ARRAIL 瑞尔®
Fabulous Smile . Confident You

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, 2022

The Board is pleased to announce the audited consolidated results of the Group for the year ended March 31, 2022, together with comparative audited figures for the year ended March 31, 2021.

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

Our revenues and our Adjusted Net Profit (as defined in the definition section) continued to grow, despite the impact of COVID-19 pandemic on our operations from time to time. For the year ended March 31, 2022, our revenue increased to RMB1,623.6 million, as compared to the revenue of RMB1,515.1 million recorded for the year ended March 31, 2021. We achieved an 18.0% increase in our Adjusted Net Profit, which was RMB65.8 million for the year ended March 31, 2022, as compared to RMB55.9 million for the year ended March 31, 2021.

Our patient visits have increased steadily at our existing and newly opened clinics and hospitals. We have also seen continued improvement in our clinics and hospitals across all development stages, both at revenue level and gross profit level.

We resumed our business expansion following a hiatus after the outbreak of the COVID-19 pandemic. For the year ended March 31, 2022, five new clinics have been opened and three clinics have undergone major upgrades.

Our cash position has been further strengthened by the proceeds raised from our Listing on the Stock Exchange in March 2022.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2022

	Note	**Year ended 31 March 2022** *RMB'000*	2021 *RMB'000*
Revenue	*4*	**1,623,553**	1,515,127
Cost of sales	*5*	**(1,286,996)**	(1,150,707)
Gross profit	*5*	**336,557**	364,420
Selling and distribution expenses	*5*	**(79,625)**	(79,122)
Administrative expenses	*5*	**(276,093)**	(130,330)
Research and development expenses		**(32,918)**	(27,311)
Net reversal of impairment loss/(impairment loss) on financial assets		**4,585**	(5,476)
Other gains – net		**18,922**	2,286
Operating (loss)/profit		**(28,572)**	124,467
Finance income	*7*	**8,276**	7,581
Finance costs	*7*	**(55,641)**	(51,914)
Finance costs – net		**(47,365)**	(44,333)
Share of net (loss)/profit of associates and joint ventures accounted for using the equity method		**(411)**	2,602
Re-designation to Series E convertible redeemable preferred shares from issued ordinary and preferred shares		**–**	(196,712)
Fair value change of convertible redeemable preferred shares		**(541,089)**	(424,289)
Fair value change of bond		**(61,647)**	(16,677)
Fair value change of warrants		**(13,686)**	(26,802)
Fair value change of derivative liabilities		**(6,005)**	–
Fair value difference between termination of warrants and recognition of derivative liabilities		**(11,136)**	–
Loss before income tax		**(709,911)**	(581,744)
Income tax credit/(expense)	*8*	**13,511**	(16,018)
Loss for the year		**(696,400)**	(597,762)
Loss attributable to:			
Owners of the Company		**(701,032)**	(599,420)
Non-controlling interests		**4,632**	1,658
		(696,400)	(597,762)
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted loss per share (adjusted for share subdivision)	*9*	**(8.70)**	(8.21)

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 March 2022

	Note	**Year ended 31 March** **2022** ***RMB'000***	2021 *RMB'000*
Loss for the year		**(696,400)**	(597,762)
Other comprehensive (loss)/income			
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)**	4,457
Fair value change of bond due to own credit risk		**1,083**	(4,711)
Currency translation differences		**84,672**	179,729
Other comprehensive income for the year, net of tax		**67,316**	179,475
Total comprehensive loss for the year		**(629,084)**	(418,287)
Total comprehensive loss attributable to:			
Owners of the Company		**(633,716)**	(419,945)
Non-controlling interests		**4,632**	1,658
		(629,084)	(418,287)

The above consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 March 2022

	Note	**As at 31 March** **2022** ***RMB'000***	2021 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**297,798**	260,842
Right-of-use assets		**703,466**	595,114
Intangible assets		**24,612**	26,607
Goodwill		**98,467**	98,467
Deferred tax assets		**56,677**	28,630
Prepayments		**21,722**	19,002
Investments accounted for using the equity method		**14,155**	14,116
Financial assets at fair value through profit or loss	*11*	**34,675**	30,000
Other receivables	*10*	**109,476**	185,015
Total non-current assets		**1,361,048**	1,257,793
Current assets			
Inventories		**47,080**	39,036
Prepayments		**126,704**	104,976
Trade and other receivables	*10*	**96,885**	155,935
Financial assets at fair value through profit or loss	*11*	**197,055**	51,004
Restricted cash	*12(b)*	**95,290**	65,706
Time deposits with original maturity over three months	*12(b)*	**14,000**	–
Cash and cash equivalents	*12(a)*	**1,052,285**	676,304
Total current assets		**1,629,299**	1,092,961
Total assets		**2,990,347**	2,350,754

CONSOLIDATED BALANCE SHEET (CONTINUED)
As at 31 March 2022

	Note	As at 31 March 2022 RMB'000	2021 RMB'000
EQUITY/(DEFICIT IN EQUITY)			
Share capital		**74,769**	9,447
Reserves		**4,841,683**	239,184
Accumulated losses		**(3,351,740)**	(2,748,503)
Equity/(deficit in equity) attributable to owners of the Company		**1,564,712**	(2,499,872)
Non-controlling interests		**45,785**	43,295
Total equity/(deficit in equity)		**1,610,497**	(2,456,577)
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**–**	23,868
Lease liabilities		**611,187**	511,007
Contract liabilities	*4(b)*	**21,597**	11,878
Deferred tax liabilities		**2,125**	3,125
Total non-current liabilities		**634,909**	549,878
Current liabilities			
Trade and other payables	*14*	**273,105**	294,668
Contract liabilities	*4(b)*	**184,287**	209,521
Current tax liabilities		**8,065**	9,565
Borrowings	*13*	**137,363**	194,623
Lease liabilities		**142,121**	132,140
Convertible redeemable preferred shares		**–**	3,178,465
Bond		**–**	167,345
Warrants		**–**	71,126
Total current liabilities		**744,941**	4,257,453
Total liabilities		**1,379,850**	4,807,331
Total equity/(deficit in equity) and liabilities		**2,990,347**	2,350,754

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

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 23 May 2001 as a company limited by shares. On 16 November 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 the operation of dental clinics and hospitals in the People's Republic of China (the "PRC").

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

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 and liabilities measured at fair value.

Change in accounting policy and disclosures

All effective standards, amendments to standards and interpretations, which are mandatorily effective for the annual reporting period beginning on 1 April 2021, are consistently applied to the Group throughout the year ended 31 March 2022.

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 1 April 2021 and have not been early adopted by the Group during the year ended 31 March 2022. 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 accounting periods beginning on or after
IFRS 1, IFRS 9, IFRS 16 and IAS 41 (Amendments)	Annual Improvements to IFRSs 2018 – 2020 cycle	1 January 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
IAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IFRS 3 (Amendments)	References to the Conceptual Framework	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined

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 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 were previously operated and managed as a single segment, prior to 30 September 2021. The Group has adopted the new business group structure due to a change in the internal reporting structure effective since 30 September 2021. Segments by business group comprise Arrail Dental and Rytime Dental. The comparative segment information has been reclassified to conform to the reporting format under the current internal reporting structure.

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, reversal of impairment losses/(impairment losses) on financial assets, share of net (loss)/profit 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 does not use this information to allocate resources to or evaluate the performance of the operating segments.

	Years ended 31 March			
	2022		2021	
	Revenue *RMB'000*	**Operating profit** *RMB'000*	Revenue *RMB'000*	Operating profit *RMB'000*
Arrail Dental	**831,550**	**101,723**	767,219	94,961
Rytime Dental	**792,003**	**64,994**	747,908	99,075
Total	**1,623,553**	**166,717**	1,515,127	194,036
Unallocated:				
Headquarter and corporate expenses		**(199,874)**		(64,093)
Reversal of impairment losses/(impairment losses) on financial assets		**4,585**		(5,476)
Finance income		**8,276**		7,581
Finance costs		**(55,641)**		(51,914)
Share of net (loss)/profit of associates and joint ventures accounted for using the equity method		**(411)**		2,602
Re-designation to Series E convertible redeemable preferred shares from issued ordinary and convertible redeemable preferred shares		**–**		(196,712)
Fair value change of convertible redeemable preferred shares		**(541,089)**		(424,289)
Fair value change of bond		**(61,647)**		(16,677)
Fair value change of warrants		**(13,686)**		(26,802)
Fair value change of derivative liabilities		**(6,005)**		–
Fair value difference between termination of warrants and recognition of derivative liabilities		**(11,136)**		–
Loss before income tax		**(709,911)**		(581,744)

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 31 March 2022 and 2021, 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 31 March 2022 and 2021.

Other segment information

	Years ended 31 March			
	2022		2021	
	Arrail Dental	**Rytime Dental**	Arrail Dental	Rytime Dental
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Depreciation and amortisation	**130,468**	**115,835**	116,908	112,083
Additions to property, plant and equipment	**65,258**	**50,537**	21,606	10,803
Additions to right-of use assets	**120,435**	**151,469**	74,967	71,230

4 REVENUE

Revenue from contracts with customers

The breakdown of revenues by service categories during the years ended 31 March 2022 and 2021 is as follows:

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
General dentistry – recognised at a point in time	**872,586**	828,452
Orthodontics – recognised over time	**366,264**	342,273
Implantology – recognised over time	**353,079**	299,568
Others – recognised at a point in time	**31,624**	44,834
	1,623,553	1,515,127

The breakdown of revenues by geographic locations and by brands during the years ended 31 March 2022 and 2021 is as follows:

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Northern China	**693,781**	637,590
Eastern China	**391,694**	384,664
Southern China	**154,488**	146,990
Western China	**383,590**	345,883
	1,623,553	1,515,127

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Arrail Dental	**831,550**	767,219
Rytime Dental	**792,003**	747,908
	1,623,553	1,515,127

5 EXPENSES BY NATURE

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Employee benefits expenses	**915,664**	716,704
Depreciation and amortisation	**246,303**	228,991
Dental materials used	**253,254**	233,421
Advertising and marketing expenses	**33,588**	38,165
Office and property management expenses	**51,276**	49,625
Consulting fees	**65,512**	56,595
Auditor's remuneration		
– Audit services	**3,500**	–
– Non-audit services	**–**	–
Listing expenses	**42,501**	5,871
Other expenses	**64,034**	58,098
	1,675,632	1,387,470

6 EMPLOYEE BENEFITS EXPENSES

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Wages, salaries, bonuses and other allowances	**702,324**	649,011
Social security costs and housing fund contributions *(note a)*	**118,319**	67,693
Share-based compensation expenses *(note b)*	**95,021**	–
	915,664	716,704

(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 a restrictive share unit scheme ("RSU Plan") 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 1 October 2021, 3,668,941 RSUs of the Company were granted to certain directors and eligible employees. Effective from 21 March 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 of Hong Kong Limited ("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 1 April 2021	–	
Granted during the year	3,668,941	14.74*(Note)*
Share Subdivision	88,054,584	
Outstanding as at 31 March 2022	91,723,525	

Note: Weighted average fair value per RSU, after adjustment for share subdivision, is USD 0.59.

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 (adjusted for share subdivision). 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 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	1 October 2021
Expected price volatility	48.6%
Risk-free interest rates	1.5%
Dividend yield	0%

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

7 FINANCE COSTS – NET

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Finance income		
Interest income from bank deposits	**4,122**	4,351
Interest income from loans to related parties and employees	**4,154**	3,230
	8,276	7,581
Finance costs		
Interest expense on borrowings	**(9,628)**	(19,526)
Interest expense on lease liabilities	**(36,843)**	(32,388)
Transaction costs on issuance of Series E convertible redeemable preferred shares	**(9,170)**	–
	(55,641)	(51,914)
	(47,365)	(44,333)

8 INCOME TAX (CREDIT)/EXPENSES

The income tax (credit)/expenses of the Group for the years ended 31 March 2022 and 2021 is analysed as follows:

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**15,536**	11,063
Deferred income tax	**(29,047)**	4,955
	(13,511)	16,018

(a) Cayman Islands

The Company is incorporated 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 1 April 2018. Starting from the financial year commencing on 1 April 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 31 March 2022 and 2021.

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

The income tax provision of the Group in respect of its operations in PRC was subject to statutory tax rate of 25% on the assessable profits for the years ended 31 March 2022 and 2021 based on the existing legislation, interpretation and practices in respect thereof.

For the Group's PRC subsidiaries qualified as Small and Micro Enterprise ("SME") by the relevant government authorities, they are subject to a 50%-75% deduction of the assessable profits as well as a preferential tax rate of 20% or 10%, effective until 31 December 2022. During the year ended 31 March 2022, 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 1 January 2008, distribution of profits earned by companies in mainland China since 1 January 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 share

Basic loss per share for the years ended 31 March 2022 and 2021 are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of class 1 and class 2 ordinary shares has been retrospectively adjusted for the effect of the share subdivision completed on 21 March 2022 whereby each class 1 and class 2 ordinary shares was subdivided into 25 class 1 and class 2 shares.

For the purpose of calculating the weighted average number of class 1 and class 2 ordinary shares outstanding, the number of shares shown below has taken the share subdivision into account as if the share subdivision was deemed to be effective since 1 April 2020.

	Year ended 31 March	
	2022	2021
Loss attributable to owners of the Company *(RMB'000)*	**(701,032)**	(599,420)
Weighted average number of class 1 ordinary shares outstanding (in thousand)	**–**	42,582
Weighted average number of class 2 ordinary shares outstanding (in thousand)	**–**	30,389
Weighted average number of ordinary shares outstanding (in thousand)	**80,555**	–
Basic loss per share, for class 1 and class 2 ordinary shares and ordinary shares (expressed in RMB per share)	**(8.70)**	(8.21)

(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 31 March 2022 and 2021, 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 31 March 2022 and 2021, 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 31 March 2022 and 2021 were the same as basic loss per share of the respective year.

10 TRADE AND OTHER RECEIVABLES

	As at 31 March	
	2022	2021
	RMB'000	*RMB'000*
Non-current		
Other receivables		
Loan to an ordinary shareholder	**–**	87,169
Loans to employees *(Note)*	**40,300**	41,862
Rental deposits	**61,970**	56,760
Deposits paid for investments	**5,000**	–
Others	**3,642**	5,958
Less: loss allowance	**(1,436)**	(6,734)
	109,476	185,015
Current		
Trade receivables	**87,379**	88,420
Other receivables		
Loans to related parties	**1,500**	24,665
Amounts due from related parties	**1,359**	53,242
Petty cash granted to employees	**7,728**	4,565
Rental and other deposits	**1,824**	631
Amounts due from sole proprietorship clinics	**12,272**	–
Others	**4,604**	3,482
Less: loss allowance	**(19,781)**	(19,070)
	96,885	155,935
	206,361	340,950

Note: The loans to employees are unsecured, with interest accruing at 2% per annum, and repayable after 5 years from the date of drawdown.

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 31 March	
	2022	2021
	RMB'000	*RMB'000*
Up to 3 months	**36,985**	48,013
3 to 6 months	**22,400**	12,972
6 months to 1 year	**6,744**	10,598
1 to 2 years	**7,780**	5,840
Over 2 years	**13,470**	10,997
	87,379	88,420

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March	
	2022	2021
	RMB'000	*RMB'000*
Wealth management products – current *(Note 1)*	**197,055**	–
Bank structured deposits – current	**–**	51,004
Unlisted debt instruments – non-current *(Note 2)*	**34,675**	30,000
	231,730	81,004

Note 1: On 10 February 2022, 14 and 15 March 2022, the Company and a subsidiary of the Company entered into the subscription agreements with Growth Vanguard Fund SPC to purchase wealth management products amounted to US$31,040,000 at fixed annualized return rate of 1.2%. Its fair values are within level 3 of the fair value hierarchy.

Note 2: The fair values of the unlisted debt 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.

12 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at 31 March	
	2022	2021
	RMB'000	*RMB'000*
Cash at bank and in hand	**813,877**	303,198
Time deposits with original maturity within three months	**238,408**	373,106
	1,052,285	676,304

(b) Restricted cash and time deposits with original maturity over three months

	As at 31 March	
	2022	2021
	RMB'000	*RMB'000*
Restricted cash	**95,290**	65,706
Time deposits with original maturity over three months	**14,000**	–
	109,290	65,706

13 BORROWINGS

	As at 31 March	
	2022	2021
	RMB'000	*RMB'000*
Included in non-current liabilities		
Unsecured bank borrowings	**–**	5,302
Secured other borrowings	**–**	18,566
	–	23,868
Included in current liabilities		
Secured bank borrowings	**80,100**	37,800
Unsecured bank borrowings	**57,263**	143,970
Secured other borrowings	**–**	12,853
	137,363	194,623
	137,363	218,491

14 TRADE AND OTHER PAYABLES

	As at 31 March	
	2022	2021
	RMB'000	*RMB'000*
Trade payables	**74,211**	121,320
Other payables	**198,894**	173,348
	273,105	294,668

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

	As at 31 March	
	2022	2021
	RMB'000	*RMB'000*
Up to 3 months	**38,755**	65,180
3 to 6 months	**11,154**	25,535
6 months to 1 year	**8,462**	17,061
Over 1 year	**15,840**	13,544
	74,211	121,320

15 DIVIDENDS

No dividend was declared by the Company during the years ended 31 March 2022 and 2021.

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 8.1 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, 2022, we had 105 dental clinics and seven hospitals in 15 cities across China, with 883 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 five new clinics with 46 dental chairs. We expanded and upgraded three clinics to 39 dental chairs. In addition, there were six clinics with a total of 86 dental chairs and two hospitals with a total of 75 dental chairs under construction as of March 31, 2022. We continue to hire competent dentists and enhance our dental professional team. The number of our dentists increased by 27 from 856 as of March 31, 2021, to 883 as of March 31, 2022.

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, 2022, we operated a total of 112 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

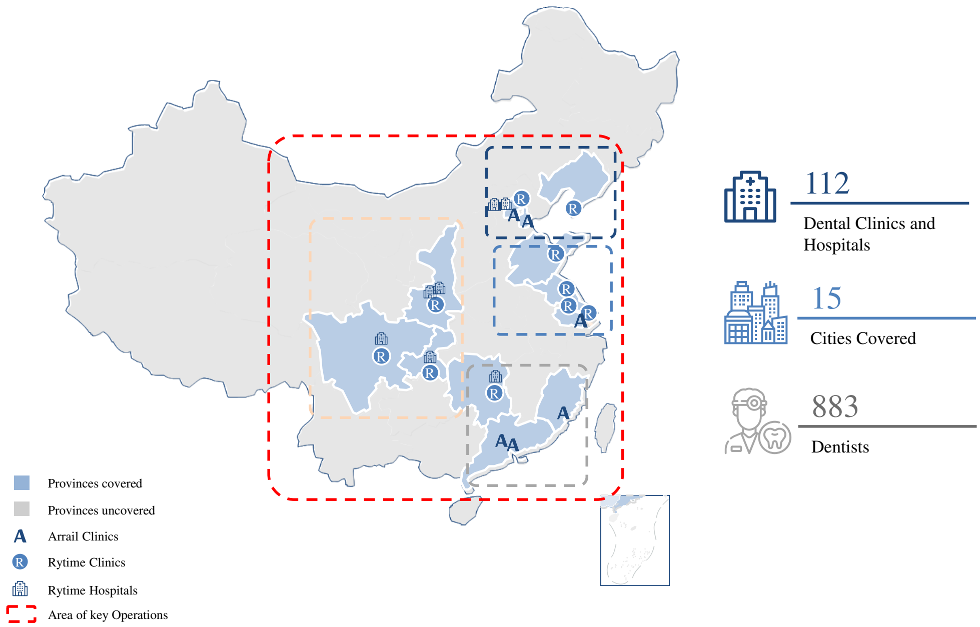
We have been operating under the Arrail Dental brand since 1999, to provide premium dental services primarily to affluent consumers in Tier-1 and emerging Tier-1 cities in China. Arrail clinics are able to charge premium pricing based on their excellent quality of bespoke services and professionals. As of March 31, 2022, we operated a total of 51 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

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 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, 2022, we operated a total of seven hospitals and 54 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 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, 2022, we operated (i) 105 clinics of which 51 clinics were under the Arrail Dental brand and 54 clinics were under the Rytime Dental brand; and (ii) seven hospitals under the Rytime Dental brand, as illustrated in the map below.



Notes:

(1) Operating data as of March 31, 2022.

(2) Including four clinics in Changsha operated under exclusive consultation and service agreements whose financial results are not consolidated into our consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**").

The number of our total patients increased from 577,996 for the year ended March 31, 2021 to 676,022 for the year ended March 31, 2022, representing an increase of 17.0%, and our total patient visits increased from 1,371,046 for the year ended March 31, 2021 to 1,558,947 for the year ended March 31, 2022, representing an increase of 13.7%. The following table sets forth the breakdown by brands in relation to our operating and financial performance.

	For the year ended March 31,	
	2022	2021
Total patient visits	**1,558,947**	1,371,046
Arrail	**560,981**	505,912
Rytime	**997,966**	865,134
Total number of dental chairs	**1,214**	1,168
Arrail	**482**	476
Rytime	**732**	692
Visits per dental chair	**1,284**	1,174
Arrail	**1,164**	1,063
Rytime	**1,363**	1,250
Revenue per dental chair (RMB in thousands)	**1,311**	1,258
Arrail	**1,691**	1,588
Rytime	**1,061**	1,031

As of March 31, 2022, over 50.1% 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 10.6 years of post-qualification experience in the industry. The average monthly revenue generated per dentist who joined us in 2017, 2018, and 2019 during each calendar year, grew at a CAGR of 53%, 31%, and 80% during their respective employment periods up to the end of calender year 2021. Dentists with more than five, ten and fifteen years of experience with us accounted for 31.4%, 11.1% and 5.1% of our total dentists, which indicates strong employee retention rates.

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 48.6% for the year ended March 31, 2022 (45.8% for the year ended March 31, 2021). Approximately 22% of our new patients were referred by our existing patients for the year ended March 31, 2022.

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 2 April 2022, a subsidiary of the Company entered into an investment agreement to acquire 14.1% equity interest of Shenzhen Baocheng Dental Hospital for a cash consideration of RMB25 million. As at 31 March 2022, a deposit amounted to RMB5 million was paid to the existing shareholders of Shenzhen Baocheng Dental Hospital for the purpose of first installment for the consideration.

On 19 April 2022, the Company entered into a subscription agreement with AP China Unicorn Fund SPC to purchase wealth management products amounted to US$3,000,000 at a fixed annualized return rate of 1.2%. The wealth management product is subject to a lock-up period of six months and can be redeemed by the Company at any time upon expiration of the lock-up period.

Save as disclosed above, the Company is not aware of any material subsequent events from the end of the Reporting Period to the date of this announcement.

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 "Future Prospects" below. Save as these, the Group does not have any concrete committed plans for material investments and capital assets in 2022.

Employees and Remuneration

As of March 31, 2022, we had a total of 3,336 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, 2022:

Function	**Number of Employees**	**%**
Dentists	883	26.5%
Nursing staff	1,238	37.1%
Customer service staff	645	19.3%
General administrative staff	361	10.8%
Marketing team	209	6.3%
Total	**3,336**	**100%**

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.

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, 2022, for the participants under the RSU Scheme. As of March 31, 2022, an aggregate of 616 employees were approved by the Board to be the grantees with a total of 91,723,525 underlying shares pursuant to the 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.

Future Prospects

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 and maintains 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 chain operation is generally considered to have greater advantages than an individual operation in terms of speed of development. Though the Company's businesses are under the effect of the COVID pandemic, we are of the opinion that the demand for dental services will not vanish and the pandemic will eventually end. As the pandemic enters a normalized stage in China, the operations of our affected clinics have also shown a tendency of rebound. For the year ended March 31, 2022, the Company had 1.558 million patient visits, increased by 13.7% as compared to the year ended March 31, 2021. We expect such trend will continue.

At the same time, a number of policies concerning the development of the dental industry, including the "centralized procurement of dental implants" and the "reform of healthcare service pricing at public medical institutions (including the dental departments)", have been implemented in recent years. The Company believes that these policies will be conducive to the publicity and popularization of various dental treatments and raise dental health awareness of the public, which will further increase patient visits in dental institutions, especially for basic treatment. 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. Undoubtedly, the private healthcare will achieve rapid development. As the largest premium dental chain group in China, the Company will further benefit from to the core advantages of "Talent, Brand, System" and seize the huge opportunities arising from the development of the dental market.

In the future, the Company is expected to:

1) Continue to take medical quality management as a lifeline for enterprise development

Like many industries, quality control is always the essence of the development of an industry, which also applies to the dental industry. The Company takes medical quality as a lifeline for enterprise development and ensures medical quality through various systems, such as dentist recruitment, professional training and development, medical red line management system, specialized case classification, dentist classification, complex medical condition discussion, and multidisciplinary treatment, so as to provide customers with professional dental services.

2) Intensify talent development with brand influence

The Company will adhere to "empowerment and assistance" as its talent development principle. In respect of medical affairs, we will increase the recruitment of specialists and senior dentists while insisting on on-campus recruiting; and in respect of operations, it will make greater efforts in the selection of management personnel and the construction of a talent echelon, and will focus on identifying outstanding management personnel with strong self-motivation, high learning ability and development potential.

3) Continuously improve operating efficiency

The Company will continue to focus on the improvement of operating efficiency. From the core indicators, including revenue per chair and performance per dentist, to various other indicators of operation in respect of customer acquisition, conversion, average customer unit price and customer satisfaction, etc., the Company will make real-time analysis and conclusions with its self-developed SaaS system "5i5ya" (吾愛吾牙) to be updated with the operation condition of its clinics and dentists in a timely manner. With standardized chain operations, the Company expects to improve the average value of the overall performance and reduce the variability among clinics.

4) Enhance Corporate Culture

Corporate culture endows our 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 become a national chain dental institution. It is one of the "moats" of the Company. In the future, the Company will unswervingly promote and maintain the construction of its corporate culture.

5) Continue to strengthen the development of Environmental, Social and Governance policies

The Company will improve the environmental management methods to save energy and reduce emissions, and focus on the management and recycling of medical wastes; the Company will assume its social responsibilities by organizing various public welfare activities, such as continuing to provide free dental diagnosis to communities, helping the less fortunate and the disabled, supporting the pandemic prevention and making charitable donations, to protect the interests of all stakeholders; and the Company will continue to improve and reinforce corporate governance and standardized public company management, optimize governance structure, strengthen internal control and risk management, further enhance the communications with the Stock Exchange and other regulators and shareholders, maintain the transparency of information, and constantly create value for the Shareholders.

Impact of COVID-19

Since late May 2021, new regional COVID-19 outbreaks have hit certain areas in China which subsequently spread to several other cities. To contain the spread of COVID-19, local governments imposed various restrictions on business and social activities, including travel restrictions and mandated temporary shutdowns of business operations across certain regions. As a result, we had a slowdown in patient visit growth and revenue growth in the affected areas from June 2021 to March 2022, compared to the same periods in 2020 and 2021.

The municipal government of Beijing temporarily suspended "multi-site practices" for medical practitioners. Namely, local medical practitioners are temporarily prohibited from practicing across multiple sites, which could lead to a shortage of practitioners for the normal operations of dental services in Beijing. In addition, the local governments mandated temporary closures of certain of our hospitals and clinics. Consequently, four of our clinics in Xi'an experienced temporary closure in late October and early November in 2021, and 11 of our clinics in Chengdu and Chongqing in November and December 2021, which has adversely affected our business performance in the regional markets. Due to the lockdown in the city of Xi'an, all of our dental hospitals and clinics in the city were closed temporarily in late December 2021, and were reopened around early February 2022. Our dental clinic in Tianjin experienced temporary closure for less than a week in January 2022 and has resumed operations.

For the year ended March 31, 2022, 34 of our clinics and hospitals with totally 342 dental chairs were temporarily closed ranging from 1 day to 102 days due to COVID-19, which impacted our capacity to provide services and prohibited our patients from visiting us. In addition, many patients postponed their dental treatment plan due to COVID-19.

Having considered that (i) the governmental authorities have put significant resources and efforts to contain the regional COVID-19 outbreaks, and (ii) we do not plan to, nor are we aware of any government policy to, permanently shut down any of our existing hospitals or clinics in the affected areas, the Directors believe that despite the fact we may continue to experience slowdowns in patient visit growth and revenue growth in the short term, the sporadic regional resurgence of COVID-19 is unlikely to have a material adverse impact on our business, results of operations and financial conditions as a whole in the long term.

We are closely monitoring the development of the COVID-19 pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition.

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 7.2% from RMB1,515.1 million for the year ended March 31, 2021, to RMB1,623.6 million for the year ended March 31, 2022. This was primarily due to the increase of patient visits from both our existing and newly-opened clinics and hospitals.

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,			
	2022		2021	
	RMB	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)			
General dentistry	**872,586**	**53.7%**	828,452	54.7%
Orthodontics	**366,264**	**22.6%**	342,273	22.6%
Implantology	**353,079**	**21.7%**	299,568	19.8%
Others[(1)]	**31,624**	**2.0%**	44,834	3.0%
Total	**1,623,553**	**100.0%**	1,515,127	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 5.3% from RMB828.5 million for the year ended March 31, 2021 to RMB872.6 million for the year ended March 31, 2022; (ii) orthodontics increased by 7.0% from RMB342.3 million for the year ended March 31, 2021 to RMB366.3 million for the year ended March 31, 2022; and (iii) implantology increased by 17.9% from RMB299.6 million for the year ended March 31, 2021 to RMB353.1 million for the year ended March 31, 2022.

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, 2022, we operated 51 dental clinics in Tier-1 cities under the Arrail Dental brand, and operated 55 dental clinics and seven 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,			
	2022		2021	
	RMB	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)			
Arrail Dental	**831,550**	**51.2%**	767,219	50.6%
Rytime Dental	**792,003**	**48.8%**	747,908	49.4%
Total	**1,623,553**	**100.0%**	1,515,127	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,			
	2022		2021	
	RMB	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)			
Employee benefits expenses	**670,580**	**52.1%**	585,364	50.9%
Depreciation and amortization	**227,725**	**17.7%**	213,676	18.6%
Dental materials used	**253,254**	**19.7%**	232,344	20.2%
Consulting fees	**43,139**	**3.4%**	34,992	3.0%
Office and property management expenses	**45,962**	**3.5%**	44,465	3.9%
Others[(1)]	**46,336**	**3.6%**	39,866	3.4%
Total	**1,286,996**	**100.0%**	1,150,707	100.0%

Note:

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

Our cost of sales increased by 11.8% from RMB1,150.7 million for the year ended March 31, 2021, to RMB1,287.0 million for the year ended March 31, 2022, primarily due to (i) the increase in employee benefits expenses as a result of (a) the increase of dentists and nursing staff to serve our increased customer base and (b) the impact of the termination of concessions of the social security and provident fund; (ii) the increase in dental materials used as a result of business expansion; and (iii) the increase in depreciation of property, plant and equipment and right-of-use assets in line with our business expansion.

Gross Profit

Our gross profit decreased by 7.6% from RMB364.4 million for the year ended March 31, 2021 to RMB336.6 million for the year ended March 31, 2022, primarily due to (i) the impact of the termination of concessions of the social security and provident funds; and (ii) newly-opened clinics and hospitals which are still in the ramping-up period.

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,			
	2022		2021	
	RMB	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)			
Employee benefits expenses	**40,029**	**50.3%**	34,028	43.0%
Advertising and marketing expenses	**33,588**	**42.2%**	38,165	48.2%
Consulting fees	**2,816**	**3.5%**	2,282	2.9%
Others[1]	**3,192**	**4.0%**	4,647	5.9%
Total	**79,625**	**100.0%**	79,122	100.0%

Note:

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

Our selling and distribution expenses remained stable at RMB79.1 million for the year ended March 31, 2021 and RMB79.6 million for the year ended March 31, 2022.

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,			
	2022		2021	
	RMB	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)			
Share-based compensation expenses	**95,021**	**34.4%**	–	–
Employee benefits expenses	**83,401**	**30.2%**	72,229	55.4%
Listing expenses	**42,501**	**15.4%**	5,871	4.5%
Consulting fees	**15,234**	**5.5%**	17,612	13.5%
Depreciation and amortization	**16,659**	**6.0%**	14,659	11.2%
Office and property management expenses	**4,903**	**1.8%**	4,108	3.2%
Auditor's remuneration	**3,500**	**1.3%**	–	–
Others[1]	**14,874**	**5.4%**	15,851	12.2%
Total	**276,093**	**100.0%**	130,330	100.0%

Note:

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

Our administrative expenses increased by 111.9% from RMB130.3 million for the year ended March 31, 2021 to RMB276.1 million for the year ended March 31, 2022, primarily due to (i) share-based compensation expenses of RMB95.0 million in connection with the grant of RSUs to our employees pursuant to the RSU Scheme; and (ii) the increase of listing expenses.

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,			
	2022		2021	
	RMB	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)			
Employee benefits expenses	**26,633**	**80.9%**	25,083	91.8%
Consulting fees	**4,323**	**13.1%**	1,709	6.3%
Depreciation and amortization	**1,596**	**4.8%**	114	0.4%
Others[1]	**366**	**1.2%**	405	1.5%
Total	**32,918**	**100.0%**	27,311	100.0%

Note:

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

Our research and development expenses increased by 20.5% from RMB27.3 million for the year ended March 31, 2021 to RMB32.9 million for the year ended March 31, 2022, primarily because of the increase of consulting fees to develop our information technology system.

Net Reversal of Impairment Loss/(Impairment Loss) on Financial Assets

Net reversal of impairment loss/(impairment loss) 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 net reversal of impairment loss on financial assets was RMB4.6 million for the year ended March 31, 2022, compared to net impairment loss on financial assets of RMB5.5 million for the year ended March 31, 2021, primarily due to the settlement of loans to related parties.

Operating Loss/Profit

For the year ended March 31, 2022, our operating loss was RMB28.6 million, compared to an operating profit of RMB124.5 million for the year ended March 31, 2021, mainly due to share-based compensation expenses and listing expenses. Excluding the share-based compensation expenses and listing expenses, our operating profit would be RMB109.0 million.

Net Finance Costs

Our net finance costs increased from RMB44.3 million for the year ended March 31, 2021 to RMB47.4 million for the year ended March 31, 2022, primarily due to the financing cost incurred for the issuance of Series E Preferred Shares, offset by the decrease of interest expense on borrowings.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value changes of convertible redeemable preferred shares increased from RMB424.3 million for the year ended March 31, 2021 to RMB541.1 million for the year ended March 31, 2022, primarily due to the increase of our valuation as a result of the business growth. Convertible redeemable preferred shares were converted to ordinary shares upon the Listing, and we do not expect to record any further fair value change of convertible redeemable preferred shares.

Loss for the Year

As a result of the foregoing, our loss for the year increased from RMB597.8 million for the year ended March 31, 2021 to RMB696.4 million for the year ended March 31, 2022, primarily due to the impact of changes in fair value of our convertible redeemable preferred shares, bond, and warrants and share-based compensation expenses we incurred during such periods.

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 RMB260.8 million as of March 31, 2021 to RMB297.8 million as of March 31, 2022 due to newly-opened clinics and hospitals in line with our business expansion.

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 increased from RMB595.1 million as of March 31, 2021 to RMB703.5 million as of March 31, 2022, primarily because we leased more properties for newly-opened clinics and hospitals.

Net Current Assets

We had net current assets of RMB884.4 million as of March 31, 2022, compared to net current liabilities of RMB3,164.5 million as of March 31, 2021, primarily because the convertible redeemable preferred shares were re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing.

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 were RMB72.9 million and RMB71.3 million as of March 31, 2021 and 2022, respectively. Our trade receivables turnover days were 16 days for the year ended March 31, 2021, and 20 days for the year ended March 31, 2022. The increase of turnover days was mainly due to the increase in accounts 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; (iii) loans to employees, net of loss allowance. Our other receivables included in current assets decreased by 69.2% from RMB83.0 million as of March 31, 2021 to RMB25.6 million as of March 31, 2022, primarily due to the settlement of loans to related parties and amounts due from related parties.

Trade and Other Payables

Our trade payables primarily represent the amount due to our suppliers. Our suppliers typically granted us a credit period of 90 days. Trade payables are classified as current liabilities if payment is due within one year or less, and as non-current liabilities if due over one year. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Our trade payables decreased by 38.8% from RMB121.3 million as of March 31, 2021 to RMB74.2 million as of March 31, 2022, primarily due to the settlement of trade payable to one of our main suppliers. Our trade payables turnover days decreased from 79 days for the year ended March 31, 2021 to 58 days for the year ended March 31, 2022 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 increased by 14.8% from RMB173.3 million as of March 31, 2021 to RMB198.9 million as of March 31, 2022, primarily due to the unpaid consideration of RMB36.5 million to buy out the share interest from a minority shareholder of a subsidiary of the Group and the increase of unpaid listing fees of RMB19.6 million, offset by settlement of payables due to related parties and shareholders.

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 RMB197.0 million with a fixed annualized return rate of 1.2% and unlisted debt instruments of RMB34.7 million. On 10 February 2022, 14 and 15 March 2022, the Company and a subsidiary of the Company entered into the subscription agreements with Growth Vanguard Fund SPC to purchase wealth management products amounted to US$31,040,000 at fixed annualized return rate of 1.2%. The wealth management product is subject to a lock-up period of one month and can be redeemed by the Company at any time upon expiration of the lock-up period. The unlisted debt instruments represent preferred shares issued by Hangzhou Jarvis Medical Technology Company Limited* (杭州佳沃思醫療科技有限公司), representing 8.22% of equity interests in that company.

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 increased by 19.7% from RMB124.0 million as of March 31, 2021 to RMB148.4 million as of March 31, 2022, primarily due to increase of prepayments for equipments inventories and leases as result of business expansion.

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, 2022, 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

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 on the Stock Exchange on March 22, 2022. As of March 31, 2022, we had cash and cash equivalents of RMB1,052.3 million, as compared with RMB676.3 million as of March 31, 2021.

There is no material change in the capital structure of the Company since the date of the Listing. 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, 2022, we incurred capital expenditures of RMB120.8 million, compared to RMB34.0 million for the year ended March 31, 2021, primarily due to the expansion and renovation of dental clinics and hospitals. 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, 2022, we had obtained bank loan facilities of RMB333.5 million.

As of March 31, 2022, the gearing ratio (calculated as total borrowings divided by total equity and multiplied by 100%) is 8.5%.

Charge on Asset

As of March 31, 2022, we pledged US$15 million (equivalent to RMB95.3 million) to a bank as the collateral for bank loans of RMB80.1 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. As of the date of this announcement, the Company did not utilize any of the proceeds raised from the Global Offering.

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".

	Amount of net proceeds for the relevant use	Percentage of total net proceeds	Utilization during the year ended March 31, 2021	Unutilized net proceeds as of March 31, 2021	Expected timeframe for unutilized net proceeds
	HK$ million	*Percentage*	*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	over the next five years
Expansion into new key Tier-2 cities in China	118.0	20.0%	–	118.0	over the next five years
Subtotal	**442.4**	**75.0%**	**–**	**442.4**	
Build and optimize IT infrastructure	88.5	15.0%	–	88.5	over the next five years
Working capital	59.0	10.0%	–	59.0	over the next five years
Total	**589.9**	**100.0%**	**–**	**589.9**	

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 from the Listing Date and up to the date of this announcement, except for deviation from the 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.

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 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 from the Listing Date and up to the date of this announcement. 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

From the Listing Date and up to the date of this announcement, 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: Nil).

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

The Company, or any of its subsidiaries, did not purchase, sell or redeem any listed securities of the Company from the Listing Date to March 31, 2022.

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, 2022 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, 2022.

The AGM

The AGM of the Company will be held on or around Monday, September 26, 2022. 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 Wednesday, September 21, 2022 to Monday, September 26, 2022, 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 Tuesday, September 20, 2022.

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, 2022 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

"Adjusted Net Profit"	adjusted net profit as loss for the year adjusted by adding (i) fair value change of convertible redeemable preferred shares, (ii) fair value change of warrants, (iii) share-based compensation expenses, (iv) listing expenses, (v) change in fair value due to modification of bond and early settlement, (vi) termination of bond and recognition of derivative liabilities, (vii) transaction cost on issuance of Series E convertible redeemable preferred shares, (viii) fair value changes of derivative liabilities, (ix) Re-designation to Series E convertible redeemable preferred shares from issued ordinary and preferred shares
"AGM"	the annual general meeting 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
"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)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Listing"	the listing of our 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 our 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
"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, 2022
"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, 2022

As of the date of this announcement, the executive Directors are Mr. ZOU Qifang, Ms. Qin Jessie XIN, 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*