consumption concept, the aesthetic medical industry in China has entered a new stage of compliance development, especially non-surgical aesthetic medical projects. The aesthetic medical brand with higher quality value can transform the trust of beauty seekers into consumption behavior more efficiently. We will continue to build our brand value, attach importance to medical safety and quality, and increase investment in non-surgical aesthetic medical service products and technologies.

While accelerating the expansion of the Chinese aesthetic medical industry, the space for the demand side is increasing, and the market share of upstream products is also increasing. The sales revenue of our aesthetic medical equipment products maintains a steady growth. The Group plans to expand its product portfolio and to increase its market share through domestic and overseas mergers and acquisitions and product agency.

Since 2021, the Group has started to expand into the field of upstream medical equipment and materials, actively optimized business models and explored new businesses. In the future, in addition to developing the traditional aesthetic medical business, we will gradually develop into an integrated minimally-invasive aesthetic medical center with self-developed and manufactured products and international advanced technologies, and become a professional minimally-invasive aesthetic medical institution to provide customers with diversified, high-quality and efficient aesthetic medical solutions.

CORPORATE CULTURE, VALUE AND STRATEGY

The Group has clear business cultures and corporate values to maintain high standards of business ethics and corporate governance and to act lawfully, ethically and responsibly. Integrity is the guiding principle for the Group's employees to behave and act without compromising its stringent standards. In addition, the Group treasures and practices the vision of commitment to workforce development, workplace safety and health, diversity, and sustainability, which serves to attract, develop and retain talents and bring about quality services. Through these, the Group strives to achieve long-term, steady and sustainable growth, while having due considerations from environmental, social and governance aspects. The Group's culture also aligns with its strategy and forms one of its strategic focuses. Adequate training in relation to the above will be provided to new employees, and regular update training will be provided to existing employees.

Meanwhile, it is the Group's rigorous and ongoing strategic planning process to identify short-term and long-term opportunities and challenges which the Group may face and to deliver due and timely responses in order to generate sustainable value for shareholders.

Ongoing management efforts will continue to be made to achieve the above and to assess the effectiveness of and level of compliance with the Group's corporate cultures, principles and values by, for instance, evaluating the impact of the same on the business developments of the Group and monitoring the status of employees' compliance with applicable laws, regulations and internal policies. The management of the Company will measure the success of the implementation of corporate cultures, principles and values based on various factors, including the number of non-compliance incidents of employees and the overall improvement of business performance. The Group also provides whistle-blowing channels for all stakeholders of the Group to share concerns on any misconduct or non-compliance with applicable laws, regulations and internal policies, upon receipt of which the Group will conduct investigation and take remedial measures, if needed, in a timely manner.

As an incentive to support the implementation of the Group's cultures, principles and values, the Group encourages its employees to act with integrity and strictly follow its standards and internal policies, and will specifically consider an employee's compliance record and performance in this regard when considering his/her promotion and salary adjustment.

DIVIDEND

The Board resolved not to declare any final dividend for 2022 (2021: Nil).

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

During the Year, 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 of 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 Year.

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 (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

During the Year, 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 an Audit Committee with written terms of reference in compliance with the Rule 3.22 of the Listing Rules and paragraph D.3 of 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, appointment of external auditors and perform further duties and responsibilities as assigned by our Board from time to time.

During the Year, the Audit Committee held two meetings. Details of the attendance of members of the Audit Committee at the above-mentioned meetings are set out in the sub-section headed "Directors' Attendance at Board/Board Committee/General Meetings" above.

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

a. Financial Reporting

- Reviewed and approved the audited consolidated financial statements for the year ended 31 December 2022 in conjunction with the Company's external auditors, Ernst & Young, and the unaudited financial statements for 6 months ended 30 June 2022 prior to approval by the Board;

- Reviewed the accounting principles and practices adopted by the Group;

- Reviewed the auditing and financial reporting matters, including the key audit matters of the consolidated financial statements for the year ended 31 December 2022 which are set out in the annual report of the Company for the year ended 31 December 2022;

- Reviewed the audit planning for the year ended 31 December 2022 in conjunction with the Company's external auditors;

b. External Auditors

- Approved the remuneration and terms of engagement of the Company's external auditors;

- Reviewed the independence and objectivity of the Company's external auditors and the effectiveness of audit procedures according to applicable standards;

- Reviewed the re-appointment of Company's external auditors and was satisfied with their work, their independence, and their objectivity, and therefore recommended the re-appointment of Ernst & Young (which had indicated their willingness to continue in office) as the Company's external auditors for Shareholders' approval in the annual general meeting which was held on 10 June 2022;

- Met with the Company's external auditors without the attendance from the executive Directors;

c. **Internal Audit**

- Reviewed the audit procedures and risk management and internal control systems of the internal audit department; and

d. **Risk Management and Internal Controls**

- Reviewed the effectiveness of risk management and internal control systems.

The Audit Committee has reviewed and approved the annual results of the Group for the year ended 31 December 2022 prior to approval by the Board, which was of the view that the preparation of such annual results have complied with the requirements of the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

2023 ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**2023 AGM**") will be held on Friday, 16 June 2023. A notice convening the 2023 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, 13 June 2023 to Friday, 16 June 2023, both days inclusive, in order to determine the identity of the shareholders of the Company who are entitled to attend the forthcoming 2023 AGM to be held on Friday, 16 June 2023. To be eligible for attending and voting at the 2023 AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Monday, 12 June 2023.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the Company's website (http://www.raily.com) and the Stock Exchange's website (https://www.hkex.com.hk). The annual report for 2022 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 in accordance with the Listing Rules.

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

Hangzhou, China, 31 March 2023

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