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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CONNECTED TRANSACTION

Reference is made to the announcement of Jiumaojiu International Holdings Limited (the "**Company**") dated September 5, 2021 in relation to a connected transaction related to the acquisition of 3% equity interest in a non-wholly owned subsidiary (the "**Announcement**"). Capitalized terms used herein shall have the same meanings as defined in the Announcement unless the context requires otherwise.

The Board would like to provide additional information in relation to the Acquisition as follows:

THE ACQUISITION

The Equity Transfer Agreement

Consideration

With reference to the Valuation conducted by the Valuer, the Parties agreed that the consideration for the Acquisition shall be RMB300,000,000, which is close to the value of 3% equity interest in Tai Er Catering derived from the Valuation, namely RMB305,720,430.

BASIS OF CONSIDERATION FOR THE ACQUISITION

Valuer's Experience

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the responsible person of the Valuer is a Chartered Valuer and Appraiser, and a fellow member of the Hong Kong Institute of Certified Public Accountants, CPA Australia as well as the Royal Institution of Chartered Surveyors, and has over 20 years of experience in valuation and advisory business in different industries in the Asia Pacific region. After considering the Valuer's qualifications and experience, the Directors are of the view that the Valuer is properly qualified and has sufficient experience to carry out the Valuation.

Valuation Methodology

As previously disclosed in the Announcement, the Valuer adopts the market approach technique known as the guideline public company method and identified a list of comparable companies to determine the benchmark multiple.

Directors' assessment on the valuation approach

To the best of the knowledge, information and belief of the Directors, for the purpose of selecting the most appropriate valuation approach, the Valuer has considered the purpose of the Valuation, the basis of value, as well as the availability and reliability of information to perform an analysis. The relative advantages and disadvantages of each approach in the context of the nature and circumstances of Tai Er Catering have also been considered.

The Valuer considers, 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.

Directors' assessment on the valuation method under the market approach

Out of the three common valuation methods under the market approach (namely, prior transaction method, guideline public company method and guideline transaction method), the Valuer considers, and the Directors concur, that the guideline public company method is most appropriate in the circumstances of the Acquisition. 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.

The prior transaction method refers mostly to the recent transaction price of the valuation subject. The guideline transaction method makes reference to recent transactions of comparable companies between unrelated parties and the multiple of transaction price to Tai Er Catering's financial metrics. Since recent transactions of Tai Er Catering and comparable companies are not available, the Valuer considers, and the Directors concur, that the prior transaction method and guideline transaction method are not appropriate.

Directors' assessment on 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 considers, and the Directors concur, that neither the P/B ratio nor the P/S ratio is the appropriate benchmark multiple for the Valuation. Hence, the Valuer considers, and the Directors concur, that the suitable benchmark for the Valuation is the P/E ratio as the P/E ratio is the most relevant and commonly used valuation multiple for profit-making business and earnings is one of the most direct drivers of equity value.

Directors' assessment on the comparable companies

As previously disclosed in the Announcement, the Valuer sets out a list of selection criteria for identifying the comparable companies. The Directors are of the view that the selection criteria are suitable and appropriate.

After ruling out the companies that do not conform with the criteria in terms of market segment, operating region, trading condition and profitability, the three companies as previously disclosed in the Announcement are considered the most suitable companies in terms of comparability with Tai Er Catering in the market. The average or median benchmark multiple of comparable companies is commonly applied in valuation. Considering the limited number of comparable companies and to avoid reliance on only one company's figure, the average P/E ratio of the three comparable companies is applied in the Valuation instead of the median figure.

The Directors are of the view that the list of comparable companies identified by the Valuer was 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.

Directors' assessment on the adjustment of the P/E ratios of the comparable companies

As previously disclosed in the Announcement, the Valuer adjusted the P/E ratios of the comparable companies with θ and DLOM. The respective value of θ and DLOM were retrieved from the Duff & Phelps 2021 SBBI Valuation Yearbook and the 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 θ and DLOM used in the adjustment of the P/E ratios of the comparable companies is fair and reasonable.

Further Information on The Valuer's Major Valuation Assumptions

As previously disclosed in the Announcement, the major valuation assumptions are as follows:

(1) 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;

(2) 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;

(3) the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

(4) 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

(5) 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.

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

Directors' Assessment on the Valuation in General

Based on the above, the Directors are generally of the view that the Valuation (including Valuer's experience, the valuation methodology adopted by the Valuer and the valuation assumptions made by the Valuer) is fair and reasonable.

FURTHER INFORMATION ON THE DIRECTORS' ASSESSMENT OF THE ACQUISITION

Prior to the Acquisition, the 15% minority equity interest in Tai Er Catering was ultimately owned by employees of the Company who are all members of the brand team of Tai Er for the sole purpose of motivating them to promote the success of Tai Er, which in turn brings benefits to the Company and the Shareholders as a whole. The Company implements 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 interests in the brand that they manage. The feasibility and effectiveness of such brand management strategy depends on the possibility to monetize minority equity interests held by brand team members which binds their personal interests with the interest of the Company together. The Directors consider that the Acquisition, which provided an opportunity for the brand team of Tai Er to monetize their minority equity interest, motivates the brand team of Tai Er to devote themselves more in Tai Er's operation, and will in turn bring benefits to the Company and the Shareholders as a whole.

Based on the foregoing, the Directors (including the independent non-executive Directors) consider the terms of the Acquisition are fair and reasonable and in the interests of the Company and its shareholders as a whole.

All information as set out in the Announcement remain unchanged and shall continue to be valid for all purposes, while this announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, October 15, 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.