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Jiumaojiu International Holdings Limited

九毛九国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9922)

CONNECTED TRANSACTION ACQUISITION OF 3% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY

THE ACQUISITION

The Board announces that on September 5, 2021, Tai Er Investment (an indirect wholly-owned subsidiary of the Company) as the Purchaser and Huzhou Jiajun as the Vendor entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 3% of the equity interest in Tai Er Catering (an indirect non-wholly owned subsidiary of the Company) at a total consideration of RMB300,000,000 (the “**Acquisition**”).

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios in respect of the Acquisition are below 5%, the Acquisition does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

As (i) Huzhou Jiajun is a substantial shareholder of Tai Er Catering holding 15% of its equity interest and hence is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules; (ii) the Board has approved the Acquisition; and (iii) the independent non-executive Directors have confirmed that the Acquisition is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Acquisition shall constitute a connected transaction with a connected person at the subsidiary level and is subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and independent shareholders’ approval requirements under Rule 14A.101 of the Listing Rules.

Mr. He Chengxiao, an executive Director and a limited partner of Huzhou Jiajun, was required to abstain from voting on the relevant Board resolutions approving the Acquisition. Save for the above, to the best of knowledge, information and belief of the Directors having made all reasonable enquiries, no other Director has a material interest in the Acquisition and was required to abstain from voting on the relevant Board resolutions approving the Acquisition.

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The Equity Transfer Agreement

Date

September 5, 2021

Parties

- (1) Tai Er Investment as the Purchaser; and
- (2) Huzhou Jiajun as the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Tai Er Catering is an indirect non-wholly owned subsidiary of the Company; (ii) the Vendor and Mr. He Chengxiao, Mr. Fu Tianliang and Mr. Zou Liang, who are limited partners of the Vendor, are connected persons of the Company; and (iii) save for Mr. He Chengxiao, Mr. Fu Tianliang and Mr. Zou Liang, the partners of the Vendor are third parties independent of the Company and its connected persons.

Subject Matter

Pursuant to the Equity Transfer Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase 3% of the equity interest in Tai Er Catering (an indirect non-wholly owned subsidiary of the Company).

Consideration

The consideration for the Acquisition shall be RMB300,000,000 which was determined after arm's length negotiations between the Parties based on the value of Tai Er Catering of approximately RMB10,190,681,000 as of September 3, 2021 (the "**Valuation Date**") with reference to the valuation (the "**Valuation**") conducted by an independent valuer (the "**Valuer**") using market approach.

Payment Terms

The Purchaser shall fully settle the consideration in cash in one lump sum with the internal resources of the Group before October 10, 2021.

Completion

The completion of the Acquisition shall take place upon completion of the change of the industrial and commercial registration procedure in respect of the transfer of 3% equity interest in Tai Er Catering within 30 days from the date of the Equity Transfer Agreement. Upon completion of the Acquisition, Tai Er Catering will remain as an indirect non-wholly owned subsidiary of the Company.

BASIS OF CONSIDERATION FOR THE ACQUISITION

The Valuer adopts the market approach technique known as the guideline public company method. This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of Tai Er Catering. In consideration of the business nature of Tai Er Catering, the Valuer has adopted the trailing price-to-earnings ratio (the "**P/E ratio**") as the multiple to estimate the value of Tai Er Catering. The P/E ratio is suitable for companies that can generate consistent and stable net profit. In this Valuation, the P/E ratio of a company is defined as the company's market capitalization as of the Valuation Date to its latest trailing twelve-month net profit.

Under the guideline public company method, in determining the benchmark multiple, a list of comparable companies was identified by the Valuer based on the following selection criteria:

- the companies derive most, if not all, of their respective revenues from the same or closely related industry of Tai Er Catering, i.e., chain restaurants operators which offer Chinese cuisine;
- the companies are publicly listed;
- the companies have been actively traded for no less than six months as of the Valuation Date;
- the companies mainly operate in the PRC; and
- sufficient data, including the P/E ratios, on the companies are available as of the Valuation Date.

The comparable companies satisfying the aforementioned criteria are:

Company Name	Stock Code	P/E Ratio Before Adjustment
Jiumaojiu International Holdings Limited	9922.HK	71.59
HAIDILAO INTERNATIONAL HOLDING LTD.	6862.HK	105.05
Xiabuxiabu Catering Management (China) Holdings Co., Ltd.	520.HK	31.25

Considering (i) Tai Er Catering has a different size compared with the comparable companies and small companies are generally perceived as riskier in relation to business operation and financial performance; and (ii) unlike the comparable companies, Tai Er Catering is a private company and lacks of marketability, the P/E ratios of the comparable companies were adjusted by the Valuer to reflect risks arose from these differences as follows:

$$\text{Adjusted P/E Ratio} = (1/((1/M) + \theta)) \times (1\text{-DLOM})$$

Where:

M = P/E ratio before adjustment;

θ = Required adjustment for difference in size risk. Depending on the market capitalization of the comparable companies and expected market capitalization of Tai Er Catering, size premium differential of 0%-0.65% was adopted to capture the size difference between the comparable companies and Tai Er Catering with reference to *Duff & Phelps 2021 SBBI Valuation Yearbook*; and

DLOM = Discount for lack of marketability, being 12% in the Valuation based on DLOM data for the industry of retail trade in *Stout restricted stock study companion guide*.

Therefore, the value of Tai Er Catering equals the multiple of (i) the trailing twelve-month net profit of Tai Er Catering (RMB243,749,934) and (ii) the average of adjusted P/E ratios of the comparable companies (approximately 41.81).

In determining the value of Tai Er Catering, the Valuer has made the following key assumptions:

- in order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed;
- there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of Tai Er Catering;
- the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- the Valuer has assumed the accuracy of the financial and operational information provided to it by the Company and relied to a considerable extent on such information in arriving at its opinion of value; and
- there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the Valuation. Further, the Valuer assumes no responsibility for changes in market conditions after the Valuation Date.

INFORMATION OF THE PARTIES

The Group

The Company is an investment holding company and the Group is a leading Chinese cuisine restaurant brand manager and operator in China, focusing on serving cuisines with quick services, and creating a casual and upscale ambience with modern decoration of our restaurants which are primarily located in shopping malls.

Tai Er Investment

Tai Er Investment is a company established in the PRC with limited liability on June 28, 2020 and is an indirect wholly-owned subsidiary of the Company. It is the investment holding company holding interests in all Tai Er restaurants in the PRC.

Huzhou Jiajun

Huzhou Jiajun is a limited partnership established in the PRC which is owned by the Company's employees for their investments in Tai Er Catering. Huzhou Jiajun has no other investment except for Tai Er Catering. As of the date of this announcement, Huzhou Jiajun held 15% equity interest in Tai Er Catering and hence is a connected person of the Company at the subsidiary level. Details on the partners of Huzhou Jiajun and their respective interest in Huzhou Jiajun as of the date of this announcement are set forth below:

	Name	Role in Huzhou Jiajun	Percentage of interest in Huzhou Jiajun
1.	Cao Huiqi (曹輝其)	Limited Partner	18.9990%
2.	Li Jiajun (李嘉俊)	General and Managing Partner	15.6704%
3.	He Chengxiao (何成效) ⁽¹⁾	Limited Partner	14.3671%
4.	Fu Tianliang (付天亮) ⁽²⁾	Limited Partner	6.8505%
5.	Others ⁽³⁾	Limited Partners	44.113%
Total			100%

Notes:

- (1) Mr. He Chengxiao (何成效), holding 14.3671% of the interest in Huzhou Jiajun, is an executive Director of the Company and hence is a connected person of the Company.
- (2) Mr. Fu Tianliang (付天亮), holding 6.8505% of the interest in Huzhou Jiajun, is the general manager and executive director of Beijing Tai Er Catering Management Co., Ltd. (北京太二餐飲管理有限公司) and Shenzhen Maidian Jiumaojiu Catering Management Co., Ltd. (深圳麥點九毛九餐飲管理有限公司), which are subsidiaries of the Company, and therefore is a connected person of the Company at the subsidiary level.

- (3) Including 36 individuals, none of whom directly or indirectly holds more than 5% interest in Huzhou Jiajun. One of these 36 individuals, Mr. Zou Liang (鄒亮), holding 1.3366% of the interest in Huzhou Jiajun, is the general manager and executive director of Shanghai Er You Catering Management Co., Ltd. (上海二有餐飲管理有限公司) and the executive director of Nanjing Jiumaojiu Catering Management Co., Ltd. (南京九毛九餐飲管理有限公司), both of which are subsidiaries of the Company, and therefore is a connected person of the Company at the subsidiary level.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. He Chengxiao, Mr. Fu Tianliang and Mr. Zou Liang, the partners of Huzhou Jiajun are third parties independent of the Company and its connected persons.

Tai Er Catering

Tai Er Catering is a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company. It managed 222 out of 286 Tai Er restaurants as of June 30, 2021. As of the date of this announcement, Tai Er Catering is owned by Tai Er Investment as to 85% and by Huzhou Jiajun as to 15%.

The original investment costs of Huzhou Jiajun for its interest in Tai Er Catering was approximately RMB3.5 million, being the accumulative capital contributions from its partners to Tai Er Catering as of the date of this announcement.

Set out below is a summary of the financial information of Tai Er Catering for the years ended December 31, 2019 and 2020:

	Year ended December 31,	
	2019	2020
	<i>(RMB in thousands, unaudited)</i>	
Tai Er Catering (consolidated)		
Profit before taxation	194,948	148,654
Profit after taxation	<u>146,028</u>	<u>110,472</u>

The unaudited book value of the consolidated net assets of Tai Er Catering as of June 30, 2021 was approximately RMB372.3 million.

The value of Tai Er Catering as of the Valuation Date based on the Valuation conducted by the Valuer using market approach was approximately RMB10,190,681,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Following completion of the Acquisition, the Company's equity interest in Tai Er Catering will increase from 85% to 88% and it will be able to enjoy more benefits arising from the future growth and success of Tai Er restaurants managed by Tai Er Catering.

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

LISTING RULES IMPLICATIONS

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As (i) Huzhou Jiajun is a substantial shareholder of Tai Er Catering holding 15% of its equity interest and hence is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules; (ii) the Board has approved the Acquisition; and (iii) the independent non-executive Directors have confirmed that the Acquisition is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Acquisition shall constitute a connected transaction with a connected person at the subsidiary level and is subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Mr. He Chengxiao, an executive Director and a limited partner of Huzhou Jiajun, was required to abstain from voting on the relevant Board resolutions approving the Acquisition. Save for the above, to the best of knowledge, information and belief of the Directors having made all reasonable enquiries, no other Director has a material interest in the Acquisition and was required to abstain from voting on the relevant Board resolutions approving the Acquisition.

DEFINITIONS

“Board”	the board of Directors
“Company”	Jiumaojiu International Holdings Limited (九毛九国际控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated September 5, 2021 entered into between the Purchaser and the Vendor with respect to the Acquisition
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Huzhou Jiajun”	Huzhou Jiajun Business Partnership (Limited Partnership) (湖州嘉俊商務合夥企業(有限合夥)), a limited partnership established in the PRC which is owned by the Company’s employees
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“notifiable transaction”	has the meaning ascribed to it under the Listing Rules
“Party(ies)”	the party(ies) to the Equity Transfer Agreement
“PRC”	the People’s Republic of China
“Purchaser”	Tai Er Investment
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holders(s) of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Tai Er Catering”	Guangzhou Tai Er Catering Chain Co., Ltd. (廣州太二餐飲連鎖有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company, which is owned as to 85% by Tai Er Investment and 15% by Huzhou Jiajun
“Tai Er Investment”	Tai Er (Guangzhou) Investment Co., Ltd. (太二(廣州)投資有限公司), a company established in the PRC with limited liability on June 28, 2020 and an indirect wholly-owned subsidiary of the Company, which is indirectly wholly-owned by the Company
“Vendor”	Huzhou Jiajun
“%”	per cent

By order of the Board
Jiumaojiu International Holdings Limited
Guan Yihong
Chairman

Hong Kong, September 5, 2021

As at the date of this announcement, the Board comprises Mr. Guan Yihong as chairman and executive Director and Mr. Li Zhuoguang, Ms. Cui Longyu and Mr. He Chengxiao as executive Directors, and Mr. Deng Tao, Ms. Tang Zhihui and Ms. Zhu Rui as independent non-executive Directors.