

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF THE REGISTERED CAPITAL OF
JOINT VENTURE COMPANY
AND
CONTINUING CONNECTED TRANSACTION IN RELATION TO
THE LICENSING AGREEMENT**

The Board is pleased to announce that on November 3, 2022, Shenzhen Ruijian, a consolidated affiliated entity of the Company, entered into the Cooperation Agreement with Hangzhou Jarvis and the Joint Venture Company, pursuant to which Shenzhen Ruijian agreed to subscribe for 20% of the registered capital of the Joint Venture Company at the subscription amount of RMB30 million. Upon completion of the Subscription, the Joint Venture Company will be owned as to 20% and 80% by Shenzhen Ruijian and Hangzhou Jarvis respectively. On the same day, Beijing Ruier, a wholly-owned subsidiary of the Company, entered into the Licensing Agreement with the Joint Venture Company, pursuant to which Beijing Ruier shall license certain intellectual property rights to the Joint Venture Company for a term of three years.

As of the date of this announcement, Hangzhou Jarvis is owned as to 56.9% by Ms. Zou, the daughter of Mr. Zou. As Mr. Zou is the executive Director, chairman and chief executive officer as well as the Controlling Shareholder of the Company, Hangzhou Jarvis is therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the entering into (i) the Cooperation Agreement and the transactions contemplated thereunder constitute connected transaction for the Company; and (ii) the Licensing Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio exceeds 0.1% but less than 5%, each of (i) the Subscription as contemplated under the Cooperation Agreement and (ii) the transactions contemplated under the Licensing Agreement is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on November 3, 2022, Shenzhen Ruijian, a consolidated affiliated entity of the Company, entered into the Cooperation Agreement with Hangzhou Jarvis and the Joint Venture Company, pursuant to which Shenzhen Ruijian agreed to subscribe for 20% of the registered capital of the Joint Venture Company at the subscription amount of RMB30 million. Upon completion of the Subscription, the Joint Venture Company will be owned as to 20% and 80% by Shenzhen Ruijian and Hangzhou Jarvis respectively. On the same day, Beijing Ruier, a wholly-owned subsidiary of the Company, entered into the Licensing Agreement with the Joint Venture Company, pursuant to which Beijing Ruier shall license certain intellectual property rights to the Joint Venture Company for a term of three years.

PRINCIPAL TERMS OF COOPERATION AGREEMENT

Principal terms of the Cooperation Agreement are set out below.

Date:

November 3, 2022

Parties:

- (1) Shenzhen Ruijian, a consolidated affiliated entity of the Company;
- (2) Hangzhou Jarvis; and
- (3) the Joint Venture Company.

Scope of business of the Joint Venture Company:

The Joint Venture Company is principally engaged in dentistry digitalization (口腔醫學數字化) and digital membership business for small and medium dental clinics (中小型口腔診所數字化會員業務) which shall include the followings:

1. providing sales and technical services in relation to the clinic management SaaS system (including reservation, charging, customer management and inventory management modules);
2. providing sales, operation and technical services in relation to the electronic medical records, online consultation and visit management platform;
3. organizing various associations and industry exchange activities in the dental industry;
4. developing and operating clinic private domain operation tools;
5. providing other online and offline SaaS services that enhance clinic growth and profitability.

Conditions Precedent:

Completion of the Subscription is conditional upon the fulfillment of, among others, the following conditions:

1. the board of directors and shareholder of Joint Venture Company having resolved to approve the transaction;
2. written confirmation has been provided by Hangzhou Jarvis waiving its pre-emptive right to subscribe for the newly increased registered capital in the Joint Venture Company;
3. as of the closing date, there is no government authorities or their affiliates, department or agency under government authorities or their affiliates, legislature, court or arbitral tribunal, and the regulatory authorities of any stock exchange making any laws, regulations or decisions that would prohibit, restrict or create impediments on: (i) the Subscription or capital contribution; (ii) the change of shareholders of the Joint Venture Company; (iii) the operations of the Joint Venture Company after the closing date; or (iv) such prohibition, restriction or creation of impediment can reasonably be expected to have a material adverse effect on the Joint Venture Company; and
4. the board of directors of the Company having resolved to approve the transaction.

Shareholding structure and capital contribution:

The pre-money valuation of the Joint Venture Company shall be approximately RMB120 million. Shenzhen Ruijian will subscribe for 20% of the registered capital of the Joint Venture Company at the subscription amount of RMB30 million, being 20% of the total investment amount of RMB150 million. Following the Subscription, the shareholding structure of the Joint Venture Company shall as follows:

Name of Shareholder	The respective shareholding percentage in the Joint Venture Company
Shenzhen Ruijian	20%
Hangzhou Jarvis	80%

Pursuant to the Cooperation Agreement, Shenzhen Ruijian shall settle the subscription amount of RMB30 million within five business days following the fulfillment of conditions precedent or on such other date as shall be agreed between the parties. The capital contribution to be made by Shenzhen Ruijian pursuant to the Cooperation Agreement will be funded by internal resources of the Group rather than the proceeds from Global Offering.

The said capital contribution was determined after arm's length negotiation among Shenzhen Ruijian and Hangzhou Jarvis with reference to, among other things, the initial capital requirement of the Joint Venture Company as well as the valuation of the Joint Venture Company as of July 31, 2022 conducted by an independent valuer on August 12, 2022.

Management of the Joint Venture Company:

The Joint Venture Company shall have one executive director to be nominated by Hangzhou Jarvis with a tenure of three years subject to further extension. The daily operation of the Joint Venture Company shall be managed by a management team which consists of a chief executive officer and one senior personnel responsible for finance and one senior personnel responsible for human resources.

Shenzhen Ruijian has the power to appoint an observer to the Joint Venture Company to obtain and review the decision(s) made by the executive director and other documents and summary.

COMPLETION OF THE SUBSCRIPTION

It is expected that the Subscription will be completed in November 2022. Upon completion of the Subscription, the Joint Venture Company will be owned as to 20% and 80% by Shenzhen Ruijian and Hangzhou Jarvis respectively, and its financial statements will not be consolidated to the financials of the Group.

PRINCIPAL TERMS OF LICENSING AGREEMENT

Principal terms of the Licensing Agreement are set out below.

Date:

November 3, 2022

Parties:

- (1) Beijing Ruier, an indirectly wholly-owned subsidiary of the Company, as the licensor; and
- (2) the Joint Venture Company, as the licensee.

Licensing of Intellectual Property Rights:

Beijing Ruier shall grant to the Joint Venture Company a sole license to use the following intellectual property rights for a term of three years:

1. the right to use SaaS system "5i5ya" (吾愛吾牙), a clinic management system developed by the Group;
2. the right to use the current and future online and offline content of Arrail Academy (瑞爾學堂);
3. the right to use the name "瑞爾學堂"; and
4. the right to use the registered trademark of "Arrail Care 5A" and "Arrail Care".

During the licensing term, the Joint Venture Company also has the right to grant sub-licenses of the above licensed intellectual property rights under the Licensing Agreement to Hangzhou Jarvis and its controlled affiliates.

Royalty fees:

In consideration of the licensing of the intellectual property rights under the Licensing Agreement, the Joint Venture Company shall pay Beijing Ruier a royalty fee equal to 20% of the Annual Membership Contract Revenue* for each 12-month period during the licensing term, payable within one month from the end of each 12-month period.

* *Annual Membership Contract Revenue means the net sales generated from the sale of membership products based on the licensed intellectual property rights, minus the marketing expenses and other licensing-related expenses.*

Proposed annual caps:

The aggregate annual amount of royalty fees to be paid by the Joint Venture Company to Beijing Ruier for the three years ending March 31, 2023, 2024 and 2025 shall not exceed the caps as set out in the table below:

	Proposed Annual Caps for the Financial Year Ending March 31,		
	<i>(RMB million)</i>		
	2023*	2024	2025
Royalty fee	0.86	4.00	9.57

* *The number reflects the royalty fee for the period from November 3, 2022 to March 31, 2023.*

Basis of caps:

In determining the above proposed annual caps for the royalty fees to be paid by the Joint Venture Company to Beijing Ruier, the Directors have considered, among others, (i) the expected significant growth in the digital membership business engaged by the Joint Venture Company in 2024 and beyond based on its business strategies and market trends; (ii) the confidence in the management team of the Joint Venture Company and the synergies to be generated in light of the cooperation with the Group; and (iii) the ratio of royalty fee calculated based on the Annual Membership Contract Revenue.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE LICENSING ARRANGEMENT

The Company believes that the cooperation as contemplated under the Cooperation Agreement and the Licensing Agreement will create synergy to the Group, including but not limited to: (1) enhancing the operational level of the Group in terms of professional skills; (2) further expanding the recognition of the Group in the corresponding fields; and (3) providing the Company with a more stable business environment and operation structure.

With the business growth of the Joint Venture Company, the Company will further optimize the management system of dental clinics, the continuing education of dental clinics, and at the same time increase the private operation service of clinic, which will bring a favorable impact on the profitability of the Company, which is in line with the Company's and the interests of shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Cooperation Agreement and the Licensing Agreement are on normal commercial terms and fair and reasonable, and are entered into in the ordinary and usual course of business of the Company and in the interests of the Company and its shareholders as a whole.

None of the Directors has any material interest in the Subscription and the licensing of intellectual property rights under the Licensing Agreement and therefore no Director is required to abstain from voting on the relevant board resolutions. However, Mr. Zou has voluntarily abstained from voting on the Board resolutions approving the entering into of the Cooperation Agreement and the Licensing Agreement and the transactions contemplated thereunder.

INFORMATION OF THE PARTIES TO THE AGREEMENTS

The Group is principally engaged in the business of provision of dental services (including general dentistry, orthodontics and implantology) through operations of dental clinics and hospitals in the PRC. Shenzhen Ruijian is a consolidated affiliated entity of the Company and is principally engaged in provision of enterprise management consulting and information consulting services to the dental clinics and hospitals in the PRC. Beijing Ruier is an indirectly wholly-owned subsidiary of the Company and is the holding company of subsidiaries of the Group in the PRC.

Hangzhou Jarvis is principally engaged in the operation of medical device e-commerce platform and related value-added services, including but not limited to medical device business-to-business e-commerce platforms and SaaS management software services for dental clinics.

The Joint Venture Company was established on July 7, 2022 and is owned as to 100% by Hangzhou Jarvis as of the date of this announcement. The principal business of the Joint Venture Company shall include those as set out under the paragraph headed "Scope of business of the Joint Venture Company".

LISTING RULES IMPLICATIONS

As of the date of this announcement, Hangzhou Jarvis is owned as to 56.9% by Ms. Zou, the daughter of Mr. Zou. As Mr. Zou is the executive Director, chairman and chief executive officer as well as the Controlling Shareholder of the Company, Hangzhou Jarvis is a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the entering into (i) the Cooperation Agreement and the transactions contemplated thereunder constitute connected transaction for the Company; and (ii) the Licensing Agreement and transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio exceeds 0.1% but less than 5%, each of (i) the Subscription as contemplated under the Cooperation Agreement and (ii) the transactions contemplated under the Licensing Agreement is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement have the following meanings:

“Beijing Ruier”	Beijing Ruier Shengbin Medical Technology Co., Ltd.* (北京瑞爾聖彬醫療科技有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Arrail Group Limited (瑞爾集團有限公司), a company incorporated in British Virgin Islands with limited liability and continued in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	shall have the meanings as ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	shall have the meanings as ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated November 3, 2022 entered into among Shenzhen Ruijian, Hangzhou Jarvis and the Joint Venture Company regarding, inter alia, the Subscription
“Directors”	the directors of the Company
“Group”	the Company together with its subsidiaries and consolidated affiliated entities
“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, the daughter of Mr. Zou
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Joint Venture Company”	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
“Licensing Agreement”	the licensing agreement dated November 3, 2022 entered into between Beijing Ruier and the Joint Venture Company regarding licensing of certain intellectual property rights to the Joint Venture Company for a term of three years
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Mr. Zou”	Mr. Zou Qifang, the executive Director, chairman and chief executive officer as well as a Controlling Shareholder of the Company
“Ms. Zou”	Ms. Zou Jin, the daughter of Mr. Zou
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shenzhen Ruijian”	Shenzhen Ruijian Consulting Management Co., Ltd.* (深圳市瑞健諮詢管理有限公司), a limited liability company established under the laws of the PRC and a consolidated affiliated entity of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 20% of the registered capital of the Joint Venture Company by Shenzhen Ruijian
“%”	per cent.

By order of the Board
Arrail Group Limited
Zou Qifang
Chairman

Hong Kong, November 3, 2022

As at the date of this announcement, the Board comprises Mr. Zou Qifang, Ms. Qin Jessie Xin, Mr. Zhang Jincui and Mr. Zou Jianlong as executive directors, and Ms. Liu Xiaomei Michelle, Mr. Sun Jian and Mr. Zhang Bang as independent non-executive directors.

* *for identification purposes only*