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Raily Aesthetic Medicine International Holdings Limited

瑞麗醫美國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2135)

DISCLOSEABLE TRANSACTION CAPITAL INJECTION IN THE TARGET COMPANY

INTRODUCTION

On 10 January 2023 (after trading hours), the Investor (an indirect wholly-owned subsidiary of the Company) entered into the LOI with the Existing Shareholders and the Target Company, pursuant to which 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 as enlarged by the Capital Injection at the consideration of up to RMB25.0 million.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) of the Capital Injection exceeds 5% but is less than 25%, the Capital Injection constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

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The LOI

The principal terms of the LOI are summarised as follows:

Date	10 January 2023 (after trading hours)
Parties	<ol style="list-style-type: none">(1) The Investor;(2) Zhang Chunde (張春德) (“CD Zhang”);(3) Liu Lijun (劉利君) (“LJ Liu”); and(4) The Target Company.
The Capital Injection	<p>Pursuant to and subject to the terms and conditions set out in the LOI, the Investor 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 as enlarged by the Capital Injection at the consideration of up to RMB25.0 million, of which approximately RMB0.45 million will be contributed as the registered capital of the Target Company and approximately RMB24.55 million will be contributed as the capital reserve of the Target Company.</p> <p>The actual amount of the Capital Injection, the equity interest to be subscribed by the Investor and the shareholding percentage of the Investor in the Target Company shall be subject to the results of due diligence to be conducted by the Investor on the Target Company within three months after the date of the LOI and the valuation model adopted by the Investor relating to the value of the Target Company and shall be set out in the formal capital injection agreement.</p> <p>The maximum amount of the Capital Injection was determined and agreed among the parties to the LOI after arm’s length negotiations on normal commercial terms and taking into account, among other things, the estimated cost of setting up a new aesthetic medical hospital, operating costs and cost of building up a clientele, and the estimated valuation of the Target Company by reference to the previous acquisitions in the industry.</p>
Earnest payment	<p>The Investor shall pay an earnest money of RMB20.0 million to the Target Company within 5 business days from the date of the LOI. In the event the Capital Injection proceeds as contemplated under the LOI after the Investor has been satisfied with the due diligence results, the earnest money paid will be applied to settle part of the amount of the Capital Injection.</p>

The Capital Injection and the earnest money will be funded by the Group's internal resources.

Exclusivity The exclusivity period shall be six months from the date of the LOI, during which the Target Company, the Existing Shareholders and their respective directors, employees, relatives, affiliated companies and subsidiaries (if applicable), without the written consent of the Investor, shall not directly or indirectly solicit or accommodate any third-party requests, recommendations and offers, or engage in negotiations and discussions, or enter into any agreement or arrangement with any third party, in respect of matters similar or related to the transactions contemplated under the LOI.

Formal Capital Injection Agreement After the due diligence to be conducted by the Investor is completed and the Investor is satisfied with the due diligence results, the parties to the LOI will enter into a formal capital injection agreement by 30 June 2023 to set down further details of the Capital Injection.

The Company will issue further announcement to provide updates to the Shareholders in relation to the Capital Injection as and when appropriate.

INFORMATION ON THE PARTIES

The Group and the Investor

The Group is principally engaged in the provision of aesthetic medical services, sale of aesthetic medical equipment products and consulting services.

The Investor, an indirect wholly-owned subsidiary of the Company, is principally engaged in the provision of cosmetology consulting services.

The Target Company and its existing shareholders

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Target Company is established in the PRC in 2018 and principally engaged in aesthetic medical services; (ii) as at the date of this announcement, the Target Company's ultimate beneficial owners are CD Zhang (as to 96%), a businessperson, and LJ Liu (as to 4%), a businessperson; and (iii) the Target Company and its ultimate beneficial owners are Independent Third Parties.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, (i) the Target Company operates an aesthetic medical hospital in Hangzhou and is a medical institution approved by the Health Bureau of Gongshu District, Hangzhou City* (杭州市拱墅區衛生健康局); and (ii) the hospital operated by the Target Company has a usable area of approximately 8,000 square meters with professional departments (in relation to plastic surgery, skin beauty, micro-plastic surgery, oral beauty, hair transplantation, etc.), auxiliary departments (in relation to anesthesiology, medical laboratory, medical imaging, etc.) and nine operating rooms and 20 treatment rooms.

The financial information of the Target Company

The following is a summary of the financial information of the Target Company for the two financial years ended 31 December 2020 and 2021 prepared in accordance with the PRC accounting standards:

	For the year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit/(loss) before tax and extraordinary items	(26,232)	(9,586)
Net profit/(loss) after tax and extraordinary items	(26,376)	(9,590)
		As at
		31 December
		2021
		<i>RMB'000</i>
Net assets/(liabilities)		(38,562)
Total assets		84,016

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The Directors consider that the Capital Injection will allow the Group to expand its scale of operation and is conducive to its business development. Compared with setting up a new aesthetic medical hospital which may involve a lengthy site selection and construction process, investing in the Target Company is considered more efficient and cost-effective. As the Target Company mainly operates in a location where the Group has no material operation, the Capital Injection is expected to enable the Group to share the established clientele, doctors and other medical resources of the Target Company.

The Directors consider that the Capital Injection and the terms of the LOI are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following respective meanings:

“Board”	the board of Directors
“Capital Injection”	the capital injection by the Investor in the Target Company pursuant to the LOI
“Company”	Raily Aesthetic Medicine International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 2135)
“Director(s)”	the director(s) of the Company
“Existing Shareholders”	Zhang Chunde and Liu Lijun, the existing shareholders of the Target Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected person(s) (having the meaning ascribed to it under the Listing Rules)
“Investor”	Hangzhou Raily Beauty Cosmetology Consulting Service Co., Ltd.* (杭州瑞麗美容諮詢服務有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LOI”	the legally binding letter of intent dated 10 January 2023 entered into among the Investor, the Existing Shareholders and the Target Company in relation to the Capital Injection
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company” Hangzhou Tianxin Aesthetic Medical Hospital Co., Ltd.* (杭州天鑫醫療美容醫院有限公司), a company established in the PRC with limited liability

“%” per cent

By Order of the Board
Raily Aesthetic Medicine International Holdings Limited
FU Haishu
Chairman and Executive Director

Hangzhou, the PRC, 10 January 2023

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

* *For identification purposes only*