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, 2024

The Board is pleased to announce the audited consolidated results of the Group for the year ended March 31, 2024, together with comparative audited figures for the year ended March 31, 2023.

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, 2024 *RMB'000*	For the year ended March 31, 2023 *RMB'000*	Percentage change
Total patient visits	**1,965,468**	1,534,162	28.1%
Revenue	**1,745,782**	1,473,741	18.5%
Cost of sales	**(1,353,106)**	(1,226,657)	10.3%
Gross profit	**392,676**	247,084	58.9%
Operating profit/(loss)	**25,995**	(190,290)	113.7%
Adjusted Operating Profit	**91,594**	3,828	2,292.7%
Profit/(loss) for the year	**13,416**	(223,348)	106.0%
Adjusted Profit/(Loss) for the Year	**79,015**	(29,230)	370.3%
Adjusted EBITDA	**349,460**	263,000	32.9%

Note: Adjusted Operating Profit refers to operating profit adjusted by adding share-based compensation expenses. Adjusted Profit/(Loss) for the Year refers to Profit/(Loss) for the year adjusted by adding share-based compensation expenses. Adjusted EBITDA refers to EBITDA adjusted by adding share-based compensation expenses.

Our revenues increased by 18.5% from RMB1,473.7 million for the year ended March 31, 2023, to RMB1,745.8 million for the year ended March 31, 2024, primarily due to increase from business recovery after COVID-19 and the increase in the number of patient visits.

Our gross profit increased by 58.9% from RMB247.1 million for the year ended March 31, 2023, to RMB392.7 million for the year ended March 31, 2024, primarily due to revenue increase and improvement in operating efficiency.

Our net profit turned from net loss of RMB223.3 million for the year ended March 31, 2023 to net profit of RMB13.4 million for the year ended March 31, 2024.

Our Adjusted Profit/(Loss) for the Year (as defined in the definition section) increased by 370.3% from Adjusted Loss of RMB29.2 million for the year ended March 31, 2023 to Adjusted Profit of RMB79.0 million for the year ended March 31, 2024, primarily because of the continuing improvement of our business operation.

We continued to expand our business scale. During the Reporting Period, we opened one dental hospital and one dental clinic with a total of 41 dental chairs and upgraded eight dental clinics and one dental hospital. In addition, We opened one dental hospital with 40 chairs in April 2024. During the Reporting Period, we acquired "Guangzhou Ruihua", a clinic located in Guangzhou with 24 dental chairs and an experienced medical team. Our total dental chairs of the Group reached 1,569 as of March 31, 2024, increasing by 8.8% compared to March 31, 2023. Our patient visits for the year ended March 31, 2024 reached 1,965,468, increasing by 28.1% year over year. We believe our operating efficiency will continue to improve along with business expansion.

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 10.1 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, 2024, we had 113 dental clinics and 10 hospitals in 15 cities across China, with 972 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 one dental clinic and one dental hospital with a total of 41 dental chairs. We acquired one clinic with 24 dental chairs. We expanded and upgraded eight clinics and one hospital from 151 dental chairs to 200 dental chairs. In addition, we opened one hospital with a total of 40 dental chairs in April 2024. We continue to hire competent dentists and enhance our dental professional team. The number of our dentists increased by 6.3% from 914 as of March 31, 2023, to 972 as of March 31, 2024.

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, 2024, 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

ARRAIL 瑞尔
Fabulous Smile . Confident You

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, 2024, we operated a total of 49 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.

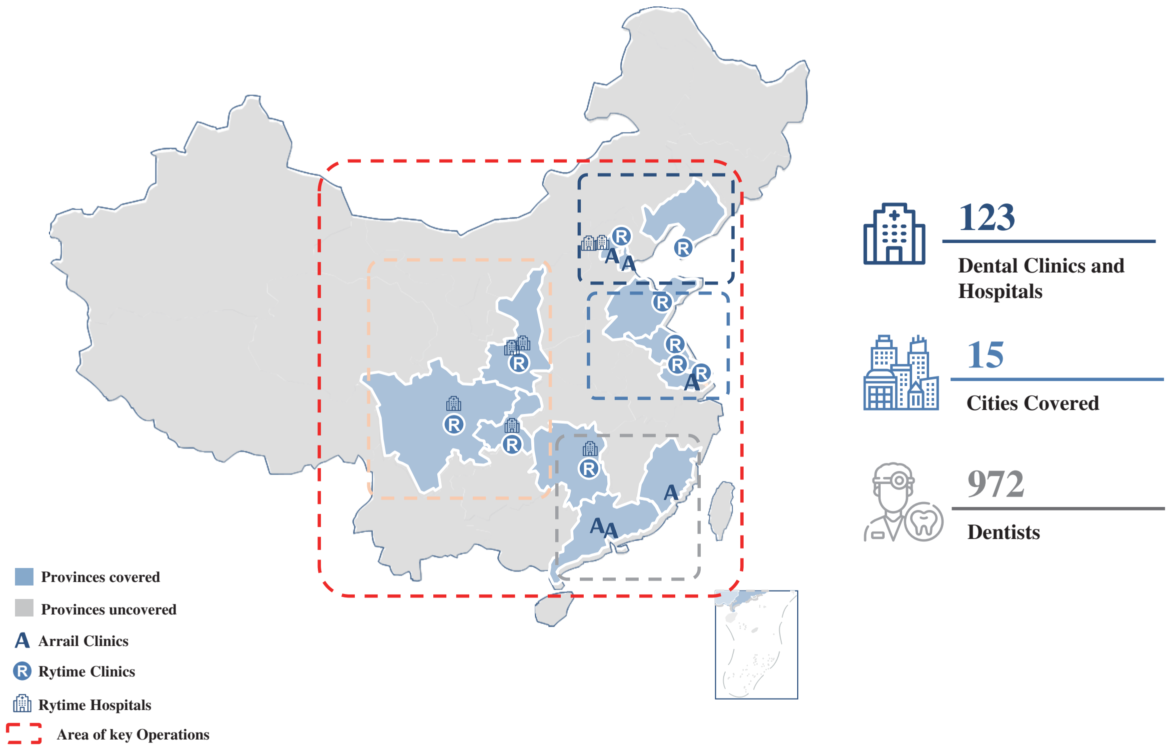
Rytime Dental

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, 2024, we operated 74 stores, including 10 hospitals and 64 Rytime clinics in 11 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, 2024, we operated (i) 113 clinics, of which 49 clinics were under the Arrail Dental brand and 64 clinics were under the Rytime Dental brand; and (ii) 10 hospitals under the Rytime Dental brand, as illustrated in the map below.



Our total patient visits increased from 1,534,162 for the year ended March 31, 2023 to 1,965,468 for the year ended March 31, 2024, representing an increase of 28.1%. The following table sets forth the breakdown by brands in relation to our operating and financial performance.

	For the year ended March 31,	
	2024	2023
Total patient visits	**1,965,468**	1,534,162
Arrail Dental	**531,894**	480,623
Rytime Dental	**1,433,574**	1,053,539
Total number of dental chairs	**1,569**	1,442
Arrail Dental	**505**	517
Rytime Dental	**1,064**	925
Visits per dental chair	**1,253**	1,064
Arrail Dental	**1,053**	930
Rytime Dental	**1,347**	1,139
Revenue per dental chair (RMB in thousands)	**1,112**	1,022
Arrail Dental	**1,554**	1,384
Rytime Dental	**903**	820

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 47.9% for the year ended March 31, 2024 (48.1% for the year ended March 31, 2023). Approximately 21.6% of our new patients were referred by our existing patients for the year ended March 31, 2024.

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

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 June 26, 2024, the Company (as the Lender) and Beier Holdings Limited (as the Borrower) entered into a second amendment agreement (the "**Second Amendment Agreement**") to the Loan Agreement as amended by the Amendment Agreement, pursuant to which the Lender and the Borrower conditionally agreed that, among others, the term of the Loan shall be further extended from 18 months to 30 months commencing from the September 30, 2022. On the same date, to cover the liabilities and obligations of the borrower under the Second Amendment Agreement, the Amendment Agreement and the Loan Agreement as amended by the Amendment Agreement and as further amended by the Second Amendment Agreement, the original share pledge of 9,920,675 Shares held by the Borrower will be extended and 4,916,475 Shares held by Mr. ZOU Qifang, the executive Director and one of the controlling shareholders of the Company, will be further pledged in favour of the Lender as security for the amendments contained in the Second Amendment Agreement. Save for the above, all the material terms and conditions of the Loan Agreement remain unchanged and in force and effect. For further details, please refer to the Company's announcements dated September 29, 2022, June 27, 2023 and June 26, 2024

Save as disclosed above and elsewhere in this announcement, there have been no other material events subsequent to the year ended March 31, 2024, which require adjustment or disclosure in accordance with International Financial Reporting Standards ("**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.

Employees and Remuneration

As of March 31, 2024, we had a total of 3,464 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, 2024:

Function	Number of Employees	%
Dentists	972	28.1%
Nursing staff	1,282	37.0%
Customer service staff	617	17.8%
General administrative staff	336	9.7%
Marketing team	257	7.4%
Total	**3,464**	**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, 2024, over 48.0% 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 11.1 years of post-qualification experience in the industry. Dentists with more than five, ten and fifteen years of experience with us accounted for 40%, 14% and 6% of our total dentists, which indicates strong employee retention rates.

We have also adopted the RSU Scheme with an overall limit of 119,972,600 underlying Shares to be granted under the RSU Scheme, representing approximately 20.7% of the total issued share capital of the Company as of March 31, 2024, for the participants under the RSU Scheme. As of March 31, 2024, an aggregate of 626 employees were approved by the Board to be the grantees with a total of 96,252,458 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, 2024, 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 the level of socio-economic development, an ageing population, digitalization, rising public awareness of dental health and other related factors. According to the Frost & Sullivan Report, the market size of dental services in China was approximately RMB150.0 billion in 2023, maintaining an average annual growth rate of over 15%. It is expected to reach RMB270.0 billion by 2027.

In the past three years, the pandemic has affected the development of the dental industry to a certain extent, but the industry's characteristics of rigid demand, resilience and rebound, as well as healthy cash flow, have also been recognized by the market and investors, as evidenced by the increase in the valuation of U.S. Dental Service Organizations. At the same time, the industry penetration and concentration of leading institutions have increased, and the chain effect has gradually emerged. Although the domestic dental industry has undergone adjustments in the past period, the incidence rate of dental diseases is relatively high. With the low penetration rate and vast room for development in China's dental market, as indicated by data such as China's per capita dental expenditure, the number of dentists per million population and the number of dental implants per 10,000 population, we are full of confidence in the future development prospects of the dental industry.

The centralized procurement policy for dental implants has been fully implemented nationwide in China. After nearly two years of promotion and popularization in the market, more and more patients have come to understand that "dental implants" is one of the effective treatments for missing teeth, leading to increased awareness among patients about their dental health and the more affordable pricing allowing a growing number of patients to benefit from this treatment. Due to the characteristics of dental implant treatment, the increase in the volume of the dental implant market has also driven an increase in patient visits to dental institutions, particularly for basic treatments such as restorations, periodontal care, and root canals. In general, the dental implant market has shown the characteristics of "volume-price balance and product category substitution". Medical institutions that maintain high medical quality, have a reasonable dental implant revenue structure, and possess general dental capabilities will benefit in the long run.

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 in 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 Development Directions/Strategies

1) Efficiency improvement and steady development

We focus on improving efficiency and operating steadily, aiming to ensure quality and sustainable growth. We will adopt the strategy of pooling resources to strengthen and expand our existing markets, forming competitive advantages and unleashing economies of scale in the markets we have already entered, as we continue to advance our business strategy of focusing on the existing markets and fortifying our foundation with more resolute steps. For its store operations, the Company has summarized and refined a series of effective working methods from its frontline operations through a process of 'distilling best practices and focusing on execution'. The Company has then formalized these distilled best practices into standardized operating procedures (SOPs), which are now being continuously replicated and rolled out across the top-tier store network. In improving the customer management and service system, we are leveraging the "Arrail's care" (the 5 touchpoints of a dental patient's journey) to further refine and streamline the service processes, enhance service quality, and improve customer experience. Meanwhile, we are actively seeking new market opportunities to maintain the external growth potential of the business. Additionally, we will proactively embrace artificial intelligence ("**AI**"), utilizing AI to reduce clinical misdiagnosis, assist in the training of young dentists, improve dentist-patient communication, and support operational analysis and decision-making. We are fully committed to improving operational efficiency and unleashing profitability.

2) Relying on the medical-oriented principle and practice medicine with respect

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 preceptorship training, 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 the future, we will adhere to the medical-oriented principle, and always regard medical quality management as a crucial standard for enterprise development.

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

Echoing the words of a doctor hired through the Company's campus recruitment program, "Today I take pride in joining Arrail, and before long Arrail will take pride in having me as one of their own." Arrail Group's strong brand influence in the industry is one of its key strengths. We will further strengthen the system of recruitment, training, and retention of talent 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 have maintained our tradition of campus recruitment, with campus hires currently making up nearly 20% of our medical team. Over 30% of these campus recruits have already taken on various management positions. We also continue to actively recruit specialist dentists and senior dentists to ensure our clinical capabilities remain industry-leading. In terms of operations, we will gradually strengthen the development of our core management talent pipeline. We will focus on identifying and selecting high-caliber management personnel with strong self-motivation, learning ability, and growth potential. This will help establish a solid organizational foundation to support the Company's long-term development.

4) Enhancing corporate culture

Over the past 25 years at Arrail Group, what has remained unchanged is our commitment to building corporate culture. We firmly believe in the power of culture. Corporate culture endows the Company with a unique working environment, which in turn regulates and influences everyone's behavior and approach to doing things. Over the years, a distinct "group culture" has taken root within the Company. In this environment, our colleagues are united by a shared set of values, which fosters a profound sense of security and belonging. "Integrity, professionalism, and being a good person" are the core pillars of our corporate culture. In plainer terms, this translates to "treating our customers as our own family, relentlessly striving for excellence, and helping others without causing any harm." Our corporate culture is a core competitive advantage of the Company, and an important factor in achieving cross-regional development, replicating our model to new locations, and establishing the Company as a nationwide chain of dental institutions. It is one of our key "moats". Going forward, the Company will steadfastly promote and maintain the construction of its corporate culture.

5) Risk management and sustainable development

Arrail 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 well-being, 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 the Shareholders so as to keep information transparent, with a view to creating more value for the Shareholders.

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 increased by 18.5% from RMB1,473.7 million for the year ended March 31, 2023, to RMB1,745.8 million for the year ended March 31, 2024. This was primarily due to increase from business recovery after COVID-19 and the increase in the number of patient visits.

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,			
	2024		2023	
	(RMB in thousands, except for percentages)			
General dentistry	**968,150**	**55.5%**	790,353	53.6%
Orthodontics	**382,457**	**21.9%**	328,238	22.3%
Implantology	**357,963**	**20.5%**	318,330	21.6%
Others[(1)]	**37,212**	**2.1%**	36,820	2.5%
Total	**1,745,782**	**100.0%**	1,473,741	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 increased by 22.5% from RMB790.4 million for the year ended March 31, 2023 to RMB968.2 million for the year ended March 31, 2024; (ii) orthodontics increased by 16.5% from RMB328.2 million for the year ended March 31, 2023 to RMB382.5 million for the year ended March 31, 2024; and (iii) implantology increased by 12.5% from RMB318.3 million for the year ended March 31, 2023 to RMB358.0 million for the year ended March 31, 2024.

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, 2024, we operated 49 dental clinics in Tier-1 cities under the Arrail Dental brand, and operated 64 dental clinics and 10 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,			
	2024		2023	
	(RMB in thousands, except for percentages)			
Arrail Dental	**784,792**	**45.0%**	715,299	48.5%
Rytime Dental	**960,990**	**55.0%**	758,442	51.5%
Total	**1,745,782**	**100.0%**	1,473,741	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 materials 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,			
	2024		2023	
	(RMB in thousands, except for percentages)			
Employee benefits expenses	**724,642**	**53.6%**	622,426	50.7%
Depreciation and amortization	**231,786**	**17.1%**	242,177	19.7%
Dental materials used	**264,763**	**19.6%**	241,757	19.7%
Consulting fees	**25,010**	**1.8%**	33,434	2.7%
Office and property management expenses	**60,975**	**4.5%**	57,550	4.7%
Others[(1)]	**45,930**	**3.4%**	29,313	2.5%
Total	**1,353,106**	**100.0%**	1,226,657	100.0%

Note:

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

Our cost of sales increased by 10.3% from RMB1,226.7 million for the year ended March 31, 2023 to RMB1,353.1 million for the year ended March 31, 2024, primarily due to the increase of labor cost, dental materials used and office and property management in line with business growth.

Gross Profit

Our gross profit increased by 58.9% from RMB247.1 million for the year ended March 31, 2023 to RMB392.7 million for the year ended March 31, 2024, primarily due to revenue increase and improvement in operating efficiency.

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 selling and distribution expenses, for the periods indicated.

	For the year ended March 31,			
	2024		2023	
	(RMB in thousands, except for percentages)			
Employee benefits expenses	**67,870**	**48.2%**	47,717	51.2%
Advertising and marketing expenses	**61,832**	**43.9%**	37,591	40.3%
Consulting fees	**7,386**	**5.2%**	4,727	5.1%
Others[(1)]	**3,674**	**2.7%**	3,238	3.4%
Total	**140,762**	**100.0%**	93,273	100.0%

Note:

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

Our selling and distribution expenses increased by 50.9% from RMB93.3 million for the year ended March 31, 2023 to RMB140.8 million for the year ended March 31, 2024, primarily because we expanded marketing team and carried out more marketing and promotion activities during the Reporting Period.

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) consulting fees; and (iv) depreciation and amortization. The following table sets forth a breakdown of our administrative expenses, both in absolute amounts and as a percentage of total administrative expenses, for the periods indicated.

	For the year ended March 31,			
	2024		2023	
	(RMB in thousands, except for percentages)			
Share-based compensation expenses	**65,599**	**27.0%**	194,118	56.3%
Employee benefits expenses	**98,273**	**40.5%**	87,672	25.4%
Consulting fees	**27,346**	**11.3%**	18,536	5.4%
Depreciation and amortization	**24,698**	**10.2%**	17,062	4.9%
Office and property management expenses	**6,727**	**2.8%**	5,482	1.6%
Auditor's remuneration	**4,000**	**1.6%**	4,500	1.3%
Others[(1)]	**16,152**	**6.6%**	17,388	5.1%
Total	**242,795**	**100.0%**	344,758	100.0%

Note:

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

Our administrative expenses decreased by 29.6% from RMB344.8 million for the year ended March 31, 2023 to RMB242.8 million for the year ended March 31, 2024, primarily due to decrease in share-based compensation expenses for RSUs, majority of which had been already vested before the end of the Reporting Period.

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 of total research and development expenses, for the periods indicated.

	For the year ended March 31,			
	2024		2023	
	(RMB in thousands, except for percentages)			
Employee benefits expenses	**3,182**	**38.6%**	10,293	55.5%
Consulting fees	**3,055**	**37.1%**	6,085	32.8%
Depreciation and amortization	**1,848**	**22.4%**	1,836	9.9%
Others[1]	**158**	**1.9%**	328	1.8%
Total	**8,243**	**100.0%**	18,542	100.0%

Note:

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

Our research and development expenses decreased by 55.7% from RMB18.5 million for the year ended March 31, 2023 to RMB8.2 million for the year ended March 31, 2024, primarily because of the decrease in employee benefits expenses reflecting the decrease in the expenses of maintenance and follow-up development of our self-developed information technology.

Net Impairment Loss on Financial Assets

Net impairment loss on financial assets refers 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. Net impairment loss on financial assets was RMB0.6 million for the year ended March 31, 2024, compared to net impairment loss on financial assets of RMB2.9 million for the year ended March 31, 2023, primarily due to the decrease in long aged trade receivables and other receivables.

Operating Profit

For the year ended March 31, 2024, our operating profit was RMB26.0 million, compared to an operating loss of RMB190.3 million for the year ended March 31, 2023, mainly due to the increase in revenue and the decrease in share-based compensation expenses. Excluding the share-based compensation expenses, our Adjusted Operating Profit for the Year would be RMB91.6 million for the year ended March 31, 2024.

Net Finance Costs

Our net finance costs decreased from RMB25.3 million for the year ended March 31, 2023 to RMB8.1 million for the year ended March 31, 2024, primarily due to the increase in interest income from bank deposits.

Net Profit/(Loss) for the Year

As a result of the foregoing, our net profit for the year turned from loss of RMB223.3 million for the year ended March 31, 2023 to profit of RMB13.4 million for the year ended March 31, 2024.

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 decreased from RMB324.2 million as of March 31, 2023 to RMB320.1 million as of March 31, 2024 primarily due to depreciation of property, plant and equipment.

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 RMB692.1 million as of March 31, 2023 to RMB670.5 million as of March 31, 2024, primarily due to depreciation of right-of-use assets.

Net Current Assets

We had net current assets of RMB877.7 million as of March 31, 2024, compared to net current assets of RMB808.7 million as of March 31, 2023, primarily because of the increase in time deposits with original maturity over three months.

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 by 17.2% from RMB75.6 million as of March 31, 2023 to RMB88.6 million as of March 31, 2024. Our trade receivables turnover days were 23 days for the year ended March 31, 2023, and 21 days for the year ended March 31, 2024. The decrease in turnover days was mainly due to the improvement in collecting trade receivables from insurance companies and corporate clients.

Other Receivables

Our other receivables primarily consist of (i) loans to related parties; (ii) receivable from RSU management agency and deposit in a security broker for share repurchase; and (iii) loans to employees, net of loss allowance. Our other receivables included in current assets decreased by 10.7% from RMB206.5 million as of March 31, 2023 to RMB184.5 million as of March 31, 2024, primarily because we collected most of receivables from RSU management agency and part of loans to employees.

Trade Payables

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

Our trade payables remained stable at RMB85.0 million as of March 31, 2023 and RMB83.8 million as of March 31, 2024. Our trade payables turnover days decreased from 59 days for the year ended March 31, 2023 to 49 days for the year ended March 31, 2024 accordingly, primarily because we accelerate payment process.

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 28.3% from RMB124.5 million as of March 31, 2023 to RMB89.3 million as of March 31, 2024, primarily because we settled most of the amounts due to employees arisen from exercise of RSUs.

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 RMB328.8 million, unlisted debt instruments of RMB35.7 million and unlisted equity instruments of RMB30 million. The unlisted debt instruments represent 8.22% interest in Hangzhou Jarvis. The unlisted equity instruments represent 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) prepayments for equipment; and (v) short-term lease prepayments. Our prepayments decreased by 5.6% from RMB142.2 million as of March 31, 2023 to RMB134.2 million as of March 31, 2024, primarily due to the decrease in prepayments for equipment.

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, our currency translation differences mainly arise from the translation of the financial statements of some of our entities from the 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, 2024, 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, 2024, we had cash and cash equivalents of RMB656.3 million, as compared with RMB621.9 million as of March 31, 2023.

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 purchase of property, equipment and intangible assets. For the year ended March 31, 2024, we incurred capital expenditures of RMB110.7 million, compared to RMB126.8 million for the year ended March 31, 2023. The decrease was primarily because we acquired "TongShan Dental", a dental group with one dental hospital and eight dental clinics in August 2022, leading to the increase of property, plant and equipment and intangible assets for the year ended March 31, 2023. 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, 2024, we had obtained undrawn bank loan facilities of RMB486.0 million.

As of March 31, 2024, the gearing ratio (calculated as total borrowings divided by total equity and multiplied by 100%) is 19.4%.

Charge on Assets

As of March 31, 2024, we pledged US$23.8 million (equivalent to RMB168.6 million) to banks as the collateral for bank loans of RMB199.85 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. 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, 2023	Utilization of net proceeds during the year ended March 31, 2024	Unutilized net proceeds as of March 31, 2024	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%	275.2	93.4	181.8	By the year ending March 31, 2027
Expansion into new key Tier-2 cities in China	118.0	20.0%	93.0	42.7	50.3	By the year ending March 31, 2027
Subtotal	**442.4**	**75.0%**	**368.2**	**136.1**	**232.1**	
Build and optimize IT infrastructure	88.5	15.0%	53.5	18.8	34.7	By the year ending March 31, 2027
Working capital	59.0	10.0%	51.1	9.8	41.3	By the year ending March 31, 2027
Total	**589.9**	**100.0%**	**472.8**	**164.7**	**308.1**	

Note:

The net proceeds have been and will be utilized in accordance with the purposes set out in the Prospectus. The unutilized net proceeds are expected to be fully utilized by the year ending March 31, 2027. The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future progress of business expansion and market conditions made by the Company. It will be subject to change based on the current and future development of market conditions.

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2024

	Note	Year ended March 31, 2024 RMB'000	2023 RMB'000
Revenue	4	**1,745,782**	1,473,741
Cost of sales	5	**(1,353,106)**	(1,226,657)
Gross profit		**392,676**	247,084
Selling and distribution expenses	5	**(140,762)**	(93,273)
Administrative expenses	5	**(242,795)**	(344,758)
Research and development expenses	5	**(8,243)**	(18,542)
Net impairment loss on financial assets		**(559)**	(2,863)
Other gains – net		**25,678**	22,062
Operating profit/(loss)		**25,995**	(190,290)
Finance income	7	**38,485**	18,965
Finance costs	7	**(46,569)**	(44,289)
Finance costs – net		**(8,084)**	(25,324)
Share of net loss of associates and joint ventures accounted for using the equity method		**(826)**	(2,295)
Profit/(loss) before income tax		**17,085**	(217,909)
Income tax expenses	8	**(3,669)**	(5,439)
Profit/(loss) for the year		**13,416**	(223,348)
Profit/(loss) attributable to:			
Owners of the Company		**17,162**	(219,909)
Non-controlling interests		**(3,746)**	(3,439)
		13,416	(223,348)
Earnings/(loss) per share attributable to owners of the Company (expressed in RMB per share)			
Basic earnings/(loss) per share	9	**0.04**	(0.5)
Diluted earnings/(loss) per share	9	**0.04**	(0.5)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)
For the year ended March 31, 2024

	Year ended March 31, 2024 RMB'000	2023 RMB'000
Profit/(loss) for the year	**13,416**	(223,348)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Currency translation differences	**71,072**	86,484
Other comprehensive income for the year, net of tax	**71,072**	86,484
Total comprehensive income/(loss) for the year	**84,488**	(136,864)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**88,234**	(133,425)
Non-controlling interests	**(3,746)**	(3,439)
	84,488	(136,864)

CONSOLIDATED BALANCE SHEET

As at March 31, 2024

	Note	**As at March 31, 2024** *RMB'000*	2023 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**320,108**	324,202
Right-of-use assets		**670,531**	692,067
Intangible assets		**75,583**	56,343
Goodwill		**197,120**	182,754
Deferred tax assets		**72,115**	63,929
Prepayments		**17,933**	34,635
Investments accounted for using the equity method		**42,859**	30,677
Financial assets at fair value through profit or loss	*11*	**71,253**	65,714
Other receivables	*10*	**67,497**	77,767
Total non-current assets		**1,534,999**	1,528,088
Current assets			
Inventories		**56,903**	51,386
Prepayments		**116,275**	107,600
Trade and other receivables	*10*	**273,056**	282,138
Financial assets at fair value through profit or loss	*11*	**335,220**	263,013
Restricted cash	*12(b)*	**168,638**	154,894
Time deposits with original maturity over three months	*12(c)*	**111,577**	52,657
Cash and cash equivalents	*12(a)*	**656,280**	621,860
Total current assets		**1,717,949**	1,533,548
Total assets		**3,252,948**	3,061,636

CONSOLIDATED BALANCE SHEET

As at March 31, 2024

	Note	As at March 31 2024 RMB'000	2023 RMB'000
EQUITY			
Share capital		**74,592**	74,769
Reserves		**5,235,062**	5,107,566
Accumulated losses		**(3,554,487)**	(3,571,649)
Equity attributable to owners of the Company		**1,755,167**	1,610,686
Non-controlling interests		**82,090**	85,204
Total equity		**1,837,257**	1,695,890
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**–**	47,252
Lease liabilities		**542,863**	566,223
Contract liabilities		**20,882**	16,323
Deferred tax liabilities		**11,693**	11,062
Total non-current liabilities		**575,438**	640,860
Current liabilities			
Trade and other payables	*14*	**173,098**	209,464
Contract liabilities		**127,427**	154,024
Current tax liabilities		**29,849**	19,195
Borrowings	*13*	**355,627**	172,767
Lease liabilities		**154,252**	169,436
Total current liabilities		**840,253**	724,886
Total liabilities		**1,415,691**	1,365,746
Total equity and liabilities		**3,252,948**	3,061,636

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**").

The Company completed its Initial Public Offering ("**IPO**") and listed its shares on the Main Board of the Stock Exchange of Hong Kong Limited ("**HKSE**") on March 22, 2022 (the "**Listing**").

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of the consolidated financial statements are set out below. 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 period beginning on April 1, 2023.

	Effective for accounting periods beginning on or after
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	January 1, 2023
Definition of Accounting Estimate – Amendments to IAS 8	January 1, 2023
Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12	January 1, 2023
Insurance Contracts – Amendments to IFRS 17	January 1, 2023

The adoption of these new standards and amendments did not have any significant financial impact on these consolidated financial statements, except for changes in certain disclosures.

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, 2023 and have not been early adopted by the Group during the year ended March 31, 2024. 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
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025

Management does not anticipate any significant impact on the Group's consolidated financial position and consolidated results of operations upon adopting the above new standards and amendments. Management plans to adopt these new standards and amendments when they become mandatory.

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 the board of directors of the Group. 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, net impairment losses on financial assets, share of net loss of investments accounted for using the equity method, 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,			
	2024		2023	
	Revenue	**Operating profit**	Revenue	Operating profit
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Arrail Dental	**784,792**	**83,057**	715,299	37,663
Rytime Dental	**960,990**	**69,962**	758,442	21,435
Total	**1,745,782**	**153,019**	1,473,741	59,098
Unallocated:				
Headquarter and corporate expenses		**(126,465)**		(246,525)
Net impairment loss on financial assets		**(559)**		(2,863)
Finance income		**38,485**		18,965
Finance costs		**(46,569)**		(44,289)
Share of net loss of investments accounted for using the equity method		**(826)**		(2,295)
Profit/(loss) before income tax		**17,085**		(217,909)

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, 2024 and 2023, 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, 2024 and 2023.

Other segment information

	Year ended March 31,			
	2024		2023	
	Arrail Dental	**Rytime Dental**	Arrail Dental	Rytime Dental
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Depreciation and amortisation	**121,375**	**137,317**	130,201	131,266
Addition to property, plant and equipment	**35,555**	**51,720**	43,515	78,631
Addition to right-of use assets	**117,393**	**70,022**	131,271	61,604

4 REVENUE

(a) Revenue from contracts with customers

The breakdown of revenues by service categories during the years ended March 31, 2024 and 2023 is as follows:

	Year ended March 31,	
	2024	2023
	RMB'000	*RMB'000*
General Dentistry – recognised at a point in time	**968,150**	790,353
Orthodontics – recognised over time	**382,457**	328,238
Implantology – recognised over time	**357,963**	318,330
Others – recognised at a point in time	**37,212**	36,820
	1,745,782	1,473,741

The breakdown of revenues by geographic location and by brand during the years ended March 31, 2024 and 2023 is as follows:

	Year ended March 31,	
	2024	2023
	RMB'000	*RMB'000*
Northern China	**709,748**	599,748
Eastern China	**474,521**	362,242
Southern China	**148,748**	146,546
Western China	**412,765**	365,205
	1,745,782	1,473,741

	Year ended March 31,	
	2024	2023
	RMB'000	*RMB'000*
Arrail Dental	**784,792**	715,299
Rytime Dental	**960,990**	758,442
	1,745,782	1,473,741

5 EXPENSES BY NATURE

	Year ended March 31, 2024 *RMB'000*	2023 *RMB'000*
Employee benefits expenses	**959,566**	962,226
Depreciation and amortisation	**258,692**	261,467
Dental materials used	**264,763**	241,757
Advertising and marketing expenses	**61,832**	37,591
Office and property management expenses	**68,675**	63,746
Consulting fees	**62,797**	62,782
Auditor's remuneration		
– Audit services	**4,000**	4,500
– Non-audit services	**425**	270
Other expenses	**64,156**	48,891
	1,744,906	1,683,230

6 EMPLOYEE BENEFITS EXPENSES

	Year ended March 31, 2024 *RMB'000*	2023 *RMB'000*
Wages, salaries, bonuses and other allowances	**768,121**	651,465
Social security costs and housing fund contributions *(note a)*	**125,846**	116,643
Share-based compensation expenses *(note b)*	**65,599**	194,118
	959,566	962,226

(a) Social security costs and housing fund contributions

The employees of the Group in the PRC are members of 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 – restricted share units ("RSU(s)")

In August 2021, the board of the directors of the Company approved the establishment of a RSU Plan (the "**2021 RSU Plan**") for the purpose of attracting, retaining and motivating the directors, employees and such other participants of the Company.

The 2021 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 2021 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 under the 2021 RSU Plan. 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 (the "**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.

On November 29, 2023, 4,528,927 RSUs of the Company were granted to certain director and eligible employees under the 2021 RSU Plan. Majority of the RSUs shall be subject to different vesting schedules of one, two or four years from the vesting commencement date (the "**Vesting Period**"), subject to the participant continuing to be an employee through each vesting date. For vesting schedule of one years, the granted RSUs are vested in four equal installments over the following year. For vesting schedule of two years, the granted RSUs are vested in four equal installments over the following two years. For vesting schedule of four years, 25% of the granted RSUs are vested on the first anniversary from the vesting commencement date; and 75% of the granted RSUs are vested in six equal installments over the following three years. The Vesting Period will end as of December 2026. The 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.

On September 3, 2022 (the "**Adoption Date**"), the Company has adopted the 2022 RSU Scheme (the "**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.

Movements in the number of RSUs granted and their related weighted average fair value per RSU are as follows:

	Number of RSUs	**Weighted average fair value per RSU (USD)**
Outstanding as at April 1, 2023	84,234,024	0.58
Granted during the year	4,528,927	0.31
Forfeited during the year	(1,135,403)	0.81
Vesting upon the payment of purchase price	(4,115,048)	0.79
Outstanding as at March 31, 2024	83,512,500	0.55

Weighted average fair value per RSU is USD0.55.

7 FINANCE COSTS – NET

	Year ended March 31, **2024** *RMB'000*	2023 *RMB'000*
Finance income		
Interest income from bank deposits	**36,170**	16,199
Interest income from loans to related parties and employees	**2,315**	2,766
	38,485	18,965
Finance costs		
Interest expense on borrowings	**(10,906)**	(6,244)
Interest expense on lease liabilities	**(35,663)**	(38,045)
	(46,569)	(44,289)
	(8,084)	(25,324)

8 INCOME TAX EXPENSE

The income tax expense of the Group for the years ended March 31, 2024 and 2023 is analysed as follows:

	Year ended March 31, **2024** *RMB'000*	2023 *RMB'000*
Current income tax		
– PRC corporate income tax	**13,962**	14,016
Deferred income tax	**(10,293)**	(8,577)
	3,669	5,439

(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, 2024 and 2023.

(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, 2024 and 2023 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 75% deduction of the assessable profits as well as a preferential tax rate of 20%, effective until December 31, 2024. During the year ended March 31, 2024 and 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 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share for the years ended March 31, 2024 and 2023 are calculated by dividing the profit attributable to owners of the Company for the year ended March 31, 2024 amounting to RMB17,162,000 (for the year ended March 31, 2023: loss attributable to owners of the Company amounting to RMB219,909,000) by the weighted average number of ordinary shares outstanding less treasury shares during the year amounting to 459,432,000 shares (2023: 460,864,000 shares).

(b) Diluted earnings/(loss) per share

Diluted earnings/(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, 2024 and 2023, the Company had potential ordinary shares, including RSUs.

Diluted earnings per share for the year ended March 31, 2024 is calculated by dividing the profit attributable to owners of the Company amounting to RMB17,162,000 by the weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share amounting to 487,615,000 shares, represented by the weighted average number of ordinary shares outstanding less treasury shares amounting to 459,432,000 shares, adding adjustments for RSUs amounting to 28,183,000 shares.

As the Group incurred loss for the year ended March 31, 2023, these 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 year ended March 31, 2023 was the same as basic loss per share.

10 TRADE AND OTHER RECEIVABLES

	As at March 31, 2024 RMB'000	2023 RMB'000
Non-current		
Other receivables		
Loans to employees	**5,740**	14,101
Rental deposits	**61,567**	59,895
Deposits paid for investments	**–**	4,500
Others	**2,112**	1,891
	69,419	80,387
Less: loss allowance	**(1,922)**	(2,620)
	67,497	77,767
Current		
Trade receivables	**100,811**	92,407
Other receivables		
Loans to related parties	**88,112**	78,664
Amounts due from related parties	**2,787**	2,700
Amounts due from a non-controlling shareholder	**3,150**	3,150
Loans to employees and petty cash granted to employees	**26,588**	37,101
Rental and other deposits	**272**	1,548
Receivable from RSU management agency and deposit in a security broker for share repurchase	**43,397**	71,222
Others	**26,795**	16,806
	291,912	303,598
Less: loss allowance	**(18,856)**	(21,460)
	273,056	282,138
	340,553	359,905

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, 2024 RMB'000	2023 RMB'000
Up to 3 months	**69,370**	47,220
3 to 6 months	**9,172**	14,723
6 months to 1 year	**5,670**	6,941
1 to 2 years	**10,134**	9,348
Over 2 years	**6,465**	14,175
	100,811	92,407

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 March 31,	
	2024	2023
	RMB'000	*RMB'000*
Non-current		
Wealth management products *(Note a)*	**5,539**	–
Unlisted debt instruments *(Note b)*	**35,714**	35,714
Unlisted equity instruments *(Note c)*	**30,000**	30,000
	71,253	65,714
Current		
Wealth management products *(Note a)*	**323,220**	258,013
Bank structured deposits	**12,000**	5,000
	335,220	263,013
	406,473	328,727

Note a: As at March 31, 2024, the Group invested in primary wealth management products from financial institutions, and their 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 Medical Technology Company Limited ("**Hangzhou Jarvis**"), representing 8.22% interest of Hangzhou Jarvis, are calculated using the Market Method, specifically the guideline company method. Under this method, the market ratios implied by guideline companies were applied to determine the entire equity value of the subject company. 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, specifically the guideline company method. Under this method, the market ratios implied by guideline companies were applied to determine the entire equity value of the subject company. 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,	
	2024	2023
	RMB'000	*RMB'000*
Cash at bank and in hand	**265,581**	237,796
Time deposits with original maturity within three months	**390,699**	384,064
	656,280	621,860

The weighted average effective interest rates on the Group's time deposits with original maturity within three months as at March 31, 2024 and 2023 were 5.41% and 4.43% per annum, respectively.

(b) Restricted cash

	As at March 31,	
	2024	2023
	RMB'000	*RMB'000*
Time deposits with original maturity within three months	**49,665**	91,997
Time deposits with original maturity over three months	**118,973**	62,897
	168,638	154,894

The interest rates on the Group's restricted cash as at March 31,2024 and 2023 were 4.86% and 2.99% per annum, respectively.

(c) Time deposits with original maturity over three months

	As at March 31,	
	2024	2023
	RMB'000	*RMB'000*
Time deposits with original maturity over three months	**111,577**	52,657

The interest rates on the Group's time deposits with original maturity over three months as at 31 March 2024 were in the range of 2.70% to 5.91% per annum, respectively.

Cash and bank balances are denominated in the following currencies:

	As at March 31,	
	2024	2023
	RMB'000	*RMB'000*
USD	**619,622**	567,940
RMB	**263,774**	169,639
HKD	**52,725**	91,832
GBP	**374**	–
	936,495	829,411

13 BORROWINGS

	As at March 31, 2024 *RMB'000*	2023 *RMB'000*
Included in non-current liabilities		
Secured bank borrowings *(a)*	–	47,252
	–	47,252
Included in current liabilities		
Secured bank borrowings *(a)*	**199,852**	49,059
Unsecured bank borrowings *(b)*	**155,775**	123,708
	355,627	172,767
	355,627	220,019

(a) Secured bank borrowings

Secured bank borrowings as at March 31, 2024 and 2023 bear annual weighted average interest rate at 3.68% and 3.92%, respectively.

The maturity of secured bank borrowings is as follows:

	As at March 31, 2024 *RMB'000*	2023 *RMB'000*
Within 1 year	**199,852**	49,059
Between 1 and 2 years	–	5,559
Between 2 and 3 years	–	41,693
	199,852	96,311

(b) Unsecured bank borrowings

Unsecured bank borrowings as at March 31, 2024 and 2023 bear annual weighted average interest rate at 3.50% and 3.58%, respectively.

The maturity of unsecured bank borrowings is as follows:

	As at March 31, 2024 *RMB'000*	2023 *RMB'000*
Within 1 year	**155,775**	123,708

14 TRADE AND OTHER PAYABLES

	As at March 31, **2024** *RMB'000*	2023 *RMB'000*
Trade payables	**83,764**	84,968
Other payables	**89,334**	124,496
	173,098	209,464

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

	As at March 31, **2024** *RMB'000*	2023 *RMB'000*
Up to 3 months	**46,155**	48,342
3 to 6 months	**11,016**	8,100
6 months to 1 year	**5,327**	5,495
Over 1 year	**21,266**	23,031
	83,764	84,968

The breakdown of other payables is as follows:

	As at March 31, **2024** *RMB'000*	2023 *RMB'000*
Amounts due to minority shareholders	**2,662**	2,420
Amounts due to former shareholders	**–**	2,963
Amounts due to related parties	**225**	3,118
Amounts due to employees arisen from exercise of RSUs	**–**	9,280
Consideration payable to original shareholders for acquisition of Wuxi Tongshan Dental Hospital Co. Ltd	**–**	12,837
Employee benefits payable	**51,860**	58,660
Expense reimbursement payable to employees	**10,127**	7,433
Other taxes payable	**9,111**	12,874
Others	**15,349**	14,911
	89,334	124,496

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, 2024 and 2023.

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 C1 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 provision C.2.1 of the CG Code that 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.

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 C3 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 (2022/23: Nil).

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

During the Reporting Period, the Company repurchased a total of 4,321,500 Shares at an aggregate consideration of approximately HK$25.7 million, among which 1,380,000 Shares were cancelled as of the date of this announcement.

Save as disclosed above, 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 figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income/(loss) and the related notes thereto for the year ended March 31, 2024 as set out in the preliminary announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended March 31, 2024. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary 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, 2024.

The AGM

The AGM of the Company will be held on or around Thursday, September 26, 2024. 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 Monday, September 23, 2024 to Thursday, September 26, 2024, 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 Friday, September 20, 2024.

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, 2024 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 Operating Profit"	adjusted operating profit as operating profit adjusted by adding share-based compensation expenses
"Adjusted Profit/ (Loss) for the Year	adjusted profit/ (loss) for the year as profit/ (loss) for the year adjusted by adding share-based compensation expenses
"AGM"	the annual general meeting for the year 2024 of the Company

"Amendment Agreement"	the amendment agreement relating to the Loan Agreement dated June 27, 2023 entered into between the Lender and Borrower
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of our Company
"Borrower"	Beier Holdings Limited, a BVI company wholly-owned by Mr. ZOU Qifang, the executive Director and one of the controlling shareholders of the Company
"BVI"	the British Virgin Islands
"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", "our Company" or "Arrail Group"	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 profit for the year adjusted by adding finance costs-net, income tax expenses, depreciation and amortization
"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
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Lender"	the Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	March 22, 2022, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares first commence on the Main Board
"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
"Loan"	the loan facility provided by the Lender to the Borrower in the principal amount of US$11 million pursuant to the Loan Agreement
"Loan Agreement"	the loan agreement dated September 28, 2022 entered into between the Lender and the Borrower in relation to the provision of loan in the Loan
"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, 2024
"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 the 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 26, 2024

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

* *For identification purpose only*