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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)

ANNOUNCEMENT REGARDING (I) NON-FULFILLMENT OF PROFIT GUARANTEE AND (II) DISCLOSEABLE TRANSACTION DISPOSAL OF SUBSIDIARY

Reference is made to the announcements of the Company dated 20 August 2021, 25 August 2021 and 10 March 2023 (the “**Announcements**”), the annual report of the Company dated 28 March 2024 and interim reports of the Company dated 25 August 2023 and 30 August 2024, in relation to, among other things, the acquisition of 90% equity interest in Jiumei Xinhe. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

NON-FULFILLMENT OF PROFIT GUARANTEE

Based on the unaudited financial statements of Jiumei Xinhe for the year ended 31 March 2024 currently available to the Company, Jiumei Xinhe has incurred a net profit of approximately RMB2.4 million for the year ended 31 March 2024, which is lower than the Guaranteed Net Profit for the 2nd Relevant Period by approximately RMB8.6 million. Based on the above, the Board considers that the Profit Guarantee has not been fulfilled by the Actual Net Profit of Jiumei Xinhe for the 2nd Relevant Period as disclosed in the Company’s 2024 interim report.

THE DISPOSAL OF SUBSIDIARY

On 6 November 2024 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchasers, both Independent Third Parties, entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell, and the Purchasers agreed to purchase, 100% equity interest in the Target Company at the Consideration.

The Target Company was an indirect wholly-owned subsidiary of the Company as at the date of the Disposal Agreement and before the Completion. Upon the completion of the Disposal, the Target Company will no longer be a subsidiary of the Company.

LISTING RULES IMPLICATION

As a transaction previously announced pursuant to Chapter 14 of the Listing Rules is terminated or there is any material variation of its terms and the actual performance of Jiumei Xinhe fails to meet the Guaranteed Net Profit for the 2nd Relevant Period, the Company shall disclose by way of an announcement pursuant to Rule 14.36 and Rule 14.36B of the Listing Rules.

As one or more of the applicable percentage ratio(s) exceed 5% but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the requirements of notification and announcement but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Reference is made to the announcements of the Company dated 20 August 2021, 25 August 2021 and 10 March 2023 (the “**Announcements**”), annual report of the Company dated 28 March 2024 and the interim reports of the Company dated 25 August 2023 and 30 August 2024 in relation to, among other things, the acquisition of 90% equity interest in Jiumei Xinhe. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

NON-FULFILLMENT OF PROFIT GUARANTEE

Requirements of the Profit Guarantee

As disclosed in the Announcements, pursuant to the Supplemental Agreement dated 10 March 2023, the Company and the Purchasers agree that the Actual Net Profit of Jiumei Xinhe for the following years shall not be less than the amount set out in the table below:

Relevant Periods(s)	Guaranteed Net Profit (RMB) for the Relevant Period(s)
1st Relevant Period (1/1/2022 to 31/3/2023)	8,000,000
2nd Relevant Period (1/4/2023 to 31/3/2024)	11,000,000
3rd Relevant Period (1/4/2024 to 31/3/2025)	14,500,000
The Relevant Periods (1/1/2022 to 31/3/2025)	33,500,000

If the Actual Net Profit for each of the Relevant Periods is lower than the Guaranteed Net Profit for that Relevant Period, the consideration will be adjusted in accordance with the following formula:

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

Financial performance of Jiumei Xinhe

As disclosed in the Company's 2023 interim report, Jiumei Xinhe has fulfilled the relevant profit guarantee for the 1st Relevant Period.

Based on the unaudited financial statements of Jiumei Xinhe for the year ended 31 March 2024 currently available to the Company, Jiumei Xinhe has incurred a net profit of approximately RMB2.4 million for the year ended 31 March 2024, which is lower than the Guaranteed Net Profit for the 2nd Relevant Period by approximately RMB8.6 million (the "**Shortfall**"). The Board has communicated with the management of Jiumei Xinhe and understands that the Shortfall was primarily attributable to the slowdown of the overall demand in e-PTFE facial implant product and increasing market competition in the segment of sales of e-PTFE facial implant product, which has affected the sales of e-PTFE facial implant product of Jiumei Xinhe. Based on the above, the Board considers that the Profit Guarantee has not been fulfilled by the Actual Net Profit of Jiumei Xinhe for the 2nd Relevant Period as disclosed in the Company's 2024 interim report. As such, the 2nd Post-Completion Consideration shall be adjusted.

THE DISPOSAL OF SUBSIDIARY

On 6 November 2024 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchasers, both Independent Third Parties, entered into the Disposal Agreement. The principal terms of the Disposal Agreement are set out below:

Date

6 November 2024 (after trading hours)

Parties

- (1) the Vendor, as vendor;
- (2) the First Purchaser, as purchaser; and
- (3) the Second Purchaser, as purchaser

To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Purchasers are Independent Third Parties.

Subject matter

Pursuant to the Disposal Agreement, the Vendor agreed to sell, and the Purchasers agreed to purchase 100% equity interest in the Target Company. The Target Company is an indirect wholly-owned subsidiary of the Company as at the date of the Disposal Agreement and before Completion.

Consideration

The Consideration shall be settled by the Purchasers to the Vendor within three months upon signing of the Disposal Agreement (or such other date as agreed by the parties). By reference to the net assets value of the Target Company based on its unaudited financial statements as at 31 October 2024 and after arm's length negotiations between the Vendor and the Purchasers, the consideration was determined to be RMB3,720,000.

Completion

The completion for the share transfer shall take place within three months upon signing of the Disposal Agreement (or such other date as agreed by the parties).

Other terms

The Vendor and the Purchasers agreed that the obligations of the Vendor to pay the Post-Completion Consideration under the SP Agreement dated 20 August 2021 and the Supplemental Agreement dated 10 March 2023 shall be ceased and none of the parties shall have any claim against the others.

INFORMATION ON PARTIES TO THE AGREEMENT**The Company**

The Company, Raily Aesthetic Medicine International Holdings Limited, is a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the main board of the Stock Exchange (stock code: 2135). The principal activity of the Company is investment holding.

The Group

The principal activities of the Group are provision of aesthetic medical services. The Company's aesthetic medical services principally include (i) aesthetic surgery services, comprising aesthetic surgical procedures performed on various parts of the face or body; (ii) minimally-invasive aesthetic services, primarily comprising aesthetic injection procedures; and (iii) aesthetic dermatology services, primarily comprising various aesthetic energy-based procedures. It is also engaged in aesthetic medical management consulting services and sales of aesthetic medical equipment products.

The Vendor

The Vendor is an indirect wholly-owned subsidiary of the Company and its principal business includes the provision of management consulting services and marketing and sales of medical equipment for aesthetic medical institutions outside the Company.

The Purchasers

The First Purchaser is Mr. Peng Xiaonan, a PRC citizen, and the Second Purchaser is Mr. Ruan Zhiling, a PRC citizen. The Purchasers are principally engaged in medical product trading business.

The Target Company

The Target Company is a company established under the laws of the PRC with limited liability on 6 November 2013. It is primarily engaged in the sales of facial implant product. As at the date of this announcement, the Target Company is owned as to 100% by the Vendor.

Set out below is the summary of the key financial information of the Target Company:

	Year ended 31 December 2022 <i>RMB'000</i> (audited)	Year ended 31 December 2023 <i>RMB'000</i> (audited)
Revenue	10,994	13,920
Net profit before taxation	4,349	2,434
Net profit after taxation	3,108	2,239

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Upon the completion of the Disposal, the Target Company will no longer be a subsidiary of the Company. Accordingly, the assets, liabilities and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

The proceeds from the Disposal are intended to be used by the Group as general working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Considering: (a) the slowdown of the overall demand in e-PTFE facial implant product; (b) increasing market competition in the segment of sales of e-PTFE facial implant product; and (c) the financial performance of the Target Company and that the Profit Guarantee has not been fulfilled by the Actual Net Profit of the Target Company for the 2nd Relevant Period and it is expected to be difficult for the Target Company to fulfil the Profit Guarantee for the 3rd Relevant Period for the aforesaid reasons, the Board considers that it is appropriate for the Group to proceed with the Disposal. The Disposal would strengthen the cash flow of the Group, thereby allowing the Group to improve its liquidity and to enhance its resources for future development.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As a transaction previously announced pursuant to Chapter 14 of the Listing Rules is terminated or there is any material variation of its terms and the actual performance of the Target Company fails to meet the Guaranteed Net Profit for the 2nd Relevant Period, the Company shall disclose by way of an announcement pursuant to Rule 14.36 and Rule 14.36B of the Listing Rules.

As one or more of the applicable percentage ratio(s) exceed 5% but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the requirements of notification and announcement but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Director(s) of the Company;
“Company”	Raily Aesthetic Medicine International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 2135);
“Completion”	the completion of the Disposal under the Disposal Agreement;
“Consideration”	the consideration pursuant to the Disposal Agreement in the amount of approximately RMB3,720,000;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Target Company under the Disposal Agreement;
“Disposal Agreement”	the agreement dated 6 November 2024 entered into between the Vendor and the Purchasers in relation to the Disposal, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 100% equity interest in the Target Company;
“e-PTFE”	expended polytetrafluoroethylene, a subcutaneous implant for shaping, which is mainly used for augmentation of nasal dorsum and chin;
“First Purchaser”	Mr. Peng Xiaonan (彭曉南), a PRC citizen;

“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	an independent third party who is not connected with the Company and its connected persons (as defined under the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, modified or otherwise supplemented from time to time;
“PRC”	the People’s Republic of China;
“Purchasers”	collectively, the First Purchaser and the Second Purchaser;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Purchaser”	Mr. Ruan Zhiling (阮志靈), a PRC citizen;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company/ Jiumei Xinhe”	Shenzhen Jiumei Xinhe Medical Equipment Co. Ltd. (深圳市九美信禾醫療器械有限公司), a company established under the laws of the PRC with limited liability on 6 November 2013, which is, as of the date of this announcement, 100% owned by the Vendor;
“Vendor”	Shenzhen Ruiquan Management Consulting Co., Ltd. (深圳瑞泉管理諮詢有限公司), a company established under the laws of the PRC with limited liability (Taiwan, Hong Kong or Macau legal person sole investment) on 29 August 2019, and an indirect wholly owned subsidiary of our Company;
“%”	Per cent.

By order of the Board
Raily Aesthetic Medicine International Holdings Limited
Mr. Fu Haishu
Chairman

Hangzhou, the PRC, 6 November 2024

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.