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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)**

### **SUPPLEMENTAL ANNOUNCEMENT ON DISCLOSEABLE TRANSACTION CAPITAL INJECTION IN THE TARGET COMPANY**

Reference is made to the announcement of Raily Aesthetic Medicine International Holdings Limited (the “**Company**”) in relation to Capital Injection in the Target Company dated 10 January 2023 (the “**Announcement**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board would like to provide the Shareholders and potential investors of the Company with further information about the payment of the earnest money and/or the Capital Injection and the determination of the maximum amount of the Capital Injection as disclosed in the Announcement.

#### **Earnest payment**

As disclosed in the Announcement, the Company shall pay an earnest money of RMB20.0 million to the Target Company within 5 business days after the date of the LOI and such funds will be applied to settle part of the Capital Injection if the Investor proceeds with the Capital Injection. The earnest money of RMB20.0 million payable by the Investor to the Target Company is refundable. Pursuant to the LOI, the actual amount of the Capital Injection shall be subject to the results of due diligence to be conducted and the valuation model adopted by the Investor which will be set out in the formal capital injection agreement. If the actual amount of the Capital Injection, by reason of the results of due diligence and/or valuation to be conducted by the Investor on the Target Company, is adjusted to below RMB20.0 million, only part of the earnest money will be applied to settle the actual Capital Injection and the rest will be refunded to the Investor. In the event that the Investor decides not to invest in the Target Company at all by reason that it is not satisfied with the due diligence results, all earnest money paid will be refunded to the Investor.

## **Settlement of the earnest payment and/or the Capital Injection**

It is disclosed in the Announcement that the Capital Injection will be funded by the Group's internal resources. As disclosed in the prospectus of the Company dated 15 December 2020 (the "**Prospectus**") and the interim report for the six months ended 30 June 2022, a sum of HK\$12.2 million from the proceeds of the initial public offering of the Company has been intended to be used for potential strategic acquisition of aesthetic medical institutions in Zhejiang Province in the PRC and as at 30 June 2022, HK\$12.2 million (the "**IPO Proceeds**") remained unused. The Company intends to settle the payment of part of the earnest money and/or the Capital Injection by the IPO Proceeds in accordance with the section headed "Future Plans and Use of Proceeds" in the Prospectus and the remaining balance by the Group's own internal capital other than the IPO Proceeds. As the Capital Injection falls under intended use of the IPO Proceeds as disclosed in the Prospectus, there is no change in use of the IPO Proceeds.

## **Basis on which the maximum amount of the Capital Injection was determined**

It is disclosed in the Announcement that the maximum amount was determined 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. In estimating the costs and valuation as mentioned above, the Company has considered the following factors:

### **(a) *Estimated cost in relation to setting up a new aesthetic medical hospital***

In its estimation of the costs of the Target Company for setting up, operating and building up clientele for its aesthetic medical hospital, the Company has made reference to (i) the financial information of the Target Company for the financial year ended 31 December 2021; and (ii) the costs incurred by the Group in setting up its own aesthetic medical hospital in the past.

After taking into account (i) total assets of approximately RMB84.0 million and operating cost of approximately RMB38.1 million as shown in the financial information of the Target Company; (ii) the Group's own aesthetic medical hospital (the expansion of which has not been completed) in Hangzhou, the PRC with an area of approximately 7,800 sq.m., which involves costs of approximately RMB20.0 million for the expansion of 1,500 sq.m., approximately RMB28.0 million for investment in the existing medical equipment, and approximately RMB30.0 million for the quarterly operation and establishment of clientele; and (iii) the rent for three years of approximately RMB20.0 million for the Target Company to operate its aesthetic medical hospital. As such, the Company estimates that the costs in relation to the renovation, investment in medical equipment, operation and establishment of clientele and rent of a new aesthetic medical hospital (such as the Target Company) with an area of approximately 8,000 sq.m. will be approximately RMB190.0 million (excluding staff cost). Such estimation will be subject to the financial due diligence to be conducted by the Investor on the Target Company.

**(b) *Estimated valuation of the Target Company by reference to the previous acquisitions in the industry***

Besides the estimated cost of setting up, operating and building clientele for a new aesthetic medical hospital, the Directors have also informally and preliminarily estimated the value of the Target Company by considering and making reference to the acquisition costs of acquisitions of medical hospitals in the PRC in the last 20 months. In making reference to the above acquisition costs, the Company has considered the specific circumstances of each acquisition, including the sizes of the hospitals, the locations of the hospitals, the nature and focus of medical services, the positioning of the hospitals and the medical equipment used in these hospitals. After considering these factors and based on the experience of the Directors, the Directors estimate that the value of the Target Company would be approximately RMB240.0 million to approximately RMB290.0 million. Such valuation, which was adopted by the Directors for determining the maximum amount of the Capital Injection in the LOI, was only an estimation by the Directors based on the information currently available and by no means formal and conclusive. The Investor would conduct a formal valuation on the Target Company before signing a formal capital injection agreement by engaging an independent professional valuer, who may adopt a different valuation approach and give different valuation, and the actual amount of the Capital Injection would be determined based on the valuation given by such professional valuer.

The Company will fully comply with all notifiable transaction requirements under the Listing Rules when the formal capital injection agreement is entered into, including publishing an announcement disclosing all required information under Chapter 14 of the Listing Rules.

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

Hangzhou, the PRC, 18 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.*