Raily Aesthetic Medicine International Holdings Limited
瑞麗醫美國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2135

2024
ANNUAL REPORT

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COMPANY PROFILE

Raily Aesthetic Medicine International Holdings Limited (the "Company", together with its subsidiaries, the "Group") is a leading aesthetic medical service provider in Zhejiang Province, the People's Republic of China (the "PRC"). We principally engage in the provision of a broad range of aesthetic medical services to our clients to meet their different aesthetic and anti-aging objectives. We own and operate a network of four private for-profit aesthetic medical institutions, two of which are located in Zhejiang Province (Hangzhou City and Ruian City, Wenzhou), one is located in Anhui Province (Wuhu City) and one is located in Hainan Province (Qionghai City). The flagship institution, Hangzhou Raily Aesthetic Medical Hospital Co., Ltd. ("Hangzhou Raily") is our largest flagship institution, which has been rated as a "5A" aesthetic medical institution by the Chinese Association of Plastics and Aesthetics ("CAPA") in 2019 and has successfully received the "5A" rating as an aesthetic medical hospital again in December 2023. 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, whereby a drug is mixed with or proportional to a drug or a certain drug of a single unit is injected into the skin to perform the function of beauty or perplexing; and (iii) aesthetic dermatology services, primarily comprising various aesthetic energy-based procedures and photoelectric items, which can improve skin color, facial wrinkles, skin sagging and so on. By virtue of quality medical professionals and stringent safety controls, our medical institutions create a superior customer experience and provide one-stop bespoke services. At the same time, we also provide aesthetic medical management consulting services, and work steadily on the research and development ("R&D"), production, sales network of aesthetic medical equipment products, with a focus on Class III aesthetic medical device and aesthetic medical skincare product sectors.

In addition to selling aesthetic medical equipment products, we also carry out the R&D and production of aesthetic medical equipment products, so as to establish our presence in upstream sectors of the aesthetic medical industry. On 24 January 2024, the Company entered into a supply agreement (the "Supply Agreement") with Suneva Medical, Inc. ("Suneva"), a company organized and existing under the laws of the State of Delaware, United States of America, which is principally engaged in aesthetics product manufacturing and sales business, for the sales of Bellafill, a collagen injection product under the category of Class III medical equipment, for the term of 15 years. Suneva shall supply Bellafill to the Group during the term of the Supply Agreement and to grant the Group exclusive distribution rights for Bellafill in the Greater China Region. In order to sell Bellafill, we have established an elite direct sales team and cooperated in sales with several agents across the country, with a view to achieving an excellent performance in the sales of aesthetic medical equipment products of the Group. Non-surgical aesthetic medical service projects have shown a strong momentum with higher market demand. We have reached collaboration with technology teams from well-known universities and colleges in China to jointly develop new subcutaneous injection filling products, and to build an R&D and manufacturing platform for aesthetic medical equipment products through joint planning, R&D and manufacturing. Suzhou Ruiquan Biosciences Co., Ltd.*（蘇州瑞泉生物醫藥科技有限公司）("Suzhou Ruiquan") (formerly known as "Suzhou Yonglan Biosciences Co., Ltd.*（蘇州詠藍生物醫藥科技有限公司）"), a subsidiary of the Group, is dedicated to develop and sell subcutaneous injection products and is actively engaged in the preparation for the application for a Class III medical device registration certificate from the National Medical Products Administration ("NMPA").

I. AESTHETIC MEDICAL SERVICES

1. AESTHETIC SURGERY SERVICES

Our aesthetic surgery services involve the provision of aesthetic surgical procedures to enhance the aesthetic appearance of our clients. Aesthetic surgical procedures are invasive and are performed to alter the appearance of various parts of the face or body, such as eyes, nose, breast and facial shape and other parts of the body. Our main aesthetic surgical procedures include: eye surgery, improving the shape and appearance of the eyes or eyelids, and correcting eyelid deformities, e.g., double eyelid surgery, canthi correction, eye bag shaping and ptosis correction; rhinoplasty, changing the shape of the nose, and/or modifying the outer shape of the nose by implanting a prosthesis or cartilage extracted from other parts of the body; breast surgery, enlarging or reducing breasts, lifting sagging breasts or changing the shape of the breasts; lipoplasty/fat transfer, removing excess fat tissue from specific parts of the body which, at the request of clients, may or may not be further processed and then injected into other specific parts of the body; and linear shaping, implanting bio-protein lines under the skin at different parts of the body to promote skin blood circulation and to stimulate collagen proliferation to achieve the effects of lifting and firming of specific parts of the skin and sculpting body contours.

2. MINIMALLY-INVASIVE AESTHETIC SERVICES

Our minimally-invasive aesthetic services are the provision of minimally-invasive procedures involving minimal penetration into the body tissue with no surgical incisions and short recovery period. Such procedures primarily comprise injection of botulinum toxin type A and dermal fillers (such as hyaluronic acid and collagen, etc.) into different parts of the body and face in order to reduce wrinkles and/or to achieve body or facial contouring. Our main minimally-invasive aesthetic procedures include: injection of botulinum toxin type A, injection of botulinum toxin type A drugs to facial, subcutaneous or intramuscular layer in order to reduce wrinkles; and injection of dermal fillers, injection of dermal fillers to facial, subcutaneous or periosteal layer in order to reduce wrinkles, lift sagging skin and restore volume under the skin, with more natural effect.

3. AESTHETIC DERMATOLOGY SERVICES

Our aesthetic dermatology services primarily comprise 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, whitening, skin lifting and tightening, and hair removal to stimulate collagen regeneration. We strive to provide safe and high-quality aesthetic dermatology services with our energy-based devises. Our major energy-based devises have been approved by the NMPA for their safety and effectiveness. In addition, we have implemented a number of safety protocols in relation to the use of the equipment, such as evaluating and assessing by our practitioners before deployment, providing operating brochures for our staff and implementing maintenance by our suppliers from time to time.

4. OTHER SERVICES

We also provide other aesthetic medical services which primarily consist of aesthetic dental services. We provide aesthetic dental services in Hangzhou Raily, which focuses on improving the appearance of a person's teeth. Our services include orthodontics, dental implant and dental whitening. The provision of aesthetic dental services allows us to provide our client a full range of aesthetic medical services. These services also facilitate cross-selling of our aesthetic medical services which we believe can improve clients' experience and increase clients' retention. Our aesthetic dental services are provided by qualified dentists. Beside aesthetic dental services, we also provide ancillary services such as anesthesiology services, nursing services for inpatients and physical examination services, being some of the key stages in the process of our aesthetic medical services. Generally, we provide anesthesiology services for all of our aesthetic surgical procedures.

II. AESTHETIC MEDICAL MANAGEMENT CONSULTING SERVICES

Leveraging our years of experience in managing aesthetic medical institutions and expertise in sales and marketing of aesthetic medical services, we also provide aesthetic medical management consulting services which include consultation and guidance on online promotional content and operational consulting for aesthetic medical WeChat mini-programmes. We have developed an online promotion platform and collaborated with various major online platforms.

III. SALES OF AESTHETIC MEDICAL EQUIPMENT PRODUCTS

We have entered the field of selling aesthetic medical equipment and are gradually researching, developing and producing new products. In 2024, the sales network comprising Bellafill sales teams in China covers multiple provinces across the country, delivering exceptional sales performance. In addition, the Group established two Bellafill clinical training bases in Hangzhou and Hainan Boao Lecheng International Medical Tourism Pilot Zone, respectively.

Our Rinse Skin Care Products Collection Store (潤色護膚品集合店) is an aesthetic medical skincare products sales platform. Based on the principle of customer first and with the help of a team of senior skin experts, we have selected domestic and foreign aesthetic medical skincare products which are more effective, and have simpler and milder ingredients that can be used safely. This sales platform can meet the diverse skincare needs of the customers ranging from skincare for post aesthetic medical treatments or for daily skincare. Moreover, it has been authorized by many domestic and foreign brands. From product selection to user services, Rinse Skin Care Products Collection Store (潤色護膚品集合店) is dedicated to satisfy the needs of the customers. Customers are able to buy and collect our products at our shops or through online sales coupled with express post.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUTHORISED REPRESENTATIVES

Mr. Fu Haishu
Mr. Chan Oi Fat

COMPANY SECRETARY

Mr. Chan Oi Fat

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

STRATEGIC INVESTMENT COMMITTEE

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

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Registered Public Interest Entity Auditor
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STOCK CODE

2135

INVESTOR RELATIONS

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COMPANY'S WEBSITE

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MILESTONES

Major achievements

01

In January 2024, the Group entered into a 15-year supply agreement with Suneva Medical, Inc. for the sales of Bellafill, a collagen product

02

In April 2024, Hangzhou Ruiquan Medical Equipment Co., Ltd. obtained the qualification as the agent for medical device registration certificate for Bellafill in China

03

In June 2024, Hangzhou Raily became a clinical injection practical training base for Bellafill certified physicians

04

In November 2024, Hangzhou Raily Beauty Cosmetology Consulting Service Co., Ltd. was rated as a “Hangzhou Headquarters Enterprise of the Year 2024”

05

In December 2024, Hangzhou Raily was awarded the Industry Promotion Award of 2024 by the Hangzhou Association of Plastics and Aesthetics

06

In December 2024, Suzhou Ruiquan’s subcutaneous injection products entered the sample testing stage

CHAIRMAN'S STATEMENT

Dear shareholders:

Nowadays, with the economic growth and improvement in people's living standards, the pursuit of beauty has become a widespread trend, which presents unprecedented development opportunities for the aesthetic medical industry. Especially for the non-surgical aesthetic medical sector, due to its minimally invasive and convenient characteristics, it is gradually becoming the new favorite in the market. In China, although there is still a gap in the penetration rate of aesthetic medical services as compared to international markets, the market is expected to experience a steady growth in the long term. The enhancement of regulatory policies is expected to foster high-quality and healthy development of the industry. Looking ahead, it is expected that more newly-developed aesthetic medical products will be approved for launch, injecting new vitality into the market. Meanwhile, in the long run, there is still room for improvement in the penetration rate of China's aesthetic medical market.

BUSINESS REVIEW

For the year ended 31 December 2024 (the "Year"), the Company recorded a total revenue of approximately RMB199.3 million, representing a year-on-year increase of 5.3% when compared with the total revenue of RMB189.4 million in 2023. In 2024, the gross profit margin of the Group was approximately 35.8% (2023: 37.8%). Among them, the gross profit margin of the sales of aesthetic medical equipment products was approximately 65.9% (2023: 75.6%). The net loss for the Year was approximately RMB63.3 million (2023: RMB37.8 million), and a net loss attributable to shareholders of the Company (the "Shareholders") was approximately RMB59.2 million (2023: RMB32.5 million). The increase in the Group's revenue and the continuous loss were mainly due to (i) the impairment provision of goodwill and intangible assets of Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd. ("Jiumei Xinhe"), an indirect wholly-owned subsidiary of the Company, offset by related deferred tax, and the reversal of contingent consideration; (ii) increase in share option expenses; and (iii) in order to accelerate the Group's R&D and production of new medical equipment products, the Group increased its investment in the R&D activities of Suzhou Ruiquan.

During the Year, while maintaining the steady development of its main business of aesthetic medical services, the Group also focused on the sales of aesthetic medical equipment products and increased investment in the R&D and production of new aesthetic medical equipment products. Our operation of the aesthetic medical business has expanded from downstream to midstream and further to upstream, covering the entire industry chain. The aesthetic medical industry has gradually matured over the past decade. As the non-surgical procedures become popular, more beauty lovers are entering the aesthetic medical market, which is gradually warming up. It is predicted that the non-surgical procedures will become mainstream consumer products, and the industry value trend is gradually shifting from downstream to midstream and upstream. Therefore, we have adjusted the Company's overall development strategy from the perspective of long-term planning.

Both aesthetic injection and plastic surgery departments have upgraded their relevant technologies in response to the increasingly sophisticated demands from beauty seekers and the continuous improvement in aesthetic standards. On the one hand, traditional materials, such as hyaluronic acid and collagen, etc., have been constantly upgraded, with continuous advances in raw material R&D and production processes, so that user-end products become more and more suited to the demands of today's beauty seekers. On the other hand, as a large number of new materials have been approved, the previous landscape of the aesthetic injection in China has changed, with hyaluronic acid and botulinum toxin no longer occupying in a dominant position, which offered the new room for development. Collagen has been enjoying a growing presence in the market. In order to sell Bellafill, a collagen injection product, we established an elite direct sales team and an excellent agent team, covering the majority regions of the country. Suzhou Ruiquan, a subsidiary of the Group, is dedicated to engage in development and sales of subcutaneous injection products.

In recent years, relevant regulatory authorities of China have successively issued a number of policies and documents to regulate the development of the aesthetic medical industry, which helped rectify the irregularities in the industry, comprehensively safeguard consumers' rights and interests, severely crack down on counterfeit products and non-compliant traders, and enhance the transparency of industry information, thereby promoting the standardised development of the industry. Meanwhile, local governments in various provinces also introduced relevant policies and organised relevant industrial activities to support and promote the healthy development of the beauty and health industry, as well as cultivate an industrial chain centred on medical aesthetics and health maintenance. Favourable policies will further boost the development of the aesthetic medical industry and attract more investment and promote innovation. The non-surgical aesthetic medical industry has greater growth potential than the surgical aesthetic medical industry. Firstly, non-surgical procedures have a lower threshold compared to surgical procedures and are less constrained by the physician productivity on the institutional side. Secondly, non-surgical aesthetic medical procedures are more acceptable for consumers, thus have a broader potential audience. Thirdly, non-surgical aesthetic medical procedures focus more on maintaining the original state and anti-aging rather than making significant changes in appearance, thereby having more potential for "recurring purchases". While seizing policy opportunities, we are also focusing on developing the entire production chain for non-surgical procedures, from downstream institutional services, midstream equipment sales, to upstream pharmaceutical and equipment supply.

DEVELOPMENT STRATEGY

(i) Optimising the Business Model of Aesthetic Medical Service Institutions

The key to the operation of aesthetic medical service institutions is sustainable customer acquisition. We will make use of online platforms to learn about the psychology of consumers, publish information of interest to them and thus elicit an emotional resonance from consumers. By doing so, we open up their hearts and attract them to learn about and purchase our services and products. Moreover, we will concentrate on developing our core business at a lower cost to maximise our operational efficiency. In addition, we will develop new service offerings for minimally-invasive and injection procedures and launch new products that are exclusively self-operated.

(ii) Improving the Sales Network for Aesthetic Medical Equipment Products

Based on the existing sales system, we will gradually expand the size of our direct sales team and increase the number of agents. We will also establish and improve management policies, refine sales targets and assessment standards, and regularly evaluate, analyse and adjust sales plans and their implementation effects. We will improve the sales service chain from various aspects such as customer traffic sources, corporate brand promotion and operational efficiency.

(iii) Accelerating the R&D and Production of Aesthetic Medical Equipment Products

The domestic market for dermal fillers primarily comprises hyaluronic acid, poly-L-lactic acid and others (including collagen). Currently, the market share of collagen fillers is relatively small, the number of brands is not yet saturated, and there is still room for development. One of the main causes of skin aging is collagen depletion, and reactivating collagen production is one of the most effective ways to combat skin aging. We will accelerate Suzhou Ruiquan's R&D, submission for testing, clinical trials, reporting and production of collagen skin injection products.

FUTURE OUTLOOK

The aesthetic medical industry will face new challenges and opportunities as it continues to evolve. The development trend of the aesthetic medical industry will no longer be limited to price competition. Product quality and service level will become the focus of competition in the industry, which will gradually become a consensus in the industry. With the rapid development of cutting-edge technologies such as biotechnology and nanotechnology, the safety and efficacy of aesthetic medical materials have been greatly improved. It is expected that more new materials will be approved for launch in the future, providing more and safer options for beauty seekers.

Fu Haishu
Chairman

28 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are an aesthetic medical service provider in the Yangtze River Delta region of 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. As of 31 December 2024, we own and operate a network of four private for-profit aesthetic medical service institutions in the PRC, two of which are located in Zhejiang Province, one is located in Anhui Province and one is located in Hainan Province. In addition, we provide aesthetic medical management consulting services and engage in sales of aesthetic medical equipment products, and we have invested in the R&D and production of aesthetic medical equipment products. We have operated across the upstream, midstream and downstream sectors of the aesthetic medical industry.

The aesthetic medical industry remains highly competitive at this stage, but there are opportunities. The Year 2024 marked the first year that we started to sell Bellafill, which has contributed to the positive performance of the Group's sales of aesthetic medical equipment product segment.

The following table sets forth the comparison of our revenue in 2023 and 2024:

	2024			2023		
	the first half RMB'000	**the second half RMB'000**	**Total RMB'000**	the first half RMB'000	the second half RMB'000	Total RMB'000
Aesthetic medical services	**83,026**	**59,071**	**142,097**	85,139	89,771	174,910
Sales of aesthetic medical equipment products	**34,420**	**22,796**	**57,216**	12,441	2,033	14,474
Aesthetic medical management consulting services	**29**	**–**	**29**	–	–	–
Total	**117,475**	**81,867**	**199,342**	97,580	91,804	189,384

For 2024, the Group's revenue was approximately RMB199.3 million, representing an increase of 5.3% as compared with the revenue of approximately RMB189.4 million for 2023. Our loss for the Year attributable to owners of the parent and our loss for the Year were approximately RMB59.2 million (2023: RMB32.5 million) and RMB63.3 million (2023: RMB37.8 million), respectively. Our basic and diluted loss per share attributable to ordinary equity holders of the parent was RMB11.11 cents (2023: RMB6.75 cents).

The increase in revenue and the continuous loss were primarily attributable to (a) as disclosed in the Company's announcement regarding provision for asset impairment dated 30 October 2024, Jiumei Xinhe was no longer engaged in distribution of and ceased to be registered as a distributor for e-PTFE facial implant in the PRC. Accordingly, an impairment provision of goodwill and an impairment provision of intangible assets, offset by related deferred tax, of approximately RMB54.9 million, were made and contingent consideration of approximately RMB18.4 million was reversed, cumulatively for the Year; (b) in 2024, the share option expense of the Group increased to approximately RMB8.0 million (2023: approximately RMB4.5 million); and (c) in order to accelerate the Group's R&D and production of medical equipment products, the Group increased its investment in the R&D activities of Suzhou Ruiquan. In 2024, administrative expenses, R&D expenses and other expenses of Suzhou Ruiquan amounted to approximately RMB4.5 million. However, such expenses had not yet been recovered by the economic benefits to be derived therefrom in 2024. In 2024, our revenue for the Year increased, mainly attributable to the growth in sales performance of the Group's aesthetic medical equipment products.

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

1. Optimise the productivity of non-surgical procedure services rooms

As consumption concepts evolve, non-surgical aesthetic medical procedures, characterised by flexible application methods, minimal trauma, short recovery period and low risk, have quickly captured a considerable share of the aesthetic medical consumer market. The Group will continue to introduce cutting-edge aesthetic medical technologies, equipment and medications, and will expand the investment in minimally-invasive aesthetic services and aesthetic dermatology services rooms, thereby strengthening our capabilities in non-surgical aesthetic medical services, enhancing customer loyalty and improving brand reputation. We remain confident in the long-term growth prospects of our medical institutions. While enhancing productivity of our services rooms, we will also optimise and reform unnecessary aesthetic medical services segments.

The following table sets forth certain operating data of our aesthetic medical institutions as of 31 December 2024:

Aesthetic medical institution	Date of establishment	Approximate gross floor area (sq.m.)	Number of minimally-invasive aesthetic services rooms	Number of dermatology department services rooms	Number of other services rooms
Hangzhou Raily	August 2013	5,900	23	32	21
Ruian Raily Aesthetic Medical Out-patient Department Co., Ltd. (瑞安瑞麗醫療美容門診部有限公司) ("Ruian Raily") (formerly known as "Ruian Raily Aesthetic Medical Hospital Co., Ltd. (瑞安瑞麗醫療美容醫院有限公司)")	March 2013	2,900	6	17	4
Wuhu Raily Aesthetic Medical Out-patient Department Co., Ltd. (蕪湖瑞麗醫療美容門診部有限公司) ("Wuhu Raily")	July 2015	2,900	8	18	10
Hainan Beilifeier Out-patient Department Co., Ltd. (海南貝麗菲爾門診部有限公司) ("Hainan Beilifeier")	June 2022	800	3	2	2
	Total	12,500	40	69	37

2. **Strengthen the talent pipeline**

We will develop training programmes, and provide tailored courses to employees based on their job requirements and career development plans. Additionally, we will establish a scientific performance evaluation system that integrates multiple dimensions such as employees' performance, work attitude, teamwork and other aspects, with a view to improving their work capacity and efficiency. Furthermore, we will continue to formulate scientific recruitment plans and selection criteria to attract more talented candidates.

3. **Develop new medical technology exchange and training centres**

The Boao Lecheng Aesthetic Training Centre of Hainan Boao Lecheng Aesthetic Training Co., Ltd., a training centre we built in collaboration with the Hainan Boao Lecheng International Medical Tourism Pilot Zone Administration, reached a cooperation intention with a number of enterprises. In addition to the Boao Lecheng Aesthetic Training Centre, we have also established a doctor training base at our flagship institution, Hangzhou Raily, allowing doctors and experts from different medical institutions to gather and share innovative aesthetic pharmaceuticals, device and technology resources. This is crucial for enhancing the professional abilities of doctors of our Group, improving medical service quality and efficiency, promoting the innovative and high-quality development of the Group's aesthetic medical business. Going forward, we will further utilise the training centre in two ways: first, to provide a platform for pharmaceuticals and medical device manufacturers to showcase their products; second, to collaborate with multiple authoritative entities to develop a series of courses to further enhance the theoretical, aesthetic and practical skills of domestic aesthetic medical practitioners.

4. **Expand diversified sales channels**

With the advent of the digital era, diversified sales channels can increase sales and enhance competitiveness. In addition to continuing to disseminate product information via Internet platforms and interact with consumers through social media accounts to achieve precise marketing, we will also strengthen cooperation with suppliers, distributors and agents to jointly promote our products, and strive to expand sales channels and enhance operational efficiency by integrating the resources and complementary strengths of our partners. Additionally, we will make more efforts to establish cooperative relationships with industry associations and organisations to gain more sales opportunities and market information, and actively seek cooperation with enterprises or organisations in related industries to jointly plan and carry out diversified marketing activities.

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

To increase our market share of aesthetic medical equipment products in the mid-to-high-end market, we will vigorously develop the R&D and production project. Injectable aesthetic medical treatments, due to their relatively more noticeable effects, are more popular among consumers. We will continue to cooperate with well-known universities and colleges in China to build an R&D and manufacturing platform for aesthetic medical equipment products through joint planning, R&D and manufacturing, and consolidate the Group's position as a leading provider of non-surgical aesthetic medical services and products in the upstream sector of the industry.

6. **Expand brand influence and corporate scale**

In order to accelerate the broadening and deepening of the Group's aesthetic medical footprint, and further consolidate our leading position in the aesthetic medical market, we will not only enhance promotional effectiveness and services, increase brand exposure and elevate brand image and recognition, but also flexibly adjust our merger and acquisition strategy in response to changes in the economic landscape, and may consider acquiring suitable aesthetic medical institutions or pharmaceutical and medical equipment distribution companies at reasonable costs.

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

	Year ended 31 December		
	2024	2023	Change
	RMB'000	RMB'000	%
Revenue	**199,342**	189,384	5.3
Gross profit	**71,407**	71,493	(0.1)
Loss before tax	**(65,257)**	(35,010)	86.4
Loss for the year	**(63,263)**	(37,779)	67.5
Attributable to:			
Owners of the parent	**(59,212)**	(32,457)	82.4
Non-controlling interests	**(4,051)**	(5,322)	(23.9)
	(63,263)	(37,779)	67.5

NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") MEASURES

We recognised non-recurring items in the Year. To supplement our consolidated financial statements which are prepared in accordance with IFRSs, we also present adjusted loss before tax, adjusted loss for the Year and adjusted loss rate for the Year 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 impairment of non-current assets, offset by related deferred tax, reversal of contingent consideration, loss on long-term equity investments and share option expense, which are considered not indicative for the 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 our financial results across accounting periods and to those of our peer companies.

	Year ended 31 December		
	2024	2023	Change
	RMB'000	RMB'000	%
Loss before tax	**(65,257)**	(35,010)	86.4
Loss for the year	**(63,263)**	(37,779)	67.5
Adjusted for:			
– Impairment of goodwill	**38,672**	11,942	223.8
– Loss on long-term equity investments	**4**	2,507	(99.8)
– Impairment of intangible assets	**21,703**	–	–
– Reversal of contingent consideration	**(18,436)**	(7,131)	158.5
– Share option cost	**7,984**	4,492	77.7
Adjusted loss before tax	**(15,330)**	(23,200)	(33.9)
Impact of impairment of intangible assets on deferred tax	**(5,426)**	–	–
Adjusted loss for the year	**(18,762)**	(25,969)	(27.8)
Adjusted loss rate for the year	**(9.4%)**	(13.7%)	

PRINCIPAL RISKS AND UNCERTAINTIES

– Medical liability insurance. During 2024, we did not maintain medical liability insurance for our aesthetic medical institutions, physicians (including both employed and contracted physicians) or medical staff, which may expose us to potential liability claims arising from medical malpractice committed by physicians or medical staff at our aesthetic medical institutions.

– Performance of our physicians and other medical staff. The treatment outcomes delivered by our physicians and medical staff, as well as their communication and relationships with our clients, are of paramount importance to our business development and operating results.

– Brand recognition. We must maintain and enhance our brand image over the long term. Our corporate development and sustainable business growth depend significantly on our brand image, market reputation and client trust.

– Development of the cities where our medical institutions are located. A decline in the average spending power of residents or a slowdown in regional economic growth in the cities where our medical institutions are located, namely Hangzhou, Ruian, Wuhu and Qionghai, could adversely affect our operating results and profitability; changes in laws and regulations in these regions, as well as the occurrence of natural disasters, act of God, infectious diseases or other catastrophic events, could affect our business operations and revenue.

– R&D risks. We have entered the R&D and production of aesthetic medical equipment products, which requires significant upfront investment in R&D. If the products fails to be developed, the initial investment might not yield the anticipated returns.

– The cost and timing of financing. Interest expense on bank loans and the ongoing availability of loans could affect the Company's business development.

– International trade stability. Factors such as foreign trade policies, changes in the international landscape, tariffs and exchange rates are critical to the sales results of our aesthetic medical equipment products.

– Production cycle of the original manufacturer. Our sales of Bellafill are dependent on a single supplier, the original manufacturer based in the United States. Any disruption or instability in the original manufacturer's production could result in our inability to fulfil sales.

OUR CLIENTS

During 2024, the aesthetic medical service clients were primarily individual retail clients. Aesthetic medical institutions are clients for our aesthetic medical management consulting services whereas sales agents and individual retail clients are clients for 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	
	2024	2023
Aesthetic surgery services		
Number of procedures performed	**1,300**	1,300
Average spending per procedure[1] (RMB)	**3,200**	5,400
Number of active clients	**900**	1,200
Average spending per active client[2] (RMB)	**4,300**	6,000
Minimally-invasive aesthetic services		
Number of procedures performed	**52,800**	39,500
Average spending per procedure[1] (RMB)	**1,300**	2,100
Number of active clients	**14,900**	15,300
Average spending per active client[2] (RMB)	**4,600**	5,400
Aesthetic dermatology services		
Number of procedures performed[3]	**219,900**	257,000
Average spending per procedure[1] (RMB)	**300**	300
Number of active clients	**32,200**	39,500
Average spending per active client[2] (RMB)	**2,100**	2,100

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 2024, 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. Suneva has become our new supplier since 2024. In addition, we have established good relationships with our other major suppliers over the years.

FINANCIAL REVIEW

Revenue

The following table sets forth our revenue by service offerings in 2024:

	Year ended 31 December				
	2024		2023		
	Revenue	% of total revenue	Revenue	% of total revenue	Change
	RMB'000	%	RMB'000	%	%
Aesthetic medical services	**142,097**	**71.3**	174,910	92.4	(18.8)
Aesthetic surgery services	**4,068**	**2.0**	6,933	3.7	(41.3)
Minimally-invasive aesthetic services	**68,459**	**34.4**	82,958	43.8	(17.5)
Aesthetic dermatology services	**68,075**	**34.2**	83,292	44.0	(18.3)
Others *(Note)*	**1,495**	**0.7**	1,727	0.9	(13.4)
Sales of aesthetic medical equipment products	**57,216**	**28.7**	14,474	7.6	295.3
Aesthetic medical management consulting services	**29**	**–**	–	–	–
	199,342	**100.0**	189,384	100.0	5.3

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 sales of aesthetic medical equipment products and the provision of aesthetic medical services. Aesthetic medical equipment products comprise principally (i) collagen injection products (Bellafill); (ii) surgical implant; and (iii) aesthetic medical skincare products.

Aesthetic medical services primarily 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; 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 2024, our total revenue was approximately RMB199.3 million, representing an increase of 5.3% from approximately RMB189.4 million in 2023. For the Year, our revenue from the aesthetic medical services was approximately RMB142.1 million, representing a decrease of 18.8% from approximately RMB174.9 million of the revenue from aesthetic medical services in 2023.

In 2024, our revenue from the minimally-invasive aesthetic services and the aesthetic dermatology services was approximately RMB68.5 million and RMB68.1 million, respectively, representing a decrease of 17.5% and 18.3% from approximately RMB83.0 million and RMB83.3 million of the revenue from minimally-invasive aesthetic services and the aesthetic dermatology services in 2023, respectively. The decrease was primarily attributable to the decrease in the number of active clients in the second half of the Year resulted from the intensified industry competition in 2024.

In 2024, our revenue from the aesthetic surgery services was approximately RMB4.1 million, representing a decrease of 41.3% from approximately RMB6.9 million of the revenue from the aesthetic surgery services in 2023. The decrease in revenue was primarily due to our customers' preference for faster and safer minimally-invasive aesthetic services and aesthetic dermatology services as a result of technological developments and changes in consumer perception.

In 2024, our revenue from the sales of aesthetic medical equipment products was approximately RMB57.2 million, representing an increase of approximately RMB42.7 million from approximately RMB14.5 million of the revenue from sales of aesthetic medical equipment products in 2023. The increase was primarily attributable to the introduction of collagen injection products (Bellafill), with sales amounting to approximately RMB48.0 million.

COST OF SALES

Our cost of sales mainly includes cost of supplies consumed, cost of inventories sold and staff costs. In 2024, our cost of sales was approximately RMB127.9 million, representing an increase of about 8.5% from approximately RMB117.9 million of the cost of sales in 2023. The change was primarily attributable to an increase of about 295.3% in the sales revenue of aesthetic medical equipment products as compared to last year, and an increase in cost of inventories sold.

Our cost of sales by nature is as follows:

	Year ended 31 December				
	2024		2023		Change
	RMB'000	**%**	RMB'000	%	%
Cost of supplies consumed	**65,611**	**51.2**	69,159	58.7	(5.1)
Cost of inventories sold	**19,447**	**15.2**	3,528	3.0	451.2
Staff costs	**28,082**	**22.0**	29,172	24.7	(3.7)
Others	**14,795**	**11.6**	16,032	13.6	(7.7)
	127,935	**100.0**	117,891	100.0	8.5

Cost of supplies consumed was the largest component of cost of sales in 2024, which included the cost of our medical consumables which mainly represents implants and auxiliary materials used in our aesthetic surgery services, hyaluronic acid, collagen and regenerative products 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 was the main cost of the business of sales of aesthetic medical equipment products, mainly representing the procurement costs of collagen injection products (Bellafill), surgical implant and aesthetic medical skincare products.

Staff costs were the second largest component of our cost of sales in 2024, 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 personnels with necessary clinical work experience in accordance with the relevant PRC laws and regulations.

Other cost of sales mainly includes rental, depreciation and the transportation expenses for medical equipment and beauty products.

GROSS PROFIT

In 2024, our gross profit amounted to approximately RMB71.4 million, being steady with the gross profit of approximately RMB71.5 million in 2023. During 2024, our gross profit margin was approximately 35.8%, representing a decrease of 2.0% from approximately 37.8% of the gross profit margin in 2023.

The following table sets forth our gross profit and gross profit margin by service offered in 2024:

	Year ended 31 December					
	2024		2023			
	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	**33,667**	**23.7**	60,546	34.6	(44.4)	(31.5)
Aesthetic surgery services	**(3,427)**	**(84.2)**	(2,439)	(35.2)	40.5	139.2
Minimally-invasive aesthetic services	**20,949**	**30.6**	30,918	37.3	(32.2)	(18.0)
Aesthetic dermatology services	**20,011**	**29.4**	36,095	43.3	(44.6)	(32.1)
Others *(Note)*	**(3,866)**	**(258.6)**	(4,028)	(233.2)	(4.0)	10.9
Sales of aesthetic medical equipment products	**37,711**	**65.9**	10,947	75.6	244.5	(12.8)
Aesthetic medical management consulting services	**29**	**100.0**	–	–	100.0	–
	71,407	**35.8**	71,493	37.8	(0.1)	(5.3)

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

In 2024, the total gross profit of our aesthetic medical services was approximately RMB33.7 million, representing a decrease of approximately 44.4% from approximately RMB60.5 million of the total gross profit in 2023, and the total gross profit margin of our aesthetic medical services was approximately 23.7%, representing a decrease of approximately 31.5% from approximately 34.6% of the total gross profit margin in 2023. The decrease was primarily attributable to the decrease in our revenue from the aesthetic medical services, while provision of those services still incurred certain fixed operating costs. In 2024, the total gross profit of the sales of aesthetic medical equipment products was approximately RMB37.7 million, representing an increase of approximately 244.5% from approximately RMB10.9 million of the gross profit of sales of aesthetic medical equipment products in 2023, and the total gross profit margin of the sales of aesthetic medical equipment products was approximately 65.9%, representing a decrease of approximately 12.8% from approximately 75.6% of the total gross profit margin in 2023, which was mainly attributable to the adjustments to the structure of our aesthetic medical equipment products.

OTHER INCOME AND GAINS

In 2024, our other income and gains amounted to approximately RMB20.3 million, representing an increase of approximately 130.7% from approximately RMB8.8 million in 2023. Such increase was mainly attributable to the increase in gains on contingent consideration.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses primarily comprised of promotion and marketing expenses and staff costs. In 2024, our selling and distribution expenses amounted to approximately RMB47.7 million, representing a decrease of approximately 8.8% from approximately RMB52.3 million in 2023. The decrease was mainly attributable to the restructuring of the marketing system. By establishing our own marketing team, we achieved independent operation of our promotion channels, thereby gradually shifting from complete reliance on external procurement to the cultivation of internal marketing capabilities, forming a sustainable mechanism for cost optimisation.

ADMINISTRATIVE EXPENSES

In 2024, our administrative expenses amounted to approximately RMB41.8 million, representing an increase of approximately RMB1.7 million from approximately RMB40.1 million in 2023. The increase of expenses was primarily attributable to the increase in share option expense. Our administrative expenses primarily comprised of intermediary team service expenses, staff costs, rental related expenses, utility, depreciation expenses and other administrative office expenses.

FINANCE COSTS

In 2024, our finance costs amounted to approximately RMB2.8 million (2023: RMB2.8 million). Our finance costs primarily comprised of interest on lease liabilities and interest on borrowings.

INCOME TAX CREDIT/EXPENSE

Our income tax credit/expense represented our total current income tax and deferred tax credit/expense under the relevant PRC income tax policies and regulations. We recorded income tax credit of approximately RMB2.0 million in 2024 (2023: income tax expense of RMB2.8 million), mainly due to the reversal of taxable temporary differences.

TOTAL COMPREHENSIVE LOSS FOR THE YEAR

We recorded a loss of approximately RMB63.3 million in 2024 (2023: loss of RMB37.8 million). Among them, the impairment of non-current assets, offset by related deferred tax, reversal of contingent consideration, loss on long-term equity investments, and share option expense in total in 2024 amounted to approximately RMB44.5 million (2023: RMB11.8 million). Save for these factors, the adjusted net loss under the non-IFRS measures was approximately RMB18.8 million (2023: the adjusted net loss under the non-IFRS measures of approximately RMB26.0 million).

LIQUIDITY AND CAPITAL RESOURCES

Our cash and bank balance and time deposits amounted to approximately RMB28.9 million as at 31 December 2024 (31 December 2023: RMB39.8 million). Our net current liabilities were approximately RMB33.2 million as at 31 December 2024 (31 December 2023: net current liabilities of RMB12.5 million). The decrease of cash and bank balance and time deposits was mainly attributable to the costs incurred by us in acquiring the distribution right for collagen injection products (Bellafill) during the reporting period. Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, cash generated from operating activities 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 of the Company (the "Directors") are of the view that the Group has sufficient working capital required for the Group's operations at present. As at 31 December 2024, our Group has unutilised banking facilities of approximately RMB13.0 million (31 December 2023: RMB23.0 million) for working capital purposes.

LEASE LIABILITIES

As at 31 December 2024, the Group had lease liabilities of approximately RMB35.6 million (31 December 2023: RMB44.8 million).

COMMITMENTS

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

CAPITAL EXPENDITURES

During 2024, the Group purchased long-term asset amounting to approximately RMB44.6 million (2023: RMB18.0 million).

INDEBTEDNESS

Interest-bearing Bank Borrowings

As at 31 December 2024, our Group had approximately RMB13.0 million outstanding interest-bearing bank borrowings (31 December 2023: RMB7.0 million), of which RMB13.0 million are at fixed interest rates (31 December 2023: RMB7.0 million).

As at 31 December 2023 and 2024, all the bank borrowings are repayable within one year and all the borrowings are denominated in RMB.

Secured loans

As at 31 December 2024, our Group had approximately RMB7.8 million outstanding secured loans (31 December 2023: Nil), of which RMB7.8 million are at fixed interest rates (31 December 2023: Nil).

As at 31 December 2024, secured loans of RMB4.3 million are repayable within one year and secured loans of RMB3.5 million are repayable within one to five years. All the borrowings are denominated in RMB.

Contingent Liabilities and Guarantees

As at 31 December 2024, our Group had no significant contingent liabilities and guarantees (31 December 2023: Nil).

PLEDGE OF ASSETS

As at 31 December 2024, the lease arrangements were secured by the Group's pledged deposits of RMB1.5 million (31 December 2023: lease arrangements secured by the Group's pledged deposits of RMB1.6 million).

As at 31 December 2024, secured loans were secured by the Group's mortgages over the Group's machinery equipment, which had a net carrying value at the end of the reporting period of approximately RMB1.8 million.

GEARING RATIO

Gearing ratio is calculated by dividing total liabilities by total equity as at 31 December 2024 and multiplying the result by 100%. As at 31 December 2024, the Group had total debt of approximately RMB154.4 million (31 December 2023: RMB141.0 million) and the gearing ratio is about 161.7% (31 December 2023: 106.3%).

INTEREST RATE RISK

The Group has no significant interest rate risk as all of its borrowings bore interest at fixed rates.

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 of Directors (the "Board") closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

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

On 10 January 2023, Hangzhou Raily Beauty Cosmetology Consulting Service Co., Ltd. (the "Investor"), an indirect wholly-owned subsidiary of the Company, entered into a legally binding letter of intent (the "LOI") with Hangzhou Tianxin Aesthetic Medical Hospital Co., Ltd. (the "Target Company") and the existing shareholders of the Target Company (the "Existing Shareholders"). Pursuant to the LOI, the Investor 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 on a fully-diluted basis, at the consideration of up to RMB25.0 million (the "Capital Injection"). On 2 January 2024, the Investor entered into a supplemental agreement (the "Supplemental Agreement") to the LOI with the Target Company and the Existing Shareholders. Pursuant to the Supplemental Agreement, a fund (the "Raily Development Fund") shall be set up by the Investor within six months from the date of the Supplemental Agreement to assume all the rights and obligations of the Investor under the LOI; and the Raily Development Fund shall undertake to complete its due diligence on the Target Company and enter into the formal capital injection agreement (the "Formal Agreement") within three months from the date of establishment. Upon signing of the Formal Agreement, if the Investor so elects, the earnest money of RMB20.0 million paid by the Investor to the Target Company under the LOI shall be applied to settle the equivalent amount of the Capital Injection by Raily Development Fund under the Formal Agreement. On 13 August 2024, the Investor entered into a termination agreement to the LOI and the Supplemental Agreement with the Target Company and the Existing Shareholders whereby the parties have mutually agreed to terminate the Capital Injection. The earnest money of RMB20.0 million previously paid by the Investor shall be refunded under the LOI and the Supplemental Agreement and none of the parties shall have any claim against the others thereafter. For details, please refer to the Company's announcements dated 10 January 2023, 18 January 2023, 2 January 2024 and 13 August 2024.

On 24 January 2024, the Company and Suneva entered into the Supply Agreement in respect of the acquisition of the distribution right of Bellafill and the equity interest in Suneva by the Company (the "Acquisition"). For details, please refer to the Company's announcement dated 15 November 2024.

On 5 December 2023, the Company and Youxin Management Co., Limited ("Youxin") entered into a service agreement (the "Service Agreement"), under which Youxin shall facilitate the completion of the transaction as stipulated in the Supply Agreement. For details, please refer to the Company's announcement dated 15 November 2024.

On 6 November 2024, Shenzhen Ruiquan Management Consulting Co., Ltd. ("Shenzhen Ruiquan"), an indirect wholly-owned subsidiary of the Company, and Mr. Peng Xiaonan and Mr. Ruan Zhiling, both independent third parties, entered into a disposal agreement (the "Disposal Agreement"), pursuant to which Shenzhen Ruiquan agreed to sell, and Mr. Peng Xiaonan and Mr. Ruan Zhiling agreed to purchase, 100% equity interest in Jiumei Xinhe. For details, please refer to the Company's announcements dated 6 November 2024, 26 November 2024 and 22 January 2025.

PROFIT GUARANTEE

Reference is made to the 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. As disclosed in the Company's announcement dated 10 March 2023, the 1st Relevant Period was extended from 31 December 2022 to 31 March 2023, the 2nd Relevant Period was extended from 31 December 2023 to 31 March 2024 and the 3rd Relevant Period was extended from 31 December 2024 to 31 March 2025. Jiumei Xinhe has fulfilled the relevant profit guarantee for the extended 1st Relevant Period ended 31 March 2023. However, Jiumei Xinhe has not fulfilled the relevant profit guarantee for the extended 2nd Relevant Period ended 31 March 2024. The Company subsequently entered into the Disposal Agreement on 6 November 2024 and the relevant obligations for the payment of the post-completion considerations shall be ceased accordingly. For details, please refer to the Company's announcements dated 6 November 2024, 26 November 2024 and 22 January 2025.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 7 March 2025 (after trading hours), Suzhou Ruiquan, an indirect non wholly-owned subsidiary of the Company, and Suzhou Maidi Jinggang Technology Co., Ltd. ("Suzhou Maidi"), entered into an agreement (the "Agreement"), pursuant to which Suzhou Ruiquan agreed to acquire and Suzhou Maidi agreed to sell, the property situated at Units 101, 201, 301, 401, Building 7, 26 Jinxing Road, Jinfeng Town, Zhangjiagang, Suzhou, Jiangsu Province, PRC with a gross floor area of approximately 4,660.22 sq.m. (the "Property") at the consideration of RMB21,437,012 (the "Major Acquisition"). The Agreement is subject to that necessary approval from the Shareholders to approve the Major Acquisition as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") has been obtained. The consideration will be funded by the Group's internal resources and external financing.

Except as described above and save as disclosed in this annual 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 2024.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, we had 290 employees in the PRC (31 December 2023: 335).

	Number of Employees	
Function	**31 December 2024**	31 December 2023
Management	**6**	6
Physicians and medical staff	**121**	124
Sales, marketing, client service and other business staff	**128**	167
Finance and administration staff	**35**	38
Total	**290**	335

During the Year, our staff costs amounted to approximately RMB58.7 million, the share option expense amounted to approximately RMB8.0 million, and the total staff costs amounted to approximately RMB66.7 million, representing a decrease of RMB2.1 million as compared to the total staff costs of approximately RMB68.8 million in 2023, accounting for approximately 33.5% of the total revenue in 2024 (2023: 36.3%).

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 the remuneration committee of the Company (the "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 the 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, 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 2024, there were no forfeited contributions available to reduce the level of contributions to the pension schemes in future years.

USE OF PROCEEDS

The Company was successfully listed on the Stock Exchange on 28 December 2020 (the "Listing Date") (the "Listing"). The net proceeds from the Listing (including exercise of over-allotment options and after deducting the underwriting fees, commission and all related expenses in connection with the Listing) amounted to approximately HK$81.7 million (the "Net Proceeds"), which was based on the issuing price of HK$0.4 per share and the actual expenses related to the Listing. As at the date of this annual report, HK$8.6 million out of the Net Proceeds for organic growth remains unutilised, while other proceeds have been fully utilised.

Purpose	Percentage to total amount	Planned use of net proceeds HK$'million	Actual use of proceeds up to 31 December 2024 HK$'million	Unutilised amount as at 31 December 2024 HK$'million	Expected timeline of full utilisation of the remaining proceeds
Expanding our aesthetic medical institutions network	**71.0%**	**58.0**	**49.4**	**8.6**	**31 December 2025**
– Renovation and expansion of existing aesthetic medical institutions	28.0%	22.9	22.9	–	
– Organic growth	28.0%	22.9	14.3	8.6	31 December 2025
– Strategic acquisitions	15.0%	12.2	12.2	–	
Acquire new aesthetic medical service equipment and treatment consumables to extend the spectrum of our treatment services offered in our current aesthetic medical institutions	**11.0%**	**9.0**	**9.0**	**–**	
Actively promote our brand	**8.0%**	**6.5**	**6.5**	**–**	
General working capital	**10.0%**	**8.2**	**8.2**	**–**	
Total	**100.0%**	**81.7**	**73.1**	**8.6**	

On 26 February 2024, the Company proposed to raise gross proceeds of up to approximately HK$20.8 million before expenses, by way of rights issue, by issuing up to 140,728,521 rights shares (the "Rights Shares") (assuming no further issue or repurchase of shares of the Company on or before 28 March 2024 (the "Record Date"), other than the full exercise of the exercisable share options of the Company and all the Rights Shares will be taken up and without taking into account the proceeds from the exercise of the exercisable share options of the Company) with an aggregate nominal value of approximately HK$54.8 million at the subscription price of HK$0.148 per Rights Share (net price of HK$0.138 per Rights Share) on the basis of one (1) Rights Share for every three (3) consolidated shares held by the qualifying Shareholders at the close of business on the Record Date (the "Rights Issue"). The Rights Issue became effective on 25 April 2024. The Company issued and allotted 139,269,333 new shares pursuant to the Rights Issue. In view of the Group's business expansion plans and the unsatisfactory financial performance over the past few years due to the COVID-19 pandemic, the Directors consider that it is commercially reasonable and justifiable to obtain external financing to develop and expand its business with a view to achieving improvement of the Group's financial performance and future business prospects.

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

The following table sets forth a summary of the utilisation of the net proceeds from the Rights Issue as at 31 December 2024:

Purpose	Percentage to total amount	Planned use of net proceeds HK$'million	Actual use of Proceeds up to 31 December 2024 HK$'million	Unutilised amount as at 31 December 2024 HK$'million	Expected timeline of full utilisation of the remaining proceeds
Acquisition of equipment and raw materials necessary to initiate the manufacturing process	**50.0%**	**9.5**	**9.5**	**–**	
Registration filing of aesthetic medical equipment products with the NMPA, including clinical trials which are integral to the registration process	**40.0%**	**7.6**	**–**	**7.6**	**31 March 2026**
General working capital	**10.0%**	**1.9**	**1.9**	**–**	
Total	**100.0%**	**19.0**	**11.4**	**7.6**	

EVENTS DURING THE REPORTING PERIOD

On 2 January 2024, the Investor entered into the Supplemental Agreement to the LOI with the Target Company and the Existing Shareholders. For details, please refer to the Company's announcements dated 10 January 2023, 18 January 2023, 2 January 2024 and 13 August 2024.

On 24 January 2024, the Company and Suneva entered into the Supply Agreement in respect of the Acquisition. For details, please refer to the Company's announcement dated 15 November 2024.

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

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

On 26 February 2024, the Board proposed to implement a share consolidation (the "Share Consolidation") on the basis that every five (5) existing shares in the share capital of the Company before the Share Consolidation becoming effective be consolidated into one (1) consolidated share. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the extraordinary general meeting of the Company held on 15 March 2024 (the "2024 EGM"). The Share Consolidation was approved by way of an ordinary resolution at the 2024 EGM. As all the conditions in respect of the Share Consolidation have been fulfilled, the Share Consolidation became effective on 19 March 2024. For details, please refer to the Company's announcements dated 26 February 2024, 29 February 2024 and 15 March 2024 and the Company's circular dated 29 February 2024.

On 26 February 2024, the Board also proposed to raise gross proceeds of up to approximately HK$20.8 million before expenses, by way of Rights Issue, by issuing up to 140,728,521 Rights Shares (assuming no further issue or repurchase of shares of the Company on or before the Record Date, other than the full exercise of the exercisable share options of the Company and all the Rights Shares will be taken up and without taking into account the proceeds from the exercise of the exercisable share options of the Company) at the subscription price of HK$0.148 per Rights Share on the basis of one (1) Rights Share for every three (3) consolidated shares held by the qualifying Shareholders at the close of business on the Record Date. The Rights Issue became effective on 25 April 2024. The Company issued and allotted 139,269,333 new shares pursuant to the Rights Issue. For details, please refer to the Company's announcements dated 26 February 2024 and 24 April 2024 and the Company's prospectus dated 2 April 2024.

On 28 June 2024, the Company held an annual general meeting and an ordinary resolution was passed, approving the increase in authorised share capital of the Company to US$50,000,000 divided into 1,000,000,000 shares of US$0.05 each. The increase in authorised share capital became effective on 28 June 2024. For details, please refer to the Company's announcements dated 22 April 2024 and 28 June 2024 and the Company's circular dated 22 April 2024.

On 13 August 2024, the Investor entered into a termination agreement to the LOI and the Supplemental Agreement with the Target Company and the Existing Shareholders whereby the parties have mutually agreed to terminate the Capital Injection. For details, please refer to the Company's announcement dated 13 August 2024.

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

As at 30 October 2024, Jiumei Xinhe, an indirect wholly-owned subsidiary of the Company, was no longer engaged in distribution of and ceased to be registered as a distributor for e-PTFE facial implant in the PRC. An impairment provision of goodwill and an impairment provision of intangible asset were made. For details, please refer to the Company's announcement dated 30 October 2024.

On 6 November 2024, Shenzhen Ruiquan agreed to sell, and Mr. Peng Xiaonan and Mr. Ruan Zhiling agreed to purchase 100% equity interest in Jiumei Xinhe. For details, please refer to the Company's announcements dated 6 November 2024, 26 November 2024 and 22 January 2025.

During the Year, due to inadvertent oversight of the management, the Company failed to report and announce the transactions in relation to the Supply Agreement and the Service Agreement, which constituted non-compliance of Chapter 14 of the Listing Rules. The Company acknowledges its unintentional non-compliance of the Listing Rules was an oversight and reiterates its belief that continuing compliance with the Listing Rules and other applicable regulatory requirements is of utmost importance. Responsible staff shall obtain necessary approval and/or consent prior to entering into any agreement that would constitute notifiable transaction for the Company going forward. The Company takes the incidents seriously. In order to prevent the occurrence of similar non-compliance incidents in the future and to comply with the requirements under the Listing Rules on an on-going basis, the Company would (i) enhance regular training on regulatory compliance matters relating to notifiable transactions for responsible staff, including Directors, to ensure that they comprehend the requirements of the Listing Rules; and (ii) review its internal control and compliance system on an annual basis to identify any issues falling short of the standard. The Company would like to stress that the Company will use its best endeavours to carry out necessary measures and appropriate actions to ensure the full compliance with the Listing Rules on an on-going basis.

On 28 December 2024, the Board established a strategic investment committee (the "Strategic Investment Committee") with written terms of reference in order to enhance the investment decision-making procedures. The members of the Strategic Investment Committee comprise Mr. Fu Haishu, Mr. Cao Dequan and Ms. Yang Xiaofen and Mr. Fu Haishu has been appointed as the chairman of the Strategic Investment Committee. For details, please refer to the Company's announcement dated 28 December 2024.

SUBSEQUENT EVENTS

On 7 March 2025, Suzhou Ruiquan, an indirect non wholly-owned subsidiary of the Company, and Suzhou Maidi entered into the Agreement, pursuant to which Suzhou Ruiquan agreed to acquire and Suzhou Maidi agreed to sell the Property. The Agreement is subject to that necessary approval from the Shareholders to approve the Major Acquisition as required under the Listing Rules has been obtained.

Save as disclosed above, there has been no significant event which occurred after the Year and up to the date of this report.

PROSPECTS

With the rising awareness of medical aesthetics among the public, and younger consumers, the rapid promotion of non-surgical aesthetic medical procedures and the emergence of internet platforms, medical aesthetics has shifted from niche consumption to mass consumption. As consumer awareness increases and competition in the industry intensifies, less innovative aesthetic medical institutions may exit the market at an accelerated pace, and the aesthetic medical industry as a whole will continue to improve in terms of quality. Consumers are increasingly interested in light aesthetic medicine, and anti-aging has become a new favourite in the market, primarily attributable to its affordable price, minimally-invasive treatment methods, diverse treatment options and good prospects for repeated consumption. We plan to prioritise the development of non-surgical aesthetic medical services and products and expand investment in technology and research, while making more efforts in the sales, R&D and production of Class III aesthetic medical equipment products.

DIVIDEND

The Board resolved not to declare any final dividend for 2024 (2023: Nil).

INVESTOR RELATIONS AND FINANCIAL JOURNALS

We highly support our investor relations activities. We have appointed a professional investor relations team to be responsible for investor relations affairs, to establish a communication bridge between the Company and investors, and to ensure that Shareholders, investors, financial media and potential investors can maintain stable and smooth communications. We attach great importance to the opinions and feedback of investors on the Company, which helps us to better formulate the Company's development strategies to enhance Shareholders' value.

With the development of our business, we will continue to update and improve the investor relations system and strive to maintain a high level of investor relations.

Investors can access to the Company's website (http://www.raily.com) to obtain the Company's latest developments, or communicate with us via email investor.relationship@raily.com.

INFORMATION ABOUT SHARES

Company name	Raily Aesthetic Medicine International Holdings Limited（瑞麗醫美國際控股有限公司）
Place of listing	Main Board of the Stock Exchange
Stock code	2135.HK
Listing date	28 December 2020
Whole board lot	10,000 shares
Number of issued shares	557,077,333 shares

FINANCIAL JOURNALS

The last day of the transfer of registration for 2025 annual general meeting of the Company (the "2025 AGM")	26 May 2025
Closure of register of members for 2025 AGM	27 to 30 May 2025 (both days inclusive)
2025 AGM	30 May 2025

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Fu Haishu（傅海曙）, aged 51, is the founder of our Group, executive Director and the chairman of the Board (the "Chairman"). Mr. Fu is also the chairman of each of the nomination committee of the Company (the "Nomination Committee") and the Strategic Investment Committee and a member of the Remuneration Committee. Mr. Fu is responsible for the overall management, decision-making and strategic planning of our Group. He was appointed as our Director on 2 January 2018 and redesignated as our executive Director and Chairman on 30 May 2019. Mr. Fu is currently a director of Hangzhou Raily Beauty Consultation Co., Ltd. ("Raily Beauty Consultation"), Wuhu Raily, Ningbo Zhuerli Beauty Consulting Service Co., Ltd. ("Ningbo Zhuerli"), Wuhu Raily Medical Equipment Trading Co., Ltd. ("Raily Equipment"), Suzhou Ruiquan and Shenzhen Ruiquan.

Mr. Fu graduated from the Shanghai Medical College（上海醫科大學）(currently known as Shanghai Medical College of Fudan University（復旦大學上海醫學院）) major in Clinical Medicine in July 1999.

Being the founder of our Group, Mr. Fu has more than 16 years of experience in the aesthetic medical industry. Prior to founding our Group, he had served as a surgeon in Ruian Red Cross Hospital（瑞安市紅十字醫院）from December 1996 to December 2007.

Mr. Fu became a member of the First Minimally Invasive and Anti-ageing Expert Committee of the Beauty and Plastic Surgeons Branch of the Chinese Medical Doctor Association（中國醫師協會美容與整形醫師分會）in July 2007. He was a special member of the 6th and 7th editorial board of the Chinese Journal of Aesthetic and Plastic Surgery（中國美容整形外科雜誌）from May 2009 to August 2016. He became the managing director of the Translational Medicine Association of Zhejiang（浙江省轉化醫學學會）from April 2015 to June 2018. He was appointed as the chairman of the Financial Investment Branch of the CAPA in September 2016 and was appointed as the managing director of the Standing Council of the CAPA in October 2016. Since November 2017, he was appointed as the deputy director of the Brand Construction and Hospital Operation Management Subcommittee（品牌建設與醫院運營管理分委會）of the Plastics and Aesthetics Professional Committee（整形與美容專業委員會）of the Association of China Non-Public Medical Institutions（中國非公立醫療機構協會）. As at 31 May 2021, he was appointed as the supervisor of Board of the CAPA.

Mr. Song Jianliang（宋建良）, aged 70, is the chief executive officer of the Company (the "CEO"), executive Director and the Dean of our four aesthetic medical institutions. Mr. Song is responsible for assisting in the overall management and strategic planning of our Group as well as managing our four aesthetic medical institutions. He was appointed as our executive Director on 30 May 2019. He is currently a supervisor of Raily Beauty Consultation, Hangzhou Raily and the Dean of our four aesthetic medical institutions.

Mr. Song obtained his Bachelor's Degree in Medicine from the Suzhou Medical College（蘇州醫學院）(currently known as the Medical College of Soochow University（蘇州大學醫學部）) in January 1978.

Mr. Song has over 38 years of experience in aesthetic medical clinical work and hospital management. Prior to joining our Group, he had served as a combat medic in the Wuhan Military Region General Hospital（武漢軍區總醫院）(currently known as the People's Liberation Army Central Military Region General Hospital（中國人民解放軍中部戰區總醫院）) from January 1985. He then worked at the Hangzhou Plastic Surgery Hospital（杭州整形醫院）from January 1987 to September 2005 with his last position being the Dean of the hospital, where he was responsible for its overall management. He joined our Group in January 2008 and has been working as the Dean of our four aesthetic medical institutions.

Mr. Song was awarded the title of Outstanding Young and Middle-aged Science and Technology Worker of Zhejiang Province（浙江省醫學傑出中青年科技人員）in June 1995, and 1995–1996 Outstanding Contribution Science and Technology Worker of Hangzhou（杭州市有突出貢獻的優秀科技工作者）. He received special allowance from the State Council of PRC in December 1998 in reward for his contribution to the healthcare industry. He was appointed as a member of the Hand Surgery Subcommittee of the Chinese Medical Association（中華醫學會手外科分會）in October 1997 and May 2000, respectively. He was also appointed as a member of the Aesthetics Medical and Cosmetology Subcommittee of the Chinese Medical Association（中華醫學會）in September 2000. In addition, he was a member of the Reparative and Reconstructive Surgery Committee of the Chinese Association of Rehabilitation Medicine（中國康復醫學會）from October 1996 to September 2000 and from May 2004 to April 2008, respectively. He was appointed as the vice-chairperson of the Plastic Surgery Subcommittee of the Zhejiang Medical Association in July 2000. He was also appointed as the vice chairperson of the Aesthetics Medical and Cosmetology Subcommittee of Zhejiang Medical Association in August 2009, Anti-aging Subcommittee of CAPA in October 2014, and Aesthetics and Plastics Medical Doctors Subcommittee of the Zhejiang Association of Plastic and Aesthetics（浙江省整形美容行業協會）("ZAPA") in June 2014, respectively. He was appointed as the managing director of the first council of the ZAPA in May 2017, the vice president of the first council of Rhinoplasty Subcommittee of the ZAPA in April 2018, and the vice president of the first council of the ZAPA in September 2018, respectively. He became a member of the first session of the Standardization Committee of the CAPA in September 2019. He was also appointed as the vice president of the second committee of the Aesthetics and Plastics Medical Doctors Subcommittee of the Zhejiang Medical Doctors Association in October 2019. He was appointed as the vice president of the Anti-aging Subcommittee of CAPA in April 2021. He was also awarded as the Advanced Individual of the ZAPA in December 2021.

Mr. Wang Ying（王瀛）, aged 48, was appointed as our executive Director on 28 December 2021. He joined the Group in October 2008 and had over 16 years of experiences in the aesthetic medical industry. From October 2008 to March 2015, Mr. Wang was an executive manager of Hangzhou Beilifeier Aesthetic Medical Out-patient Department Co., Ltd.（杭州貝麗菲爾醫療美容門診部有限公司）("Hangzhou Beilifeier") (formerly known as "Hangzhou Raily Tiange Plastic Surgery Clinic Co., Ltd.（杭州瑞麗天鴿整形外科門診部有限公司）"), during which he was responsible for overseeing the construction of Hangzhou Raily Aesthetic Medical Hospital*（杭州瑞麗醫療美容醫院）between October 2012 and October 2013. From April 2015 to July 2019, Mr. Wang was the general manager and executive manager of Ruian Raily. Mr. Wang then worked as the general manager of Hangzhou Desi Medical Technology Co., Ltd*（杭州德斯醫療科技有限公司）and Hangzhou Feihong Investment Management Co., Ltd.*（杭州妃弘投資管理有限公司）between August 2019 and October 2019 and between November 2019 and June 2020, respectively. From July 2020 to December 2020, he was appointed as a manager of Hangzhou Lingmao Cloud Technology Co., Ltd.*（杭州靈貓雲科技有限公司）. From January 2021, he acts as the general manager of the business development department of Raily Beauty Consultation, our wholly owned subsidiary. Mr. Wang also holds several positions within our Group, including (a) general manager and legal representative of Wuhu Raily and Raily Equipment; (b) executive director, general manager and legal representative of Hangzhou Raily, Hangzhou Beilifeier, Ruian Raily, Hainan Beilifeier and Hangzhou Ruiyan Network Technology Co., Ltd.*（杭州瑞顏網絡科技有限公司）("Hangzhou Ruiyan Network Technology") respectively; and (c) director of Biotrisse.

* *For identification purposes only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cao Dequan (曹德全), aged 48, was appointed as our independent non-executive Director on 4 December 2020. Mr. Cao is also the chairman of the Remuneration Committee and a member of each of the audit committee of the Company (the "Audit Committee"), the Nomination Committee and the Strategic Investment Committee. Mr. Cao is responsible for supervising and providing independent advice to our Board.

Mr. Cao obtained a Bachelor's Degree of Health Management from the Anhui Medical University in July 2001. He then obtained a Master of Public Health from Chinese Centre for Disease Control and Prevention (中國疾病預防控制中心) in July 2008. He completed the Public Health Leadership Professional Development Program offered by the Griffith University in June 2010.

Mr. Cao has over 15 years of experience in the aesthetic medical industry. He worked as an assistant researcher in Chinese Centre for Disease Control and Prevention (中國疾病預防控制中心) from May 2003. From September 2009 to August 2014, Mr. Cao became the director of the office of the CAPA. He was then appointed as a full-time deputy secretary general of the association in January 2015 and the executive deputy secretary general of the association in May 2021.

Mr. Liu Teng (劉騰), aged 55, was appointed as our independent non-executive Director on 4 December 2020. Mr. Liu is also the chairman of the Audit Committee and a member of the Remuneration Committee. He is primarily responsible for supervising and providing independent advice to our Board.

Mr. Liu obtained a Master of Arts in Professional Accounting and Information Systems from the City University of Hong Kong in November 2004. He was admitted as a member of the Association of Chartered Certified Accountants ("ACCA") in October 2006, and became a certified public accountant of the Hong Kong Institute of Certified Public Accountants ("HKICPA") in February 2007.

Mr. Liu has extensive experience in financial management and investment banking. He worked in Taikang Asset Management (Hong Kong) Company Limited as executive director from August 2008 to October 2010. He then worked as an executive general manager in China Orient International Asset Management Limited from February 2012 to March 2015. From October 2015 to September 2018, he worked in China Universal Asset Management (Hong Kong) Company Limited as a deputy chief executive officer. He is currently the chairman of China Eagle Asset Management Co., Ltd.

Mr. Liu is currently an independent non-executive director of Beauty Farm Medical and Health Industry Inc. (stock code: 2373), the shares of which are listed on the Main Board of the Stock Exchange.

Ms. Yang Xiaofen (楊小芬), aged 47, was appointed as our independent non-executive Director on 4 December 2020. Ms. Yang is also a member of each of the Audit Committee, the Nomination Committee and the Strategic Investment Committee. She is responsible for supervising and providing independent advice to our Board.

Ms. Yang obtained a Master of Law from the Tongji University in June 2013. Ms. Yang has over 18 years of experience in the PRC legal industry. She worked in Zhe Jiang Zhehang Law Firm (浙江浙杭律師事務所) from August 2006 to August 2014 with her last position held as a lawyer. She worked as a lawyer at Zhejiang Dingya Law Firm (浙江鼎亞律師事務所) from August 2014 to March 2018. She worked as a lawyer and the executive head at Zhejiang Zhong Xin Da Law Firm (浙江眾信達律師事務所) from March 2018 to July 2023. She worked as a lawyer at Zhejiang Dingya Law Firm from July 2023 to December 2023. Since December 2023, she has been a lawyer at Zhejiang Redsun Law Firm (浙江紅太陽律師事務所) and was assigned by Zhejiang Redsun Law Firm in January 2024 to establish Zhejiang Redsun (Hangzhou) Law Firm (浙江紅太陽(杭州)律師事務所) and worked as the head of the branch office.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The following table sets forth certain information on our senior management members.

Name	Age	Position(s)	Roles and responsibilities	Date of joining our Group	Relationship with other Directors and senior management
Mr. Fu Haishu (傅海曙)	51	Chairman and executive Director	Overall management, decision-making and strategic planning	7 August 2008	N/A
Mr. Song Jianliang (宋建良)	70	CEO, executive Director and Dean of our four aesthetic medical institutions	Assist in overall management, strategic planning and managing our four aesthetic medical institutions	1 January 2008	N/A
Ms. Zhang Chunxiu (章春秀)	44	Chief Financial Officer	Oversee our Group's financial matters	1 January 2006	N/A

Ms. Zhang Chunxiu (章春秀), aged 44, is the Chief Financial Officer of our Group. Ms. Zhang is primarily responsible for overseeing our Group's financial matters.

Ms. Zhang obtained a Diploma in Finance from the Shanghai Normal University (上海師範大學) in June 2000 and subsequently obtained a Bachelor in Accounting from the Hangzhou Dianzi University (杭州電子科技大學) in January 2009.

Ms. Zhang has over 18 years of experience in financial management. She joined Raily Beauty Consultation as a financial officer from January 2006 to December 2007. Since January 2008, she has been the financial director of Raily Beauty Consultation, Hangzhou Raily, Hangzhou Beilifeier, Ruian Raily, Wuhu Raily, Ningbo Zhuerli, Raily Equipment, Hangzhou Ruiquan Medical Equipment Co., Ltd.* (杭州瑞泉醫療器械有限公司) ("Hangzhou Ruiquan"), Suzhou Ruiquan, Shenzhen Ruiquan, Hainan Beilifeier and Hangzhou Ruiyan Network Technology, where she is responsible for overseeing the financial matters.

For biographical details of Mr. Fu Haishu and Mr. Song Jianliang, please see the section headed "Executive Directors" above.

* For identification purposes only

COMPANY SECRETARY

Mr. Chan Oi Fat（陳愛發）, aged 46, was appointed as the company secretary of the Company (the "Company Secretary") on 27 November 2020. Mr. Chan obtained his Bachelor's Degree of Business Administration (Accountancy) from the City University of Hong Kong in November 2000. He is a member of the ACCA. He is also a member of the HKICPA and a life member of the Hong Kong Independent Non-Executive Director Association.

Mr. Chan has over 16 years of experience in providing professional corporate secretarial services and financial advice to listed companies. From September 2000 to January 2008, Mr. Chan worked in Deloitte Touche Tohmatsu with his last position as audit manager. From January 2008 to March 2018, he served as financial controller and was responsible for the financial and accounting management and company secretarial affairs in Ta Yang Group Holdings Limited（大洋集團控股有限公司）, a company whose shares are listed on the Stock Exchange (stock code: 1991.HK). From June 2014 to January 2021, he served as the independent non-executive director of Shanghai Prime Machinery Company Limited（上海集優機械股份有限公司）, a company whose shares are listed on the Stock Exchange (stock code: 2345.HK). Since February 2018, he serves as the company secretary of China Leon Inspection Holding Limited（中國力鴻檢驗控股有限公司）, a company whose shares are listed on the Stock Exchange (stock code: 1586.HK). In April 2018, he joined SML (Hong Kong) Limited, and served as its financial controller and was later promoted to the position of chief financial officer in April 2019. From July 2020 to December 2023, he served as the independent non-executive director of China Saftower International Holding Group Limited（中國蜀塔國際控股集團有限公司）, a company whose shares are listed on GEM of the Stock Exchange (stock code: 8623.HK). Since May 2024 and March 2025, he serves as an independent non-executive director of UBoT Holding Limited, a company whose shares are listed on GEM of the Stock Exchange (stock code: 8529.HK) and an independent non-executive director of Huajin International Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 2738.HK), respectively.

CORPORATE GOVERNANCE REPORT

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 as set out in Part 2 of the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules.

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

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.

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") as set out in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by the Directors.

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

BOARD OF DIRECTORS

Composition of the Board of Directors

The composition of the Board during 2024 and up to the date of this report is as follows:

Executive Directors
Mr. Fu Haishu *(Chairman)*
Mr. Song Jianliang *(CEO)*
Mr. Wang Ying

Independent Non-executive Directors
Mr. Cao Dequan
Ms. Yang Xiaofen
Mr. Liu Teng

The Board currently consists of three executive Directors and three independent non-executive Directors (the "INED(s)"). The Board considers this composition to be balanced and to reinforce a stronger independent review and monitoring function on overall management practices. The Company has adopted a board diversity policy (the "Board Diversity Policy"), the purpose of which is to enhance the effectiveness of the Board and maintain the highest standards of corporate governance and to recognize and maintain the benefits of diversity of the Board. The biographical details and relevant relationships of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 33 to 37 of this annual report.

INDEPENDENT VIEWS MECHANISM

The Company attaches great importance to the independence of Directors and believes that independence is the key to fairness and impartiality. The INEDs play a significant role in balancing the interests of the public and the Company, and the diverse background of the INEDs can bring a broader mix of experience and broader perspectives to the Board. Therefore, the Group has adopted various methods to assess the independence of the INEDs and is committed to fair and transparent methods in selecting suitable Directors.

In assessing the independence and suitability of a candidate for the position of INEDs, the candidate nominated as an INED must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. Where applicable, the Nomination Committee should also evaluate the candidate's education background, qualifications and experience in order to consider whether he/she has the appropriate professional qualifications or accounting or related financial management expertise to meet the office of an INED.

If the proposed INED fails to meet any of the independence guidelines set out in Rule 3.13 of the Listing Rules, the Group must first demonstrate that the individual is independent before the proposed appointment. The Group must also disclose in its announcement of the appointment of such Director and in its first annual report thereafter the reasons why it considers such Director to be independent.

Each INED is required to inform the Group and the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect his/her independence and to confirm his/her independence to the Group on an annual basis. The Group is required to confirm in its annual report whether it still considers the INEDs to be independent. Each person who has any financial or other interest in the business of the Group in the past or present or is connected with any connected person (as defined in the Listing Rules) must make a true disclosure. The Nomination Committee is responsible for assessing the independence of all INEDs on an annual basis and confirming whether each of them meets the independence criteria as set out in the Listing Rules and that there are no relationships or circumstances which are likely to affect or appear to affect their independent judgment. Each member of the Nomination Committee will not be involved in assessing his/her own independence. In assessing the independence of INEDs on an annual basis, the Company will in particular ascertain the character and judgment required from such Director to remain as an INED and continue to bring independent, objective and constructive judgment and advice to the assumptions and opinions made by the management and the Board.

Where the Board proposes a resolution to elect an individual as an INED at the general meeting, it should set out in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why the Board believes he/she should be elected and the reasons why they consider him/her to be independent.

INEDs can share their views and opinions by holding meetings with the head of a core department. Specific business departments shall also attend the meetings at the request of the INEDs. Where necessary, the Chairman can hold meetings with the INEDs without the presence of other Directors to provide a useful platform for the Chairman to obtain independent advice on various issues of the Group. Upon reasonable request of the INEDs, the Company will provide them with independent professional advice to assist them in performing their duties.

The Board is satisfied with the implementation and effectiveness of the independent view policy for the Year.

BOARD MEETINGS

The Board conducts meeting on a regular basis and also as and when required. Board meetings are scheduled in advance to facilitate maximum attendance by Directors. The Company Secretary assists the Chairman in preparing the meeting agenda, and each Director may request inclusion of items in the agenda. Senior management members may be invited to attend all Board meetings to enhance communications between the Board and management. Meeting agendas and other relevant information are provided to the Directors in advance of Board or Board committee meetings. During the Year, save for meetings held between executive Directors during the normal course of business of the Company, the Board held six Board meetings.

Directors who have conflicts of interest in a resolution are required to abstain from voting.

DIRECTORS' ATTENDANCE AT BOARD/BOARD COMMITTEE/GENERAL MEETINGS

During the Year, the attendance of each member of the Board committee meetings, the Board meetings and general meetings are recorded as below:

	Number of meetings attended/Number of meetings entitled to attend					
Name of Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Strategic Investment Committee Meeting	General Meetings
Executive Directors						
Mr. Fu Haishu	6/6	–	1/1	1/1	1/1	2/2
Mr. Song Jianliang	6/6	–	–	–	–	2/2
Mr. Wang Ying	6/6	–	–	–	–	2/2
INEDs						
Mr. Cao Dequan	6/6	3/3	1/1	1/1	1/1	2/2
Mr. Liu Teng	6/6	3/3	1/1	–	–	2/2
Ms. Yang Xiaofen	6/6	3/3	–	1/1	1/1	2/2

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for the leadership and control of the Group and overseeing the Group's business, strategic decisions and performance. The Board has the functions of considering and approving the strategies, financial objectives, annual budget and investment proposals of the Group. The INEDs, who offer diverse industry expertise, serve the important function of advising the management on strategy and ensuring that the Board maintains high standards of financial and others mandatory reporting requirements as well as providing adequate checks and balances for safeguarding the interests of the Shareholders and the Company as a whole. Significant transactions are approved by the Board.

Save as disclosed in the section headed "Biographies of Directors and Senior Management" on pages 33 to 37 of this annual report, the members of the Board have no financial, business, family or other material/relevant relationship with each other.

The Board also performs its corporate governance functions in accordance with code provision A.2.1 of the CG Code. A summary of the works performed by the Board on corporate governance functions during the Year is as follows:

(a) Develop and review the corporate governance policies and practices;

(b) Review and monitor the training and continuous professional development of the Directors and senior management;

(c) Review and monitor the policies and practices related to compliance with statutory and regulatory requirements;

(d) Review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) Review whether the Company has complied with the disclosure requirements of the CG Code and the corporate governance report.

Delegation to Management

Day-to-day operational responsibilities are specifically delegated by the Board to the management under the leadership of the CEO. The main duties of the management include implementation of the strategies and decisions approved by the Board, and the management assumes full responsibility to the Board for the business operations of the Group.

Participation of Directors in Continuous Professional Training

Code provision C.1.4 of the CG Code stipulates that all Directors must participate in continuous professional development to develop and refresh their knowledge and skills, with the purpose of ensuring that they can continue to make informed and relevant contributions to the Board. The Company is responsible for arranging and funding appropriate training, and placing an appropriate emphasis on the roles, functions and responsibilities of directors of listed companies. All Directors are provided with necessary training and information to ensure that they have a proper understanding of the Company's operations, businesses and market in which it operates as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole to discharge their duties. The Directors and senior management also meet on a regular basis or as necessary to discuss issues such as operation of the Company, corporate governance policies, and regulatory compliance. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director. During the Year, all Directors have participated in continuous professional development by attending seminars or reading materials to develop and refresh their knowledge and skills and provided a record of training to the Company.

CHAIRMAN AND CEO

During the Year, Mr. Fu Haishu is the Chairman and Mr. Song Jianliang is the CEO. Code provision C.2.1 of the CG Code stipulates that the roles of chairman and CEO shall be separated and shall not be performed by the same individual. The Company has complied with such code provision and the power of management is not concentrated in any one individual.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

All INEDs, Mr. Cao Dequan, Ms. Yang Xiaofen and Mr. Liu Teng, have each entered into an appointment letter with the Company for a term of three years commencing from 28 December 2023, subject to, among others, re-election in accordance with the Company's articles of association (the "Articles of Association").

Each INED shall inform the Company as soon as practicable if there is any change that may affect his/her independence. The Company confirms that it still considers each INED to be an independent person.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All Directors are appointed for a specific term, subject to renewal upon expiry of the existing term. Each of the executive Directors has entered into a service contract with the Company for a term of three years, and each of the INEDs has signed an appointment letter with the Company for a term of three years.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing Board composition, monitoring the appointment of Directors and assessing the independence of the INEDs.

According to Article 109 of the Articles of Association, at each annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting of the Company shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

According to Article 113 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director, provided that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting of the Company. Any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election. Any Director appointed under Article 113 shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting of the Company.

BOARD COMMITTEES

The Board has established the following committees with defined terms of reference, which are on no less exacting terms than those set out in the CG Code:

- Remuneration Committee
- Nomination Committee
- Audit Committee
- Strategic Investment Committee

Each committee has authority to engage outside consultants or experts as it considers necessary to discharge the committee's responsibilities. Minutes of all committees meetings are circulated to their members.

REMUNERATION COMMITTEE

The composition of the Remuneration Committee is as follows:

Independent Non-executive Directors
Mr. Cao Dequan *(Chairman)*
Mr. Liu Teng

Executive Director
Mr. Fu Haishu

The Board has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The primary duties of the Remuneration Committee are to make recommendations to the Board regarding our policy and structure for the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies, to make recommendations to the Board on the remuneration packages of our Directors and senior management in accordance with code provision E.1.2(c)(ii) of the CG Code and on the employee benefit arrangement, to assess performance of executive Directors, to approve the terms of executive Directors' service contracts and to review and/or approve matters relating to the share scheme under Chapter 17 of the Listing Rules.

During 2024, the Remuneration Committee held one meeting. Details of the attendance of members of the Remuneration Committee at the above-mentioned meeting 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 Remuneration Committee is as follows:

a. reviewed the 2024 remuneration package of the senior management of the Company; and

b. reviewed the 2024 remuneration package of the Directors.

NOMINATION COMMITTEE

The composition of the Nomination Committee is as follows:

Executive Director
Mr. Fu Haishu *(Chairman)*

Independent Non-executive Directors
Mr. Cao Dequan
Ms. Yang Xiaofen

The Board has established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the CG Code. The primary duties of the Nomination Committee are mainly reviewing the structure, size and composition of the Board, identifying individuals who are suitably qualified to become a member of the Board, assessing the independence of the INEDs, selecting or making recommendations on the selection of individuals nominated for directorships and succession planning for the Directors, in particular, the Chairman and the CEO.

During 2024, the Nomination Committee held one meeting. Details of the attendance of members of the Nomination Committee at the above-mentioned meeting 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 Nomination Committee is as follows:

a. reviewed the structure, size and composition of the Board and succession plan;

b. assessed the independence of INEDs;

c. reviewed the Board Diversity Policy and the progress on achieving the measurable objectives; and

d. made recommendation to the Board on the re-election of the retiring Directors.

AUDIT COMMITTEE

The composition of 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 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 2024, the Audit Committee held three 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 in conjunction with the Company's external auditors, Ernst & Young, and the unaudited financial statements for 6 months ended 30 June 2024 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 which are set out in the annual report of the Company for the Year;

- Reviewed the audit planning for the Year in conjunction with the Company's external auditors; and

- Previewed the financial status for the Year;

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 28 June 2024; and

- 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 (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 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.

The Audit Committee has recommended to the Board the re-appointment of Ernst and Young, Certified Public Accountants, as auditors of the Company and the Company will propose a resolution for the re-appointment of Ernst & Young as the Company's auditor at the 2025 AGM.

STRATEGIC INVESTMENT COMMITTEE

The composition of the Strategic Investment Committee is as follows:

Executive Director
Mr. Fu Haishu *(Chairman)*

Independent Non-executive Directors
Mr. Cao Dequan
Ms. Yang Xiaofen

The Board has established the Strategic Investment Committee with written terms of reference. The primary duties of the Strategic Investment Committee are mainly reviewing and making suggestions for the long-term development strategies and major events of the Company, major business restructuring, merger, division, and dissolution of the Company, projects such as major capital operations that are subject to the approval of the Board under the Articles of Association, the business model and business development direction of the Company, the targeted projects of merge and acquisition of the Company and any major events which may have an impact on the development of the Company.

During 2024, the Strategic Investment Committee held one meeting. Details of the attendance of members of the Strategic Investment Committee at the above-mentioned meeting 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 Strategic Investment Committee is as follows:

a. reviewed the restructuring of the aesthetic medical equipment products segment of the Company; and

b. reported the implementation status of the Company's principal place of business in Hong Kong.

AUDITORS' REMUNERATION

During the Year, the remuneration paid/payable to Ernst & Young, the Company's external auditors, for the provision of audit and other services is set out below:

	Fees paid/payable RMB'000
Audit services	1,550
Non-audit services	650

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the Year, the remuneration of senior management members by band is set out below:

Remuneration Band (HK$)	Number of individuals
HK$nil to HK$1,000,000	4
HK$1,000,001 to HK$2,000,000	0

Further particulars regarding the Directors' remuneration and the five highest paid employees are set out in Note 8 and Note 9 to the financial statements, respectively.

DIRECTORS' RESPONSIBILITIES ON FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the Year, which give a true and fair view. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 102 to 105 of this report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has reviewed the effectiveness of the risk management and internal control systems of the Group, and believes that the systems are effective and adequate.

The Board is responsible for ensuring that the Group maintains a sound and effective risk management and internal control system and reviewing its effectiveness through the Audit Committee. The system is used to manage (rather than eliminate) the risk of failing to achieve the Company's goals, and aims to provide reasonable but not absolute guarantees about avoiding major misstatements, losses or frauds.

The Company has established the Internal Audit Department, and reviewed the risk management and internal control system at least once during the Year to ensure that they are effective and adequate.

The Internal Audit Department at our headquarters is generally responsible for approving all the risk management procedures and internal control systems. Our departments at the headquarters oversee the implementation of such procedures and systems by our aesthetic medical institutions, while the respective departments of our aesthetic medical institutions are responsible for daily affairs in respect of implementation of such procedures and systems. Our employees receive mandatory training on relevant policies, standards, protocols and procedures from time to time and are required to strictly follow them in daily operations. The Internal Audit Department at our headquarters is overseen by the Audit Committee.

The Board has adopted an enterprise risk management framework for the Company. If any significant risks are noticed in daily operations, the Group's business units, support functions and individuals will review, share experiences and report to senior management. The Internal Audit Department communicates and assesses the Group's risk portfolio and significant risks at the group level. The Board authorizes the executive management to design, implement and continuously assess these risk management and internal control systems; at the same time, the Board, through the Audit Committee, monitors and reviews the adequacy and effectiveness of established procedures for the monitoring and risk management of financial, operational and compliance matters.

Based on the assessment results and statements made by senior management, the Audit Committee is satisfied that:

- there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives; and
- appropriate systems of internal control and risk management have been in place for the Year and up to the date of this report.

Procedures and Internal Controls for Handling and Dissemination of Inside Information

In handling and dissemination of inside information, the Group:

– requires the inside information to be reported to the Board and the Company Secretary;

– will conduct immediate dissemination once inside information is available and/or respective decision is made, except the inside information falling into the Safe Harbours of Securities and Futures Ordinance (the "SFO") that allow non-disclosure;

– complies with applicable laws, rules and Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission; and

– communicates with relevant persons about corporate information disclosure practices with respective training.

BOARD DIVERSITY POLICY

In recognition of the particular importance of gender diversity, we are committed to promote gender diversity at the Company at all levels, including without limitation, at the Board and senior management levels, to enhance the effectiveness of the corporate governance. We have taken and will continue to take steps to promote gender diversity of the Company, including the appointment of one female non-executive Director, INED and senior management member. Subject to availability of experienced management personnel in the industry, we have also adopted measures to promote gender diversity in developing a pipeline of female senior management and potential successors to the Board, including putting gender diversity as a strategic priority when sourcing for the Director candidates, leveraging the community resources including relevant associations, networking groups and publications, and forging and keeping relationship with the potential candidates, as well as engaging more resources in training female staff who have long and relevant experience in our business, with the aim of promoting them to the senior management or directorship of the Group.

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted the Board Diversity Policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, age, gender, cultural and educational background, professional and industry experience, skills and knowledge, insight, and the potential contributions that such candidate could bring to the Board. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires being effective. The structure, size and composition (including, for example, gender, age, and length of service) of the Board will be reviewed from time to time by the Nomination Committee to ensure that the Board has a balance of skills, expertise and diversity of perspective for providing effective leadership to the Company and meeting the needs of the Group.

The Company recognizes and embraces the benefits of having a diverse Board, and considers diversity at Board level as an essential element in maintaining a competitive advantage. The Company also recognizes the importance of being able to attract, retain and motivate employees from the widest pool of available talent, and is committed to diversity at all levels, including gender, age, cultural and educational background, and professional experience. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

At present, the Board consists of five male Directors and one female Director and the Nomination Committee considered that the Board is sufficiently diverse in terms of gender and the Board has not set any measurable objective.

The Nomination Committee reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new Directors. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board.

In reviewing and assessing the composition of the Board, the Nomination Committee considers the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board. Factors to be taken into account include: gender, age, ethnicity, cultural and educational background, professional skills, experience and knowledge. Due regard is to be given to the business model and specific needs of the Company.

Principles

The Board believes in the benefits of diversity and recognizes that diversified thinking can create prudent business ideas, namely:

- Have competitive advantages;
- Really understand the opportunities, problems and risks;
- Include different opinions, ideas and relationships;
- Strengthen decision-making and exchange of opinions; and
- Improve the ability to supervise the Company and its governance.

Factors and Reasons Behind

In terms of achieving diversity of Board members, factors to be considered include but not limited to:

(1) Business and practical experiences;

(2) Professional skills and expertise;

(3) Gender;

(4) Age; and

(5) Cultural and educational background.

The principal business of the Group is the provision of aesthetic medical services, which are highly competitive businesses and activities. Experiences in business or activities or other businesses or activities are essential for understanding and operating the business and activities of the Group. Professional (such as law, accounting) skills and professional knowledge are particularly important to minimize the risks of the Group's business and activities. In terms of customers' requirements and feedback on the services provided by the Group and the needs of Shareholders and investors, gender and age diversity and cultural and educational diversity will generate different opinions.

PROGRESS ON AND STATUS OF GENDER DIVERSITY

As at the date of this annual report, the Board comprises five male Directors and one female Director. The Nomination Committee considered that the Board had achieved gender diversity and possessed skill and expertise and a diverse mix appropriate for the business of the Company and will review the composition and diversity of the Board annually to ensure its continued effectiveness. The Board will endeavour to at least maintain female representation on the Board and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

As at the date of this annual report, the gender ratio of the Group's workforce (including senior management) was 17% male and 83% female. Details of workforce composition were disclosed under Environmental, Social and Governance Report in this annual report.

From the perspective of sociology, female's cognition of beauty is relatively higher than that of male. From the perspective of marketing, female representatives with better external performance are also a consumption implication. Combined with the characteristics of the aesthetic medical industry, the gender ratio of employees of the Company is relatively imbalanced, and the proportion of female employees is higher. With the rise of internet celebrity economy, better external performance men are also more popular, and the impressions of men and women are no longer solidified, especially the potential of male consumption is huge. The Company plans to increase the number of male employees to recruit, strengthen the cultivation of professional quality of male employees, and promote gender diversity of employees. With increasingly fierce market competition, corporate organizations are facing the impact of rapid changes in the environment. The gender diversity of employees can promote information exchange within the organization and become the key to the organization's competitive advantage. The Group is able to properly address gender issues and has a wider range of talent choices and a competitive advantage.

NOMINATION POLICY

The Board has adopted a director nomination policy, which sets out the criteria, procedures and processes for selecting and recommending candidates to serve on the Board.

Selection Criteria

A number of factors should be considered when selecting and recommending candidates for the Directors, including but not limited to:

(1) Personal ability: Each candidate must abide by the highest ethical standards, demonstrate solid business judgment, and possess strong interpersonal skills.

(2) Comply with the Board Diversity Policy.

(3) Comply with the Company's memorandum and Articles of Association and the Listing Rules.

(4) Specific skills and experiences:

- (a) Leadership experience in an organization or company of similar size and complexity to the Company;
- (b) Past board experience;
- (c) Able to read and interpret financial statements;
- (d) Experience in legal affairs;
- (e) Experience or expertise in the beauty industry or beauty service field;
- (f) Understand and share the Company's vision; and
- (g) Able to invest necessary time and energy for the Company's good governance and improvement.

Procedures and Processes

(1) Any Board member may nominate a candidate for new appointment as a Director or re-appoint any existing Director.

(2) The Nomination Committee may convene a meeting to review the nomination of relevant candidates.

(3) The Nomination Committee shall conduct due diligence on the candidates and make recommendations to the Board to consider and approve.

(4) The Shareholders may elect any individual to serve as a Director through ordinary resolutions.

This policy will be reviewed from time to time.

DIVIDEND POLICY

In determining whether to propose the payment of dividends and the amount of dividends, the Company will consider the Group's future operations and strategies, financial performance, cash flow, market conditions, capital requirements and any other factors deemed relevant by the Board.

The declaration and payment of dividends by the Company are subject to the sole discretion of the Board from time to time, and shall also comply with any restrictions imposed by the Cayman Islands Company Law and the Articles of Association.

This policy will be reviewed from time to time.

DIRECTORS' REMUNERATION POLICY

The remuneration policy of the Directors (the "Policy") aims to set out the Group's criteria and guidelines in determining the remuneration packages of individual Directors and employees. High-quality and dedicated employees are one of the valuable assets contributing to the success of the Group. To ensure our ability to attract and retain talents, the Policy aims to provide fair and market-competitive, adequate but not excessive remuneration packages to support performance culture and achieve strategic business goals.

The Remuneration Committee is responsible for formulating the Group's remuneration policy for the Board's approval, and making recommendations to the Board on the annual salary adjustment and annual performance bonus of the Group. The appropriate remuneration offered to the Directors is mainly to ensure that an appropriate level of remuneration is maintained so as to attract and retain experienced and high-caliber talent to assist and manage the business and development of the Company. The remuneration will be reviewed annually with reference to factors such as the Company's performance and market trends.

The remuneration of INEDs, subject to Shareholders' approval, should be fixed by the Board and should be commensurate with their contribution to the Company. The Remuneration Committee should conduct regular reviews of the remuneration policies of the executive Directors and senior management independently from executive management.

In approving and determining the remuneration package, the Remuneration Committee shall consider and evaluate the performance of the Group and the key financial and operational performance targets of the Group. The remuneration package and structure should be based on a fair reward system to all participants and include the following key components:

Consideration of fixed remuneration

Basic salaries and allowances	• Level of remuneration in line with general norms and/or market trends in the industry in which the Group operates • Market benchmarks relevant to the function and scope of work of the relevant Directors or employees • Company performance and financial performance • Individual performance and contribution (which can be measured by the achievement of individual annual financial and operating targets) • Other factors considered by the Remuneration Committee

Consideration of variable remuneration

Performance bonus (if any)	• Company performance and financial performance • Individual performance and contribution (which can be measured by the achievement of individual annual financial and operating targets) • Other factors considered by the Remuneration Committee

SHAREHOLDERS COMMUNICATION POLICY

The Company attaches great importance to communicate with Shareholders and recognizes its responsibility to create maximum value for Shareholders. To ensure a two-way communication channel between the senior management of the Company and the Shareholders and investors, the Group has adopted various means to enhance communication and dialog with each other. The Group is committed to enhancing investor relations through timely, fair and transparent communication with Shareholders and investors. The Company is committed to maintaining effective and transparent communication with its Shareholders and investors in a proactive manner and ensuring that information is disseminated to Shareholders and potential investors in an accurate, consistent and timely manner.

The Company has established different communication channels to ensure that all stakeholders have public access to corporate information. The Company will issue corporate communications (which include financial reports, results announcements, announcements and circulars) containing regulatory disclosures and notices of the Company in accordance with applicable laws and regulatory requirements.

The annual general meeting (the "AGM") and the extraordinary general meeting (the "EGM") of the Company provide an important and open platform for Shareholders to discuss and communicate with the management of the Group. Shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. The chairman of the general meeting will provide reasonable time for Shareholders to raise questions and express their opinions.

The senior management of the Group may answer questions raised by Shareholders at the AGM/EGM, at which separate resolutions are proposed on significant matters. An explanation of the detailed procedures of conducting a poll will be provided to Shareholders at the commencement of the AGM/EGM to ensure that Shareholders are familiar with the procedures. The poll results in respect of the resolutions proposed at the meeting will be published on the websites of the Company and the Stock Exchange after the conclusion of the AGM/EGM.

In order to improve the accuracy and transparency of public disclosure, the Group attaches great importance to the preparation of interim and annual reports. The Group's report provides in-depth analysis and discussion of key areas, including financial and operating results. On the other hand, the Group will keep the Shareholders informed of any material events or inside information by way of announcement. For any matters requiring Shareholders' approval, the Group will convene an AGM/EGM and publish a circular in accordance with the requirements of the Stock Exchange before a specified date to inform the Shareholders so that they have sufficient time to prepare for the voting.

All published annual reports, interim reports, announcements and circulars have been uploaded to the Stock Exchange's website and the Company's corporate website.

The Company maintains a dedicated investor relations section on its corporate website. The Group regularly provides investors, Shareholders and the media with the latest information through press releases, financial statements and Company announcements, in order to provide the latest business progress, financial and operational information to the market and enhance corporate interaction, communication and transparency. In order to protect the environment and maintain effective communication with Shareholders, all Shareholders are encouraged to visit the Group's corporate website for up-to-date information.

Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders should direct their questions about their shareholdings to the Company's branch share registrar, whose contact details are set out below:

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

The Board has reviewed the implementation of the shareholders' communication policy of the Company (the "Shareholders' Communication Policy") and its effectiveness for the Year. The Company has provided appropriate communication channels to the Shareholders in accordance with the Shareholders' Communication Policy and therefore the existing Shareholders' Communication Policy is appropriate to the Company.

COMPANY SECRETARY

Mr. Chan Oi Fat has been appointed as the Company Secretary on 27 November 2020. During the Year, Mr. Chan Oi Fat has taken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

If a Shareholder wishes to put forward proposals at a Shareholders' meeting, the Shareholder, who has satisfied the shareholding requirements set out in the following paragraph headed "SHAREHOLDERS' RIGHTS", may follow the same procedures by sending a written requisition to the Board. The Shareholder should state his/her proposals in the written requisition and submit the written requisition as early as practicable to enable the Company to make necessary arrangement.

SHAREHOLDERS' RIGHTS

The Way by Which Shareholders Can Convene EGM

According to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. One or more Shareholders holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an EGM and add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR MAKING ENQUIRIES TO THE BOARD

Any enquiries to be put to the Board are welcomed and can be addressed to the Company's securities affairs department via email (investor.relationship@raily.com) or by mail to the following address:

Raily Aesthetic Medicine International Holdings Limited
5/F, Minhang Tower
No. 290 North Zhongshan Road
Gongshu District
Hangzhou PRC

Attn: Securities Affairs Department

AMENDMENTS TO CONSTITUTIONAL DOCUMENT

There had been no changes in constitutional documents of the Company during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

Raily Aesthetic Medicine International Holdings Limited (the "Company") is pleased to present the Environmental, Social and Governance ("ESG") Report (the "Report"). This ESG Report describes the performance, policies, and strategies of the Company and its subsidiaries (collectively referred to as the "Group" or "We") in terms of sustainable development, environmental protection, employee care, and corporate responsibility. We hope to demonstrate our concern for sustainable development and related issues through this ESG Report, listen to the opinions of various stakeholders, and establish a long-term and close relationship with them.

1.1 Reporting Scope

This ESG Report covers the environmental and social performance of the Group from 1 January 2024 to 31 December 2024 (the "Year"). Regarding the key performance indicators (KPIs) in environmental and social aspects, the Group focuses on the performance of the following business segment i) aesthetic medical services (include one aesthetic medical hospital in Hangzhou, and two aesthetic medical out-patient departments in Rui'an and Wuhu, respectively), ii) aesthetic medical management consulting services (include two offices in operation in Hangzhou and Shenzhen, respectively), and iii) biomedical technology services in Suzhou operated in the People's Republic of China (the "PRC"). This scope is based on whether the actual business premises and the office premises have a significant impact on the Group. Compared with last year, due to the adjustments to the scope of business, the medical equipment trading services in Shenzhen and the aesthetic medical out-patient departments in Hangzhou are not included in this report this year.

1.2 Reporting Standard

This ESG Report is prepared by the Company in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"), and has been reported and disclosed according to the provisions of "Mandatory Disclosure" and "Comply or Explain" therein.

1.3 Reporting Principles

The contents covered in this report are in compliance with the four reporting principles of materiality, quantification, balance and consistency required in Appendix C2 to the Listing Rules and their referred documentations as set out by the Stock Exchange, so as to ensure quality and proper presentation of the reported information.

- **Materiality:** The scope and content of this Report is determined through stakeholder engagement and materiality assessment process, which includes identifying ESG-related issues, collecting and reviewing the management and stakeholders' opinions, assessing the materiality of ESG-related issues on the Group. This ESG Report covers all key issues that different stakeholders have raised concerns.

- **Quantification:** This ESG Report discloses environmental and social KPIs in a quantitative manner to enable stakeholders to have a more comprehensive understanding of the Group's ESG performance. All standards, methodologies, references and emission and conversion factors calculated these KPIs are stated in this report.

- **Balance:** The Group's performance during the reporting period has been presented in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgements.

- **Consistency:** In order to enhance comparability of ESG performances in future years, the Group has strived to adopt consistent reporting and calculation methodologies as far as reasonably practicable. If there are any changes in the reporting and the calculation methodologies or specific standards, the Group will explain in detail in this ESG Report.

1.4 Information and Feedback

The Group attaches great importance to your opinion on the ESG performance of the Group. If you have any comments or suggestions, please contact us through the following methods:

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2. ESG GOVERNANCE

The Group understands the key significance of ESG governance to corporate sustainable development, and firmly believes that the opinions and participation of various stakeholders are critically important to ESG governance. For these reasons, the Group is committed to continuously optimizing its ESG governance level and practical performance by actively engaging in various channels to understand the stakeholders' expectations and requirements for the Group and ESG issues of particular concern. In order to practically facilitate the processes of the ESG-related issues, the Group has established policies related to environmental, social and corporate governance responsibilities, and has formulated appropriate ESG risk management measures and internal control systems to ensure that the Group can effectively respond to potential ESG risks and take corrective measures when necessary.

2.1 Statement from the Board

The Group firmly believes that robust ESG governance strategies and practical initiatives are critical for the long-term sustainable development of its business and help to enhance its investment value and returns. To this end, the Board has clearly defined ESG duties and responsibilities, designating executive directors to oversee the implementation of the Group's ESG work. The Board will also pay close attention to the preparation process of the ESG report and closely follow up the progress of the preparation and finalization of ESG report. To ensure seamless progress of the ESG-related issues, the Board also regularly meets with department heads and establishes cross-departmental and effective communication channels to improve execution efficiency of ESG-related work.

During the year 2024, the Group has commissioned a third-party ESG professional consultant (the "ESG Consultant") to assist in stakeholder communication and materiality assessment. By collecting and analyzing the opinions of various stakeholders on different ESG issues, and comprehensively considering material ESG issues in the aesthetic medical industry to identify ESG issues that are significant to the Group. In addition, the Group has reviewed and discussed the results of the materiality assessment with the ESG Consultant to ensure that the assessment results are highly in line with the Group's development direction.

To promote the Group's orderly development in the ESG field, the Board will gradually set specific goals for various ESG issues of the Group. Subsequently, the Board will continue to follow up, coordinate and manage the progress of ESG work carried out by different departments, in accordance with the goals set. Meanwhile, the management's performance-based compensation is also linked to the achievement of sustainability objectives, which will motivate the proactive engagement of the management, and promote the effective implementation of ESG management of the Group.

2.2 Stakeholder Engagement

The Group understands the importance of stakeholders to business development and therefore attaches great importance to the participation of stakeholders and takes their opinions as the core part of the preparation of this ESG Report. During the Year, we have set up appropriate communication channels for stakeholders to maintain close communication with them and listen to their opinions and expectations. This will also help us to determine the potential risks in our business operations, identify ESG issues of concern to our stakeholders, and improve ESG management standards at all levels.

Stakeholders	Expectations	Management response/ communication methods
Government and Regulators	• Comply with national policies and laws and regulations • Pay taxes on time	• Regular information reporting • Inspection and supervision
Shareholders	• Compliant operation • Enhance the Company's value • Transparent information and efficient communication	• General meetings • Email, telephone communication and company website
Business Partners	• Operation with integrity • Performance of contracts • Mutual benefit	• Business communication • Engagement and cooperation
Customers	• Quality products and services • Operation with integrity	• Customer service center and hotline • Social media platforms
Environmental authority	• Entrust qualified third-party institutions to recycle and process medical waste	
Industry	• Promote industry development	• Participation in industry forums
Employees	• Occupational health • Career development	• Staff meetings • Training and workshops
Public and the Community	• Information transparency	• Company website

2.3 Materiality Assessment

In order to plan the direction of ESG management and development more clearly, the ESG Consultant appointed by the Group has assisted in collecting and analyzing the opinions of the stakeholders on the Group's ESG-related issues. Specifically, through questionnaire, the Group scored and ranked the stakeholders' concern towards various ESG issues. For a more comprehensive and detailed review of the ESG issues that are material to the Group's business, the ESG Consultant has also assisted in reviewing internal and external documents and media reports, as well as referring to the materiality map provided by external authoritative agencies to identify the ESG issues that are of major concern to the industry[Note 1]. Based on the above scoring and screening results, and in conjunction with the professional opinions of the management and the ESG Consultant, the Group has finalized and identified 13 major ESG issues, which will help the Group to carry out ESG-related work in a more targeted manner and enhance its sustainability capability.

ESG aspects	Material ESG issues	Corresponding section	
Environmental	Waste Management	3.1	Pollution and Emission Control
	Energy Consumption	3.2	Resource Usage
	Greenhouse Gas Emission	3.3	Addressing Climate Change
Employment and Labour Practices	Occupational Health and Safety	4.3	Occupational Health and Safety
	Training and Development	4.4	Staff Development and Training
Operation Management	Operational Compliance	5.	Operating Practices
	Quality Management	5.2	Quality Management
	Customer Health and Safety	5.2	Quality Management
	Customer Service Management	5.2	Quality Management
	Information Security	5.3	Intellectual Property Rights and Customer Data Protection
	Customer Privacy Protection	5.3	Intellectual Property Rights and Customer Data Protection
	Responsible Marketing and Promotion	5.4	Advertising and Marketing
	Anti-corruption	5.5	Anti-corruption

Note 1 The materiality assessment has referred to the ESG industry materiality map provided by MSCI Inc. and the materiality map provided by the Sustainability Accounting Standards Board (SASB).

3. ENVIRONMENTAL PROTECTION

Environmental protection is crucial to the sustainable development of the Group and society as a whole. Therefore, the Group has always been fully committed to environmental protection, integrating environmental protection concepts and elements into all aspects of business management and decision-making processes. The Group also strictly complies with national environmental laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》) and the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), to fulfill the corporate environmental responsibility with practical actions, and to contribute to the creation of a good ecological environment.

3.1 Pollution and Emission Control

The Group sets emission targets for different types of pollutants under the premise of complying with national and local laws and regulations. Our target is to reduce emissions of air pollutants, wastewater and waste, especially daily office and domestic waste, by 3% in 2026 when compared to those in 2023. The Group will take relevant measures to achieve the targets set by the Group in respect of the following different pollutants.

3.1.1 Air pollutant control

Since the business of the Group is mainly conducted in aesthetic medical institutions and offices, no industrial exhaust gases are generated during operational processes. Although vehicles utilized for daily office activities emit a small amount of air pollutants, the Group implements regular vehicle maintenance and technical servicing to mitigate excessive fuel consumption caused by performance degradation and prevent additional air pollutant emissions, thereby ensuring sustained good working order of the vehicles.

In promoting green mobility, the Group actively advocates the use of new energy vehicles. As electric vehicles do not generate air pollutants during operation, this positively contributes to the improvement of roadside air quality. The Group also encourages its employees to take public transportation or adopt ride-sharing when commuting to reduce the frequency of driving private cars, which effectively reduces the emission of air pollutants.

During the Year, the air pollutant emissions generated by the Group when using vehicles are as follows:

Vehicle air pollutants *(Note 1)*	**2024 *(Note 2)***	2023
Nitrogen oxides (kg)	**2.56**	6.09
Sulfur oxides (kg)	**0.05**	0.12
Particulate matter (kg)	**0.19**	0.45

Note:

1. *Air pollutants generated by vehicles are calculated based on the Reporting Guidance on Environmental KPIs (《環境關鍵績效指標匯報指引》) published by the Hong Kong Stock Exchange.*

2. *In 2024, as more external vehicles were deployed for transportation as compared to the year 2023, the Group reduced the use of its own vehicles, leading to a decrease in air pollutant emissions.*

3.1.2 Wastewater control

As the Group operates aesthetic medical hospitals and out-patient departments, it is possible that wastewater containing pathogens may be generated during the operation, which will pollute the environment and endanger public health if the wastewater is not treated in a proper manner. Therefore, the Group strictly abides by a series of laws and regulations related to sewage discharge, such as the Urban Drainage and Wastewater Treatment Regulations (《城鎮排水與污水處理條例》) and Discharge Standard of Water Pollutants for Medical Organization (《醫療機構水污染物排放標準》), and adopts the sewage discharge standards of relevant laws and regulations as the Group's discharge targets for water pollutants.

To ensure that the sewage is discharged in a compliant manner, the Group will ensure that the sewage discharged by its hospitals must be stringently disinfected at the internal sewage treatment station and meet the established discharge standards before being discharged into the municipal sewage treatment system. In order to minimize the possible negative impacts on the environment by sewage discharge, we have set up a real-time sewage monitoring system and conducted regular pathogen testing to ensure that the pH value, residual chlorine content and pathogen content, such as Salmonella and Shigella of the sewage discharged, meet the emission standards.

3.1.3 Waste management

Different non-hazardous wastes and hazardous wastes are generated in the aesthetic medical business of the Group. The Group has adopted corresponding waste discharge management and control measures for different kinds of wastes to mitigate the environmental impact caused by business operations. In particular, we attach great importance to the treatment of medical waste, mainly because improper treatment will seriously endanger public health and the environment.

The Group generates various types of medical waste in its aesthetic medical business which include used disposable medical supplies and instruments such as needles, suturing needles, cotton pads and other wound dressings, waste blood and serum, expired drugs and other discarded human tissues generated in the course of our aesthetic surgical procedures, other procedures and medical examinations. In order to ensure proper disposal of medical waste, the Group strictly complies with relevant laws and regulations such as the Regulations on the Management of Medical Waste (《醫療廢物管理條例》) and the Administrative Measures for Medical Waste of Medical and Health Institutions (《醫療衛生機構醫療廢物管理辦法》) of the PRC, and has set up a Hospital Infection Management Committee to formulate clear management procedures for medical waste. We have also formulated a Medical Waste Management System (《醫療廢物管理制度》), a Medical Waste Recycling Registration System (《醫療廢物回收登記制度》) and a Medical Waste Storage Management System (《醫療廢物儲存管理制度》). Specifically, we strictly require all the departments to correctly classify medical wastes according to the Medical Waste Classification Catalogue (《醫療廢物分類目錄》) and put them into corresponding special packaging bags or containers. Medical waste will be transferred to the temporary storage place for medical waste in the hospital by the prescribed route after registration. At last, we will regularly transfer the collected medical waste to qualified third party medical waste treatment companies for subsequent treatment. In order to prevent emergencies such as waste leakage, the Group has formulated the Emergency Treatment Plan for the Loss, Leakage and Spread of Medical Waste and Accidents (《醫療廢物發生流失、洩露擴散和意外事故的應急處理預案》), which clarifies the procedures for various emergencies and the specific division of responsibilities of each department in emergencies, which ensure that effective control measures can be quickly taken in the event of medical waste leakage, proliferation, and other accidents and to report to the relevant government departments in a timely manner. Moreover, the Group's hazardous wastes include waste ink cartridges and waste batteries generated during daily office operations. The relevant hazardous wastes will be collected and recycled by qualified institutions.

The Group generates non-hazardous waste in the course of its operations, mainly general domestic waste. All non-hazardous wastes are properly disposed of by recycling, incineration or landfill. The Group is committed to promoting resource conservation and environmental awareness among employees, enhancing their eco-consciousness, and actively implementing various waste reduction measures to reduce the generation of unnecessary waste. For example, it sets up waste sorting and recycling bins to recycle recyclable waste such as waste paper, scrap metal and waste plastics; encourages the employees to reuse stationery such as envelopes and folders and reduces the use of disposable and non-recyclable products, etc.

In order to ensure the effective classification and collection of hazardous waste and non-hazardous waste, the Group regularly trains all its employees to improve their understanding of the management of hazardous waste such as medical waste. We also post waste classification reminder tips in medical premises to promote to customers and their family members the correct classification of medical waste and domestic waste.

During the Year, the amount of hazardous waste and non-hazardous waste generated by the Group is as follows:

Waste	**2024**	2023
Hazardous waste (tonnes) *(Note 1)*	**5**	7
Intensity of hazardous waste (tonnes/million RMB revenue)	**0.03**	0.04
Non-hazardous waste (tonnes)	**77**	73
Intensity of non-hazardous waste (tonnes/million RMB revenue)	**0.39**	0.38

Note:

1. *Hazardous waste includes medical waste generated during operations and the hazardous waste generated in offices.*

3.2 Resource Usage

The Group is fully aware of the scarcity of resources and its business operations are required to make the best use of resources as efficiently as possible to avoid unnecessary wastage. Therefore, the Group is committed to saving resources in different aspects. In order to make ensure the long-term and effective implementation of energy-saving and emission-reduction measures, improve resource efficiency and promote sustainable development, the Group has specially formulated the Energy Conservation and Emission Reduction Management Policy (《節能減排管理制度》) in accordance with the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》).

In terms of electricity consumption, the Group implements energy-saving measures in all aspects of its daily operations. For example, the Group maintains a good habit of saving electricity by requiring to turn off lights when leaving offices, adjust the air-conditioners to the appropriate temperature, and designate a person responsible for the management of public equipment, to ensure that equipment not in use is turned off after office hours to maintain energy efficiency and reduce unnecessary energy use. The aesthetic medical hospitals and out-patient departments of the Group have also formulated their own energy-saving management systems, for example, office equipment is set to enter a low-energy sleep state when not in use, turning off the lights when the office is empty, and no use of air-conditioning with the windows open. The Group also encourages all the departments to actively develop and apply technological transformation projects for energy conservation and emission reduction to gradually phase out technologies and equipment with high energy consumption and starts energy conservation in the course of business operations.

In terms of water consumption, the Group regularly carries out daily inspection and maintenance of water equipment, installs or replaces water-saving taps, and posts water-saving signs to minimize and avoid the phenomenon of running, spraying, dripping and leaking of tap water, and to eliminate the phenomenon of "long running of water". We also advocate "multi-purpose water", such as water could be used for wiping the desktop before mopping the floor, etc. It is strictly prohibited to use the tap to directly rinse rags and mops.

While assuring the daily needs, the Group expects to achieve the goal of energy saving: reducing 2% of its electricity and water consumption by 2026 with 2023 as the base year through the above energy-saving and water-saving measures.

During the Year, the consumption of energy and water resources of the Group is as follows:

Resource usage	2024	2023
Energy		
Total energy consumption (MWh)	**1,839**	1,682
Vehicle fuel consumption (MWh) *(Notes 1, 2)*	**36**	79
Purchased electricity (MWh)	**1,803**	1,604
Energy consumption intensity (MWh/million RMB revenue)	**9.23**	8.88
Water resources		
Total water consumption (cubic meters)	**10,232**	9,736
Water consumption intensity (cubic meters/million RMB revenue)	**51.34**	51.40

Notes:

1. *Calculated based on the fuel consumption, relevant national standards for vehicle fuel, and the conversion factors provided by the National Development and Reform Commission of the PRC.*

2. *In 2024, as more external vehicles were deployed for transportation as compared to the year 2023, the Group reduced the fuel consumption of its own vehicles.*

For office consumables, the Group has implemented electronic communication to reduce paper consumption by using an electronic office system (OASystem) to replace the office administration system which is mainly based on paper records, and making full use of network communication tools such as WeChat groups and emails to transmit documents to reduce the printing and circulation of documents. In addition, for documents that must be printed on paper, we also advocate staff to reuse paper or double-sided paper as far as possible, and require printing documents in smaller fonts and line spacing to minimize paper consumption.

The Group will continue to step up publicity and education on energy saving and emission reduction, and will launch various activities to further enhance employees' awareness of saving electricity, water and office consumables, and to help them develop good saving habits. At the same time, the Group regularly conducts detailed inspections on the energy usage of office premises and the actual implementation of various energy saving and emission reduction measures. Departments with outstanding performance and achievements in energy saving and emission reduction will be rewarded accordingly. Departments that do not follow the principle of energy saving and fail to effectively implement energy saving and emission reduction will be penalized in accordance with the relevant requirements, so as to promote the active participation of all departments in the work of energy saving and emission reduction, and to jointly push forward the realization of the Group's energy saving and emission reduction targets.

3.3 Addressing Climate Change

Climate change has attracted extensive international attention in recent years, and all the sectors of the society have reached a consensus that concerted efforts must be made to reduce greenhouse gas emissions to mitigate the many negative impacts of climate change. The Group has conducted comprehensive climate change-related risk assessment. Taking into account its business nature, the Group has not identified any significant physical risks and transitional risks caused by climate change to its business operations, therefore climate change will not have a significant impact on the Group's business operations for the time being. Nevertheless, the Group is committed to adopting different emission reduction measures from the perspective of business operations, with the aim to maintain and minimize greenhouse gas emissions as much as possible. To reduce carbon emissions generated by daily use of vehicles, the Group carries out regular maintenance for the Company's vehicle fleet to safeguard the performance of the vehicles, and provides low carbon driving training for drivers. In terms of business travel, the Group adopts video conferences as much as possible to replace unnecessary overseas business trips. For unavoidable business trips, the Group gives priority to direct flights. The Group also encourages the employees to commute by public transportation and participate in environmental protection related activities, such as environmental protection activities organized by environmental protection organizations and different environmental protection training courses.

During the Year, the Group's greenhouse gas emissions are as follows:

Greenhouse gases	2024	2023
Total greenhouse gas emissions (tonnes of carbon dioxide equivalent)	**1,099**	1,350
Direct greenhouse gas emissions (Scope 1) (tonnes of carbon dioxide equivalent) *(Notes 1, 2)*	**9**	19
Indirect greenhouse gas emissions (Scope 2) (tonnes of carbon dioxide equivalent) *(Note 3)*	**1,080**	1,127
Other indirect greenhouse gas emissions (Scope 3) (tonnes of carbon dioxide equivalent) *(Note 4)*	**10**	14
Greenhouse gas emissions intensity (tonnes of carbon dioxide equivalent/million RMB revenue)	**5.52**	7.13

Notes:

1. *Direct greenhouse gas emissions include vehicle fuel consumption. The data is calculated based on the accounting method of corporate greenhouse gas emissions and related emission factors provided by the National Development and Reform Commission of the PRC.*

2. *In 2024, as more external vehicles were deployed for transportation as compared to the year 2023, the Group's greenhouse gas emissions (Scope 1) were reduced accordingly.*

3. *Energy indirect greenhouse emissions include purchased electricity. The data is calculated based on the average carbon dioxide emission factor of regional power grids in the PRC issued by the National Development and Reform Commission of the PRC, as well as the accounting method of corporate greenhouse gas emissions and related emission factors.*

4. *Other indirect greenhouse gas emissions include emissions from flying out on business trips, waste paper disposal, and energy consumption for treatment of water and wastewater. The data is calculated based on the International Civil Aviation Organization Carbon Emission Calculator and the Reporting Guidance on Environmental KPIs published by the Hong Kong Stock Exchange.*

4. EMPLOYEE MANAGEMENT

The Group has always regarded its employees as its most valuable core assets and firmly believes that they are the key to the Group's sustainable development and success. The Group endeavors to create a comfortable working environment for its employees, provides them with generous welfare benefits, while fully protecting their legitimate rights and interests, attaching great importance to their safety at work, paying close attention to their physical and mental health, and actively providing them with rich and diversified training and professional development opportunities.

4.1 Employment rights and benefits

The rights and benefits of employees have always been the top priority of the Group. In order to protect the rights and interests of the employees, the Group strictly abides by the relevant labour laws and regulations, including but not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), in terms of employees' recruitment, promotion, remuneration and dismissal. The Group has also formulated a sound human resources system to regulate talent recruitment, employee promotion, compensation and dismissal.

The Group has established the Human Resources Recruitment and Employment System (《人力資源招聘錄用制度》). During the recruitment process, we will first advocate promoting or deploying talents internally, and then recruiting externally. We adhere to a fair and open principle, and purely arrange interviews for suitable candidates based on the requirements of the relevant positions and the level of experience, professional knowledge and skills of the candidates, regardless of factors such as age, gender, skin color, nationality and religious belief. In order to prevent the misuse of child labour, the Group will check the applicant's identify card, education certificate and other documents to ensure that the applicant's age, identity, education background and appearance correspond with the documents provided, and meet the minimum legal working age required by the PRC labour laws. If any such case is found, the Group will immediately dismiss the relevant personnel who have made irregular recruitment, and properly handle the personnel recruited, and transfer them to the judicial authority if necessary.

As an equal opportunity and anti-discrimination employer, the Group is committed to providing equal and fair promotion opportunities, training and treatment for its staff, and has an Equal Employment Policy (《平等僱傭政策》) in place to ensure that its employees are not discriminated against on the basis of gender, pregnancy, marital status, disability, family status or race in any way. In the event that an employee is being discriminated against, harassed or vilified during employment, he/she may bring the matter to the attention of the Group through the complaint channels. The Group solemnly pledges to maintain strict confidentiality regarding all complaint details, related records, and interview transcripts. Concurrently, all complaints will be handled properly in accordance with the principles of fairness, objectivity, and impartiality to safeguard employees' legitimate rights and interests. Furthermore, the Group has established specific management policies to ensure equitable treatment and benefits for disabled individuals, protect their legitimate rights and interests, foster an inclusive employment environment, and promote employment opportunities for disabled individuals.

In order to fully realize our care for our employees and motivate them to actively engage in their work, the Group provides its employees with competitive remuneration packages and diversified welfare. In terms of social security, the Group strictly follows the requirements to provide five basic social insurances of pension, medical, maternity, unemployment and work-related injuries, as well as housing provident fund for its employees, so as to comprehensively protect the basic rights and interests of its employees. For regular employees, the Group arranges a comprehensive medical check-up every two years to take care of their health. In healthcare benefits, the Group provides regular employees with free non-material medical treatments and surgeries, and only charges the relevant cost of materials for material treatment and surgeries, effectively alleviating employees' healthcare financial burdens. The Group provides free meals and food and beverage subsidies for the employees at its aesthetic medical hospitals and out-patient departments. Regarding leave policies, the Group fully respects employees' statutory rest entitlements and administers all legally mandated leaves including personal leave, sick leave, marriage leave, maternity leave, funeral leave and annual leave, in strict compliance with relevant laws and regulations. Meanwhile, the weekly and daily working hours of employees are clearly stipulated in the employee handbook. For employees who need to work overtime, compensatory leave or overtime allowance will be arranged in a timely manner, and the occurrence of forced labor will be resolutely eliminated. In terms of employee care and team building, the Group provides employees with holiday pay for every important holiday, so that employees can feel the warmth of the holiday. In addition, it also regularly conducts long service reward activities and organizes team building activities or get-togethers to enhance communication among employees and strengthen their sense of belonging and identity with the Company.

Case sharing – Team Building Activities

The Group organizes a wide variety of group activities on a regular basis, which not only promotes communication and interaction among employees, enabling them to know each other better and enhance their friendship, but also promotes teamwork, improves work efficiency and creates a positive and pleasant working environment.

Picture: The Company was organizing a salon

Picture: The Company hosted physician's day event

If an employee resigns, the Group will follow with the appropriate resignation procedures in accordance with the Management System for Employee Resignation (《員工離職管理制度》) and conduct an exit interview with the employee to understand his/her reasons for resignation and his/her comments and suggestions on the Group.

During the Year, the Group did not engage in any major violations related to employment laws and regulations.

4.2 Employment Statistics

As at the end of the Year, the Group had a total of 290 employees. The detailed employment data by different categories are as follows:

Employment Information	**2024 Number of employees (% of total employees)**	2023 Number of employees (% of total employees)
Gender		
Male	**49 (17)**	60 (18)
Female	**241 (83)**	275 (82)
Age		
Below 30	**118 (41)**	147 (44)
30 to 50	**153 (53)**	161 (48)
Above 50	**19 (6)**	27 (8)
Geographical location		
The PRC	**290 (100)**	335 (100)
Hong Kong	**0 (0)**	0 (0)
Employment type		
Permanent employees	**290 (100)**	335 (100)
Temporary employees	**0 (0)**	0 (0)

During the Year, the Group's turnover rate of employees is as follows:

Turnover of employees *(Note 1)*	**2024 (%)**	2023 (%)
Gender		
Male	**53**	35
Female	**48**	58
Age		
Below 30	**52**	62
30 to 50	**47**	48
Above 50	**39**	24
Geographical location		
The PRC	**49**	53
Hong Kong	**0**	0

Note:

1. *The turnover rate is calculated with reference to Reporting Guidance on Social KPIs issued by the Hong Kong Stock Exchange. The calculation formula is: the number of resigned employees in the specified category/the total number of employees in the specified category × 100%. In addition, due to the Group's business nature, resigned employees include services staff who were unable to pass their probation periods, therefore resulting in a higher turnover rate.*

4.3 Occupational Health and Safety

The occupational safety of our employees is essential to the operation of the Group. The Group has strictly abided by the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and other occupational health and safety related laws and regulations, and has provided the employees responsible for diagnosis and treatment and the use of treatment equipment operating safety guidelines, covering occupational safety issues such as personal protective equipment, emergency response procedures and disease prevention.

In order to safeguard the occupational safety of medical staff and effectively prevent medical staff from contracting diseases through occupational exposure at work, the Group has formulated the Occupational Safety Protection Policy (《職業安全保護制度》) to strengthen the protective measures for medical staff to prevent and respond to occupational safety hazards. For infection prevention precautions, medical staff should follow the standard prevention principle and take appropriate protective measures for all pathogenic materials. For example, during diagnostic, treatment, or nursing procedures where there is a risk of disease transmission, medical staff should wear gloves, impervious masks, goggles and face shields. If there is a possibility of bodily contamination, they should also don impervious isolation gowns or aprons. When performing invasive treatment or nursing procedures, medical staff must ensure adequate lighting and take special care to avoid being stabbed or scratched by sharp instruments such as needles, suture needles or blades. Used sharps should be dropped directly into puncture-resistant and anti-leakage sharp boxes. Medical sharps such as syringes and infusion set with safety features can also be used to prevent puncture wounds. It is prohibited to recap used disposable needles, and touch used needles, blades and other sharp instruments directly with hands.

Medical waste management is a matter of human health and environmental safety. Therefore, the hospital has put in place a stringent system. In terms of the responsibilities of each department, the Hospital Infection Management Committee has formulated a system and an emergency plan, and the infection supervisor of each department is responsible for the implementation and supervision of specific tasks. In terms of the handling process, medical waste generated by each department is immediately categorized and collected, packaged and transferred to temporary storage sites in accordance with the requirements, with a storage time of no more than 48 hours, and then disposed of by Dadi Weikang. At the same time, the hospital pays attention to safety and protection, disinfects temporary storage sites every day, provides protective equipment and knowledge training for relevant staff, and activates the emergency plan in case of accidental leakage, so as to ensure that the handling of medical waste is safe and standardized. In addition, the Group has established an emergency response management program aimed at preventing or mitigating the risks of emergencies and reducing losses. It covers operational activities and various types of emergencies with significant risks and a high incidence. The Logistics Management Department is responsible for formulating the overall emergency response plan, which includes the Company's situation, the purpose of the emergency response policy, the responsibilities of personnel, the allocation of resources, the handling procedures and recovery measures, etc. The plan is communicated to the employees and stakeholders, and emergency tests and drills are organized on a regular basis, usually at least twice a year, in conjunction with fire drills when there are many new employees or during peak seasons. The Logistics Management Department also reviews and revises the emergency response plan based on the results of drills and changes in relevant factors to ensure the effectiveness of emergency response.

During the Year, the Group's number of working days lost due to work-related injuries is 0, and the data of the Group's work-related fatalities in the last three years is as follows:

Work-related fatalities	**2024**	2023	2022
Number of work-related fatalities (person)	**0**	0	0
Rate of work-related fatalities (%)	**0**	0	0

4.4 Staff Development and Training

The Group believes that the career development of the employees is an important cornerstone for the success of its business. Therefore, the Group attaches great importance to the individual development of the employees. We not only create a clear career development path for all types of talents, but also encourage our talents to grow and progress through performance evaluation, job selection and training, and contribute to the sustainable corporate development.

The Group has formulated a staff management system covering various aspects such as personnel recruitment, employment, resignation, attendance and performance. Personnel recruitment is based on the principle of fairness and merit-based selection. Upon hiring, employees are required to complete multiple formalities and sign a contract. The attendance policy specifies working hours, clock-in/clock-out procedures, and entitlements for various types of leave. The performance management system is based on the objectives set for the position and upholds the principle of fairness in evaluating the work of the staff. The results of the evaluation are used for the promotion of ranks and salary adjustments, etc., and employees who do not meet the standards may be demoted or advised to leave. In terms of salary and benefits, wages and bonuses are paid on time, and employees are entitled to social insurance and holiday benefits. The Group also provides a variety of communication channels to encourage employees to give feedback, while handling inappropriate complaints seriously to ensure a good relationship between employees and the Group.

The Group provides its employees with diversified training opportunities which aims at assisting their overall development, improving their management capabilities and work efficiency and enhancing the competitiveness of the Group. Based on the six training principles of all-staff, pertinence, planning, whole process, comprehensiveness and follow-up, the Human Resources Department is responsible for the development of systems, scheduling of programs, etc. Departments are required to submit training plans and provide information. Training is divided into various types, such as new employee training and training for all staff. Training is implemented in accordance with the plan and evaluated afterwards in terms of training instructors, effectiveness, and organization. The system is drafted, revised and interpreted by the Human Resources Department, and approved by the general manager before promulgation. The Group also provides professional trainings on aesthetic medical knowledge, medical safety management, and safe use of medical supplies to the medical staff of its aesthetic medical hospitals and aesthetic medical out-patient departments to enhance their professional knowledge and skills.

The Group formulates training plans every year. Staff training is mainly divided into the following six categories:

1. New employee training: introduce information such as corporate background, corporate culture and relevant internal systems to new recruits.

2. All-employee training: provide training for all employees on quality and management capability improvement or popularization of development strategies, new systems, new policies, etc.

3. TTT training: provide training by external lecturers mainly for our internal trainer teams on training system construction, teaching skills, course development, courseware production, etc.

4. Talent echelon training: provide training mainly for college students and internal reserve cadres on career planning for the purpose of building the talent echelon, which consists of internal training and external training.

5. Department training: provide job skills improvement training by each department based on the practical work of the department.

6. External training: arrange external learning for the employees holding management positions or the employees recommended by departments, covering various forms of full-time learning, MBA programs, skill upgrading classes, etc.

During the Year, the training record of the Group is as follows:

Training	**2024** **Average training hours for employees (% of employees trained)**	2023 Average training hours for employees (% of employees trained)
Gender		
Male	**40 (100)**	60 (100)
Female	**40 (100)**	64 (100)
Employee Function		
Management	**40 (100)**	50 (100)
Physicians and medical staff	**40 (100)**	64 (100)
Sales, marketing and customer service staff	**40 (100)**	40 (100)
Finance, human resources and administration staff	**40 (100)**	60 (100)

Case sharing 1 – CPR Operation Drill and Training

During the Year, the Group's aesthetic medical out-patient departments in Wuhu organized cardiopulmonary resuscitation ("CPR") operation drilled training for their staff, aiming to enhance the safety of medical work and to equip medical staff with CPR operation skills and the knowledge to respond to emergency situations. During the training process, in order to ensure that the trainees can get sufficient training, it not only provided the trainees with CPR operation exercise clips, but also prepared designated props for the trainees to carry out operation exercises. The training was successfully conducted and all participants passed the training assessment and successfully mastered the CPR operation skills and methods.

Case sharing 2 – Medu Therapy Training

During the Year, the Group organized 2 training sessions on Medu Therapy with a total of 15 participants. The training was about the product Medu Therapy and aimed to enhance the staff's understanding of the product. The effectiveness of the training showed that it effectively increased the purchase rate of customers. Feedback from the trainees indicated that the training not only contributed to more customer purchases, but also helped them to become more familiar with the effects of the product. This training had a positive effect on the sales performance of the product, which is conducive to promoting the market share of the product.

Picture: an on-site training course

Case sharing 3 – Fire Safety Training

During the Year, the Group organized a fire safety training aimed at enhancing the fire prevention awareness and emergency response capability of hospital staff, safeguarding the safety of patients and staff, and strengthening the hospital's emergency rescue and disaster management capability. The training was held at the out-patient department from 9:00 a.m. to 9:40 a.m. on that day and included training on fire safety knowledge, simulated fire scene and fire extinguishing, evacuation and escape. Before the training, preparations were made for the inspection of firefighting facilities, training of staff knowledge and use of equipment, etc. During the training, various safety measures were implemented, with a view to effectively enhancing the staff's fire prevention and emergency response capability.

Picture: Training sites

5. OPERATING PRACTICES

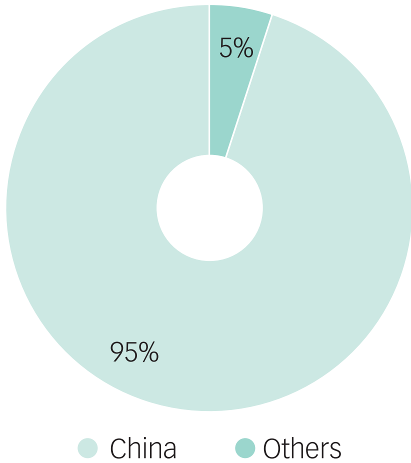
The major business of the Group is the provision of aesthetic medical services, and the provision of quality services to customers is the Group's top priority. Therefore, the Group is committed to properly manage the supply chain, provide high-quality services and maintain good professional ethics.

5.1 Supply Chain Management

Given the close connection between the Group's aesthetic medical services and client's health and safety, the Group maintains rigorous supply chain management. To standardize procurement operations, the Procurement Management System (《採購管理制度》) has been established. This system applies to the procurement of both medical and non-medical supplies, clearly defining duties and responsibilities. It states in detail that processes ranging from procurement planning and application to supplier selection and contract signing, adhering to multiple procurement principles. Inspection and warehousing are handled according to material categories. The system also includes provisions for returns, exchanges and transfer of goods, as well as requirements for account checking, payment and settlement, which aims to reduce procurement risks, enhance procurement quality, and improve economic efficiency.

In the process of selecting suppliers, the Group comprehensively takes into account a wide range of factors, including product quality, supply capacity, pricing strategy, market reputation, standard of service and delivery timeline. At the same time, the Group strictly requires suppliers to hold various requisite licenses and permits for conducting relevant business, such as GMP certificate, GSP certificate, and authorization letters from product agency manufacturers, etc. The Group actively promotes the concept of green procurement by giving priority to products and services with energy-efficient labels or signs as well as higher recycling efficiency, simple packaging, long expiry dates, and other products and services with minimum adverse environmental impacts when selecting products and services. Also, the Group attaches great importance to the environmental and social risk management of the suppliers. In terms of protection of environment, the Group prefers to have cooperation relationships with suppliers who are committed to sustainable development, and gives priority to suppliers with ISO50001 energy management system certification, ISO14001 environmental management system certification and low-carbon product certification. In terms of social aspects, suppliers that have well-established supply chain management system and comply with international standards related to social risk management, such as ISO26000, will be given priority. The Group regularly identifies, assesses and monitors the environmental and social risks of the suppliers. Once a supplier is found to fail to meet the Group's standards of cooperation, it will be removed from the list of qualified suppliers. The Group insists on only selecting suppliers that meet the selection criteria to ensure that the purchased materials are of good quality, reduce the environmental and social risks and the negative impacts brought by the supply chain to the Group, therefore providing customers with high-quality, safe and reliable services.

During the Year, the Group had a total of 78 suppliers (of which 94.9% are from China and 5.1% are from the rest of the world) and all the suppliers are required to comply with the Group's supplier management system. When purchasing aesthetic medical equipment and supplies from foreign manufacturers, the Group chooses to purchase them from their licensed distributors in China in order to safeguard the quality of the purchased materials and to ensure that the materials come from legitimate supply channels. For most of the medical supplies, the Group has a list of certain alternative suppliers. The Group closely monitors the performance of these suppliers with the aim of effectively managing the risks associated with the quality and stability of the supplies.



5.2 Quality Control

5.2.1 Material acceptance and storage

In order to safeguard the safe use of aesthetic medical equipment and supplies, the Group has formulated the Drugs and Inventory Management Policy (《藥品及庫存物資管理制度》) in accordance with the requirements on quality control of medical drugs. In respect of procurement management, centralized management is implemented, with activities incorporated into the budget and conducted in accordance with the application and approval system, clearly defining approval authorities. In terms of inspection and acceptance management, independent inventory management personnel inspect and accept goods and verify all information in accordance with contracts and invoices, and provide timely feedback or return any unqualified products. Material storage adheres to the principle of restricted access, with dedicated warehouses and assigned personnel, as well as defined access permissions and usage limits. For the disposal of pharmaceuticals and inventory materials, processes such as returns and handling of substandard products are in place, while reporting losses and destruction require approval in accordance with the requirements. Additionally, the Group emphasizes inventory management, with the finance department promptly recording transactions and reconciling accounts with the centralized management department. An inventory team is set up to conduct regular inventories, at least once a month for expensive drugs and once a quarter for other drugs. After the inventory, a report is filled out with reasons for the discrepancies based on the results, and the accounts are processed in accordance with the approval to ensure that the accounts are in line with the facts and to ensure that the standardization and safety of the management of the supplies are fully protected. If substandard drugs are found during the workflow or inventory process, the Group will stop using them immediately. At the same time, the Group's quality controller will conduct in-depth investigations into the causes of the drug failures and take prompt corrective measures to resolve the immediate problems, as well as put in place preventive measures to prevent the recurrence of similar problems. As for all items that have passed their expiry dates and aesthetic medical equipment that is out of its useful lives, the Group will handle them in a safe and secure manner in accordance with applicable laws and regulations and revoke the relevant records of these items accordingly as required.

In addition, the Group's medical device trading companies have formulated the Medical Device Quality Acceptance Procedures (《醫療器械質量驗收程序》) to standardize the entire acceptance process. During the acceptance process, employees will carefully check whether the products are in good condition, whether the packaging is standardized, whether the labels are clear and complete, whether the instruction manuals are detailed and accurate, and whether the relevant supporting documents are complete. In addition, the Group has also commissioned a third-party medical device testing center with professional qualifications to take samples according to scientific sampling methods and conduct comprehensive quality inspection of medical supplies. The purpose is to ensure that the medical supplies accepted meet in full the requirements of a range of relevant laws, regulations and statutory standards such as the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Regulations on the Administration of Instructions and Labels for Medical Devices (《醫療器械說明書和標籤管理規定》). If any medical supplies are found to fail quality standards upon inspection, the Group will immediately contact the supplier and arrange for the return of medical supplies in a proper manner, ensuring that no substandard medical supplies enter the market.

5.2.2 *Service quality control system*

Quality is the foundation of the development of the Group, and high-quality medical services brings good social and economic benefits to the Group. In view of the above, the Group strictly abides by a series of laws and regulations related to the quality of esthetic medical services, such as the Administrative Measures for Aesthetic medical Services (《醫療美容服務管理辦法》), Basic Standards for Aesthetic Medical Institutions and Aesthetic medical Departments (Rooms) (Implementation) (《美容醫療機構、醫療美容科(室)基本標準(實行)》). To ensure the safety and quality of our esthetic medical services, our Group has established a comprehensive quality control system targeted for its esthetic medical hospitals and out-patient departments, details of which are as follows:

– Formulate a set of quality control processes in accordance with the 18 core policies relating to the quality of aesthetic medical diagnosis and treatment promulgated by the National Health and Family Planning Commission of the PRC, which include initial diagnosis, ward inspections, consultations, discussions involving customers safety incidents, medical record preservation, preoperative discussion and shift system, etc., and fully implement the quality control process in our aesthetic medical hospitals and out-patient departments;

– unify the operation procedures of customer services, complaints and feedback in our aesthetic medical hospitals and out-patient departments;

– Recruit and retain qualified physicians and medical staff. When recruiting physicians and medical staff, we will evaluate their academic and professional qualifications, relevant work experience and integrity. We will review the performance of the physicians and medical staff every year to ensure that they have comprehensive professional knowledge, have passed the training and received recognition for diagnosis and treatment operations, and are able to provide customers with the necessary combination of diagnosis and treatment recommendations to achieve ideal cosmetic results. We will continue to closely monitor our qualification registration and licensing records to ensure that our physicians and medical staff comply with PRC laws and regulations;

– Each aesthetic medical hospital is required to conduct quality and safety self-examination, assessment and scoring on a regular basis. The Group conducts assessment on various aspects, ranging from the quality of medical records to the medical procedures of each medical room, the operation safety, system and the management, so as to improve the deficiencies in the service process, thereby improving the overall service quality of the Group.

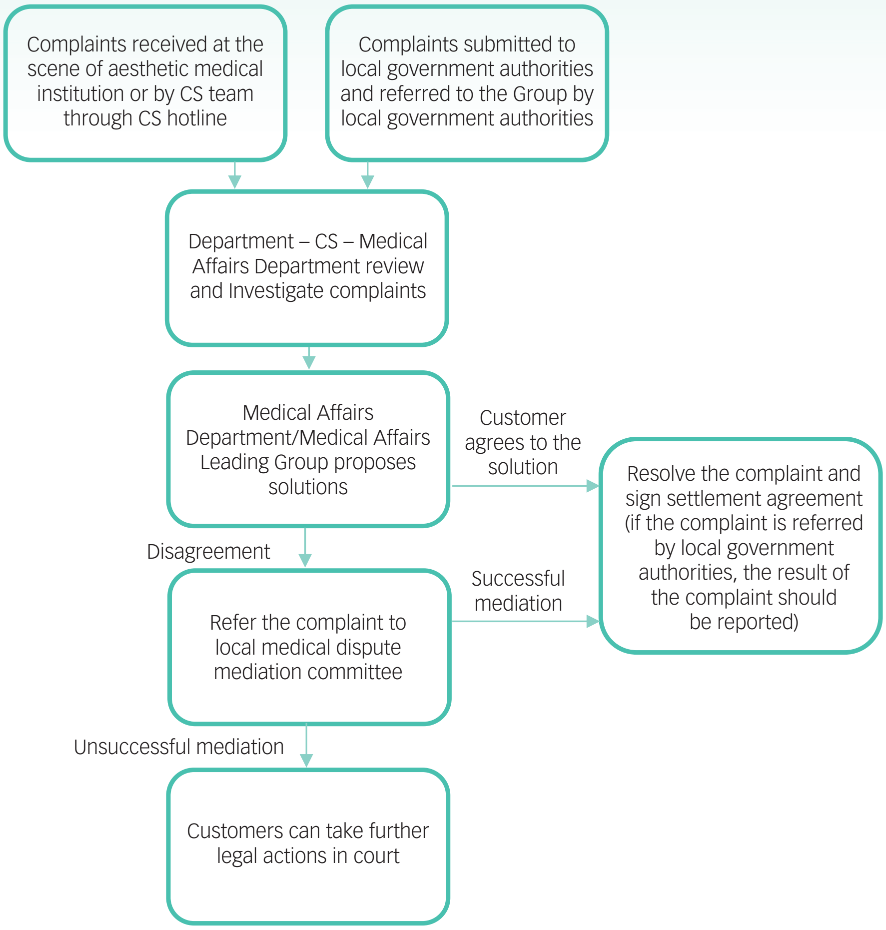
In addition, the Group will formulate annual medical quality management and continuous improvement plans. The objective of the plans is to implement standardized medical quality management in a more accurate and effective manner, so as to ensure that the Group maintains its competitive advantages in the aesthetic medical market, and continues to develop, therefore providing customers with better services.

5.2.3 *Customer feedback system*

The Group mainly operates in a service industry where frequent communication with customers is essential. The Group has long been striving for excellence and continuously improving the quality of its services. To this end, the Group has established a comprehensive and robust customer feedback management system to accurately capture customer satisfaction with the Group's services and proactively manage and respond to customer feedback. The Group's aesthetic medical hospitals and out-patient departments will arrange for customer service representatives to conduct follow-ups with clients via telephone or WeChat after the completion of the provision of services, with the aim of gaining an in-depth understanding of the customers' views and suggestions on the services provided.

The Group attaches importance to customer feedback. When soliciting feedback, the Group will explain in detail to address customers' concerns and questions, such as customers' requests for refunds. For customers who are dissatisfied with the Group's services, the Group has formulated a complaint management system and procedures, providing three complaint channels, namely, online and telephone, on-site complaints (medical department and consulting department) and third-party platforms. Upon receipt of a medical complaint from a customer, it will be handled in accordance with the principles of openness, fairness, legality, harmony and efficiency, and in accordance with the first complaint responsibility system. If the online customer service or department staff can handle the complaint, it will be handled immediately; otherwise, it will be referred to the customer service representatives for a reply within 5 working days. Resolution methods include mediation and explanation by consultation staff, coordination by the Customer Service Department and Medical Affairs Department, and handling according to the law, etc. In addition, the Group holds regular (quarterly) medical safety meetings to analyze the causes of complaints and propose countermeasures and improvement plans. The Medical Affairs Department summarizes and analyzes the complaints and supervises rectification. At the same time, the Group has established a complaint file management system that keeps relevant materials, and implemented a system of accountability based on the results of the handling of complaints.

The main procedures of the Group's complaint management for medical service:



During the Year, the Group received a total of 20 customer complaints, the Group has made arrangements such as refund, free repair and complimentary treatment, and all customer complaints have been properly resolved.

For the Group's medical device trading business, we also provide customers with high-quality after sales services to answer their inquiries, and regularly visit customers to understand their evaluation on the quality of the relevant medical supplies. When customers' request is for product return due to quality issues of medical supplies, the Group's quality control inspectors will carefully check the product name, batch number, quantity and other relevant data, and also evaluate the damaged packaging or contamination of the products. The Group will promptly contact the suppliers to arrange for return if there are quality issues with the medical supplies after verification. During the Year, there is no cases of recall of medical supplies sold by the Group due to safety and health reasons, and the Group did not receive any complaints about medical supplies.

5.3 Intellectual Property and Customer Data Protection

Although the Group does not have a proprietary aesthetic medical R&D business, it is fully aware of the importance of protecting intellectual property (IP) rights such as trademark rights and trade secrets, and actively protects and enforces its IP rights when potential infringements are detected. The Group strictly complies with laws and regulations relating to IP rights and has formulated and implemented a number of protection measures. Firstly, it has established a specialized IP management department to take charge of IP management and formulate strategies to enhance the value of its intangible assets. Secondly, it has strengthened the staff training on IP rights, and organized relevant courses internally to enhance the employees' awareness of protection, so that they can protect the interests of the Group in accordance with the laws. Furthermore, in the event of infringement of IP rights, the Group will take legal proceedings to defend its rights and resolve disputes in a reasonable manner, thereby building up a strong image of corporate protection. In addition, the Group undertakes to use authentic software and requires its employees to apply for the installation of software beforehand to avoid infringing on the IP rights of others and to protect IP rights from being infringed upon in all aspects.

The Group has formulated the Customer Data Security Management Policy (《客戶資料安全管理制度》), which is applicable to the Group and its branch offices and subsidiaries, for the purpose of safeguarding the security of customers' personal information and medical records, etc., when they are stored and used, and to reduce the risk of their illegal use and leakage. The policy specifies that the collection of customer information shall follow the principles of legality, reasonableness and necessity, and that the purpose and manner of collection shall be clearly stated and accepted by customers, and that strict confidentiality shall be maintained. The use of customer information shall also be governed by the principles, and "whoever uses the information is responsible for it", and customer information shall not be handled illegally. When the information is used for specific reasons, internal procedures should be performed. For the management of customer information, it requires to use information technology systems that are subject to security level control and require authorization. Measures such as encryption and encapsulation shall be taken for the transmission of information. Confidentiality management of computers storing customer information shall be strengthened, and paper documents shall be managed in special cabinets. All levels of the organization shall ensure the security of customer information during handling. In the event of actual or potential loss, damage, leakage, or tampering of customer information, immediate remedial measures shall be taken, customers must be promptly informed, and relevant departments must be reported to, ensuring comprehensive protection of customer data security.

5.4 Advertising and Marketing

In order to increase the Group's brand awareness and to promote its esthetic medical services to more customers, the Group uses different media advertisements to promote its brand and services. The Group understands that medical advertising is strictly regulated in the PRC, therefore, it strictly complies with the Advertisement Law of the People's Republic of China (《中華人民共和國廣告法》) and the Measures for the Administration of Medical Advertising (《醫療廣告管理辦法》) and other advertising-related laws and regulations. In order to regulate and legally publish medical advertisements, the Group strictly implements the Release of Medical Advertisement Review Policy (《發佈醫療廣告審核制度》), which sets out the specifications and terms for publishing medical advertisements in detail. All advertising contents must undergo multiple audits to ensure that it complies with legal requirements and does not contain inaccurate or misleading information. In addition, the Group regularly invites legal advisers to conduct trainings on advertising-related legal knowledges for its employees, aiming to enhance their legal knowledges and ensure that all advertisements produced by its employees comply with the regulatory requirements.

The Group attaches great importance to its corporate sales and marketing strategies. In order to improve and standardize the Group's sales and marketing practices, in addition to the regulation and management of advertisements, the Group has also implemented the following internal control measures to regulate the sales and marketing activities of its employees:

– The price of services involved in the marketing activities must be determined with reference to the price list approved by the Group and the person in charge of each aesthetic medical hospital and out-patient department;

– The discounts offered to the customers must be approved by the head of sales and marketing team before offering;

– Sales and marketing activities must be approved by the Group in advance, and the services provided must be derived from the service catalog approved by the head of the sales and marketing team;

– After the end of sales and marketing activities, the remaining gifts and registration forms must be collected and returned to the warehouse for safekeeping after checking in detail.

Managing Inappropriate and Excessive Sales Practices

The Group remunerates its employees, such as physicians, medical staff and customer service personnel, with bonuses based on performance and sales. As such, the Group is well aware of its exposure to the risk of inappropriate and excessive sales practices, such as the possibility that employees may recommend to customers the purchase of unnecessary or unsuitable or inadequate aesthetic medical procedures in an attempt to boost sales figures. And such acts will cause serious damage to the Group's reputation in the market, lowering consumer recognition of the Group, which will in turn weaken brand affinity and cause a significant decline in the trust of the Group's existing and potential customers in the Group's services.

In order to avoid unscrupulous, inappropriate, and excessive sales practices, the Group has adopted a series of control measures, details are as follows:

1. in principle, only provide aesthetic surgery services to adults over the age of 18 (for limited aesthetic surgical procedures preferentially conducted at a younger age such as orthodontics and cosmetic dentistry services. For this type of treatment, persons under the age of 18 are required to be accompanied by their guardians);

2. require customers to complete and sign a registration form to state in detail their personal information as well as the reasons for accepting aesthetic medical services of the Group;

3. verify the identity of the client, explain in detail to the client the objective, process, existing medical risks, potential side effects that may occur, normal recovery period of the operation, and answer all questions patiently that the client may raise and require the client to sign a consent letter prior to the performance of any procedure by the attending physician;

4. strictly prohibit sales on credit or any kind of loans to clients in respect of the service fees, in order to avoid the sale of excessive and unnecessary aesthetic medical procedures to clients; and

5. provide regular trainings regarding proper sales practices to the Group's sales and marketing team to enhance sales professionalism of the employees.

5.5 Anti-corruption

In order to safeguard its stable development and maintain customers' confidence, the Group has formulated the Anti-corruption and Other Fraud Policy (《反貪污腐敗等舞弊制度》) to regulate the behavior of employees and combat unethical behaviors such as corruption. The policy clearly defines fraud and its forms, including two types of fraudulent behaviors, such as accepting bribes, misappropriating company funds, and making false reports, which are detrimental to the Company's interests and seeking improper company interests. It emphasizes the focus of anti-fraud work, covering misappropriation of assets, financial fraud, abuse of power by senior management and collusion in fraud. In terms of duties and responsibilities, the Company's management, the Board, the Internal Audit Department and various business units have their respective roles and responsibilities. Fraud prevention and control relies on anti-fraud mechanisms, including the creation of an integrity culture, assessment of fraud risks and the establishment of standing organizations. For example, we promote a culture of integrity through various means and encourage whistling by employees and stakeholders. The policy also establishes a comprehensive whistling, investigation and reporting system. The Internal Audit Department has established a whistling channel. Upon receipt of whistling, a joint investigation team or a special investigation team will be formed to carry out an investigation as appropriate, the results of which will be reported to the relevant departments, and the whistling materials will be filed in a timely manner. If fraudulent behavior is discovered, the Group will immediately take remedial measures to review internal control loopholes and improve internal controls. The Group will also impose financial and administrative penalties in accordance with internal regulations on employees who have committed fraud, regardless of whether or not they have committed a crime; in case of a criminal offense, they will be transferred to the judicial authorities. In short, the Group is committed to preventing fraudulent behavior in all aspects to safeguard its interests and market reputation.

The Group provided a total of 20 hours of anti-corruption training to 5 directors and 15 members of senior management during the Year, and the Group's anti-fraud policy and business code of conduct have been published internally to ensure that the employees fully understand professional ethics and anti-fraud related policies. In the future, the Group will carry out various anti-corruption-related activities and trainings to further strengthen its internal anti-corruption awareness. Notably, during the Year, the Group did not experience any case of violation of relevant laws and regulations on bribery, corruption, extortion, fraud and money laundering.

6. COMMUNITY INVESTMENT

As a community-caring company, the Group attaches great importance to the overall well-being of the surrounding communities where it operates, and sincerely hopes that the Group's business can grow together with the community. The Group always actively participates in social welfare undertakings, fully fulfills its responsibilities and mission as a corporate citizen, and gives back to the society and the people.

The Group pays special attention to the rights and interests of disabled individuals, and is dedicated to helping them integrate into the society without discrimination. Therefore, the Group has carefully formulated comprehensive management measures for the employment of disabled individuals to provide them with equal job opportunities, reasonable treatments and well-rounded benefits. During the Year, the Group has employed three disabled individuals to work at its office in Hangzhou (headquarters), the aesthetic medical hospital in Hangzhou and Wuhu Raily Aesthetic Medical Out-patient Department, respectively, providing them with up to three years of work experience opportunities. During this period, the Group actively listened to the real feelings of the disabled individuals in order to improve the relevant employment policies and welfare system.

Looking ahead, the Group plans to explore new areas of community investment, aiming to benefit more individuals in need and contribute further to the harmonious development of the community.

7. APPENDIX I: CONTENT INDEX OF THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE"

ESG Indicator	Description	Chapter	Page
A. ENVIRONMENT			
A1 Emissions			
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3. Environmental Protection	59-64
A1.1	The types of emissions and respective emissions data.	3.1 Pollution and Emission Control	59
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	3.3 Addressing Climate Change	64
A1.3	Total hazardous waste produced and intensity.	3.1 Pollution and Emission Control	61
A1.4	Total non-hazardous waste produced and intensity.	3.1 Pollution and Emission Control	61
A1.5	Description of emissions target(s) set and steps taken to achieve them.	3.1 Pollution and Emission Control 3.2 Resource Usage	59-61
A1.6	Description of how hazardous and non-hazardous waste are handled. No waste reduction targets.	3.1 Pollution and Emission Control	59-61
A2 Use of Resources			
General Disclosure	Policies on the effective use of resources.	3.2 Resource Usage	62-63
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	3.2 Resource Usage	62
A2.2	Water consumption in total and intensity.	3.2 Resource Usage	62
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	3.2 Resource Usage	62
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target (s) set and steps taken to achieve them.	3.2 Resource Usage	62
A2.5	Total packaging material used for finished products and with reference to per unit produced.	Since the major business of the Group is to provide aesthetic-related services and related management consulting services, it does not involve the use of any packaging materials.	–

ESG Indicator	Description	Chapter	Page
A.ENVIRONMENT			
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	3. Environmental Protection	59-64
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3. Environmental Protection	59-64
A4 Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	3.3 Addressing Climate Change	63
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	By conducting risk assessments related to climate change and considering the nature of the business of the Group, the Group has identified that climate change will not have a significant impact on business operations.	–
B. Social			
B1 Employment			
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 Employment rights and benefits	65-66
B1.1	Total workforce by gender, employment type, age group and geographical region.	4.2 Employment Statistics	67
B1.2	Employee turnover by gender, age group and geographical region.	4.2 Employment Statistics	67

ESG Indicator	Description	Chapter	Page
B. Social			
B2 Health and Safety			
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.3 Occupational Health and Safety	68-69
B2.1	Number and rate of work-related fatalities occurred in each of the past three years.	4.3 Occupational Health and Safety	69
B2.2	Lost days due to work injury.	4.3 Occupational Health and Safety	69
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.3 Occupational Health and Safety	68
B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.4 Staff Development and Training	69-72
B3.1	The percentage of employees trained by gender and employment category	4.4 Staff Development and Training	70
B3.2	The average training hours completed per employee by gender and employee category.	4.4 Staff Development and Training	70
B4 Labour Standards			
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	4.1 Employment rights and benefits	65-66
B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Employment rights and benefits	65-66
B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Employment rights and benefits	65-66

ESG Indicator	Description	Chapter	Page
B. Social			
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.1 Supply Chain Management	72-73
B5.1	Number of suppliers by geographical region.	5.1 Supply Chain Management	73
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.1 Supply Chain Management	72-73
B5.3	Description of practices to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.1 Supply Chain Management	72-73
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.1 Supply Chain Management	72-73
B6 Product Responsibility			
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	5. Operating Practices 5.2 Quality Control 5.3 Intellectual Property Rights and Customer Data Protection 5.4 Advertising and Marketing	74-78
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5.2 Quality Control	77
B6.2	Number of product and service related complaints received and how they are dealt with.	5.2 Quality Control	77
B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.3 Intellectual Property Rights and Customer Data Protection	78
B6.4	Description of quality assurance process and recall procedures.	5.2 Quality Control	76-77
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	5.3 Intellectual Property Rights and Customer Data Protection	78

ESG Indicator	Description	Chapter	Page
B. Social			
B7 Anti-corruption			
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.5 Anti-corruption	80
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.5 Anti-corruption	80
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5.5 Anti-corruption	80
B7.3	Description of anti-corruption training provided to directors and staff.	The Group has not held anti-corruption related trainings during the Year.	–
B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Community Investment	80
B8.1	Focus areas of contribution.	6. Community Investment	80
B8.2	Resources contributed to the focus area.	6. Community Investment	80

DIRECTORS' REPORT

The Board is pleased to submit the Group's annual report and the audited consolidated financial statements for the Year.

PRINCIPAL ACTIVITIES

The Group is a leading aesthetic medical service provider in Zhejiang Province, the PRC, providing clients with a broad range of aesthetic medical services to meet their different aesthetic and anti-aging objectives. In 2024, the main business of the Group was the provision of aesthetic surgery services, minimally-invasive aesthetic services and aesthetic dermatology services. Details of the key subsidiaries of the Group in 2024 are set out in Note 1 to the financial statements.

SUMMARY OF RESULTS

The results of the Group in 2024 are set out in the consolidated statement of profit or loss on page 106 of this annual report.

The Group's revenue and results are mainly derived from the aesthetic medical services provided by 4 aesthetic medical institutions. A detailed review of the business development of the Group in 2024 and the possible future outlook are set out in the section "Management Discussion and Analysis" of this annual report.

FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group is set out on page 190 of this annual report. This summary does not form part of the audited consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for 2024 is set out in the section headed "Management Discussion and Analysis" on pages 11 to 31 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During 2024, the Group is not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company recognises its responsibility to protect the environment from its business activities. The Company is committed to the sustainable development of the environment and our society. The Group has endeavoured to comply with the laws and regulations regarding environmental protection and adopted effective environmental practices to ensure that our business meets the required standards and ethics in respect of environmental protection. Information on environmental policies and performance of the Group are set out in the Environment, Social and Governance Report on pages 56 to 86 of this annual report.

RELATIONSHIP WITH STAKEHOLDERS

The success of the Group relies on the support of key stakeholders, including the Directors and senior management members, employees, clients and suppliers.

Employees

As of 31 December 2024, the Group has 290 employees, all of whom are located in the PRC. Specifically, there are 6 management staff, 121 physicians and medical staff, 128 sales, marketing, client service and other business staff, 35 finance and administration staff. We believe we have a good relationship with our employees. Our employees are not represented by a labour union. During the Year, we have not experienced any material disruptions to our business operations due to labour disputes or strikes. We contribute to social security insurance and housing provident funds for our employees under relevant PRC laws, rules and regulations.

We value the importance of providing a safe, healthy and efficient work environment for all of our employees. We also place significant emphasis on employee trainings and development, and we invest in education and training programs for our employees with the purpose of upgrading their knowledge on the latest development of the aesthetic medical industry.

Customers

During 2024, all of our aesthetic medical service clients are individual retail clients, the clients of our aesthetic medical management consulting services are aesthetic medical institutions, and the clients of our sales of medical aesthetic equipment and products are sales agencies and individual retail clients. Our high quality services and stringent safety controls have translated into our low number of client complaints and high number of repeat clients.

Suppliers

The supplies required in our operations primarily include those who provide implants, injection materials, pharmaceuticals, other medical consumables and medical aesthetic skincare products.

MAJOR CUSTOMERS AND SUPPLIERS

In 2024, the total revenue or sales attributable to the five largest clients of the Group accounted for approximately 33.0% of the total revenue of the Group. In particular, the total revenue or sales attributable to the largest client of the Group accounted for approximately 26.5% of the total revenue of the Group.

In 2024, the purchase amount from the five largest suppliers of the Group accounted for approximately 53.9% of the Group's total purchase amount; and the purchase amount from the largest supplier of the Group accounted for approximately 27.8% of the Group's total purchase amount.

In 2024, to the best knowledge of the Directors, none of the Directors, their close associates, or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest clients or suppliers.

PROPERTIES AND EQUIPMENT

Details of the changes in the properties and equipment of the Group for the Year are set out in Note 13 to the financial statements.

ANNUAL GENERAL MEETING

The 2025 AGM will be held on Friday, 30 May 2025. A notice convening the 2025 AGM will be published and dispatched to the Shareholders 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, 27 May 2025 to Friday, 30 May 2025, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the 2025 AGM. To be eligible for attending and voting at the 2025 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, 26 May 2025.

RESERVES

The changes in the Group's reserves during 2024 are set out in the consolidated statement of changes in equity on page 109.

DIVIDENDS

During 2024, the Board did not distribute dividends to the Shareholders (2023: Nil).

SUBSIDIARIES

Details of the Company's subsidiaries are set out in Note 1 to the financial statements.

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

During 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities (including sale of treasury shares of the Company) of the Company.

SHARE CAPITAL

Details of the changes in the Company's share capital during the Year are set out in Note 30 to the financial statement.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme" of this annual report, no equity-linked agreements have been entered into during the Year or subsisted at the end of 2024.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the 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.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted.

The Company has maintained appropriate liability insurance for its Directors and senior management.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on 28 December 2020, and after exercising the over-allotment option, a total of 376,540,000 shares were issued. After deducting the underwriting fees, commission and all related expenses, the Net Proceeds raised from the listing was approximately HK$81.7 million. We gradually used the Net Proceeds from the global offering in the manner set out in the section "Future Plans and Use of Proceeds" in the Prospectus. For details of the utilisation of the Net Proceeds, please refer to the section headed "Management Discussion and Analysis".

DIRECTORS

The Directors during 2024 and up to the date of this annual report are as follows:

Executive Directors
Mr. Fu Haishu *(Chairman)*
Mr. Song Jianliang *(CEO)*
Mr. Wang Ying

Independent Non-executive Directors
Mr. Cao Dequan
Ms. Yang Xiaofen
Mr. Liu Teng

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into any service contract with the Company which is not determinable by the Company and any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

Our Remuneration Committee was established in compliance with the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board regarding our policy and structure for the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies, and to make recommendations to the Board on the remuneration packages of our Directors and senior management and on the employee benefit arrangement.

Under the Policy, the Remuneration Committee will consider factors such as corporate and individual key performance, remuneration paid by comparable companies and other economic factors. Details of the Directors' remuneration and the five highest paid individuals are set out in notes 8 and 9 to the financial statements, respectively.

In 2024, none of the Directors has agreed with the Company to waive any emoluments.

MANAGEMENT CONTRACTS

In 2024, the Company did not enter into any contract, other than the service contracts with the Directors or any person engaged in the full-time employment of the Company, whereby any individual, firm or body corporate undertakes the management and administration of the whole, or any substantial part of any business of the Company.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

During the Year, save as disclosed in this annual report, there were no transactions, arrangements or contracts of significance in relation to the Group's business, to which (i) the Company or any of its subsidiaries was a party and in which any of the Directors, entities connected with any of the Directors or the controlling shareholders of the Company had a material interest, whether directly or indirectly; (ii) the Company or any of its subsidiaries entered into with a controlling shareholder or any of its subsidiaries; or (iii) a controlling shareholder or any of its subsidiaries provided services to the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2024, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

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

Notes:

1. *The percentage is calculated based on the total number of issued shares of the Company as at 31 December 2024 (i.e. 557,077,333 shares).*

2. *These shares are held by Ruide Consultation Limited, a company wholly-owned by Mr. Fu Haishu.*

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

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

Save as disclosed above, as at 31 December 2024, none of the Directors and chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to be owned under the relevant provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR BONDS

Save as disclosed in this annual report and the Prospectus, none of the Company, any of its holding companies, subsidiaries or fellow subsidiaries have entered into any arrangement at any time during the Year, so that the Directors or chief executives of the Company or any of their respective spouses or children under the age of 18 may gain benefits by purchasing shares or bonds of the Company or any other corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, the interests or short positions of substantial shareholders of the Company and other persons in the shares or underlying shares of the Company as recorded in the register maintained by the Company under Section 336 of the SFO, or otherwise notified to the Company were as follows:

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

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

Notes:

1. *The percentage is calculated based on the total number of issued shares of the Company as at 31 December 2024 (i.e. 557,077,333 shares).*

2. *Ms. Jin Chunmiao is the spouse of Mr. Fu Haishu, and is therefore deemed to be interested in the shares deemed or taken to be owned by Mr. Fu under the SFO.*

Save as disclosed above, as at 31 December 2024, there are no other interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme was adopted by the Shareholders on 4 December 2020 (the "Share Option Scheme"). The Share Option Scheme is established to recognize and acknowledge the contributions that the Eligible Participants (as defined below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new shares of the Company (the "Shares") as the Board may determine at an exercise price[(Remark)]:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, agents, suppliers, clients, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the Listing, being 205,500,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

The total number of shares available for issue upon exercise of the outstanding share options is 47,276,437 shares of the Company, representing approximately 8.49% of the total number of shares of the Company in issue as at the date of this annual report.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of our Shareholders in general meeting with such Eligible Participant and his/her close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting.

The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the highest of:

(i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial Shareholder or any INED or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue on the date of such grant; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time[(Remark)].

An option may be exercised in accordance with the terms of the Share Option Scheme at any time commencing the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period commencing on the Listing Date and ending on the tenth anniversary of the Listing Date (both dates inclusive), after which no further options shall be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

						Number of share options						
Name or category of grantees	Date of grant of share options	Exercise price during 1 January 2024 to 24 April 2024 (HK$)	Exercise price during 25 April 2024 to 30 June 2024 (HK$)	Vesting period	Exercise period	Balance as at 1 January 2024	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Adjusted on 25 April 2024	Balance as at 31 December 2024
Directors												
Song Jianliang	23/08/2021	0.4920	N/A	23/08/2021-22/08/2023	23/08/2023-22/02/2024	1,000,000	–	–	1,000,000	–	–	–
Wang Ying	23/08/2021	0.4920	N/A	23/08/2021-22/08/2023	23/08/2023-22/02/2024	1,000,000	–	–	1,000,000	–	–	–
Other employees												
In aggregate	23/08/2021	0.4920	N/A	23/08/2021-22/08/2023	23/08/2023-22/02/2024	4,750,000	–	–	4,750,000	–	–	–
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2023	29/08/2023-28/08/2032	287,814	–	–	–	–	221,600	66,214
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2024	29/08/2024-28/08/2032	287,814	–	–	–	–	221,601	66,213
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2025	29/08/2025-28/08/2032	431,722	–	–	–	–	332,402	99,320
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2026	29/08/2026-28/08/2032	431,722	–	–	–	–	332,402	99,320
	26/01/2024	0.1150	0.4999	26/01/2024-25/01/2025	26/01/2025-25/01/2034	–	48,630,462	–	–	–	37,442,749	11,187,713
	23/02/2024	0.1220	0.5303	23/02/2024-22/02/2025	23/02/2025-22/02/2034	–	46,430,466	–	–	–	35,748,875	10,681,591
	23/02/2024	0.1220	0.5303	23/02/2024-22/02/2026	23/02/2026-22/02/2034	–	1,000,000	–	–	–	769,944	230,056
Service Providers												
In aggregate	23/08/2021	0.4920	N/A	23/08/2021-22/08/2023	23/08/2023-22/02/2024	40,680,466	–	–	40,680,466	–	–	–
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2023	29/08/2023-28/08/2032	21,600,000	–	–	–	–	16,630,798	4,969,202
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2024	29/08/2024-28/08/2032	21,600,000	–	–	–	–	16,630,798	4,969,202
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2025	29/08/2025-28/08/2032	32,400,000	–	–	–	–	24,946,197	7,453,803
	29/08/2022	0.1678	0.7294	29/08/2022-28/08/2026	29/08/2026-28/08/2032	32,400,000	–	–	–	–	24,946,197	7,453,803
Total						**156,869,538**	**96,060,928**	**–**	**47,430,466**	**–**	**158,223,563**	**47,276,437**

As at the beginning of 2024, the number of options available for grant under the Share Option Scheme is 48,630,462 Shares. As at the end of 2024, no options will be available for grant under the Share Option Scheme. The number of Shares that may be issued in respect of options granted under all share option schemes of the Company during 2024 divided by the weighted average number of issued Shares for the Year is 0.0875.

The model used to calculate the fair value of the options granted on 23 August 2021, 29 August 2022, 26 January 2024 and 23 February 2024 is binomial option pricing model. The model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. Further details are set out in Note 31 to the financial statements.

Remarks:

1. *Pursuant to Rule 17.03A of the Listing Rules, the participants of a scheme shall only comprise directors and employees of the issuer or any of its subsidiaries, directors and employees of the holding companies, fellow subsidiaries or associated companies of the issuer and the persons who provide services to the issuer group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the issuer group.*

2. *Pursuant to Rule 17.03F of the Listing Rules, the vesting period for options shall not be less than 12 months.*

3. *Pursuant to Rule 17.04(3) of the Listing Rules, where any grant of options or awards to an independent non-executive director or a substantial shareholder of the listed issuer, or any of their respective associates, would result in the shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of shares in issue, such further grant of options or awards must be approved by shareholders of the listed issuer in general meeting in the manner set out in Rule 17.04(4) of the Listing Rules. Pursuant to Rule 17.04(4) of the Listing Rules, the listed issuer must send a circular to the shareholders. The grantee, his/her associates and all core connected persons of the listed issuer must abstain from voting in favour at such general meeting. The listed issuer must comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.*

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during 2024 are set out in Note 36 to the financial statements. Such transactions were either (i) fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules; or (ii) did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background and Reasons

We are a leading aesthetic medical service provider in Zhejiang Province, the PRC. According to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (the "2021 Negative List"), medical institutions may not be held 100% by foreign investments, and foreign investments are restricted to the form of sino-foreign equity joint venture. In view of the foreign ownership restriction, our provision of aesthetic medical services is subject to foreign investment restriction in accordance with the 2021 Negative List. The entities that we control certain percentage of their shareholding through the contractual arrangements (the "VIE Entities") are Hangzhou Beilifeier, Hangzhou Raily and Ruian Raily, which were established under the laws of the PRC. We do not directly own 100% equity interest in the VIE Entities. Hangzhou Beilifeier is currently held as to 70% by Raily Beauty Consultation and 30% by Mr. Fu Haishu while each of Hangzhou Raily and Ruian Raily is owned as to 70% by Raily Beauty Consultation and 30% by Ningbo Ruixuan Investment Management Partnership (LLP)*（寧波瑞炫投資管理合夥企業（有限合夥））("Ningbo Ruixuan").

* For identification purposes only

In light of the foreign investment restriction, in order to comply with PRC laws and regulations and maintain effective control over all of our operations as well as to obtain the maximum economic benefits of the VIE Entities, a series of contractual arrangements (the "Contractual Arrangements") have been entered into by, among others, Hangzhou Raily, Hangzhou Beilifeier, Ruian Raily and the Registered Shareholders (as defined below) on 1 January 2019. Through shareholdings and the Contractual Arrangements, we have maintained effective control over the financial and operational policies of the VIE Entities and have become entitled to all the economic benefits from their operations.

The existing agreements underlying such Contractual Arrangements with each of the VIE Entities include: (1) Business Cooperation Agreements (as defined below), (2) Exclusive Option Agreements (as defined below), (3) Equity Pledge Agreements (as defined below), and (4) Voting Rights Proxy Agreements (as defined below). Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into by and among Raily Beauty Consultation, the VIE Entities and the Registered Shareholders (as defined below); (ii) by entering into the Business Operation Agreements (as defined below) with Raily Beauty Consultation, the VIE Entities will enjoy better management, consultancy and technical support from us as well as better market reputation after the Listing; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the VIE Entities through: (i) our Group's right (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in the VIE Entities at the minimum amount of consideration permitted by applicable PRC laws and regulations; (ii) the business structure under which the profit generated by the VIE Entities is substantially retained by our Group; and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the VIE Entities.

We own 70% equity interest in each of the VIE Entities and as a result of the aforementioned Contractual Arrangements. We have obtained control of the remaining equity interest of the VIE Entities through Raily Beauty Consultation. As such, our Company can receive all of the economic interests returns generated by the VIE Entities.

Contractual Arrangements overview

1. Details of the VIE Entities and Registered Shareholders

VIE Entities:	Hangzhou Raily, Hangzhou Beilifeier and Ruian Raily
Registered Shareholders:	the shareholders of Hangzhou Beilifeier, Hangzhou Raily and Ruian Raily including Mr. Fu Haishu and Ningbo Ruixuan

2. Description of the VIE Entities' business

Our VIE Entities are aesthetic medical services provider in the PRC, according to the 2021 Negative List, medical institutions are restricted to the form of sino-foreign equity joint venture.

3. **Summary of terms of Contractual Arrangements**

The Contractual Arrangements which were in place during 2024 are as follows:

(i) Pursuant to the business cooperation agreements dated 1 January 2019 entered into by each of the VIE Entities, its Registered Shareholders and Raily Beauty Consultation (each a "Business Cooperation Agreement", and collectively the "Business Cooperation Agreements"), each of the VIE Entities agreed to engage Raily Beauty Consultation as its exclusive provider of technical support, consultation and other services, including (1) asset and business management consultation; (2) human resources consultation; (3) marketing consultation; (4) advertising support; (5) technical support; (6) medical technical consultation; (7) product quality control support; (8) service quality control support; (9) system integration; (10) material contracts consultation; (11) mergers and acquisitions consultation; and (12) other relevant services requested by each of the VIE Entities from time to time to the extent permitted under PRC laws.

(ii) Pursuant to the Business Cooperation Agreements, Raily Beauty Consultation has the ownership of any and all intellectual property rights developed or created by the VIE Entities during the performance of the Business Cooperation Agreements.

(iii) Each of the VIE Entities, its Registered Shareholders and Raily Beauty Consultation entered into the voting rights proxy agreements (each a "Voting Rights Proxy Agreement", and collectively, the "Voting Rights Proxy Agreements") on 1 January 2019, pursuant to which, each Registered Shareholder, irrevocably appoints Raily Beauty Consultation or its designated directors and their successors (including a liquidator replacing our Directors) but excluding those who are non-independent or those who may give rise to conflict of interests, as his attorney-in-fact to exercise such shareholder's rights in the VIE Entities.

(iv) Raily Beauty Consultation, each of the VIE Entities and its Registered Shareholders entered into the exclusive option agreements (each an "Exclusive Option Agreement", and collectively the "Exclusive Option Agreements") on 1 January 2019, pursuant to which each of the Registered Shareholders agreed to grant Raily Beauty Consultation or its designated third party an exclusive option to transfer their equity interests and/or assets in the VIE Entities to Raily Beauty Consultation and/or a third party designated by it, in whole or in part at any time and from time to time, at the consideration of RMB1 or a minimum purchase price permitted under the PRC laws and regulations.

(v) Raily Beauty Consultation, each of the VIE Entities and its Registered Shareholders entered into the equity pledge agreements (each an "Equity Pledge Agreement", and collectively the "Equity Pledge Agreements") on 1 January 2019, pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in the VIE Entities to Raily Beauty Consultation as a first priority security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements.

For the Year, the VIE Entities paid the service fee of approximately RMB7.3 million to Raily Beauty Consultation under the Business Cooperation Agreements.

The revenue and net loss of the VIE Entities subject to the Contractual Arrangements amounted to approximately RMB121.1 million and RMB21.3 million for the Year, respectively. The total assets and total liabilities of the VIE Entities subject to the Contractual Arrangements amounted to approximately RMB123.1 million and RMB92.9 million as at 31 December 2024, respectively.

Please refer to the section headed "Contractual Arrangements" of the Prospectus for details. Up to the date of this annual report, there is no further update in relation to the foreign ownership restriction.

Risks associated with the Contractual Arrangements

For risks associated with the Contractual Arrangements, please see the section headed "Risk Factors" in the Prospectus for details.

Material change in relation to the Contractual Arrangements

During 2024, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

Unwinding the Contractual Arrangements

As regards to the Contractual Arrangements, if and when the Ministry of Commerce, PRC ("MOFCOM") and/or other relevant governmental departments promulgate any measures for the administration of foreign-invested enterprises engaging in aesthetic medical services business or such entities invested by foreign investors, depending on the limit of the percentage equity interest permitted to be held by foreign investors (if any), we will partially unwind the Contractual Arrangements and hold (directly or indirectly) equity interest in the VIE Entities up to the percentage limit prescribed by such measures; and if there is no prescribed limit of the percentage equity interest permitted to be held by foreign investors and that our Company would be allowed to directly hold 100% of the equity interests in the VIE Entities, we will fully unwind the Contractual Arrangements and directly hold the entire equity interest in the VIE Entities.

However, for 2024, none of the Contractual Arrangements had been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements had been removed.

Waiver from the Stock Exchange

The Stock Exchange has granted a waiver to the Company from strict compliance with the connected transactions requirements under Chapter 14A of the Listing Rules in respect of the Contractual Arrangements. For details, please refer to the section "Connected Transactions" in the Prospectus.

Confirmation from Independent Non-executive Directors

The INEDs have reviewed the Contractual Arrangements and confirmed that during 2024 that (i) the transactions carried out during 2024 have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by the VIE Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and the VIE Entities during the relevant financial period are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Shareholders as a whole.

Confirmations from the Company's independent auditors

Ernst and Young, the Company's auditors, has carried out procedures annually to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by the HKICPA. For the purpose of Rule 14A.56 of the Listing Rules, Ernst and Young has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in 2024:

(a) nothing has come to their attention that causes the Company's auditors to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) nothing has come to their attention that causes the Company's auditors to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and

(c) nothing has come to their attention that causes the Company's auditors to believe that any dividends or other distributions have been made by the VIE Entities to its registered equity shareholders which are not otherwise subsequently assigned or transferred to the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, at least 25% of the Company's total number of issued shares were held by the public at all times since the Listing Date.

DONATION

During 2024, the Group did not make any donation (2023: Nil).

AUDIT COMMITTEE

Before the Group's annual results for 2024 were approved by the Board, the Audit Committee had reviewed and approved the relevant annual results. The work of the Audit Committee and its composition information are set out in the corporate governance report on pages 45 to 46 of this annual report.

CORPORATE GOVERNANCE

The corporate governance practices of the Company are set out in the corporate governance report on page 38 of this annual report.

AUDITORS

Ernst & Young, Certified Public Accountants, has audited the financial statements for 2024 and will retire at the 2025 AGM and is eligible for re-election. The Company will propose a resolution for the re-appointment of Ernst & Young as the Company's auditors at the 2025 AGM. There has been no change in auditors during the years ended 31 December 2024, 31 December 2023 and 31 December 2022.

By order of the Board

Raily Aesthetic Medicine International Holdings Limited
Fu Haishu
Chairman and Executive Director

Hong Kong, 28 March 2025

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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To the shareholders of Raily Aesthetic Medicine International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Raily Aesthetic Medicine International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 106 to 190, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible asset	
During the year ended 31 December 2024, the Group recognized impairment losses in goodwill and intangible asset in connection with a CGU in the amount of RMB38,672,000 and RMB21,703,000, respectively. The CGU had been subsequently disposed of resulting in a net loss of RMB808,000. The amounts had significant impact on the statement of profit or loss, which is a key performance indicator of the management. Considering the significance of the amounts to the financial statements, we considered impairment losses in goodwill and intangible asset as our key audit matter. The disclosures about impairment of goodwill and intangible assets are included in note 2.4 "Material Accounting Policies", note 15 "Goodwill" and note 16 "Other intangible assets" to the financial statements.	Our procedures included, among others, obtaining and examining the relevant documents. We also inquired management and corroborated with evidence we obtained. We obtained and evaluated the appropriateness of the management's assessment on the recoverable amount of the CGU before disposal. We also checked the accounting treatments made by the management. We also focused on the adequacy of the disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is HO Siu Fung, Terence.

Ernst & Young
Certified Public Accountants

Hong Kong
28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**199,342**	189,384
Cost of sales		**(127,935)**	(117,891)
Gross profit		**71,407**	71,493
Other income and gains	5	**20,266**	8,774
Selling and distribution expenses		**(47,659)**	(52,285)
Administrative expenses		**(41,810)**	(40,100)
Impairment losses on financial assets		**(93)**	(29)
Other expenses		**(63,769)**	(16,723)
Research and development expenses		**(717)**	(1,602)
Finance costs	7	**(2,806)**	(2,798)
Share of losses of:			
An associate	17	**(4)**	(1,740)
A joint venture	18	**(72)**	–
LOSS BEFORE TAX	6	**(65,257)**	(35,010)
Income tax credit/(expense)	10	**1,994**	(2,769)
LOSS FOR THE YEAR		**(63,263)**	(37,779)
Attributable to:			
Owners of the parent		**(59,212)**	(32,457)
Non-controlling interests		**(4,051)**	(5,322)
		(63,263)	(37,779)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
For loss for the year (RMB)		**(11.11) cents**	(6.75) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**45,951**	50,291
Right-of-use assets	*14(a)*	**32,365**	44,335
Goodwill	*15*	**6,150**	44,822
Other intangible assets	*16*	**43,906**	23,822
Investment in an associate	*17*	**702**	706
Investment in a joint venture	*18*	**428**	–
Deferred tax assets	*28*	**9,998**	9,396
Pledged deposits	*22*	**1,504**	–
Other non-current assets	*21*	**18,485**	20,611
Total non-current assets		**159,489**	193,983
CURRENT ASSETS			
Inventories and supplies	*19*	**14,370**	11,438
Trade receivables	*20*	**1,538**	9,499
Prepayments, other receivables and other current assets	*21*	**45,656**	17,304
Pledged deposits	*22*	**–**	1,585
Cash and bank balances	*22*	**28,870**	39,790
Total current assets		**90,434**	79,616
CURRENT LIABILITIES			
Trade payables	*23*	**7,779**	9,502
Other payables and accruals	*24*	**35,515**	23,943
Interest-bearing bank borrowings	*25*	**17,282**	7,000
Contract liabilities	*26*	**38,829**	20,977
Refund liabilities	*27*	**2,302**	3,204
Contingent consideration	*29*	**–**	10,295
Lease liabilities	*14(b)*	**12,225**	10,342
Tax payable		**9,656**	6,896
Total current liabilities		**123,588**	92,159
NET CURRENT LIABILITIES		**(33,154)**	(12,543)
TOTAL ASSETS LESS CURRENT LIABILITIES		**126,335**	181,440

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	*14(b)*	**23,389**	34,442
Deferred tax liabilities	*28*	**–**	5,875
Contingent consideration	*29*	**–**	8,141
Other non-current liabilities	*24*	**3,957**	392
Interest-bearing bank and other borrowings	*25*	**3,471**	–
Total non-current liabilities		**30,817**	48,850
Net assets		**95,518**	132,590
EQUITY			
Equity attributable to owners of the parent			
Share capital	*30*	**185,748**	136,267
(Deficits)/Reserves	*32*	**(81,614)**	1,848
		104,134	138,115
Non-controlling interests		**(8,616)**	(5,525)
Total equity		**95,518**	132,590

Fu Haishu	**Song Jianliang**	**Wang Ying**
Director	*Director*	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

		Attributable to owners of the parent							
	Notes	Share capital RMB'000 *note 30*	Capital reserves* RMB'000 *note 32*	Share option reserve* RMB'000 *note 31*	Statutory surplus reserve* RMB'000 *note 32*	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023		136,267	28,787	4,808	9,351	(13,133)	166,080	(203)	165,877
Loss for the year		–	–	–	–	(32,457)	(32,457)	(5,322)	(37,779)
Equity-settled share option arrangements	*31*	–	–	4,492	–	–	4,492	–	4,492
At 31 December 2023		136,267	28,787	9,300	9,351	(45,590)	138,115	(5,525)	132,590
At 1 January 2024		136,267	28,787	9,300	9,351	(45,590)	138,115	(5,525)	132,590
Loss for the year		–	–	–	–	(59,212)	(59,212)	(4,051)	(63,263)
Capital contribution from non-controlling shareholders of a subsidiary		–	–	–	–	–	–	960	960
Issue of shares		49,481	(27,330)	–	–	(3,447)	18,704	–	18,704
Share issue expenses		–	(1,457)	–	–	–	(1,457)	–	(1,457)
Equity-settled share option arrangements	*31*	–	–	7,984	–	–	7,984	–	7,984
At 31 December 2024		185,748	–	17,284	9,351	(108,249)	104,134	(8,616)	95,518

* *These reserve accounts comprise the consolidated deficits of RMB81,614,000 (2023: reserves of RMB1,848,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(65,257)**	(35,010)
Adjustments for:			
Finance costs	*7*	**2,806**	2,798
Share of losses of an associate and a joint venture		**76**	1,740
Loss on write-off of items of intangible assets		**–**	3,113
Loss/(gain) on disposal of items of property, plant and equipment	*5*	**493**	(155)
Gain on sublease	*14*	**(490)**	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	*14*	**(189)**	–
Investment income	*5*	**(47)**	(44)
Interest income	*5*	**(348)**	(791)
Depreciation of right-of-use assets	*6, 14*	**10,750**	10,147
Depreciation of property, plant and equipment	*6, 13*	**12,279**	12,479
Provision for impairment of trade receivables and other receivables	*6*	**93**	29
Impairment of goodwill	*15*	**38,672**	11,942
Amortisation of intangible assets	*6, 16*	**5,129**	3,556
Equity-settled share option expense	*31*	**7,984**	4,492
Fair value change in contingent consideration	*5*	**(18,436)**	(7,131)
Gain on foreign exchange differences		**(201)**	(918)
Impairment of inventories	*19*	**(146)**	146
Provision for impairment of investment in an associate	*17*	**–**	767
Provision for impairment of intangible assets	*16*	**21,703**	–
Loss on disposal of subsidiaries	*33*	**740**	–
		15,611	7,160
(Increase)/decrease in inventories		**(2,786)**	1,143
Increase in trade receivables		**(4,052)**	(3,656)
Increase in prepayments, other receivables and other assets		**(28,376)**	(1,542)
(Decrease)/increase in trade payables		**(672)**	333
Decrease in an amount due to a director		**–**	(466)
Increase in contract liabilities		**17,852**	4,369
Decrease in refund liabilities		**(902)**	(872)
(Decrease)/increase in other long-term payables		**(392)**	392
Increase in other payables and accruals		**10,179**	1,944
Cash generated from operations		**6,462**	8,805
Income tax paid		**(456)**	(786)
Net cash flow generated from operating activities		**6,006**	8,019

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**254**	748
Purchases of items of property, plant and equipment		**(8,644)**	(17,999)
Purchases of items of intangible assets		**(35,956)**	(23)
Purchase of financial investments		**(3,000)**	(3,000)
Proceeds from disposal of financial investments		**3,220**	3,044
Proceeds from disposal of items of property, plant and equipment		**37**	317
Proceeds from sublease		**975**	–
Redemption of time deposits		**23,593**	10,772
Collection/(prepayment) for an equity investment		**4,000**	(20,000)
Receipt of government grants for property, plant and equipment		**3,500**	–
Disposal of subsidiaries		**(174)**	–
Purchase of a shareholding in a joint venture		**(500)**	–
Net cash flows used in investing activities		**(12,695)**	(26,141)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injections from non-controlling shareholders of a subsidiary		**960**	–
New bank loans		**32,800**	19,490
Repayments of bank loans		**(19,148)**	(17,490)
Interest paid		**(483)**	(350)
Payments of lease liabilities	*14(b)*	**(11,391)**	(12,132)
Proceeds from issue of shares		**18,704**	–
Share issue expense		**(1,457)**	–
Deposits for leases		**(117)**	–
Deposits for other loans		**(440)**	–
Net cash flows generated from/(used in) financing activities		**19,428**	(10,482)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**12,739**	(28,604)
Effect of foreign exchange rate changes, net		**201**	597
Cash and cash equivalents at beginning of the year		**15,930**	43,937
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*22*	**28,870**	15,930
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*22*	**28,870**	39,790
Less: Time deposit with maturity of more than 3 months		**–**	(23,860)
Cash and cash equivalents as stated in the statement of cash flows		**28,870**	15,930

1. CORPORATE AND GROUP INFORMATION

Raily Aesthetic Medicine International Holdings Limited is a limited liability company incorporated in the Cayman Islands on 2 January 2018. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the provision of aesthetic medical services, sale of aesthetic medical equipment products and consulting services. The Company was listed on the Hong Kong Stock Exchange on 28 December 2020.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Ruide Consultation Limited, which is incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name[1]	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hangzhou Raily Aesthetic Medical Hospital Co., Ltd. ("Hangzhou Raily") 杭州瑞麗醫療美容醫院有限公司	PRC/Chinese Mainland	RMB20,000,000	–	100%[2]	Aesthetic medical service
Ruian Raily Aesthetic Medical Out-patient Department Co., Ltd. ("Ruian Raily")[2] 瑞安瑞麗醫療美容門診部有限公司	PRC/Chinese Mainland	RMB20,000,000	–	100%[2]	Aesthetic medical service
Wuhu Raily Aesthetic Medical Out-patient Department Co., Ltd. ("Wuhu Raily")[2] 蕪湖瑞麗醫療美容門診部有限公司	PRC/Chinese Mainland	RMB685,800	–	70%	Aesthetic medical service
Hangzhou Ruiquan Medical Equipment Co., Ltd. ("Hangzhou Ruiquan") 杭州瑞泉醫療器械有限公司	PRC/Chinese Mainland	RMB10,000,000	–	100%	Medical equipment trading
Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd. ("Jiumei Xinhe")[4] 深圳市九美信禾醫療器械有限公司	PRC/Chinese Mainland	RMB1,000,000	–	100%	Medical equipment trading
Hainan Jiumei Xinhe Medical Equipment Co., Ltd. ("Hainan Jiumei")[3] 海南九美信禾醫療器械有限公司	PRC/Chinese Mainland	RMB1,000,000	–	100%	Medical equipment trading

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

[1] *The English names of these entities registered in the People's Republic of China ("PRC") represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.*

[2] *Since 1 January 2019, the 30% equity interest in this entity has been attributable to the Company through a variable interest entity ("VIE") agreement.*

[3] *Hainan Jiumei Xinhe Medical Equipment Co., Ltd. was disposed of by the Group on 19 June 2024.*

[4] *Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd. was disposed of by the Group on 6 November 2024.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 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) approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group had net current liabilities of RMB33,154,000 as at 31 December 2024. Having taken into account the unused banking facilities and the expected cash flows from operating activities, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Basis of consolidation (Continued)

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 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 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (Continued)

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

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

In the past, the Group failed to measure a leaseback liability arising in a sale and leaseback transaction in accordance with paragraphs 36 to 46 of IFRS 16 for a lease of cottages for which the monthly lease payments are variable, resulting in recognition of a gain that related to the right of use the Group retained.

Upon initial application of the amendments, the Group, as a seller-lessee, established an accounting policy that leaseback liabilities are initially measured using the present value of expected lease payments at the commencement date for sale and leaseback transactions with variable lease payments that do not depend on an index or a rate. The Group applied the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions occurring after 1 January 2019. After the initial recognition, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the expected lease payments, and the amendments did not have any significant impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.3 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. The Group intends to apply these new and revised IFRSs, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 [2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

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

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRSs. IFRS 18 and the consequential amendments to other IFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective international financial reporting standards (Continued)

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 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. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective international financial reporting standards (Continued)

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 Material accounting policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Investments in associates and joint ventures (Continued)

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Business combinations and goodwill (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investments at fair value and its derivative financial instruments at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, completed properties for sales, contract assets, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery equipment	4.75% to 32.00%
Office and other equipment	9.50% to 32.33%
Leasehold improvements	20.00% to 33.33%
Motor vehicles	19.00% to 23.75%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with definite useful lives are amortised on the straight-line basis over the following useful economic lives.

Software and others	3 to 10 years
Exclusive distribution agreement	6 to 15 years

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Working spaces	2 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of rental properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies for "Revenue recognition".

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, contingent consideration and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, contingent consideration and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, lease liabilities, other payables and accruals, contingent consideration, amounts due to an independent director.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liabilities arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Rendering of aesthetic medical services

Revenue from one-off aesthetic medical services is recognised at the point in time when services are rendered.

Revenue from aesthetic medical services by course of treatment is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. The progress towards the complete satisfaction of performance obligation is measured by direct measures of the value of individual service transferred to the customer.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group adopts the most likely amount method to estimate the variable considerations.

(b) Rendering of consulting services

Revenue from consulting service contracts with fixed terms is recognised over time by reference to the progress towards complete satisfaction of the performance obligation. Revenue from consulting service contracts for training courses, generally within one day, is recognised at the point in time when courses are delivered.

(c) Sales of aesthetic medical equipment products

Revenue from the sales of aesthetic medical equipment products is recognised at the points in time when control of asset is transferred to the customer, generally on the delivery of the aesthetic medical equipment products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Refund liabilities

A refund liability is the constructive obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Employee benefits

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Share-based payments (Continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Lease commitments – Group as lessee

The Group has entered into leases of properties with various lessors. The Group has determined the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Variable consideration for refund to customers

The Group estimates variable considerations to be included in the transaction price for the refund to customers in respect of unsatisfactory services rendered.

The Group has developed a statistical model for estimating the refund which is based on the Group's past experience with various groups of customers. Any significant changes in experience as compared to historical patterns will impact the expected refund estimated by the Group. The Group updates its assessment of the expected refund on a regular basis and the refund liabilities are adjusted accordingly.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2024 was RMB6,150,000 (2023: RMB44,822,000). Further details are given in note 15.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of intangible assets (other than goodwill)

The Group determines the estimated useful lives for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 28.

4. 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:

- Aesthetic medical services comprise principally inpatient services including surgical services and outpatient services including injection service, dermatology service and others.

- Consulting services comprise principally management consulting services.

- Aesthetic medical equipment products comprise principally sales of collagen injection products, 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).

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude contingent consideration, interest-bearing bank borrowings (other than lease liabilities), an amount due to an independent director, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2024	Aesthetic medical services RMB'000	Consulting services RMB'000	Aesthetic medical equipment products RMB'000	Total RMB'000
Segment revenue *(note 4)*:				
Sales to external customers	142,097	29	57,216	199,342
Intersegment sales	–	–	1,866	1,866
	142,097	29	59,082	201,208
Reconciliation:				
Elimination of intersegment sales				(1,866)
Revenue from continuing operations				199,342
Segment results	(19,015)	(1,288)	(16,569)	(36,872)
Reconciliation:				
Elimination of intersegment results				(346)
Other income and gains				(1,657)
Corporate and unallocated expenses				(25,798)
Finance costs (other than interest on lease liabilities)				(584)
Loss before income tax				(65,257)
Segment assets	80,270	8,850	76,337	165,457
Reconciliation:				
Corporate and other unallocated assets				84,466
Total assets				249,923
Segment liabilities	91,427	1,026	18,723	111,176
Reconciliation:				
Corporate and other unallocated liabilities				43,229
Total liabilities				154,405
Other segment information:				
Share of losses of an associate	–	–	(4)	(4)
Impairment losses recognised in profit or loss, net	–	15	60,404	60,419
Depreciation and amortisation	23,128	–	5,030	28,158
Capital expenditure*	7,694	–	35,956	43,650

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2023	Aesthetic medical services RMB'000	Consulting services RMB'000	Aesthetic medical equipment products RMB'000	Total RMB'000
Segment revenue *(note 4)*:				
Sales to external customers	174,910	–	14,474	189,384
Intersegment sales	–	–	746	746
	174,910	–	15,220	190,130
Reconciliation:				
Elimination of intersegment sales				(746)
Revenue from continuing operations				189,384
Segment results	(13,301)	(57)	2,548	(10,810)
Reconciliation:				
Elimination of intersegment results				(25)
Other income and gains				1,643
Corporate and unallocated expenses				(25,476)
Finance costs (other than interest on lease liabilities)				(342)
Loss before income tax				(35,010)
Segment assets	107,140	14	86,066	193,220
Reconciliation:				
Corporate and other unallocated assets				80,379
Total assets				273,599
Segment liabilities	99,019	57	3,356	102,432
Reconciliation:				
Corporate and other unallocated liabilities				38,577
Total liabilities				141,009
Other segment information:				
Share of losses of an associate	–	–	1,740	1,740
Impairment losses recognised in profit or loss, net	7,702	–	4,269	11,971
Depreciation and amortisation	22,013	7	4,162	26,182
Capital expenditure*	9,062	166	–	9,228

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

All significant external customers and non-current assets of the Group are located in Chinese Mainland. Accordingly, no geographical information of external customers or non-current assets is presented.

Information about a major customer

Revenue from continuing operations of approximately RMB46,731,000 (2023: Nil) was derived from sales by the aesthetic medical equipment products segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers		
Aesthetic medical services	**142,097**	174,910
Aesthetic medical equipment products	**57,216**	14,474
Consulting services	**29**	–
	199,342	189,384

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2024

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	–	–	57,216	57,216
Services	142,097	29	–	142,126
Total	142,097	29	57,216	199,342
Geographical market				
Mainland China	142,097	29	57,216	199,342
Timing of revenue recognition				
Goods transferred at a point in time	–	–	57,216	57,216
Services transferred at a point in time	95,223	–	–	95,223
Services transferred over time	46,874	29	–	46,903
Total	142,097	29	57,216	199,342

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

For the year ended 31 December 2023

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	–	–	14,474	14,474
Services	174,910	–	–	174,910
Total	174,910	–	14,474	189,384
Geographical market				
Mainland China	174,910	–	14,474	189,384
Timing of revenue recognition				
Goods transferred at a point in time	–	–	14,474	14,474
Services transferred at a point in time	133,591	–	–	133,591
Services transferred over time	41,319	–	–	41,319
Total	174,910	–	14,474	189,384

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

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 2024

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	**142,097**	**29**	**57,216**	**199,342**
Intersegment sales	**–**	**–**	**1,866**	**1,866**
Intersegment adjustments and eliminations	**–**	**–**	**(1,866)**	**(1,866)**
Total revenue form contracts with customers	**142,097**	**29**	**57,216**	**199,342**

For the year ended 31 December 2023

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	174,910	–	14,474	189,384
Intersegment sales	–	–	746	746
Intersegment adjustments and eliminations	–	–	(746)	(746)
Total revenue form contracts with customers	174,910	–	14,474	189,384

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the reporting period	**18,587**	16,133

	2024 RMB'000	2023 RMB'000
Revenue recognised from performance obligations satisfied in previous periods:		
Sale of services not previously recognised due to constraints on variable consideration	**720**	2,798

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Rendering of aesthetic medical services

According to the nature of service, the performance obligation is satisfied over time or at a point in time when the service is rendered and payment in advance is normally required.

Sale of aesthetic medical equipment products

The performance obligation is satisfied upon delivery of the aesthetic medical equipment products and payment in advance is normally required. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(b) Performance obligations (Continued)

The amount of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December is as follows:

	2024 RMB'000	2023 RMB'000
Within one year	**38,829**	20,977

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

	2024 RMB'000	2023 RMB'000
Other income		
Interest income	**348**	791
Investment income	**47**	44
Government subsidies	**107**	16
Others	**540**	312
	1,042	1,163
Gains		
Fair value gains on contingent consideration	**18,436**	7,131
Gain on foreign exchange differences	**–**	235
Loss on disposal of subsidiaries	**68**	–
Gain on derecognition of financial liabilities measured at amortised cost	**6**	90
Gain on revision of a lease term arising from a change in the non-cancellable period of a lease	**189**	–
Gain on sublease	**490**	–
Gain disposal of items of property, plant and equipment	**35**	155
	19,224	7,611
	20,266	8,774

6. LOSS BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of supplies consumed		**65,611**	69,159
Cost of inventories sold		**19,447**	3,528
Amortisation of intangible assets	*16*	**5,129**	3,556
Depreciation of property, plant and equipment	*13*	**12,279**	12,479
Depreciation of right-of-use assets	*14*	**10,750**	10,147
Research and development costs		**717**	1,602
Lease payments not included in the measurement of lease liabilities		**487**	1,205
Auditor's remuneration		**2,359**	2,209
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		**50,128**	54,449
Equity-settled share option expense		**7,299**	4,411
Pension scheme contributions		**5,852**	5,874
Staff welfare expenses		**811**	1,869
Impairment of trade receivables, net	*20*	**2**	29
Impairment of financial assets included in prepayments, other receivables and other assets	*21*	**56**	–
Impairment of financial assets included in other non-current assets	*21*	**35**	–
Impairment of goodwill	*15*	**38,672**	11,942
Loss/(gain) on disposal of items of property, plant and equipment		**493**	(155)
Gain on sublease	*5*	**(490)**	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	*5*	**(189)**	–
Loss on write-off of items of intangible assets		**–**	3,113
Promotion and marketing expenses		**11,625**	17,344
Professional fee		**4,029**	2,548
Foreign exchange differences, net		**276**	(235)
Fair value gains on contingent consideration	*5*	**(18,436)**	(7,131)
Impairment of intangible asset		**21,703**	–
Loss on disposal of subsidiaries		**740**	–

7. FINANCE COSTS

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

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**2,222**	2,456
Interest on bank borrowings	**584**	342
	2,806	2,798

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 RMB'000	2023 RMB'000
Fees	**1,148**	1,135
Other emoluments:		
Salaries, allowances and benefits in kind	**1,685**	1,912
Pension scheme contributions	**196**	167
Equity-settled share option expense	**685**	81
	2,566	2,160
	3,714	3,295

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options, which has been recognised over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees to independent non-executive directors during the year were as follows:

	2024 RMB'000	2023 RMB'000
Mr. Cao Dequan	**164**	162
Mr. Liu Teng	**164**	162
Ms. Yang Xiaofen	**164**	162
	492	486

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

(b) Executive directors, non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension Scheme contributions RMB'000	Total remuneration RMB'000
2024					
Executive directors:					
Mr. Song Jianliang	–	693	–	–	693
Mr. Fu Haishu	547	240	–	79	866
Mr. Wang Ying	109	337	–	31	477
Chief executive:					
Ms. Zhang Chunxiu	–	415	685	86	1,186
	656	1,685	685	196	3,222

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension Scheme contributions RMB'000	Total remuneration RMB'000
2023					
Executive directors:					
Mr. Song Jianliang	–	900	33	–	933
Mr. Fu Haishu	541	240	–	71	852
Mr. Wang Ying	108	426	33	24	591
Chief executive:					
Ms. Zhang Chunxiu	–	346	15	72	433
	649	1,912	81	167	2,809

No remuneration was paid by the Group to directors as an inducement to join or upon joining the Group or as compensation for the loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group distinguishing between contractual and other payments.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2023: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2023: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	**2,617**	3,354
Equity-settled share option expense	**–**	3
Pension scheme contributions	**98**	71
	2,715	3,428

9. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

No remuneration was paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of any office in connection with the management of the affairs of any member of the Group distinguishing between contractual payments and other payments (excluding the amounts as disclosed in the table above). The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2024	2023
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$2,000,000	**–**	1
	3	4

During the year and in prior years, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options, which has been recognised over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. 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.

	2024	2023
	RMB'000	RMB'000
Current tax		
Charge for the year	**4,016**	130
Withholding tax paid	**467**	–
Overprovision in prior years	**–**	69
Deferred *(note 28)*	**(6,477)**	2,570
Total tax (credit)/charge for the year	**(1,994)**	2,769

10. INCOME TAX (CONTINUED)

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

	2024 **RMB'000**	2023 RMB'000
Loss before tax	**(65,257)**	(35,010)
Tax at the PRC statutory income tax rate*	**(16,314)**	(8,753)
Effect of different tax rates of subsidiaries**	**349**	1,704
Effect of withholding tax	**467**	–
Adjustments in respect of current tax of previous periods	**–**	69
Losses attributable to an associate and a joint venture	**(6)**	435
Expenses not deductible for tax	**8,635**	3,594
Deductible temporary differences and tax losses not recognised	**4,875**	5,720
	(1,994)	2,769

* 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, Hangzhou Beilifeier, Ruian Raily, Wuhu Raily, Ningbo Zhuerli, Shenzhen Ruiquan, Hainan Beilifeier, Hangzhou Ruiyan Network Technology and Raily Equipment as small micro-enterprises, enjoyed preferential tax rate of 5% (2023: ranging from 2.5% to 5%) for the year ended 31 December 2024.

Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules published by the Organization for Economic Co-operation and Development. While Hong Kong is in the process of seeking consultation on the implementation of the global minimum tax and domestic minimum top-up tax, it is expected that the new regime will come into effect for the Group's financial year beginning on 1 January 2025. Of the jurisdictions in which the Group operates, Mainland China has not yet formally adopted the domestic legislation of the Pillar Two model rules, but relevant departments (such as the Ministry of Finance and the State Administration of Taxation) are studying how to incorporate the Pillar Two model rules into the domestic tax system. The Group has undertaken a preliminary assessment of the Pillar Two tax implications for the jurisdictions in which the Group operates and have enacted Pillar Two legislation. Based on the preliminary assessment and current financials, the Group does not expect to have any material Pillar Two exposure (including current tax) arising in these jurisdictions during the twelve months ended December 31, 2024. The Group has also applied the Amendments to IAS 12, "International Tax Reform – Pillar Two Model Rules", temporary mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

11. DIVIDENDS

No dividend was paid or declared by the Company for the year ended 31 December 2024.

12. 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 532,837,181 (2023: 480,595,473) outstanding during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2024 and 2023 in respect of a dilution as the impact of the option outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	2024 **RMB'000**	2023 RMB'000 (Restated)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(59,212)**	(32,457)
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic loss per share calculation	**532,837,181**	480,595,473
Basic and diluted		
For loss for the year (RMB)	**(11.11) cents**	(6.75) cents

Because the diluted loss per share amount is decreased when taking share options into account, the share options had an anti-dilutive effect on the basic loss per share for the year ended 31 December 2024 and were ignored in the calculation of diluted loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2024

	Machinery equipment RMB'000	Office and other equipment RMB'000	Lease hold improvements RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2024:						
Cost	37,267	7,751	41,331	3,424	17,433	107,206
Accumulated depreciation	(27,948)	(6,101)	(20,307)	(2,559)	–	(56,915)
Net carrying amount	9,319	1,650	21,024	865	17,433	50,291
At 1 January 2024, net of accumulated depreciation and impairment	9,319	1,650	21,024	865	17,433	50,291
Additions	3,090	177	2,015	41	3,322	8,645
Disposals	(478)	(15)	–	(37)	–	(530)
Disposal of subsidiaries	(61)	–	(115)	–	–	(176)
Depreciation provided during the year	(3,708)	(650)	(7,441)	(480)	–	(12,279)
Transfer	–	–	142	–	(142)	–
At 31 December 2024, net of accumulated depreciation	8,162	1,162	15,625	389	20,613	45,951
At 31 December 2024:						
Cost	30,996	7,628	37,470	3,209	20,613	99,916
Accumulated depreciation	(22,834)	(6,466)	(21,845)	(2,820)	–	(53,965)
Net carrying amount	8,162	1,162	15,625	389	20,613	45,951

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2023

	Machinery equipment RMB'000	Office and other equipment RMB'000	Lease hold improvements RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023:						
Cost	36,735	8,062	36,150	3,424	2,715	87,086
Accumulated depreciation and impairment	(24,263)	(6,244)	(13,760)	(2,056)	–	(46,323)
Net carrying amount	12,472	1,818	22,390	1,368	2,715	40,763
At 1 January 2023, net of accumulated depreciation and impairment	12,472	1,818	22,390	1,368	2,715	40,763
Additions	1,686	585	1,555	–	18,343	22,169
Disposals	(59)	(103)	–	–	–	(162)
Depreciation provided during the year	(4,780)	(650))	(6,546)	(503)	–	(12,479)
Transfer	–	–	3,625	–	(3,625)	–
At 31 December 2023, net of accumulated depreciation	9,319	1,650	21,024	865	17,433	50,291
At 31 December 2023:						
Cost	37,267	7,751	41,331	3,424	17,433	107,206
Accumulated depreciation	(27,948)	(6,101)	(20,307)	(2,559)	–	(56,915)
Net carrying amount	9,319	1,650	21,024	865	17,433	50,291

14. LEASES

Group as a lessee

The Group has lease contracts for working spaces used in its operations. Leases of working spaces generally have lease terms between 2 and 10 years. There are several lease contracts that include extension and termination options, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Working spaces RMB'000
As at 1 January 2023	43,243
Additions	11,239
Depreciation charge	(10,147)
As at 31 December 2023 and 1 January 2024	**44,335**
Additions	**2,579**
Sublease	**(1,499)**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(1,480)**
Disposal of subsidiaries	**(820)**
Depreciation charge	**(10,750)**
As at 31 December 2024	**32,365**

14. LEASES (CONTINUED)

Group as a lessee (Continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	**44,784**	43,221
New leases	**2,579**	11,239
Accretion of interest recognised during the year	**2,222**	2,456
Payments	**(11,391)**	(12,132)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(1,669)**	–
Disposal of subsidiaries	**(911)**	–
Carrying amount at 31 December	**35,614**	44,784
Analysed into:		
Current	**12,225**	10,342
Non-current	**23,389**	34,442

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Interest charge on lease liabilities	**2,222**	2,456
Depreciation charge of right-of-use assets	**10,750**	10,147
Expense relating to short-term leases	**487**	1,205
Gain on sublease	**(490)**	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(189)**	–
Total amount recognised in profit or loss	**12,780**	13,808

(d) Extension and termination options

The Group has several lease contracts that include extension and termination options but the Group did not expect to exercise such options as at 31 December 2024.

(e) The total cash outflow for leases is disclosed in note 34(c) to the financial statements.

15. GOODWILL

	RMB'000
At 1 January 2023:	
Cost	63,129
Accumulated impairment	(6,365)
Net carrying amount	56,764
Cost at 1 January 2023, net of accumulated impairment	56,764
Impairment during the year	(11,942)
Cost and net carrying amount at 31 December 2023	44,822
At 31 December 2023:	
Cost	63,129
Accumulated impairment	(18,307)
Net carrying amount	44,822
Cost at 1 January 2024, net of accumulated impairment	44,822
Impairment during the year	(38,672)
Cost and net carrying amount at 31 December 2024	6,150
At 31 December 2024:	
Cost	20,210
Accumulated impairment	(14,060)
Net carrying amount	6,150

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units ("CGUs") for impairment testing:

Aesthetic medical services CGUs.

15. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Aesthetic medical services CGUs

The recoverable amount of the aesthetic medical services CGUs had been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections for 31 December 2024 was 12.39% (2023: 13.03%). The growth rate used to extrapolate the cash flows of the aesthetic medical services CGUs beyond the five-year period is 3.00% (2023: 3.00%), which is also an estimate of the long-term rate of inflation.

The management made the impairment test of CGUs with the assistance of external valuers.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	Aesthetic medical services		Aesthetic medical products		Total	
	2024 RMB'000	2023 RMB'000	**2024 RMB'000**	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
Carrying amount of goodwill	**6,150**	6,150	**–**	38,672	**6,150**	44,822

Jiumei Xinhe was registered as a distributor under the PRC medical device registration which allowed it to distribute e-PTFE facial implant product in the PRC. The National Medical Products Administration announced on 8 October 2024 that the e-PTFE facial implant product supplied to Jiumei Xinhe shall be ceased to be imported into the PRC and the Board decided to fade out the business of Jiumei Xinhe. Therefore, on the same day, the Group's goodwill in Jiumei Xinhe amounted to RMB38,672,000 was impaired simultaneously. This subsidiary was subsequently being disposed of by the Group on 6 November 2024.

Assumptions were used in the value in use calculation of the aesthetic medical services and aesthetic medical equipment products CGUs for 31 December 2024 and 31 December 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Long-term growth rates – The basis used to determine the value assigned to the long-term growth rates are the forecast price indices during the budget year from where the main services are located.

The values assigned to the key assumptions on market development of the aesthetic medical services and aesthetic medical products industries, discount rates and consumer price indexes are based on the long-term growth rates in the industries and the Group's historical experience.

In the opinion of the directors of the Company, for the aesthetic medical services cash-generating unit, a reasonably possible change in the key assumptions of the cash flow projections would cause its carrying amount exceed its recoverable amount. The headroom was RMB2,035,000 as at 31 December 2024. If the discount rate increased from 12.39% to 12.90%, or the long-term growth rate decreased from 3.00% to 2.24%, a further impairment on goodwill would be recognised during the year ended 31 December 2024.

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Exclusive distribution agreement RMB'000	Others RMB'000	Total RMB'000
31 December 2024				
Cost at 1 January 2024, net of accumulated amortisation	**269**	**23,500**	**53**	**23,822**
Additions	**50**	**46,866**	**–**	**46,916**
Impairment during the year	**–**	**(21,703)**	**–**	**(21,703)**
Amortisation provided during the year	**(67)**	**(5,043)**	**(19)**	**(5,129)**
At 31 December 2024	**252**	**43,620**	**34**	**43,906**
At 31 December 2024:				
Cost	**776**	**46,866**	**143**	**47,785**
Accumulated amortisation	**(524)**	**(3,246)**	**(109)**	**(3,879)**
Net carrying amount	**252**	**43,620**	**34**	**43,906**
31 December 2023				
Cost at 1 January 2023, net of accumulated amortisation	3,895	26,500	72	30,467
Additions	24	–	–	24
Disposal	(3,113)	–	–	(3,113)
Amortisation provided during the year	(537)	(3,000)	(19)	(3,556)
At 31 December 2023	269	23,500	53	23,822
At 31 December 2023:				
Cost	740	30,000	143	30,883
Accumulated amortisation	(471)	(6,500)	(90)	(7,061)
Net carrying amount	269	23,500	53	23,822

16. OTHER INTANGIBLE ASSETS (CONTINUED)

Jiumei Xinhe was registered as a distributor under the PRC medical device registration which allowed it to distribute e-PTFE facial implant product in the PRC. The National Medical Products Administration announced on 8 October 2024 that the e-PTFE facial implant product supplied to Jiumei Xinhe shall be ceased to be imported into the PRC and the board decided to fade out the business of Jiumei Xinhe. Therefore, on the same day, the Group's intangible asset in Jiumei Xinhe amounted to RMB21,703,000 was impaired simultaneously. This subsidiary was subsequently being disposed of by the Group on 6 November 2024.

17. INVESTMENT IN AN ASSOCIATE

	2024 **RMB'000**	2023 RMB'000
Investment in the associate	**702**	706

The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	2024 **RMB'000**	2023 RMB'000
Share of the associates' loss for the year	**(4)**	(1,789)
Share of the associates' total comprehensive income	**(4)**	(1,789)
Impairment	**–**	(767)
Aggregate carrying amount of the Group's investment in the associate	**702**	706

The Group's shareholding in the associate is held through a wholly-owned subsidiary of the Company.

18. INVESTMENT IN A JOINT VENTURE

	2024 **RMB'000**	2023 RMB'000
Share of net assets	**428**	–

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2024 **RMB'000**	2023 RMB'000
Share of the joint ventures' loss for the year	**(72)**	–
Share of the joint ventures' total comprehensive income	**(72)**	–
Aggregate carrying amount of the Group's investment in the joint venture	**428**	–

The Group's shareholding in the joint venture is held through a wholly-owned subsidiary of the Company.

19. INVENTORIES

	2024 **RMB'000**	2023 RMB'000
Aesthetic medical equipment products	**7,064**	1,015
Medical consumables	**4,476**	6,600
Pharmaceuticals	**2,830**	3,969
Impairment	**–**	(146)
	14,370	11,438

At 31 December 2024, the Group did not have any inventories (2023: Nil) that have been pledged.

20. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**1,548**	9,564
Impairment	**(10)**	(65)
	1,538	9,499

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:

	2024 RMB'000	2023 RMB'000
Within 3 months	**1,537**	1,864
4 to 6 months	**–**	245
7 to 12 months	**1**	3,147
1 to 2 years	**–**	4,243
	1,538	9,499

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for the customers, external credit ratings and historical credit loss experience. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

20. TRADE RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2024

		Past due			
	Current	**Less than 3 month**	**3 to 6 months**	**Over 6 months**	**Total**
Expected credit loss rate	**0.65%**	**–**	**–**	**–**	**0.65%**
Gross carrying amount (RMB'000)	**1,547**	**–**	**1**	**–**	**1,548**
Expected credit losses (RMB'000)	**10**	**–**	**–**	**–**	**10**

As at 31 December 2023

		Past due			
	Current	Less than 3 month	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.64%	0.81%	0.69%	0.68%	0.68%
Gross carrying amount (RMB'000)	1,877	247	3,169	4,271	9,564
Expected credit losses (RMB'000)	12	2	22	29	65

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

	2024 RMB'000	2023 RMB'000
At beginning of year	**65**	36
Impairment losses, net *(note 6)*	**2**	29
Disposal of subsidiaries	**(57)**	–
At end of year	**10**	65

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for the customers, external credit ratings and historical credit loss experience. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024	2023
	RMB'000	RMB'000
Prepayments for inventories and supplies	**11,532**	223
Prepayments for services	**446**	2,897
Prepaid expense	**1,369**	1,906
Deposits	**18,482**	11,377
Refundable earnest money	**16,000**	20,000
Other receivables	**16,410**	1,519
	64,239	37,922
Impairment allowance	**(98)**	(7)
	64,141	37,915
Analysed into:		
Current	**45,656**	17,304
Non-current	**18,485**	20,611

Deposits and other receivables mainly represent rental deposits, deposits with suppliers, and petty cash to employees. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

An impairment analysis is performed at the end of each reporting period. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9. The Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

As at 31 December 2024, the Group estimated the expected losses for other receivables to be RMB63,000 (2023: RMB7,000). The movements in the loss allowance for impairment of other receivables were as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	**7**	7
Impairment losses *(note 6)*	**91**	–
At end of year	**98**	7

22. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**28,870**	39,790
Pledged deposits	**1,504**	1,585
	30,374	41,375
Less:		
Time deposit with maturity of more than 3 months	**–**	(23,860)
Pledged deposits for lease guarantee	**(1,504)**	(1,585)
Cash and cash equivalents	**28,870**	15,930

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB28,870,000 (2023: RMB15,930,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Pledged deposits for lease arrangements will be due in December 2027 respectively and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. 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:

	2024 RMB'000	2023 RMB'000
Within 90 days	**7,062**	8,634
91 to 180 days	**636**	596
181 to 365 days	**58**	237
Over 365 days	**23**	35
	7,779	9,502

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

24. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Other payables*	**19,803**	10,970
Payroll payable	**9,290**	7,683
Advances received	**4,357**	4,587
Deferred revenue	**3,500**	–
Tax liabilities (other than income tax)	**2,522**	1,095
	39,472	24,335
Analysed into:		
Current	**35,515**	23,943
Non-current	**3,957**	392

* Other payables are non-interest-bearing and repayable on demand.

25. INTEREST-BEARING BANK BORROWINGS

	2024			2023		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	**4**	**2025**	**13,000**	4	2024	7,000
Other loans – secured	**8**	**2025**	**4,282**	N/A	N/A	–
Total current			**17,282**			7,000
Non-current						
Other loans – secured	**8**	**2026**	**3,471**	N/A	N/A	–
			20,753			7,000

The Group's interest-bearing bank borrowings were repayable within one year at the end of the reporting period.

Other loans carry a weighted average effective interest rate at 8% (2023: N/A) and will mature during the years from 2025 to 2026 (2023: N/A).

	2024 HK$'000	2023 HK$'000
Analysed into:		
Bank loans		
Within one year or on demand	**13,000**	7,000
Other borrowings repayable:		
Within one year	**4,282**	–
In the second year	**3,471**	–
Subtotal	**7,753**	–
Total	**20,753**	7,000

Other loans were secured by mortgages over the Group's machinery equipment, which had a net carrying value at the end of the reporting period of approximately RMB1,821,000 (2023: N/A) and were guaranteed by the Company and certain of its subsidiaries.

26. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000	1 January 2023 RMB'000
Short-term advances received from customers			
Aesthetic medical services	**30,951**	20,977	16,608
Aesthetic equipment products	**7,878**	–	–
Total	**38,829**	20,977	16,608

Contractual liabilities include advances received for the provision of aesthetic medical services and aesthetic equipment products. The increase in contract liabilities in 2024 and 2023 was mainly due to the increase in short-term advances received from customers in relation to the sale of aesthetic medical services and aesthetic equipment products at the end of the year.

27. REFUND LIABILITIES

	Refund liabilities RMB'000
At 1 January 2023	4,076
Additions	3,358
Amounts utilised during the year	(4,230)
At 31 December 2023 and 1 January 2024	3,204
Additions	3,830
Amounts utilised during the year	(4,732)
At 31 December 2024	2,302

The Group provides one-year warranties to its customers on certain of its medical and aesthetic services. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Note	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Right-of-use assets RMB'000	Depreciation RMB'000	Total RMB'000
At 1 January 2024		5,875	7,820	528	14,223
Deferred tax charged/(credited) to profit or loss during the year	10	(5,875)	(5,211)	(314)	(11,400)
Gross deferred tax liabilities at 31 December 2024		–	2,609	214	2,823

Deferred tax assets

	Note	Advertising expenses for offsetting against future profit RMB'000	Provision and accruals RMB'000	Loss available for offsetting against future profit RMB'000	Lease liabilities RMB'000	Amortisation RMB'000	Refund liabilities RMB'000	Total RMB'000
At 1 January 2024		91	653	6,530	9,191	778	501	17,744
Deferred tax credited/(charged) to profit or loss during the year	10	(91)	117	1,491	(6,086)	(165)	(189)	(4,923)
Gross deferred tax assets at 31 December 2024		–	770	8,021	3,105	613	312	12,821

28. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Note	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Right-of-use assets RMB'000	Depreciation RMB'000	Total RMB'000
At 1 January 2023		6,625	10,802	1,206	18,633
Deferred tax credited to profit or loss during the year	*10*	(750)	(2,982)	(678)	(4,410)
Gross deferred tax liabilities at 31 December 2023		5,875	7,820	528	14,223

Deferred tax assets

	Note	Advertising expenses for offsetting against future profit RMB'000	Provision and accruals RMB'000	Loss available for offsetting against future profit RMB'000	Lease liabilities RMB'000	Amortisation RMB'000	Refund liabilities RMB'000	Total RMB'000
At 1 January 2023		1,633	625	9,284	12,163	–	1,019	24,724
Deferred tax credited/(charged) to profit or loss during the year	*10*	(1,542)	28	(2,754)	(2,972)	778	(518)	(6,980)
Gross deferred tax assets at 31 December 2023		91	653	6,530	9,191	778	501	17,744

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008.

28. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**9,998**	9,396
Net deferred tax liabilities recognised in the consolidated statement of financial position	**–**	5,875

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the following items can be utilised:

	2024 RMB'000	2023 RMB'000
Tax losses	**38,766**	28,211

As at 31 December 2024, no deferred tax has been recognised for withholding taxes that would be payable on the earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in these subsidiaries in the PRC for which deferred tax liabilities have not been recognised was RMB994,000(2023: RMB1,528,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. CONTINGENT CONSIDERATION

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

On 6 November 2024, the Group disposed of its whole equity interests in Jiumei Xinhe, at a consideration of RMB3,720,000 to independent third parties. The purchasers were third parties from whom the Group originally acquired Jiumei Xinhe. Shenzhen Ruiquan and the purchasers agreed that the obligations of Shenzhen Ruiquan to pay the contingent consideration shall be ceased and none of the parties shall have any claim against the others.

30. SHARE CAPITAL

Shares

	2024 RMB'000	2023 RMB'000
Issued and full paid:		
557,077,333 (2023: 2,089,040,000) ordinary shares	**185,748**	136,267

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2023 and 31 December 2023	2,089,040,000	136,267
Share consolidation *(Note a)*	(1,671,232,000)	–
Right issue *(Note b)*	139,269,333	49,481
At 31 December 2024	557,077,333	185,748

Notes:

(a) A share consolidation on the basis that every five existing shares in the share capital of the Company be consolidated into one consolidated share was effective on 19 March 2024, resulting in the decrease of the number of shares in issue of 1,671,232,000.

(b) A rights issue of one rights share for every three existing shares held by members on the register of members on 25 April 2024 was made, at an issue price of HK$0.148 per rights share, resulting in the issue of 139,269,333 shares for a total cash consideration, before expenses, of RMB18,704,000.

Details of the Company's share option scheme and the share options issued under the scheme are included in note 31 to the financial statements.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group. The Scheme became effective on 23 August 2021 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of six months and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Scheme, whichever is earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

31. SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the Scheme during the year:

	2024		2023	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.265**	**156,870**	0.319	205,400
Granted during the year	**0.118**	**96,061**	–	–
Adjustments as a result of completion of the Share consolidation	**–**	**(164,400)**	–	–
Adjustments as a result of completion of the Rights issue	**–**	**6,176**	–	–
Forfeited during the year	**0.492**	**(47,431)**	0.492	(48,530)
At 31 December	**0.629**	**47,276**	0.265	156,870

No share options were exercised during the year ended 31 December 2024 (2023: Nil).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

As at 31 December 2024

Number of options '000	**Exercise price HK$ per share**	**Exercise period**
5,035	**0.729**	**29-8-2023 to 28-8-2032**
5,035	**0.729**	**29-8-2024 to 28-8-2032**
7,553	**0.729**	**29-8-2025 to 28-8-2032**
7,553	**0.729**	**29-8-2026 to 28-8-2032**
11,188	**0.500**	**26-1-2025 to 26-1-2034**
10,682	**0.530**	**23-2-2025 to 23-2-2034**
230	**0.530**	**23-2-2026 to 23-2-2034**
47,276		

31. SHARE OPTION SCHEME (CONTINUED)

As at 31 December 2023

Number of options '000	Exercise price HK$ per share	Exercise period
–	0.492	23-8-2022 to 22-8-2023
47,431	0.492	23-8-2023 to 22-8-2024
21,888	0.1678	29-8-2023 to 28-8-2032
21,888	0.1678	29-8-2024 to 28-8-2032
32,832	0.1678	29-8-2025 to 28-8-2032
32,831	0.1678	29-8-2026 to 28-8-2032
156,870		

The Group recognised a share option expense of RMB7,984,000 during the year ended 31 December 2024 (2023: RMB4,492,000), with no share options granted during the year.

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

	2024	2023
Dividend yield (%)	**–**	N/A
Expected volatility (%)	**56**	N/A
Historical volatility (%)	**56**	N/A
Risk-free interest rate (%)	**3**	N/A
Weighted average share price (HK$ per share)	**10**	N/A

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

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 47,276,437 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 47,276,437 additional ordinary shares of the Company and additional share capital of RMB16,992,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 47,276,437 share options outstanding under the Scheme, which represented approximately 8.49% of the Company's shares in issue as at that date.

32. (DEFICITS)/RESERVES

The amounts of the Group's deficits and the movements therein for the year are presented in the consolidated statement of changes in equity on page 109 of the financial statements.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group prior to the incorporation of the Company and the reserve arising from the reorganisation during the initial public offering process and the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid for acquisition of non-controlling interest in a subsidiary. Details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

Statutory surplus reserve

In accordance with the Company Law of the PRC, a subsidiary of the Group which is a domestic enterprise is required to allocate 10% of its profit after tax, as determined in accordance with the relevant PRC accounting standards, to its statutory surplus reserve until the reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Distributable reserves

At 31 December 2024, the Company do not have reserves available for distribution, calculated in accordance with the provisions of sections 291, 297 and 299 of the Hong Kong Companies Ordinance.

33. DISPOSAL OF SUBSIDIARIES

On 19 June 2024, the Group disposed its whole equity interests in a subsidiary, Hainan Jiumei Xinhe Medical Equipment Co., Ltd., at a consideration of RMB70,000 to the independent third parties.

On 6 November 2024, the Group disposed its whole equity interests in a subsidiary, Shenzhen Jiumei Xinhe Medical Equipment Co., Ltd., at a consideration of RMB3,720,000 to the independent third parties.

	Notes	**2024** **RMB'000**
Net assets disposed of:		
Property, plant and equipment	*13*	**176**
Cash and bank balances		**174**
Trade receivables		**12,011**
Prepayments and other receivables		**2,343**
Right-of-use assets	*14*	**820**
Trade payables		**(1,051)**
Accruals and other payables		**(7,764)**
Lease liabilities		**(911)**
Tax payable		**(1,268)**
Subtotal		**4,530**
Loss on disposal of subsidiaries		**740**
Total consideration		**3,790**
Satisfied by:		
Cash		**3,790**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2024 **RMB'000**
Cash consideration received	**–**
Cash and bank balances disposed of	**(174)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(174)**

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,579,000 (2023: RMB11,239,000) and RMB2,579,000 (2023: RMB11,239,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2024

	Notes	**Bank and other loans RMB'000**	**Lease liabilities RMB'000**	**Total RMB'000**
At 1 January 2024		**8,230**	**44,784**	**53,014**
Changes from financing cash flows		**13,169**	**(11,391)**	**1,778**
New leases and revisions	*14(b)*	**–**	**(1)**	**(1)**
Interest expense	*7*	**101**	**2,222**	**2,323**
At 31 December 2024		**21,500**	**35,614**	**57,114**

2023

	Notes	Bank and other loans RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023		5,888	43,221	49,109
Changes from financing cash flows		2,342	(12,132)	(9,790)
New leases and revisions	*14(b)*	–	11,239	11,239
Interest expense	*7*	–	2,456	2,456
At 31 December 2023		8,230	44,784	53,014

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	**487**	1,205
Within financing activities	**11,391**	12,132
	11,878	13,337

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for its lease arrangements are disclosed in note 22 to the financial statements.

For the expansion of the lease arrangements for working spaces, the Group made a three-year deposit amounting to RMB1,504,000, which is disclosed in the note 22 to the financial statements.

For other loans, the Group had mortgaged its machinery equipment, which had a net carrying value at the end of the reporting period of approximately RMB1,821,000, which is disclosed in note 22 to the financial statements.

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere, the Group had the following transactions with related parties during the year:

	2024 RMB'000	2023 RMB'000
The associate:		
Purchases of products	**–**	100

The purchases from the associate were made according to the agreement by both parties with reference to market price of similar products.

(b) Compensation of key management personnel of the Group:

	2024 RMB'000	2023 RMB'000
Short term employee benefits	**1,685**	1,910
Pension scheme contributions	**196**	167
Equity-settled share option expense	**685**	81
Total compensation paid to key management personnel	**2,566**	2,158

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

The related party transactions in respect of item (a) above do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	1,538
Financial assets included in prepayments, other receivables and other assets	32,309
Other non-current assets	18,485
Pledged deposits	1,504
Cash and bank balances	28,870
	82,706

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	7,779
Interest-bearing bank borrowings	20,753
Financial liabilities included in other payables and accruals	19,346
Financial liabilities included in other non-current liabilities	457
	48,335

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2023

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	9,499
Financial assets included in prepayments, other receivables and other assets	12,889
Pledged deposits	1,585
Cash and bank balances	39,790
	63,763

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	9,502	9,502
Interest-bearing bank borrowings	–	7,000	7,000
Contingent consideration	18,436	–	18,436
Financial liabilities included in other payables and accruals	–	10,970	10,970
	18,436	27,472	45,908

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, interest-bearing bank borrowings, financial liabilities included in other payables and accruals, an amount due to directors and the current portion of lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of pledged deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances and contingent consideration. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's interest-bearing bank borrowings bore interest at fixed rates as at 31 December 2024, therefore the Group did not have exposure to the risk of changes in market interest rates.

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from other payables and other deposits balances denominated in foreign currencies held by the units whose functional currency is the RMB.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ exchange rates, with all other variables held constant, of the Group's loss before tax.

	Change in foreign currency rate %	**Increase/(decrease) in loss before tax** RMB'000	**Increase/(decrease) in equity** RMB'000
2024			
If RMB weakens against HK$	**5**	**876**	**657**
If RMB strengthens against HK$	**(5)**	**(876)**	**(657)**
2023			
If RMB weakens against HK$	5	857	717
If RMB strengthens against HK$	(5)	(857)	(717)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (Continued)

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	1,538	1,538
Financial assets included in prepayments, other receivables and other assets normal**	32,309	–	–	–	32,309
Other non-current assets	18,485	–	–	–	18,485
Pledged deposits	1,504	–	–	–	1,504
Cash and cash balances	28,870	–	–	–	28,870
	81,168	–	–	1,538	82,706

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	9,499	9,499
Financial assets included in prepayments, other receivables and other assets normal**	12,889	–	–	–	12,889
Pledged deposits	1,585	–	–	–	1,585
Cash and cash balances	39,790	–	–	–	39,790
	54,264	–	–	9,499	63,763

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the expected credit loss rate is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (Continued)

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. As at 31 December 2024, the Group had no concentrations of credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2024				
	On demand RMB'000	**Within 1 year RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Lease liabilities	**–**	**13,615**	**26,321**	**1,050**	**40,986**
Trade payables	**7,779**	**–**	**–**	**–**	**7,779**
Interest-bearing bank borrowings	**–**	**17,734**	**3,586**	**–**	**21,320**
Financial liabilities included in other payables and accruals	**19,803**	**–**	**–**	**–**	**19,803**
	27,582	**31,349**	**29,907**	**1,050**	**89,888**

	2023				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	13,041	33,445	5,250	51,736
Trade payables	9,502	–	–	–	9,502
Interest-bearing bank borrowings	–	7,000	–	–	7,000
Financial liabilities included in other payables and accruals	10,970	–	–	–	10,970
	20,472	20,041	33,445	5,250	79,208

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

40. EVENTS AFTER THE REPORTING PERIOD

On 7 March 2025, Suzhou Ruiquan entered into the purchase agreement on a building at the consideration of RMB21,437,000 with Suzhou Maidi Jinggang Technology Co., Ltd..

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	**13,501**	9,622
Other intangible assets	**41,806**	–
Total non-current assets	**55,307**	9,622
CURRENT ASSETS		
Prepayments, other receivables and other assets	**3,960**	462
Due from related companies	**127,964**	148,564
Cash and cash equivalents	**1,632**	589
Total current assets	**133,556**	149,615
CURRENT LIABILITIES		
Due to related companies	**2,419**	2,425
Other payables and accruals	**9,626**	342
Total current liabilities	**12,045**	2,767
NET CURRENT ASSETS	**121,511**	146,848
TOTAL ASSETS LESS CURRENT LIABILITIES	**176,818**	156,470
NET ASSETS	**176,818**	156,470
EQUITY		
Equity attributable to owners of the parent		
Share capital	**185,748**	136,267
Reserves	**(8,930)**	20,203
Total equity	**176,818**	156,470

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows:

	Note	Capital reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023		41,078	4,808	(27,655)	18,231
Total comprehensive profit for the year		–	–	(2,520)	(2,520)
Equity-settled share option arrangements	*31*	–	4,492	–	4,492
At 31 December 2023		41,078	9,300	(30,175)	20,203
At 1 January 2024		41,078	9,300	(30,175)	20,203
Total comprehensive profit for the year		–	–	(4,883)	(4,883)
Issue of shares		(30,777)	–	–	(30,777)
Share issue expenses		(1,457)	–	–	(1,457)
Equity-settled share option arrangements	*31*	–	7,984	–	7,984
At 31 December 2024		8,844	17,284	(35,058)	(8,930)

The share option reserve comprises the fair value of share options granted which were yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount would either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2025.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**199,342**	189,384	164,522	188,367	164,545
(Loss)/Profit before tax	**(65,257)**	(35,010)	(22,101)	(22,948)	11,567
Income tax credit/(expense)	**1,994**	(2,769)	1,854	4,682	(6,656)
(LOSS)/PROFIT FOR THE YEAR	**(63,263)**	(37,779)	(20,247)	(18,266)	4,911

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**249,923**	273,599	302,651	344,725	272,332
Total liabilities	**154,405**	141,009	136,774	162,371	85,582
Equity attributable to owners of the Company	**95,518**	132,590	165,877	178,221	185,873