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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 DISPOSAL OF SUBSIDIARY

Reference is made to the announcements of Raily Aesthetic Medicine International Holdings Limited (the “**Company**”) in relation to the Disposal dated 6 November 2024 and 26 November 2024 (the “**Announcements**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

The Board would like to provide shareholders and potential investors of the Company with further information in relation to the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board wishes to supplement the following:

- (1) e-PTFE facial implant product was used in aesthetic surgery services provided by the Company, and the declining business in the Company’s aesthetic medical surgery has resulted in a decreased need for the e-PTFE facial implant product.
- (2) The Company also sold e-PTFE facial implant product to third parties, and sales of e-PTFE facial implant product have declined due to change of consumer preference to non-surgical procedures and, to cope with the market change, the Company shifted its focus from the sale of surgical facial implant products (i.e. e-PTFE facial implant product) to the sale of subcutaneous injection products.
- (3) Jiumei Xinhe was registered as a distributor under the PRC medical device registration (中華人民共和國醫療器械註冊證) (“**Registration**”) which allowed it to distribute e-PTFE facial implant product in the PRC. The Registration was due to expire on 25 March 2024. As a result of the overall economic slowdown, deteriorating market demand for e-PTFE facial implant product and change of consumer preference in aesthetic market at large, and taking into account the cost and expenses in respect of renewing the Registration, the Company formed the preliminary view that renewal of the Registration might not be cost-effective to

do so. 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 and proceed with the Disposal. The Board considers that the Disposal is in line with the Company's strategic development planning in the future and is beneficial to the long-term growth of the Company.

- (4) As of 6 November 2024, the Company paid an aggregate of RMB31.0 million to the Purchasers with respect to the acquisition of 100% of the equity interest in Jiumei Xinhe (“**Acquisition**”). Such consideration includes: (i) RMB6.0 million paid to the First Purchaser for acquiring 10% of the equity interest in Jiumei Xinhe pursuant to an investment agreement dated 16 December 2019; and (ii) RMB25.0 million paid to the Purchasers for acquiring 90% of the equity interest in Jiumei Xinhe pursuant to the SP Agreement dated 20 August 2021 (collectively “**Acquisition Consideration**”). Under the Disposal, Jiumei Xinhe was disposed of at RMB3.72 million (which has taken into account, amongst other things, the obligations of Jiumei Xinhe 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), which appears to be at a significant discount from the Acquisition Consideration. That said, the significant discount shall not be viewed only in monetary terms, as it shall take into account the business gains derived by the Company from acquiring Jiumei Xinhe during the period between the Acquisition and the Disposal. The Board is of the view that the Acquisition was instrumental in enabling the Company to develop a new business segment and establish a solid foundation for its future business in the sales of aesthetic medical equipment products. Before the Acquisition, the Company had not engaged in the sales of aesthetic medical equipment products. After the Acquisition, the Company successfully expanded into this new business segment of selling aesthetic medical equipment products (i.e. e-PTFE facial implant product). The benefits of this expansion were that the Company could establish relationships with suppliers and customers in this new business segment, diversified its revenue and customer base and built up a solid foundation for its future business of sales of aesthetic medical equipment product in the PRC.
- (5) The reason for selling Jiumei Xinhe to the Purchasers and not other party(ies) was that it was difficult for the Company to identify and secure a willing purchaser prepared to acquire a profit-declining business during a downturn in the aesthetic market and an overall economic slowdown in the PRC. In such market conditions, readily available purchasers are scarce. The Purchasers, who were the original vendors of Jiumei Xinhe, are familiar with its business operations and willing to buy it back. By contrast, a new third party purchaser of Jiumei Xinhe would inevitably have to take into consideration various challenges that it would have to face after the purchase, including understanding Jiumei Xinhe's business, financials and operations; spending considerable time to liaise with the upstream suppliers to build up trust; establishing trust and relationships with internal human resources, suppliers, and customers; understanding e-PTFE facial implant product and having market confidence in the product in the years to come; and being prepared to incur cost and expenses in renewing the Registration (which requires carrying out the enhancement implementation on design and development, manufacturing management and quality control with respect to e-PTFE facial implant product as requested by National Medical Products Administration of the PRC) despite the uncertainty in the future market prospect of e-PTFE facial implant product in the PRC. Coupled with the decreased market demand for e-PTFE facial implant

product and change of customers' preference for faster and safer minimally invasive aesthetic and dermatology services, it would be difficult for the Company to identify and secure a willing purchaser.

For the aforesaid reasons, the Board is of the view that the Disposal is reasonable and in the best interest of the Company and its shareholders as a whole.

Save as stated above, all other information in the Announcements remains unchanged. This supplemental announcement is supplemental to and should be read in conjunction with the Announcements.

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

Hangzhou, the PRC, 22 January 2025

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.