ARRAIL 瑞尔®
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Arrail Group Limited
瑞爾集團有限公司
(Incorporated in the British Virgin Islands with limited liability and continued in the Cayman Islands)
(Stock Code: 6639)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED MARCH 31, 2023

The Board is pleased to announce the audited consolidated results of the Group for the year ended March 31, 2023, together with comparative audited figures for the year ended March 31, 2022.

In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any tables, charts or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL HIGHLIGHTS

	For the year ended March 31, 2023 *RMB'000*
Revenue	1,473,741
Cost of sales	(1,226,657)
Gross profit	247,084
Operating loss	(190,290)
Adjusted operating profit	3,828
Loss for the year	(223,348)
Adjusted loss for the year	(29,230)
EBITDA	68,882
Adjusted EBITDA	263,000

Note: Adjusted operating profit refers to operating loss adjusted by adding back share-based compensation expenses. Adjusted loss for the year refers to loss for the year adjusted by adding back share-based compensation expenses. Adjusted EBITDA refers to EBITDA adjusted by adding back share-based compensation expenses.

Our revenue was RMB1,473.7 million for the year ended March 31, 2023, representing a 9.2% decrease as compared to the revenue of RMB1,623.6 million for the year ended March 31, 2022, which was primarily because COVID-19 impacted our capacity to provide services. For the year ended March 31, 2023, our gross profit was RMB247.1 million, our Adjusted Operating Profit (as defined below) was RMB3.8 million and our Adjusted Net Loss (as defined below) was RMB29.2 million.

Underpinned by our industrial experience and sufficient cash position, we continued to expand our footprint nationwide. During the Reporting Period, we acquired "Tongshan Dental", a well-known dental group with one dental hospital and eight dental clinics in Wuxi and nearby areas, within Jiangsu province. We opened four dental clinics and one dental hospital and upgraded four clinics. In addition, there were two clinics with a total of 31 dental chairs and one hospital with a total of 35 dental chairs under construction as of March 31, 2023. As of March 31, 2023, total dental chairs of our Group reached 1,442, increasing by 18.8% compared to March 31, 2022. We believe these movements will further strengthen our leadership as a national chain in China's dental market.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a leading dental services provider in the premium private dental service market in China. Founded in 1999, we have served approximately 9.4 million patient visits in the past ten years, and have been instrumental in raising public awareness and driving consumer recognition of the importance of dental care and good oral hygiene in China. Our network of dental clinics and hospitals provides a wide array of dental healthcare services across China. We adopt a dual-brand strategy through our "Arrail Dental" and "Rytime Dental" brands to serve customers of different economic and geographic backgrounds. Through decades of commitment and service in the dental healthcare industry, we have earned the trust of our patients, and have successfully established an extensive presence in China, as we are continuing to expand our footprint nationwide. As of March 31, 2023, we had 123 stores, including 114 dental clinics and nine dental hospitals in 15 cities across China, with 914 experienced dentists. Our mission is to give each of our patients a healthy and confident smile, and our vision is to become a world-leading dental group.

We expanded our business by opening more clinics and hospitals in Tier-1 and Tier-2 cities across China. During the Reporting Period, we opened four dental clinics and one dental hospital with 89 dental chairs. We expanded and upgraded four clinics with 50 dental chairs. In addition, there were two clinics with a total of 31 dental chairs and one hospital with a total of 35 dental chairs under construction as of March 31, 2023. We continue to hire competent dentists and enhance our dental professional team. The number of our dentists increased by 3.5% from 883 as of March 31, 2022, to 914 as of March 31, 2023.

Our Services

Our clinics and hospitals offer a diverse range of professional and customized dental services, consisting of (i) general dentistry; (ii) orthodontics; and (iii) implantology.

General Dentistry

General dentistry largely refers to the preventive services that all patients should receive on a regular basis, such as tooth cleaning, checking soft tissue, and screening for oral diseases and other potential problems, along with a range of basic restorative treatments, including fillings, crowns, bridges, dentures and more. Our general dentistry services include oral examination, treatment planning, preventive and cosmetic dentistry, endodontics, oral surgery, periodontal treatment, prosthodontics, pedodontics services and patient education.

Orthodontics

Orthodontics is a branch of dentistry that treats malocclusions, a condition in which the teeth are not correctly positioned when the mouth is closed, which may be caused by dental irregularity and disproportionate jaw relationships, among others. Our orthodontists provide orthodontic treatment using a range of medical dental devices, including fixed and/or removable braces, headgear, aligners and other appliances.

Implantology

Oral implantology is the branch of dentistry that deals with the permanent implantation of artificial teeth in the jaw when it is determined that a natural tooth must be extracted. With their high level of expertise, our implant dentists are able to treat complex cases and provide customized solutions based on the health of the jawbone and the specific needs of a patient.

Dual-Brand Operations

As of March 31, 2023, we operated a total of 123 clinics and hospitals under the brand names of "Arrail Dental" and "Rytime Dental", to provide dental services to different demographics across geographic regions.

Arrail Dental

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We have been operating under the Arrail Dental brand since 1999, to provide premium dental services primarily to affluent consumers in Tier-1 and emerging Tier-1 cities in China. Arrail clinics are able to charge premium pricing based on their excellent quality of bespoke services and professionals. As of March 31, 2023, we operated a total of 52 Arrail clinics in seven cities in China, namely Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou, Tianjin and Xiamen. Our Arrail clinics are mainly concentrated in metropolitan areas and located at or in close proximity to prominent landmarks and properties. We plan to further penetrate existing markets to drive stronger monetization under the Arrail Dental brand.

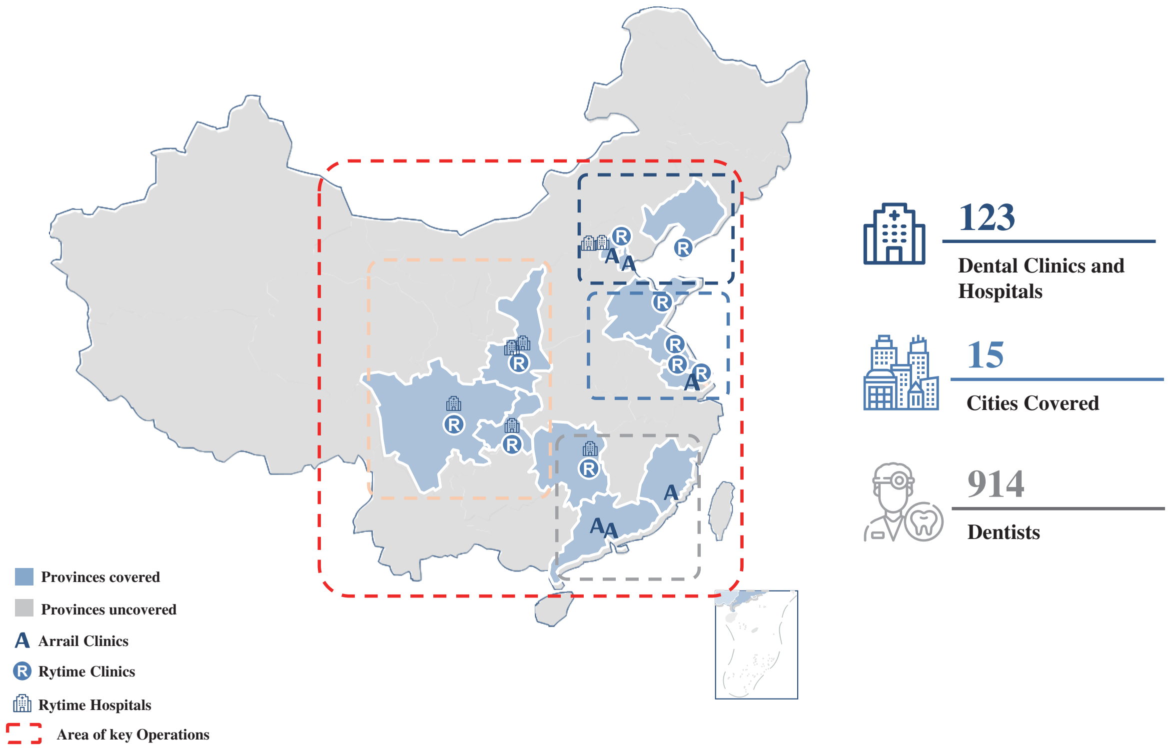
Rytime Dental

瑞泰口腔 RYTIME DENTAL

We launched our operations under the Rytime Dental brand in 2012, primarily aiming to provide treatments to middle class customers in Tier-1 and key Tier-2 cities in the Northern, Eastern, Southern and Western parts of China. Rytime Dental is positioned to capture the greater middle-end dental services market by offering high-quality dental services at attractive and relatively lower prices. As of March 31, 2023, we operated a total of 71 stores, including nine hospitals and 62 Rytime clinics in 10 cities in China. We are able to provide a greater variety of treatments at our dental hospitals, such as giving general anesthesia and performing more complicated oral surgery procedures. Our Rytime Dental hospitals and clinics are typically located in the vicinity of residential areas, giving our customers easy access to convenient and quality dental care services. We plan to continue to expand our Rytime Dental network by broadening our reach to targeted regions and cities across China.

Our Hospitals and Clinics

As of March 31, 2023, we operated 123 stores, including (i) 114 clinics, of which 52 clinics were under the Arrail Dental brand and 62 clinics were under the Rytime Dental brand; and (ii) nine hospitals under the Rytime Dental brand, as illustrated in the map below.



Our total patient visits decreased from 1,558,947 for the year ended March 31, 2022 to 1,534,162 for the year ended March 31, 2023, representing a decrease of 1.6%. The following table sets forth the breakdown by brands in relation to our operating and financial performance.

	For the year ended March 31,	
	2023	2022
Total patient visits	**1,534,162**	1,558,947
Arrail Dental	**480,623**	560,981
Rytime Dental	**1,053,539**	997,966
Total number of dental chairs	**1,442**	1,214
Arrail Dental	**517**	482
Rytime Dental	**925**	732
Visits per dental chair	**1,064**	1,284
Arrail Dental	**930**	1,164
Rytime Dental	**1,139**	1,363
Revenue per dental chair (RMB in thousands)	**1,022**	1,311
Arrail Dental	**1,384**	1,691
Rytime Dental	**820**	1,061

Our repeat visit rates, defined as the percentage of patients that revisited our clinics or hospitals beyond six months after their initial visits, excluding follow-up consultations of the same treatment, were 48.1% for the year ended March 31, 2023 (48.6% for the year ended March 31, 2022). Approximately 24% of our new patients were referred by our existing patients for the year ended March 31, 2023.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures during the Reporting Period

On April 2, 2022, a subsidiary of the Company entered into an investment agreement to acquire and subscribe for 14.1% equity interest of Shenzhen Baocheng Dental Hospital (深圳寶城口腔醫院) ("**Shenzhen Baocheng**") for a cash consideration of RMB25 million (the "**Baocheng Investment**"). The Baocheng Investment does not constitute a connected transaction or a notifiable transaction under the Listing Rules.

On July 8, 2022, a subsidiary of the Company entered into an investment agreement to acquire 51% equity interest of Wuxi Tongshan Dental Hospital Co., Ltd (無錫市通善口腔醫院有限公司) ("**Tongshan Dental**") (the "**Tongshan Investment**"). Tongshan Dental had 90 dental chairs as of March 31, 2023 and contributed revenue of RMB47.7 million for the Reporting Period since the acquisition was completed on August 30, 2022. For further details on the Tongshan Investment, please refer to the announcement of the Company dated July 8, 2022.

On November 3, 2022, the Group entered into a cooperation agreement with Hangzhou Jarvis and Hangzhou Jinyaori, pursuant to which the Group agreed to subscribe for 20% of the registered capital of Hangzhou Jinyaori, a wholly owned subsidiary of Hangzhou Jarvis, at the subscription amount of RMB30 million. Upon completion of the subscription, Hangzhou Jinyaori will be owned as to 20% and 80% by the Group and Hangzhou Jarvis respectively. On the same day, the Group entered into a licensing agreement with Hangzhou Jinyaori, pursuant to which the Group shall license certain intellectual property rights to Hangzhou Jinyaori for a term of three years. Please refer to the announcements of the Company dated November 3, 2022 and November 11, 2022 for details.

Save as disclosed above, the Company had no significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Events after the Reporting Period

On September 28, 2022, the Company and Beier Holdings Limited ("**Beier**") entered into a loan agreement (the "**Loan Agreement**"), pursuant to which the Company provided a loan facility to Beier in an aggregate principal amount of US$11,000,000 (equivalent to RMB77,164,000) (the "**Loan**"). The Loan was drawn down by Beier in full on September 30, 2022. The Loan was unsecured, interest bearing at 4.5% per annum, and repayable in nine months from the date of utilisation.

On June 27, 2023, the Company and Beier entered into an amendment agreement to the Loan Agreement (the "**Amendment Agreement**"), pursuant to which the Company and Beier conditionally agreed that, among others, (i) the term of the Loan shall be extended for a period from 9 months to 18 months commencing from the September 30, 2022, and (ii) the interest rate of the Loan shall be revised from 4.5% to 5.5%. In addition, to cover the liabilities and obligations of Beier under the Amendment Agreement, Beier pledged 9,920,675 ordinary shares of the Company held by it in favour of the Company as security for the extended Loan. Save for the above, all the material terms and conditions of the Loan Agreement remain unchanged and in force and effect.

Save as disclosed above and elsewhere in this announcement, there have been no other material events subsequent to the year ended 31 March 2023, which require adjustment or disclosure in accordance with IFRSs.

Future Plans for Material Investments and Capital Assets

The Group intends to utilize the net proceeds raised from the Global Offering for business expansion, optimization of our IT infrastructure and working capital in the manner set out in the Prospectus and the section headed "Use of Proceeds from the Global Offering" below. Save as these, the Group does not have any concrete committed plans for material investments and capital assets in 2023.

Employees and Remuneration

As of March 31, 2023, we had a total of 3,409 full-time employees, all of whom were based in various cities in China. Our employees reflect the geographic footprint we currently serve. The following table sets forth our employees by functions as of March 31, 2023:

Function	**Number of Employees**	**%**
Dentists	914	26.8%
Nursing staff	1,274	37.4%
Customer service staff	623	18.3%
General administrative staff	349	10.2%
Marketing team	249	7.3%
Total	**3,409**	**100.0%**

We offer our employees different remuneration packages based on their positions. Generally, the remuneration structure of our employees includes salary, benefits and bonuses. Our compensation programs are designed to remunerate our employees based on their performance, measured against specified objective criteria. We maintain standard employee benefit plans required by PRC laws and regulations, including housing fund contributions, pension insurance, medical insurance, workplace injury insurance, unemployment insurance, and maternity insurance.

As of March 31, 2023, over 46.4% of our full-time dentists had master's degrees or above, and many held titles and qualifications such as chief medical director or medical discipline leader. Our team of dentists have on average 11.2 years of post-qualification experience in the industry. The average monthly revenue generated per dentist who joined us in 2018, 2019 and 2020 during each calendar year, grew at a CAGR of 24%, 39% and 57% during their respective employment periods up to the end of calender year 2022. Dentists with more than five, ten and fifteen years of experience with us accounted for 37.2%, 13.9% and 6.1% of our total dentists, which indicates strong employee retention rates.

We have also set up a platform in the BVI to hold incentive shares for a total amount of 119,972,600 shares, representing approximately 20.6% of the total issued share capital of the Company as of March 31, 2023, for the participants under the RSU Scheme. As of March 31, 2023, an aggregate of 573 employees were approved by the Board to be the grantees with a total of 88,770,062 underlying shares pursuant to the RSU Scheme. We further adopted the 2022 RSU Scheme on September 3, 2022, pursuant to which the underlying Shares will be satisfied by the existing Shares to be acquired by the trustee on the market based on the trading price of the market. As of March 31, 2023, no employees were approved by the Board to be the grantees pursuant to the 2022 RSU Scheme.

During the Reporting Period, our Group did not experience any significant problems with its employees due to labour disputes nor did it experience any difficulty in the recruitment and retention of staff.

Industry Outlook

The development of the dental services market in China is mainly driven by economic development, an ageing population, digitalization, rising public awareness of dental health and other related factors. According to Frost & Sullivan Report, the market size of dental services in China reached RMB145.0 billion in 2021, maintaining an average annual growth rate of 20%. It is expected to reach RMB300.0 billion by 2025. Based on the experience of overseas developed markets, a chained operation is generally considered to have greater advantages than an individual operation in terms of speed of development.

Although the COVID-19 pandemic has had a certain impact on the industry in the past three years, the entire industry has still shown strong resilience and signs of rebound. At the same time, we have also observed the gradual enhancement of industry penetration and concentration of leading institutions. Following the complete easing of the pandemic control restrictions, the vitality and potential of the dental services market will be fully released, hence we are full of confidence in the prospects of our future development.

With the full implementation of the domestic oral implantology policy and the nearly-two-years publicity and popularization of such policy in the market, patients in China gradually became aware that "oral implantology" is one of the most effective treatments for missing teeth; thus the dental health awareness of the public has been raised and more patients will be benefited by affordable prices. Before providing oral implantology treatment, the dentist will have a comprehensive assessment of the patient's dental health, judging whether the patient is suitable for treatment and enabling the patient to complete the basic treatment required in the early stage, which will in turn further increase patient visits in dental institutions, especially for basic treatments of general dental and periodontal ailments. At the policy aspect, guided by a number of policies issued by the state and local governments in China, the private healthcare development environment in China will continue to be improved in a standardized, healthy and sustainable manner. As the largest premium dental chain group in China which covers the four core regions, namely North China, East China, South China and West China, comprising 15 Tier-1 and Tier-2 cities, the Company will further benefit from the core advantages of "Talent, Brand, System" and seize the huge opportunities arising from the development of the dental market.

Future Prospects

1) Efficiency improvement and steady operation

We focus on improving efficiency and operating steadily, aiming to ensure quality and sustainable growth. Faced with the recurring impact of the pandemic in the past three years, the industry needs to reorganize and recuperate. Therefore, we will continuously focus on existing resources, fortifying our foundation, while maintaining a development strategy of active expansion. We will continue to increase market share and operational efficiency through original site expansion and continuous intra-city encryption. Meanwhile, we will also actively explore new markets to maintain our business expansion opportunities. In order to enhance efficiency and effectiveness, we will launch the "5A Arrail Way" to improve customer management with refined operations.

2) Relying on the medical-oriented principle and respecting medical

Ensuring medical quality is the essence of the development of the healthcare industry, and the dental industry is no exception. We adopt a number of systems including medical red line management, specialized case classification, dentist classification, complex medical condition discussion and multidisciplinary consultation to ensure medical quality and safety and provide customers with professional dental services. In recent years, more and more expert dentists have joined the Group, which also proves that we have been recognized and respected in the field of dental services. In future, we will adhere to the medical-oriented principle, and always regard medical quality management as a lifeline for enterprise development.

3) Leveraging brand influence to strengthen the system of "recruitment, training and retention"

We will further strengthen the system of "recruitment, training and retention" of talents by leveraging our brand influence. The Company has been adhering to the principle of "empowerment and support" and is committed to providing employees with effective platforms and development opportunities. In terms of medical services, we not only insist on campus recruitment, but also increase the recruitment of specialist dentists and senior dentists to ensure that our medical service level is always at the leading position in the industry. In terms of operation, we will gradually strengthen the construction of the echelon of core management personnel, and focus on selecting high-caliber management personnel with strong self-motivation, learning ability and development potential, so as to lay a sound organizational structure foundation for the Company's long-term development.

4) Enhancing corporate culture

Corporate culture endows the Company with a unique working atmosphere, which will in turn regulate and affect everyone's behavior and way of doing things. As the corporate culture and core competitive edge of the Company, "integrity, professionalism and being a good person" is vital for the Company to achieve cross-regional development and off-site replication, thus becoming a national chain dental institution. It is one of the "moats" of the Company. In future, the Company will unswervingly promote and maintain the construction of its corporate culture.

5) Risk management and sustainable development

The Group will continue to strengthen its risk management system to ensure the stability and sustainability of business operations. At the same time, we will also build a market-leading financial management system to maintain our financial health, as well as formulate reasonable financial goals and strategic planning. In addition, we will also pay attention to our environmental, social and governance responsibilities, continue to improve and strengthen corporate governance and the standardized management of listed companies, optimize the governance structure and continue to focus on charity and public welfare. Meanwhile, we will also further strengthen our communication with regulatory authorities such as the Stock Exchange as well as Shareholders so as to keep information transparent, with a view to creating more value for Shareholders.

Impact of COVID-19

To contain the spread of COVID-19, the local governments imposed various restrictions on business and social activities, including travel restrictions and mandated temporary shutdowns of business operations across certain regions. During the Reporting Period, we have undergone temporary closures of clinics and hospitals we operated, particularly from April to June 2022 and from November 2022 to January 2023. In April and May 2022, all the clinics in Shanghai were closed. In May and June 2022, 19 clinics and hospitals in Beijing were closed for averagely two weeks, while from November 2022 to January 2023, almost all the clinics and hospitals were temporarily closed for one week to one month.

Although COVID-19 has had an adverse effect on our country, we noticed strong business rebounce after the pandemic. For example, patient visits decreased by 20.2% in April to June 2022 and increased by 9.7% from July to September compared to same period last year; patient visits decreased by 39.4% in November 2022 to January 2023 and increased by 42.2% in February 2023 compared to same period last year.

FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this announcement.

Revenue

During the Reporting Period, we primarily generated revenues from operating dental clinics and hospitals across the PRC. Our revenues decreased by 9.2% from RMB1,623.6 million for the year ended March 31, 2022, to RMB1,473.7 million for the year ended March 31, 2023. This was primarily because COVID-19 impacted our capacity to provide services.

Revenues by Dental Service Offerings

We offer a diverse range of professional and customized dental services, covering mainly three dental sectors (i) general dentistry; (ii) orthodontics; and (iii) implantology. The following table sets forth a breakdown of our revenues by types of dental services, both in absolute amount and as a percentage of our total revenues, for the periods indicated.

	For the year ended March 31,			
	2023		2022	
	RMB	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)			
General dentistry	**790,353**	**53.6%**	872,586	53.7%
Orthodontics	**328,238**	**22.3%**	366,264	22.6%
Implantology	**318,330**	**21.6%**	353,079	21.7%
Others(1)	**36,820**	**2.5%**	31,624	2.0%
Total	**1,473,741**	**100.0%**	1,623,553	100.0%

Note:

(1) Primarily include revenues generated from sale of dental materials in our ordinary course of business and the operation of our denture manufacturing plants.

Revenues generated from (i) general dentistry decreased by 9.4% from RMB872.6 million for the year ended March 31, 2022 to RMB790.4 million for the year ended March 31, 2023; (ii) orthodontics decreased by 10.4% from RMB366.3 million for the year ended March 31, 2022 to RMB328.2 million for the year ended March 31, 2023; and (iii) implantology decreased by 9.8% from RMB353.1 million for the year ended March 31, 2022 to RMB318.3 million for the year ended March 31, 2023.

Revenues by Brand

We adopt a dual-brand strategy through our Arrail Dental and Rytime Dental brands to provide differentiated dental services to different target markets. As of March 31, 2023, we operated 52 dental clinics in Tier-1 cities under the Arrail Dental brand, and operated 62 dental clinics and nine dental hospitals primarily in Tier-1 and key Tier-2 cities under the Rytime Dental brand. The following table sets forth a breakdown of our revenues by brands, both in absolute amount and as a percentage of our total revenues, for the periods indicated.

	For the year ended March 31,			
	2023		2022	
	RMB	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)			
Arrail Dental	**715,299**	**48.5%**	831,550	51.2%
Rytime Dental	**758,442**	**51.5%**	792,003	48.8%
Total	**1,473,741**	**100.0%**	1,623,553	100.0%

Cost of Sales

Our cost of sales primarily consists of (i) employee benefits expenses; (ii) depreciation and amortization; and (iii) dental materials used. Employee benefits expenses primarily consist of salaries, benefits and bonuses, including social security costs and housing benefits. Depreciation and amortization expenses primarily consist of depreciation of our medical equipment, office equipment and furniture, leasehold improvements, and right-of-use assets, representing the leases of dental clinics and hospitals. Dental material used primarily consist of purchase costs of raw materials and consumables mainly comprising customized dentures, dental braces, implant and dental crowns for implantology, orthodontics and restorations.

The following table sets forth a breakdown of our cost of sales by nature, both in absolute amounts and as a percentage of total cost of sales, for the periods indicated.

	For the year ended March 31,			
	2023		2022	
	RMB	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)			
Employee benefits expenses	**622,426**	**50.7%**	670,580	52.1%
Depreciation and amortization	**242,177**	**19.7%**	227,725	17.7%
Dental materials used	**241,757**	**19.7%**	253,254	19.7%
Consulting fees	**33,434**	**2.7%**	43,139	3.4%
Office and property management expenses	**57,550**	**4.7%**	45,962	3.5%
Others[(1)]	**29,313**	**2.5%**	46,336	3.6%
Total	**1,226,657**	**100.0%**	1,286,996	100.0%

Note:

(1) Primarily include rental expenses, travelling expenses, training expenses and utility expenses.

Our cost of sales decreased by 4.7% from RMB1,287.0 million for the year ended March 31, 2022 to RMB1,226.7 million for the year ended March 31, 2023, primarily due to the decrease of labor cost, dental materials used and consulting fees in line with revenue decrease.

Gross Profit

Our gross profit decreased by 26.6% from RMB336.6 million for the year ended March 31, 2022 to RMB247.1 million for the year ended March 31, 2023, primarily due to the decrease of revenue.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) employee benefits expenses for our sales and marketing staff; (ii) advertising and marketing expenses; and (iii) consulting fees. The following table sets forth a breakdown of our selling and distribution expenses, both in absolute amounts and as a percentage of total cost of revenues, for the periods indicated.

	For the year ended March 31,			
	2023		2022	
	RMB	***%***	*RMB*	*%*
	(RMB in thousands, except for percentages)			
Employee benefits expenses	**47,717**	**51.2%**	40,029	50.3%
Advertising and marketing expenses	**37,591**	**40.3%**	33,588	42.2%
Consulting fees	**4,727**	**5.1%**	2,816	3.5%
Others[(1)]	**3,238**	**3.4%**	3,192	4.0%
Total	**93,273**	**100.0%**	79,625	100.0%

Note:

(1) Primarily include travelling expenses, training expenses and recruitment expenses.

Our selling and distribution expenses increased by 17.2% from RMB79.6 million for the year ended March 31, 2022 to RMB93.3 million for the year ended March 31, 2023, primarily because we expanded marketing team and carried out more marketing and promotion activities.

Administrative Expenses

Our administrative expenses primarily consist of (i) share-based compensation expenses; (ii) employee benefits expenses for our directors, senior management and other administrative staff; (iii) listing expenses; (iv) consulting fees; and (v) depreciation and amortization. The following table sets forth a breakdown of our administrative expenses, both in absolute amounts and as a percentage, for the periods indicated.

	For the year ended March 31,			
	2023		2022	
	RMB	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)			
Share-based compensation expenses	**194,118**	**56.3%**	95,021	34.4%
Employee benefits expenses	**87,672**	**25.4%**	83,401	30.2%
Listing expenses	**–**	**–**	42,501	15.4%
Consulting fees	**18,536**	**5.4%**	15,234	5.5%
Depreciation and amortization	**17,062**	**4.9%**	16,659	6.0%
Office and property management expenses	**5,482**	**1.6%**	4,903	1.8%
Auditor's remuneration	**4,500**	**1.3%**	3,500	1.3%
Others[(1)]	**17,388**	**5.1%**	14,874	5.4%
Total	**344,758**	**100.0%**	276,093	100.0%

Note:

(1) Primarily include travelling expenses, training expenses and recruitment expenses.

Our administrative expenses increased by 24.9% from RMB276.1 million for the year ended March 31, 2022 to RMB344.8 million for the year ended March 31, 2023, primarily due to (i) increased share-based compensation expenses in connection with RSUs granted to our employees in October 2021; and (ii) increased recurring professional and legal fees as the Company's been listed on the Stock Exchange and offset by the reduction of one-off listing expenses incurred during the Company's first public offering.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefits expenses for our research and development staff; and (ii) consulting fees. The following table sets forth a breakdown of our research and development expenses, both in absolute amounts and as a percentage, for the periods indicated.

	For the year ended March 31,			
	2023		2022	
	RMB	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)			
Employee benefits expenses	**10,293**	**55.5%**	26,633	80.9%
Consulting fees	**6,085**	**32.8%**	4,323	13.1%
Depreciation and amortization	**1,836**	**9.9%**	1,596	4.8%
Others[(1)]	**328**	**1.8%**	366	1.2%
Total	**18,542**	**100.0%**	32,918	100.0%

Note:

(1) Primarily include travelling expenses, property management expenses and utility expenses.

Our research and development expenses decreased by 43.7% from RMB32.9 million for the year ended March 31, 2022 to RMB18.5 million for the year ended March 31, 2023, primarily because the decrease in employee benefits expenses reflecting the decrease in the expenses of maintenance and follow-up development of our self-developed information technology.

(Impairment loss)/reversal of impairment loss on financial assets – net

(Impairment loss)/reversal of impairment loss on financial assets – net on financial assets refer to impairment charges recorded based on the difference between the cash flows contractually due and all the cash flows that we expect to receive from trade and other receivables. Our impairment loss on financial assets was RMB2.9 million for the year ended March 31, 2023, compared to net reversal of impairment loss on financial assets of RMB4.6 million for the year ended March 31, 2022, primarily due to the increase in account receivables.

Operating Loss

For the year ended March 31, 2023, our operating loss was RMB190.3 million, compared to an operating loss of RMB28.6 million for the year ended March 31, 2022, mainly due to revenue decrease caused by COVID-19 and share-based compensation expenses of RMB194.1 million in connection with RSUs granted to our employees in October 2021. Excluding the share-based compensation expenses, our adjusted operating profit was RMB3.8 million for the year ended March 31, 2023.

Net Finance Costs

Our net finance costs decreased from RMB47.4 million for the year ended March 31, 2022 to RMB25.3 million for the year ended March 31, 2023, primarily due to the decrease of transaction costs on issuance of Series-E convertible redeemable preferred shares of RMB9.2 million incurred in the year ended March 31, 2022 and the increase of interest income from bank deposits.

Fair Value Changes of Convertible Redeemable Preferred Shares

As convertible redeemable preferred shares were converted to ordinary shares upon the Listing, we did not record any fair value change of convertible redeemable preferred shares for the year ended March 31, 2023.

Loss for the Year

As a result of the foregoing, our loss for the year decreased from RMB696.4 million for the year ended March 31, 2022 to RMB223.3 million for the year ended March 31, 2023.

Property, Plant and Equipment

Our property, plant and equipment primarily consist of (i) medical equipment; (ii) office equipment and furniture; (iii) motor vehicles; and (iv) leasehold improvements. Our property, plant and equipment increased from RMB297.8 million as of March 31, 2022 to RMB324.2 million as of March 31, 2023 primarily due to clinics upgrades, opening and the acquisition of Tongshan Dental.

Right-of-use Assets

Our right-of-use assets represent leases of dental clinics, hospitals, and office space in accordance with IFRS 16. Our right-of-use assets decreased from RMB703.5 million as of March 31, 2022 to RMB692.1 million as of March 31, 2023, primarily due to the depreciation of the right-of-use assets, partially offset by the additions.

Net Current Assets

We had net current assets of RMB802.6 million as of March 31, 2023, compared to net current assets of RMB884.4 million as of March 31, 2022, primarily because of usage of cash and cash equivalents for investments and acquisitions.

Trade Receivables

Trade receivables are primarily amounts due from customers for dental materials sold and dental services performed in the ordinary course of business. Trade receivables are classified as current assets if they are expected to be collected in one year or less. We typically charge our individual patients upon rendering our services. In addition, for our corporate clients, we usually grant them a credit period ranging from 10 to 60 days.

Our trade receivables increased from RMB71.3 million as of March 31, 2022 to RMB75.6 million as of March 31, 2023. Our trade receivables turnover days were 20 days for the year ended March 31, 2022, and 23 days for the year ended March 31, 2023. The increase in turnover days was mainly due to increase in account receivables from commercial and governmental medical insurance programs.

Other Receivables

Our other receivables primarily consist of (i) loans to related parties; (ii) rental and other deposits; and (iii) loans to employees, net of loss allowance. Our other receivables included in current assets increased by 706.6% from RMB25.6 million as of March 31, 2022 to RMB206.5 million as of March 31, 2023, primarily due to (i) an increase of a loan to a related party, Beier Holdings Limited, of RMB77.2 million; (ii) an increase of a receivable from our RSU management agency of RMB36.5 million representing cost and proceeds of RSUs exercise; (iii) Deposit placed in a security broker of RMB34.7 million for the Company to repurchase its shares from the market; and (iv) an increase of loans to employees which will mature in less one year of RMB27.1 million, which were recorded in non-current assets last year.

Trade Payables

Our trade payables primarily represent the amounts due to our suppliers. Our suppliers typically granted us a credit period of 90 days.

Our trade payables increased by 14.6% from RMB74.2 million as of March 31, 2022 to RMB85.0 million as of March 31, 2023, primarily due to longer payment terms to some suppliers. Our trade payables turnover days increased from 58 days for the year ended March 31, 2022 to 59 days for the year ended March 31, 2023 accordingly.

Other Payables

Our other payables primarily consist of (i) employee benefits payable; (ii) payables due to related parties and shareholders; and (iii) taxes payables. Our other payables decreased by 37.4% from RMB198.9 million as of March 31, 2022 to RMB124.5 million as of March 31, 2023, mainly due to (i) the payment of RMB36.5 million to buy out share interest from a minority shareholder of a subsidiary of the Group; (ii) the payment of listing fee of RMB24.5 million; and (iii) a decrease in employee benefits payable of RMB22.0 million.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss primarily represent our investments in wealth management products with an aggregate principal amount of approximately RMB258.0 million and unlisted debt instruments of RMB35.7 million and unlisted equity instruments of RMB30 million. As of March 31, 2023, the Company acquired the wealth management products from GF Global Capital Limited of USD20 million (equivalent to RMB137.4 million) and Huatai International Financial Products Limited of US$16.4 million (equivalent to RMB112.6 million).

The unlisted debt instruments represent 8.22% equity interest in Hangzhou Jarvis and 20% equity interest in Hangzhou Jinyaori.

Prepayments

Our prepayments primarily consist of (i) prepayments for braces; (ii) incremental cost of obtaining contracts, representing the commissions to dentists; (iii) prepayments for inventories other than braces; (iv) payment for equipments; and (v) short-term lease prepayments. Our prepayments remained stable at RMB148.4 million as of March 31, 2022 and RMB142.2 million as of March 31, 2023.

Foreign Exchange Exposure

Since we operate mainly in the PRC with most of the transactions settled in Renminbi, our management considers that our business is not exposed to significant foreign exchange risk as there are no significant assets or liabilities which are denominated in the currencies other than our functional currency. During the Reporting Period, the Company's currency translation differences mainly arise from the translation of the financial statements of our Company from its functional currency in United States dollars to the reporting currency in Renminbi.

Our Directors would from time to time review the analysis prepared by our account department and assess whether there is any material and adverse impact on our financial performance and whether we should enter into any hedging or derivative financial instruments to manage such foreign exchange risk exposures.

Contingent Liabilities

As of March 31, 2023, we did not have any material contingent liabilities, guarantees, or legal, arbitration or administrative proceedings pending or threatened against us that we expect would materially adversely affect our financial position or results of operations.

Liquidity and Financial Resources and Capital Structure

During the Reporting Period, we financed our operations and other capital expenditure requirements primarily through cash generated from our operations and proceeds raised from the Company's series E round of financing and the Listing. As of March 31, 2023, we had cash and cash equivalents of RMB621.9 million, as compared with RMB1,052.3 million as of March 31, 2022.

There is no material change in the capital structure of the Company during the Reporting Period. The capital of the Company comprises only ordinary shares.

Capital Expenditures

Capital expenditures represent the purchase of property, equipment and intangible assets. For the year ended March 31, 2023, we incurred capital expenditures of RMB126.8 million, compared to RMB120.8 million for the year ended March 31, 2022, primarily due to the expansion and renovation of dental clinics and hospitals and the acquisition of Tongshan Dental. We intend to fund our planned capital expenditures through a combination of the net proceeds from the Global Offering, bank facilities and other borrowings, as well as cash generated from operations.

Borrowings and Gearing Ratio

During the Reporting Period, we incurred borrowings which were primarily denominated in Renminbi, to finance our capital expenditure and working capital requirements. As of March 31, 2023, we had obtained undrawn bank loan facilities of RMB361.5 million.

As of March 31, 2023, the gearing ratio (calculated as total borrowings divided by total equity and multiplied by 100%) is 13.0%.

Charge on Asset

As of March 31, 2023, we pledged US$22.5 million (equivalent to RMB154.9 million) to a bank as the collateral for bank loans of RMB96.3 million.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on March 22, 2022. The net proceeds received by the Company from the Global Offering amounted to HK$589.9 million. The net proceeds from the Global Offering will be utilized in the same manner and proportion as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". For the Reporting Period, the Company had used the net proceeds from the Global Offering for the following purposes:

	Amount of net proceeds for the relevant use	Percentage of total net proceeds	Unutilized net proceeds as of April 1, 2022	Utilization during the year ended March 31, 2023	Unutilized net proceeds as of March 31, 2023	Expected timeframe for unutilized net proceeds
	HK$ million	*%*	*HK$ million*	*HK$ million*	*HK$ million*	
Business expansion						
Increase penetration and grow footprint in existing and emerging Tier-1 cities in China and existing Tier-2 cities in China	324.4	55.0%	324.4	49.2	275.2	over the next five years
Expansion into new key Tier-2 cities in China	118.0	20.0%	118.0	25.0	93.0	over the next five years
Subtotal	**442.4**	**75.0%**	**442.4**	**74.2**	**368.2**	
Build and optimize IT infrastructure	88.5	15.0%	88.5	35.0	53.5	over the next five years
Working capital	59.0	10.0%	59.0	7.9	51.1	over the next five years
Total	**589.9**	**100.0%**	**589.9**	**117.1**	**472.8**	

Note:

The estimated schedule for utilising the remaining proceeds is based on the best estimation made by the Group of future market condition and may change with the current market condition and future development.

CONSOLIDATED INCOME STATEMENT
For the year ended March 31, 2023

	Note	Year ended March 31, 2023 RMB'000	2022 RMB'000
Revenue	4	**1,473,741**	1,623,553
Cost of sales	5	**(1,226,657)**	(1,286,996)
Gross profit		**247,084**	336,557
Selling and distribution expenses	5	**(93,273)**	(79,625)
Administrative expenses	5	**(344,758)**	(276,093)
Research and development expenses	5	**(18,542)**	(32,918)
(Impairment loss)/reversal of impairment loss on financial assets – net		**(2,863)**	4,585
Other gains – net		**22,062**	18,922
Operating loss		**(190,290)**	(28,572)
Finance income	7	**18,965**	8,276
Finance costs	7	**(44,289)**	(55,641)
Finance costs – net		**(25,324)**	(47,365)
Share of net loss of associates and joint ventures accounted for using the equity method		**(2,295)**	(411)
Fair value change of convertible redeemable preferred shares		**–**	(541,089)
Fair value change of bond		**–**	(61,647)
Fair value change of warrants		**–**	(13,686)
Fair value change of derivative liabilities		**–**	(6,005)
Fair value difference between termination of the warrants and recognition of derivative liabilities		**–**	(11,136)
Loss before income tax		**(217,909)**	(709,911)
Income tax (expenses)/credit	8	**(5,439)**	13,511
Loss for the year		**(223,348)**	(696,400)
(Loss)/profit attributable to:			
Owners of the Company		**(219,909)**	(701,032)
Non-controlling interests		**(3,439)**	4,632
		(223,348)	(696,400)
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted loss per share	9	**(0.38)**	(8.70)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended March 31, 2023

	Note	**Year ended March 31,** **2023** ***RMB'000***	2022 *RMB'000*
Loss for the year		**(223,348)**	(696,400)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss			
Fair value change of convertible redeemable preferred shares due to own credit risk		**–**	(18,439)
Fair value change of bond due to own credit risk		**–**	1,083
Currency translation differences		**86,484**	84,672
Other comprehensive income for the year, net of tax		**86,484**	67,316
Total comprehensive loss for the year		**(136,864)**	(629,084)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(133,425)**	(633,716)
Non-controlling interests		**(3,439)**	4,632
		(136,864)	(629,084)

CONSOLIDATED BALANCE SHEET
As at March 31, 2023

	Note	As at March 31, 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**324,202**	297,798
Right-of-use assets		**692,067**	703,466
Intangible assets		**56,343**	24,612
Goodwill		**182,754**	98,467
Deferred tax assets		**63,929**	56,677
Prepayments		**34,635**	21,722
Investments accounted for using the equity method		**30,677**	14,155
Financial assets at fair value through profit or loss	*11*	**71,777**	34,675
Other receivables	*10*	**77,767**	109,476
Total non-current assets		**1,534,151**	1,361,048
Current assets			
Inventories		**51,386**	47,080
Prepayments		**107,600**	126,704
Trade and other receivables	*10*	**282,138**	96,885
Financial assets at fair value through profit or loss	*11*	**256,950**	197,055
Restricted cash	*12(b)*	**154,894**	95,290
Time deposits with original maturity over three months	*12(c)*	**52,657**	14,000
Cash and cash equivalents	*12(a)*	**621,860**	1,052,285
Total current assets		**1,527,485**	1,629,299
Total assets		**3,061,636**	2,990,347

CONSOLIDATED BALANCE SHEET (CONTINUED)
As at March 31, 2023

	Note	As at March 31, 2023 RMB'000	2022 RMB'000
EQUITY			
Share capital		**74,769**	74,769
Reserves		**5,107,566**	4,841,683
Accumulated losses		**(3,571,649)**	(3,351,740)
Equity attributable to owners of the Company		**1,610,686**	1,564,712
Non-controlling interests		**85,204**	45,785
Total equity		**1,695,890**	1,610,497
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**47,252**	–
Lease liabilities		**566,223**	611,187
Contract liabilities		**16,323**	21,597
Deferred tax liabilities		**11,062**	2,125
Total non-current liabilities		**640,860**	634,909
Current liabilities			
Trade and other payables	*14*	**209,464**	273,105
Contract liabilities		**154,024**	184,287
Current tax liabilities		**19,195**	8,065
Borrowings	*13*	**172,767**	137,363
Lease liabilities		**169,436**	142,121
Total current liabilities		**724,886**	744,941
Total liabilities		**1,365,746**	1,379,850
Total equity and liabilities		**3,061,636**	2,990,347

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND REORGANISATION

1.1 General information

Arrail Group Limited (the "Company") was incorporated in the British Virgin Islands (the "BVI") on May 23, 2001 as a company limited by shares. On November 16, 2020, the Company discontinued as a company incorporated under the BVI Business Companies Act 2004 (as amended) and was registered by way of continuation as an exempted company limited by shares under the Companies Act (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. Accordingly, the registered office of the Company was changed from P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI, to 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, the Cayman Islands.

The Company is an investment holding company and together with its subsidiaries (the "Group"), is principally engaged in the provision of dental services (including general dentistry, orthodontics and implantology) through operations of dental clinics and hospitals in the People's Republic of China (the "PRC").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies applied in the preparation of the consolidated financial statements. These policies have been consistently applied throughout all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), interpretations issued by International Accounting Standards Board ("IASB") applicable to companies reporting under IFRSs.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets measured at fair value.

2.2 New and amended standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on April 1, 2022.

	Effective for accounting periods beginning on or after
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	January 1, 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	January 1, 2022
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37	January 1, 2022
Annual Improvements to IFRSs 2018 – 2020 cycle	January 1, 2022

The Group has applied new and amended standards effective for the current financial year. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements.

2.3 New and amended standards and interpretation not yet adopted by the Group

Certain new accounting standards, amendments and interpretations have been issued but are not yet effective for the annual reporting period beginning on April 1, 2021 and have not been early adopted by the Group during the year ended March 31, 2023. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of liabilities as current or non-current	January 1, 2024
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	January 1, 2023
IAS 8 (Amendments)	Definition of Accounting Estimate	January 1, 2023
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined
Hong Kong Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies IAS 1 (Amendments) – Classification of Liabilities as Current or Non-current

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

3. SEGMENT INFORMATION

The Group's business activities, being mainly the provision of dental services (including general dentistry, orthodontics and implantology) through the operations of dental clinics and hospitals in the PRC, are regularly evaluated by Board. Management has determined the operating segments based on the reports reviewed by the board of directors for the purpose of making decisions about resource allocation and performance assessment.

The Group's business activities are operated and managed as two segments, which comprise Arrail Dental and Rytime Dental.

The Management assesses the performance of the operating segments based on a measure of operating profit. The measurement basis excludes the effects of allocation of certain income, expenses, gains and losses from headquarter, (impairment loss)/reversal of impairment loss on financial assets-net, share of net loss of investments accounted for using the equity method, fair value changes of financial instruments, and finance income and costs. There were no separate segment assets and segment liabilities information provided to the board of directors of the Group, as they do not use this information to allocate resources to or evaluate the performance of the operating segments.

	Year ended March 31,			
	2023		2022	
	Revenue	**Operating profit/(loss)**	Revenue	Operating profit/(loss)
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Arrail Dental	**715,299**	**37,663**	831,550	101,723
Rytime Dental	**758,442**	**21,435**	792,003	64,994
Total	**1,473,741**	**59,098**	1,623,553	166,717
Unallocated:				
Headquarter and corporate expenses		**(246,525)**		(199,874)
(Impairment loss)/reversal of impairment loss on financial assets – net		**(2,863)**		4,585
Finance income		**18,965**		8,276
Finance costs		**(44,289)**		(55,641)
Share of net loss of investments accounted for using the equity method		**(2,295)**		(411)
Fair value changes of convertible redeemable preferred shares		**–**		(541,089)
Fair value change of bond		**–**		(61,647)
Fair value change of warrants		**–**		(13,686)
Fair value changes of derivative liabilities		**–**		(6,005)
Fair value difference between termination of the warrants and recognition of derivative liabilities		**–**		(11,136)
Loss before income tax		**(217,909)**		(709,911)

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC and earns substantially all of the revenues from external customers in the PRC.

As at March 31, 2023 and 2022, substantially all of the non-current assets of the Group were located in the PRC.

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue for the years ended March 31, 2023 and 2022.

Other segment information

	Year ended March 31,			
	2023		2022	
	Arrail Dental	**Rytime Dental**	Arrail Dental	Rytime Dental
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Depreciation and amortisation	**130,201**	**131,266**	130,468	115,835
Addition to property, plant and equipment	**43,515**	**78,631**	65,258	50,537
Addition to right-of use assets	**131,271**	**61,604**	120,435	151,469

4. REVENUE

Revenue from contracts with customers

The breakdown of revenues by service categories during the years ended March 31, 2023 and 2022 is as follows:

	Year ended March 31,	
	2023	2022
	RMB'000	*RMB'000*
General Dentistry – recognised at a point in time	**790,353**	872,586
Orthodontics – recognised over time	**328,238**	366,264
Implantology – recognised over time	**318,330**	353,079
Others – recognised at a point in time	**36,820**	31,624
	1,473,741	1,623,553

The breakdown of revenues by geographic location and by brand during the years ended March 31, 2023 and 2022 is as follows:

	Year ended March 31,	
	2023	2022
	RMB'000	*RMB'000*
Northern China	**599,748**	693,781
Eastern China	**362,242**	391,694
Southern China	**146,546**	154,488
Western China	**365,205**	383,590
	1,473,741	1,623,553

	Year ended March 31,	
	2023	2022
	RMB'000	*RMB'000*
Arrail Dental	**715,299**	831,550
Rytime Dental	**758,442**	792,003
	1,473,741	1,623,553

5. EXPENSES BY NATURE

	Year ended March 31, 2023 RMB'000	2022 RMB'000
Employee benefits expenses	**962,226**	915,664
Depreciation and amortization	**261,467**	246,303
Dental materials used	**241,757**	253,254
Advertising and marketing expenses	**37,591**	33,588
Office and property management expenses	**63,746**	51,276
Consulting fees	**62,782**	65,182
Auditor's remuneration		
– Audit services	**4,500**	3,500
– Non-audit services	**270**	330
Listing expenses	**–**	42,501
Other expenses	**48,891**	64,034
	1,683,230	1,675,632

6. EMPLOYEE BENEFITS EXPENSES

	Year ended March 31, 2023 RMB'000	2022 RMB'000
Wages, salaries, bonuses and other allowances	**651,465**	702,324
Social security costs and housing fund contributions *(note a)*	**116,643**	118,319
Share-based compensation expenses *(note b)*	**194,118**	95,021
	962,226	915,664

(a) Social security costs and housing fund contributions

The employees of the Group in the PRC are members of a state-managed pension obligations operated by the PRC Government, including social security costs and housing benefits. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

(b) Share-based compensation expenses – RSUs

In August 2021, the board of the directors of the Company approved the establishment of the RSU Scheme for the purpose of attracting, retaining and motivating the directors, employees and such other participants of the Company.

The RSU Plan is effective from the date of establishment and will govern RSUs made by the Company. The total number of RSUs which may be granted and issued under the RSU Plan will not exceed 4,798,904 (subdivided into 119,972,600 upon share subdivision).

On October 1, 2021, 3,668,941 RSUs of the Company were granted to certain directors and eligible employees. Effective from March 21, 2022, these RSUs were subdivided into 91,723,525 RSUs. RSUs will be vested and become realisable only at the end of the first 6 months, the first year, the first 18 months and the second year from the commencement date of dealings in the Company's shares on the Stock Exchange ("Vesting Period") at the respective proportion of 25%, 25%, 25% and 25%, provided that the participants pass the annual performance review administrated by the board of the directors of the Company. Vesting Period may be different due to specific cases or exception. RSUs can be purchased for 1 ordinary share at any time, provided that RSUs are vested. Movements in the number of RSUs granted and their related weighted average fair value per restrictive share unit ("RSU") are as follows:

	Number of RSUs	**Weighted average fair value per RSU (USD)**
Outstanding as at April 1, 2022	91,723,525	0.59
Granted during the year	–	–
Forfeited during the year	(2,953,463)	0.58
Vesting upon the payment of purchase price	(4,536,038)	0.71
Outstanding as at March 31, 2023	84,234,024	0.58

The weighted average fair value of the RSUs at grant date was estimated by the fair value of the underlying ordinary shares less its purchase price. The average purchase price is USD0.8. The Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted the equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as projections of future performance, are determined by the Group with best estimate.

Based on fair value of the underlying ordinary shares, the Group has used binomial option pricing model to determine the fair value of the RSUs as at the grant date. Key assumptions are set as below:

	On grant date
Fair value per ordinary share (adjusted for Share Subdivision)	USD1.11
Grant date	October 1, 2021
Expected price volatility	48.6%
Risk-free interest rate	1.5%
Dividend yield	0%

The share-based compensation expenses relating to the RSUs were recognised as administrative expenses during the year ended March 31, 2023 amounting to RMB194,118,000 (2022: RMB95,021,000).

On September 3, 2022 ("Adoption Date"), the Company has adopted the 2022 RSU Scheme ("2022 RSU Scheme") as approved by the board of directors of the Company to further provide a means of compensating the selected participants through the grant of awards for their contribution to the growth and profits of the Group.

Unless terminated earlier by the Company, the 2022 RSU Scheme is valid and effective for a term of 10 years commencing from the Adoption Date. Upon termination, (i) no further grant of RSUs may be made under the 2022 RSU Scheme; and (ii) the awards (to the extent not already settled, paid-out, lapsed or cancelled) granted prior to such termination shall continue to be valid in accordance with the 2022 RSU Scheme.

Pursuant to the 2022 RSU Scheme, the underlying shares will be satisfied by the existing ordinary shares to be acquired on the market based on the trading price of the market.

The Board shall not make any further awards which will result in the nominal value of the underlying shares under the 2022 RSU Scheme exceeding 10% of the issued shares of the Company as at the Adoption Date. The maximum number of the underlying shares which may be transferred or paid-out in settlement of all RSUs awarded to any selected participants under the 2022 RSU Scheme shall not exceed 1% of the issued shares of the Company from time to time in any 12-month period.

During the year ended March 31, 2023, no RSU was granted under the 2022 RSU Scheme.

7. FINANCE COSTS – NET

	Year ended March 31,	
	2023	2022
	RMB'000	*RMB'000*
Finance income		
Interest income from bank deposits	**16,199**	4,122
Interest income from loans to related parties and employees	**2,766**	4,154
	18,965	8,276
Finance costs		
Interest expense on borrowings	**(6,244)**	(9,628)
Interest expense on lease liabilities	**(38,045)**	(36,843)
Transaction costs on issuance of convertible redeemable preferred shares	**–**	(9,170)
	(44,289)	(55,641)
	(25,324)	(47,365)

8. INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) of the Group for the years ended March 31, 2023 and 2022 is analysed as follows:

	Year ended March 31,	
	2023	2022
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**14,016**	15,536
Deferred income tax	**(8,577)**	(29,047)
	5,439	(13,511)

(a) Cayman Islands

The Company is registered as an exempted company with limited liability under the Companies Act of the Cayman Islands and is not subject to tax on income or capital gains. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

(b) BVI

The Group's entities established under the International Business Companies Acts of BVI are exempted from BVI income tax.

(c) Hong Kong Income Tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK$2 million and 16.5% for any assessable profits in excess of HK$2 million. The subsidiary, Arrail Institute of Advanced Dentistry (AIAD) Limited, was established in Hong Kong and this tax policy is applicable. No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that was subject to Hong Kong profits tax during the years ended March 31, 2023 and 2022.

(d) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in PRC was subject to a statutory tax rate of 25% on the assessable profits for the years ended March 31, 2023 and 2022 based on the existing legislation, interpretation and practices in respect thereof.

For the Group's PRC subsidiaries recognised as Small and Micro Enterprise ("SME") by the relevant government authorities, they were subject to a 50%-75% deduction of the assessable profits as well as a preferential tax rate of 20% or 10%, effective until December 31, 2024. During the year ended March 31, 2023, the majority of the Group's PRC subsidiaries meet the criteria of SMEs.

(e) Withholding tax in Mainland China ("WHT")

According to the New Corporate Income Tax Law ("New EIT Law"), beginning January 1, 2008, distribution of profits earned by companies in mainland China since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

9. LOSS PER SHARE

(a) Basic loss per shares

Basic loss per share for the years ended March 31, 2023 and 2022 are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

	Year ended March 31,	
	2023	2022
Loss attributable to owners of the Company *(RMB'000)*	**(219,909)**	(701,032)
Weighted average number of ordinary shares outstanding (in thousand)	**579,113**	80,555
Basic loss per share (expressed in RMB per share)	**(0.38)**	(8.70)

(b) Diluted loss per shares

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the years ended March 31, 2023 and 2022, the Company had potential ordinary shares, including RSUs, convertible redeemable preferred shares, warrants and derivative liabilities. As the Group incurred losses for the years ended March 31, 2023 and 2022, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the amounts of diluted loss per share for the years ended March 31, 2023 and 2022 were the same as basic loss per share of the respective year.

10. TRADE AND OTHER RECEIVABLES

	As at 31 March	
	2023	2022
	RMB'000	*RMB'000*
Non-current		
Other receivables		
Loans to employees	**14,101**	40,300
Rental deposits	**59,895**	61,970
Deposits paid for investments	**4,500**	5,000
Others	**1,891**	3,642
	80,387	110,912
Less: loss allowance	**(2,620)**	(1,436)
	77,767	109,476
Current		
Trade receivables	**92,407**	87,379
Other receivables		
Loans to related parties	**78,664**	1,500
Amounts due from related parties	**2,700**	1,359
Amounts due from a non-controlling shareholders	**3,150**	–
Loans to employees and petty cash granted to employees	**37,101**	7,728
Rental and other deposits	**1,548**	1,824
Amounts due from clinics operated under exclusive consultation and service agreements	**–**	12,272
Receivable from RSU management agency and deposit in a security broker for share repurchase	**71,222**	–
Others	**16,806**	4,604
	303,598	116,666
Less: loss allowance	**(21,460)**	(19,781)
	282,138	96,885
	359,905	206,361

The carrying amounts of the Group's trade receivables were denominated in RMB and approximated their fair values. As a result, there is no exposure to foreign currency risk.

The Group generally allows a credit period of 10 to 60 days to its customers. Ageing analysis of trade receivables based on billing date is as follows:

	As at March 31,	
	2023	2022
	RMB'000	*RMB'000*
Up to 3 months	**47,220**	36,985
3 to 6 months	**14,723**	22,400
6 months to 1 year	**6,941**	6,744
1 to 2 years	**9,348**	7,780
Over 2 years	**14,175**	13,470
	92,407	87,379

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March	
	2023	2022
	RMB'000	*RMB'000*
Non-current		
Wealth management products *(Note a)*	**6,063**	–
Unlisted debt instruments *(Note b)*	**35,714**	34,675
Unlisted equity instruments *(Note c)*	**30,000**	–
	71,777	34,675
Current		
Wealth management products *(Note d)*	**251,950**	197,055
Bank structured deposits	**5,000**	–
	256,950	197,055
	328,727	231,730

Note a: During the year ended March 31, 2023, the Group subscribed to partner's capital, becoming a limited partner in TruMed Health Innovation Fund LP, and the total commitment is US$2,000,000. As at March 31, 2023, the Group's investment in TruMed Health Innovation Fund LP amounting to US$882,000 (equivalent to RMB6,063,000). Its fair values are within level 3 of the fair value hierarchy.

Note b: The fair values of the unlisted debt instruments, which are preferred shares issued by Hangzhou Jarvis, representing 8.22% interest of Hangzhou Jarvis, are calculated using the Market Method. In this model, the fair value of the financial instruments is determined by the implied equity value derived from a timely transaction in the private company's equity. Its fair values are within level 3 of the fair value hierarchy.

Note c: On December 5 2022, the Group acquired 20% equity interest in Hangzhou Jinyaori Medical Technology Company Limited ("Hangzhou Jinyaori", which is a subsidiary of Hangzhou Jarvis), for the consideration of RMB30 million. The Group has no significant influence over Hangzhou Jinyaori and thus the investment is accounted for as a financial asset at fair value through profit or loss.

The fair values of the unlisted equity instruments are calculated using the Market Method. In this model, the fair value of the financial instruments is determined by the implied equity value derived from a timely transaction in the private company's equity. Its fair values are within level 3 of the fair value hierarchy.

Note d: As at March 31, 2023, the Group invested in the wealth management products from GF Global Capital Limited amounting to US$20,263,000 (equivalent to RMB139,240,000). Its fair values are within level 3 of the fair value hierarchy.

As at March 31, 2023, the Group invested in the wealth management products from Huatai International Financial Products Limited amounting to US$16,402,000 (equivalent to RMB112,710,000). Its fair values are within level 3 of the fair value hierarchy.

12. CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at March 31,	
	2023	2022
	RMB'000	*RMB'000*
Cash at bank and in hand	**237,796**	813,877
Time deposits with original maturity within three months	**384,064**	238,408
	621,860	1,052,285

The weighted average effective interest rates on the Group's time deposits with original maturity within three months as at March 31, 2023 and 2022 were 4.43% and 0.50% per annum, respectively.

(b) Restricted cash

	As at 31 March	
	2023	2022
	RMB'000	*RMB'000*
Time deposits with original maturity within three months	**91,997**	–
Time deposits with original maturity over three months	**62,897**	95,290
	154,894	95,290

The interest rates on the Group's restricted cash as at March 31, 2023 and 2022 were 2.99% and 0.10% per annum, respectively.

(c) Time deposits with original maturity over three months

	As at March 31, **2023** *RMB'000*	2022 *RMB'000*
Time deposits with original maturity over three months	**52,657**	14,000
	52,657	14,000

The interest rates on the Group's time deposits with original maturity over three months as at March 31, 2023 and 2022 were in the range of 1.55% to 4.10% per annum, respectively.

Cash and bank balances are denominated in the following currencies:

	As at March 31, **2023** *RMB'000*	2022 *RMB'000*
USD	**567,940**	593,588
RMB	**169,639**	287,679
HKD	**91,832**	280,308
	829,411	1,161,575

13. BORROWINGS

	As at March 31, **2023** *RMB'000*	2022 *RMB'000*
Included in non-current liabilities		
Secured bank borrowings *(note a)*	**47,252**	–
	47,252	–
Included in current liabilities		
Secured bank borrowings *(note a)*	**49,059**	80,100
Unsecured bank borrowings *(note b)*	**123,708**	57,263
	172,767	137,363
	220,019	137,363

(a) Secured bank borrowings

Secured bank borrowings as at March 31, 2023 and 2022 bear annual weighted average interest rate at 3.92% and 4.47%, respectively.

The maturity of secured bank borrowings is as follows:

	As at March 31,	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**49,059**	80,100
1 to 2 years	**5,559**	–
2 to 3 years	**41,693**	–
	96,311	80,100

(b) Unsecured bank borrowings

Unsecured bank borrowings as at March 31, 2023 and 2022 bear annual weighted average interest rate at 3.58% and 4.63%, respectively.

The maturity of unsecured bank borrowings is as follows:

	As at March 31,	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**123,708**	57,263

14. TRADE AND OTHER PAYABLES

	As at March 31,	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**84,968**	74,211
Other payables	**124,496**	198,894
	209,464	273,105

Ageing analysis of trade payables of the Group based on invoice date is as follows:

	As at March 31,	
	2023	2022
	RMB'000	*RMB'000*
Up to 3 months	**48,342**	38,755
3 to 6 months	**8,100**	11,154
6 months to 1 year	**5,495**	8,462
Over 1 year	**23,031**	15,840
	84,968	74,211

The breakdown of other payables is as follows:

	As at 31 March	
	2023	2022
	RMB'000	*RMB'000*
Amounts due to minority shareholders	**2,420**	7,325
Amounts due to former shareholders	**2,963**	7,836
Amounts due to related parties	**3,118**	7,114
Amounts due to employees arisen from exercise of RSUs	**9,280**	–
Consideration payable to original shareholders for acquisition of Wuxi Tongshan	**12,837**	–
Employee benefits payable	**58,660**	80,607
Consideration payable for acquisition of additional interest in a subsidiary	**–**	36,500
Taxes payable	**12,874**	9,467
Listing fees	**–**	24,493
Others	**22,344**	25,552
	124,496	198,894

The carrying amounts of trade and other payables were denominated in RMB and approximated their fair values due to their short-term maturities.

15. DIVIDENDS

No dividend was declared by the Company during the years ended March 31, 2023 and 2022.

OTHER INFORMATION

Compliance with the Corporate Governance Code (the "CG Code")

The Company strives to maintain high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability.

The Company was listed on the Main Board of the Stock Exchange on March 22, 2022. The Company has adopted the code provisions of the CG Code as set out in Part 2 of Appendix 14 to the Listing Rules, and has complied with all applicable code provisions as set out in the CG Code during the Reporting Period, except for deviation from the code provisions C.2.1 and C.5.7 of the CG Code.

As for the deviation from code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company are not separate and are both performed by Mr. ZOU Qifang ("**Mr. ZOU**"). As Mr. ZOU is the founder of our Group and has been managing our Group's business and overall strategic planning since its establishment, our Directors consider that vesting the roles of chairman and chief executive officer in Mr. ZOU is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group. Taking into account all the corporate governance measures that we have implemented since Listing, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, our Company has not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time if necessary, taking into account the circumstances of our Group as a whole.

As for the deviation from code provision C.5.7 of the CG Code, pursuant to such code provision, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting. During the Reporting Period, the Board approved the connected transaction in respect of the provision of loan to a company controlled by Mr. ZOU, the controlling shareholder of the Company, by passing a written resolution. The Board is of the view that taking into account the requirements of pandemic prevention and control and also in order to facilitate the efficiency of decision-making and implementation, it is decided to approve the transaction by way of written resolutions. Furthermore, Mr. ZOU abstained from voting on the relevant Board resolutions.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Guidelines for Securities Transactions by Directors (the "**Written Guidelines**") on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines during the Reporting Period. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

Compliance with relevant Laws and Regulations

During the Reporting Period, the Group had complied with the applicable laws, regulations and regulatory requirements of the places where the Group operates in all material respects, including the requirements under the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the CG Code for, among other things, the disclosure of information and corporate governance.

Final Dividends

The Directors do not recommend a final dividend for the Reporting Period (2021/22: Nil).

Purchase, Sale or Redemption of the Listed Securities of the Company

Save for the 5,291,000 Shares purchased by Arrail Revival Holdings Limited, a limited liability company set up by the Company as a platform holding underlying Shares for the 2022 RSU Scheme, at cash consideration of HK$39.3 million on the Stock Exchange for 2022 RSU Scheme, neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

Scope of Work of the Group's Auditor

The Group's auditor, PricewaterhouseCoopers, found the figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive loss and the related notes thereto for the year ended March 31, 2023 as set out in this announcement were in agreement with the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the PricewaterhouseCoopers on this announcement.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. ZHANG Bang, Ms. LIU Xiaomei Michelle and Mr. SUN Jian. Mr. ZHANG Bang, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process.

The Audit Committee has reviewed together with the management and external auditor of the Company the accounting principles and policies adopted by the Company and the annual results and the audited consolidated financial statements for the year ended March 31, 2023.

The AGM

The AGM of the Company will be held on or around Tuesday, September 26, 2023. The circular (including notice of the AGM) will be published on the websites of the Company and the Stock Exchange and despatched to the Shareholders in due course.

Closure of Register of Members

For the purpose of determining the Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, September 21, 2023 to Tuesday, September 26, 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, all share transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, September 20, 2023.

Publication of Annual Results and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.arrailgroup.com). The annual report for the year ended March 31, 2023 along with the AGM circular, the notice of AGM, the proxy form containing all the information in accordance with the requirements under the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS

"2022 RSU Scheme"	The 2022 RSU scheme adopted by the Company in accordance with the scheme rules on September 3, 2022
"Adjusted EBITDA"	adjusted EBITDA as EBITDA adjusted by adding share-based compensation expenses
"Adjusted Loss for the Year"	adjusted loss for the year as loss for the year adjusted by adding share-based compensation expenses
"Adjusted Operating Profit"	adjusted operating profit as operating loss adjusted by adding share-based compensation expenses
"AGM"	the annual general meeting for the year 2023 of the Company
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of our Company
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"China" or "PRC"	People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires otherwise, references in this announcement do not apply to Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
"Company" or "our Company"	Arrail Group Limited (瑞爾集團有限公司), an exempted company registered by way of continuation under the laws of the Cayman Islands with limited liability on November 16, 2020, and registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on July 26, 2021
"Director(s)" or "our Director(s)"	the director(s) of our Company
"EBITDA"	EBITDA as loss for the year adjusted by adding finance costs-net, income tax expenses, depreciation and amortization
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is a third party independent to our Group
"Global Offering"	the Hong Kong Public Offering and the International Offering

"Group", "our Group", "we", "us", or "our"	our Company and all of our subsidiaries and the VIE Entities (as defined in the Prospectus) from time to time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Hangzhou Jarvis"	Hangzhou Jarvis Medical Technology Company Limited* (杭州佳沃思醫療科技有限公司), a limited liability company established under the laws of the PRC and owned as to 56.9% by Ms. Zou Jin, the daughter of Mr. Zou Qifang
"Hangzhou Jinyaori"	Hangzhou Jinyaori Medical Technology Company Limited* (杭州金曜日醫療科技有限公司), a limited liability company established under the laws of the PRC and owned 80.0% by Hangzhou Jarvis, and 20.0% by the Group
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM of the Stock Exchange
"Prospectus"	the prospectus issued by the Company on March 9, 2022
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the year ended March 31, 2023
"RSU(s)"	restricted share unit(s)
"RSU Scheme"	the RSU scheme adopted by the Company on August 3, 2021, details of which are set out in the Prospectus
"Share(s)"	ordinary share(s) in the share capital of the Company, with nominal value US$0.02 each

"Shareholder(s)"	holder(s) of our Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

By Order of the Board
Arrail Group Limited
Zou Qifang
Chairman

Hong Kong, June 27, 2023

As of the date of this announcement, the executive Directors are Mr. ZOU Qifang, Ms. XIN Qin Jessie, Mr. ZHANG Jincai and Mr. ZOU Jianlong, and the independent non-executive Directors are Ms. LIU Xiaomei Michelle, Mr. SUN Jian and Mr. ZHANG Bang.

* *For identification purpose only*