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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 3.24% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY**

#### **THE ACQUISITION**

The Board announces that on November 1, 2023, the Purchaser and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 3.24% of the equity interest in Tai Er Catering (an indirect non-wholly owned subsidiary of the Company) at a total consideration of RMB199,494,000.

#### **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) the Vendor is a substantial shareholder holding 12% of the equity interest in Tai Er Catering and hence 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 constitutes a 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 the Vendor, was required to abstain and did 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 pursuant to the articles of association of the Company.

## **THE ACQUISITION**

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### **The Equity Transfer Agreement**

#### ***Date***

November 1, 2023

#### ***Parties***

- (1) Tai Er Investment as the Purchaser; and
- (2) Guangzhou Chunsi Business Consulting Partnership (Limited Partnership) (廣州純思商務諮詢合夥企業(有限合夥)) as the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Vendor and certain limited partners of the Vendor, namely He Chengxiao, Fu Tianliang, Bai He, Lai Zhenzhen, Zou Liang, Yang Yinyin, Miao Weiwei, Liu Tingting and Zhong Zhiwen, are connected persons of the Company; and (ii) save as disclosed above, all 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 3.24% 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 RMB199,494,000 which was determined after arm's length negotiations between the Parties based on the valuation of the entire equity interest in Tai Er Catering as of September 7, 2023 (the "**Valuation Date**"), i.e., RMB6,157,842,000, with reference to the valuation (the "**Valuation**") conducted by an independent valuer (the "**Valuer**") using market approach. The consideration is close to the value of 3.24% equity interest in Tai Er Catering derived from the Valuation.

#### ***Payment Terms***

The Purchaser shall fully settle the consideration in cash in one lump sum with the internal resources of the Group before November 30, 2023.

## ***Completion***

The completion of the Acquisition shall take place upon completion of the change of the industrial, commercial and taxation registration or filing procedures in respect of the transfer of 3.24% 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 an indirect non-wholly owned subsidiary of the Company.

## **BASIS OF CONSIDERATION FOR THE ACQUISITION**

### **Selection of valuation method**

The Valuer has adopted the market approach technique known as the guideline public companies method. This method requires the research of comparable companies' benchmark multiples and the selection of an appropriate multiple to derive the market value of Tai Er Catering.

### **Selection of multiples**

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 market value of Tai Er Catering.

### **Selection of benchmark multiples**

Under the guideline public companies method, in determining the benchmark multiples, a list of comparable companies was identified by the Valuer from the data available on Bloomberg based on the following selection criteria:

- the companies derive most, if not all, (i.e., 90% or higher) of their respective revenues from the same or closely related industry of Tai Er Catering, i.e., chain restaurants operators which offer Chinese cuisine or beverages;
- the companies are publicly listed in the Stock Exchange;
- 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
- the companies recorded positive trailing twelve-month net profit (adjusted net profit if disclosed) at the Valuation Date.

An exhaustive list of comparable companies satisfying the aforementioned criteria is tabulated below:

Company Name	Stock Code	P/E Ratio Before Adjustment
Jiumaojiu International Holdings Limited	9922.HK	33.63
Haidilao International Holding Ltd.	6862.HK	23.88
Helens International Holdings Company Limited	9869.HK	25.50

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 marketability, the P/E ratios of the comparable companies were adjusted by the Valuer to reflect risks arose from these differences as follows:

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

Where:

M = P/E ratio before adjustment; and

$\theta$  = 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 differentials of 0%-0.59% were adopted to capture the size difference between the comparable companies and Tai Er Catering with reference to *Kroll Cost of Capital Navigator*.

Therefore, the value of Tai Er Catering equals the multiple of (i) the normalized trailing twelve-month net profit of Tai Er Catering (RMB266,109,787); (ii) the average of adjusted P/E ratios of the comparable companies (approximately 26.69); and (iii) a discount for lack of marketability (“DLOM”) being 13.3% as at the Valuation Date based on DLOM data for the industry of retail trade in *Stout restricted stock study companion guide*.

## Assumptions

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

### General Assumptions

- 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 facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge;

- the Valuer has assumed the accuracy of the financial and operational information provided to it by Tai Er Catering and relied to a considerable extent on such information in arriving at its opinion of value;
- there are no hidden or unexpected conditions associated with Tai Er Catering that might adversely affect the reported values. Further, the Valuer assumes no responsibility for changes in market conditions after the Valuation Date; and

### ***Special Assumption***

- as half of the latest trailing twelve-month period as at the Valuation Date happened in 2022 when the Coronavirus disease 2019 (COVID-19) was still causing significant disruption to economic activities in the PRC where most of the operation of Tai Er Catering is located, the normalized trailing twelve-month net profits based on the net profits in the first half of 2023 for Tai Er Catering and comparable companies are applied by the Valuer. The normalized trailing twelve-month net profit for Tai Er Catering is RMB266,109,787 based on its net profit in the first half of 2023.

The Directors are of the view that the above assumptions made by the Valuer in determining the value of Tai Er Catering are reasonably justified and are fair and reasonable.

### **Qualification and independence of the Valuer**

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the (i) Valuer has no conflict of interest as regards the Company, the Vendor and Tai Er Catering and their respective connected persons, and has no personal interest in the success of the Acquisition; and (ii) the responsible person of the Valuer is a fellow of Hong Kong Institute of Certified Public Accountants, Certified Valuation Analyst and an International Certified Valuation Specialist, and has over 20 years of experience in valuation and financial advisory business in different industries in the PRC and Singapore. The Directors are of the view that the Valuer is independent and properly qualified and has sufficient experience to carry out the Valuation.

### **Directors' assessment on the Valuation**

The Directors are of the view that the Valuation (including the valuation methodology adopted by the Valuer and the adjustments made by the Valuer) is fair and reasonable based on the following factors:

### ***The valuation approach***

The Valuer considered, and the Directors concur, that, out of the three generally accepted valuation approaches (namely, market approach, cost approach and income approach), the market approach is the most appropriate in this case as it considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. The Directors also agree with the Valuer that this approach has the benefits of simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. On the other hand, the Directors agree with the Valuer that (i) the cost approach is inappropriate for the Valuation as it does not directly incorporate information about the economic benefits contributed by Tai Er Catering; and (ii) the income approach is also inappropriate as the use of income approach requires detailed operational information and accurate long-term financial projection of Tai Er Catering with many subjective assumptions and unobservable inputs.

Out of the two common valuation methods under the market approach (namely, guideline public companies method and guideline transaction method), the Valuer considered, and the Directors concur, that the guideline public companies method is the more appropriate in the circumstances of the Acquisition as there were lack of recent market transactions with similar nature as the Acquisition.

### ***The benchmark multiple***

The Valuer considered the following commonly used benchmark multiples when applying the guideline public company method, namely, the price to book (“**P/B**”) ratio, the price to sales (“**P/S**”) ratio and the price to earnings (“**P/E**”) ratio. However, the P/B ratio is common for asset intensive industries which is not the case for Tai Er Catering and the P/S ratio ignores the cost structure of a company and hence the profitability of a company, which is critical in reflecting the market value of Tai Er Catering. As such, the Valuer considered, and the Directors concur, that the suitable benchmark for the Valuation is the P/E ratio as it is the most relevant and commonly used valuation multiple for profit-making business and earnings are one of the most direct drivers of equity value of Tai Er Catering.

### ***The comparable companies***

As disclosed above, the Valuer set out a list of selection criteria for identifying the comparable companies. The Directors are of the view that the selection criteria were consistently applied and the list of comparable companies identified by the Valuer was appropriate and sufficient to determine the benchmark multiple. It was fair and reasonable to assess the value of Tai Er Catering with reference to the average of the adjusted P/E ratios of the comparable companies.

## ***The adjustment of the P/E ratios of the comparable companies and the discount for lack of marketability***

As disclosed above, the Valuer adjusted the P/E ratios of the comparable companies with  $\theta$  and has applied a DLOM of 13.3% on the valuation of Tai Er Catering. The respective value of  $\theta$  and DLOM were retrieved from *Kroll Cost of Capital Navigator* and *Stout restricted stock study companion guide*, both of which are widely used and generally accepted sources for size premium and discount for lack of marketability respectively. The Directors are of the view that the respective value of  $\theta$  and DLOM used is fair and reasonable.

## **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 the PRC, focusing on serving cuisines with high-quality services and unique dining ambience in restaurants with modern decoration 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 most of the Tai Er restaurants in the PRC.

### **The Vendor**

The Vendor is a limited partnership established in the PRC which is owned by the Company's employees for their investments in Tai Er Catering. The Vendor has no other investment except for Tai Er Catering. As of the date of this announcement, the Vendor held 12% equity interest in Tai Er Catering and hence is a substantial shareholder of a Company's subsidiary and a connected person of the Company at the subsidiary level. Details on the partners of the Vendor and their respective interest in the Vendor as of the date of this announcement are set forth below:

	<b>Name</b>	<b>Role in the Vendor</b>	<b>Percentage of interest in the Vendor</b>
1.	Cao Huiqi (曹輝其)	Limited Partner	18.3874%
2.	He Chengxiao (何成效) <sup>(1)</sup>	Limited Partner	17.2887%
3.	Li Jiajun (李嘉俊)	General and Managing Partner	15.0762%
4.	Fu Tianliang (付天亮) <sup>(2)</sup>	Limited Partner	6.8075%
5.	Others <sup>(3)</sup>	Limited Partners	42.4402%
<b>Total</b>			<b>100%</b>



*Notes:*

- (1) Mr. He Chengxiao (何成效), holding 17.2887% of the interest in the Vendor, is an executive Director of the Company and hence is a connected person of the Company.
- (2) Mr. Fu Tianliang (付天亮), holding 6.8075% of the interest in the Vendor, 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 the general manager of Shenzhen Maidian Jiumaojiu Catering Management Co., Ltd. (深圳市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 33 individuals, none of whom directly or indirectly holds more than 5% interest in the Vendor. Out of these 33 individuals, the following individuals are connected persons of the Company at the subsidiary level by virtue of holding directorships in the subsidiaries of the Company: (i) Bai He (白鶴), holding 3.3868% of the interest in the Vendor, is the general manager and executive director of Hainan Tai Er Catering Chain Co., Ltd. (海南太二餐飲連鎖有限公司); (ii) Lai Zhenzhen (賴珍珍), holding 2.8147% of the interest in the Vendor, is the general manager and executive director of Guangzhou Tai Er Trading Co., Ltd. (廣州太二商貿有限公司); (iii) Zou Liang (鄒亮), holding 1.4442% of the interest in the Vendor, 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); (iv) Yang Yinyin (楊茵茵), holding 1.0836% of the interest in the Vendor, is the general manager and executive director of Beijing Oye Catering Management Co., Ltd. (北京噢耶餐飲管理有限公司); (v) Miao Weiwei (苗威威), holding 0.7683% of the interest in the Vendor, is the general manager and executive director of Wuhan Tai Er Catering Chain Co., Ltd. (武漢太二餐飲連鎖有限公司); (vi) Liu Tingting (劉婷婷), holding 0.3851% of the interest in the Vendor, is the general manager and executive director of Tianjin Tai Er Catering Management Co., Ltd. (天津太二餐飲管理有限公司); and (vii) Zhong Zhiwen (鍾志文), holding 0.3851% of the interest in the Vendor, is the general manager and executive director of Hainan Oye Catering Management Co., Ltd. (海南噢耶餐飲管理有限公司).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for He Chengxiao, Fu Tianliang, Bai He, Lai Zhenzhen, Zou Liang, Yang Yinyin, Miao Weiwei, Liu Tingting and Zhong Zhiwen, all the partners of the Vendor 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 301 out of 496 Tai Er restaurants as of June 30, 2023. As of the date of this announcement, Tai Er Catering is owned by Tai Er Investment as to 88% and by the Vendor as to 12%.

The original investment costs of the Vendor for 3.24% of the equity interest in Tai Er Catering was approximately RMB0.7 million, being 3.24% of 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, 2021 and 2022:

**Year ended December 31,**  
**2021**                      **2022**  
*(RMB in thousands, unaudited)*

**Tai Er Catering (consolidated)**

Profit before taxation	310,249	105,140
Profit after taxation	<u>232,147</u>	<u>78,174</u>

The unaudited consolidated net assets of Tai Er Catering as of June 30, 2023 was approximately RMB191.9 million.

The valuation of the entire equity interest in Tai Er Catering as of the Valuation Date based on the Valuation was RMB6,157,842,000.

**REASONS FOR AND BENEFITS OF THE ACQUISITION**

As disclosed on page 159 of the prospectus of the Company dated December 30, 2019, the Company implements the brand-specific management which encourages brand-specific and bottom-up upgrade and innovations by granting flexibility and incentives to the brand manager and competent staff members under each brand for their devoted work. Typically, the Company confers on the brand managers and their respective teams the opportunities to invest in and own certain percentage of equity interest in the brand that they manage. As at the date of this announcement, the brand team of Tai Er owns 12% of the equity interest in Tai Er Catering through the Vendor. The feasibility and effectiveness of such brand management strategy depends on the possibility to monetize minority equity interest held by brand team members which binds their personal interests with the interest of the Company together. The Acquisition will motivate the brand team members of Tai Er by allowing them to monetize part of their indirect minority equity interest in Tai Er Catering.

Meanwhile, following the completion of the Acquisition, the Company's equity interest in Tai Er Catering will increase from 88% to 91.24% and the Shareholders will be able to share a greater proportion of financial benefits generated from the future growth and success of the Tai Er brand.

Based on the foregoing, 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

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) the Vendor is a substantial shareholder holding 12% of the equity interest in Tai Er Catering and hence 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 constitutes a 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 the Vendor, was required to abstain and did 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 pursuant to the articles of association of the Company.

## DEFINITIONS

“Acquisition”	the acquisition of 3.24% of the equity interest in Tai Er Catering by the Purchaser from the Vendor in accordance with the terms and conditions under the Equity Transfer Agreement
“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 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 November 1, 2023 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

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 88% by Tai Er Investment and 12% by the Vendor as at the date of this announcement
“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 and an indirect wholly-owned subsidiary of the Company
“Vendor”	Guangzhou Chunsi Business Consulting Partnership (Limited Partnership) (廣州純思商務諮詢合夥企業(有限合夥)) (previously known as Shanghai Chunsi Business Consulting Partnership (Limited Partnership) (上海純思商務諮詢合夥企業(有限合夥)) and 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
“%”	per cent

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

Hong Kong, November 1, 2023

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