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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 IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

THE FINANCIAL ASSISTANCE

The Board announces that on January 5, 2023, Pin Xin Yue Gu, an indirect wholly-owned subsidiary of the Company, as the Lender, and Guangzhou Yanshang Investment, a company ultimately owned by Mr. Guan Yihong, as the Borrower, entered into the Entrusted Payment Agreement, pursuant to which the Lender settled payment for premises on behalf of the Borrower in an aggregate amount of RMB80.7 million. Such payment was accounted for as an Advance to an entity owned by the ultimate controlling shareholder in the Group's consolidated financial statements. The Advance bore an interest rate at 2.6% per annum and was repayable on demand. As of the date of this announcement, the Advance and the Interest had been fully repaid to the Group.

LISTING RULES IMPLICATIONS

As defined in Chapter 14A of the Listing Rules, Mr. Guan Yihong is a connected person of the Company by virtue of his position as an executive Director and a substantial shareholder of the Company. The Borrower, which is ultimately owned by Mr. Guan Yihong, is an associate of Mr. Guan Yihong and hence a connected person of the Company.

The Advance constituted a financial assistance under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio for the provision of financial assistance exceeded 0.1% but was less than 5%, the provision of financial assistance constituted a non-exempt connected transaction of the Company, which was subject to the reporting and announcement requirements but was exempted from the circular, independent financial advice and the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

The Company's failure to disclose the provision of financial assistance as soon as practicable after the terms of the Entrusted Payment Agreement had been agreed under Rule 14A.35 of the Listing Rules was due to an omission on the part of the relevant personnel to disclose the Advance to the Board, which arose out of a combination of errors in judgment. The Advance only subsequently came to the knowledge of the full Board in the course of preparing the interim results announcement of the Company for the six months ended June 30, 2023.

REMEDIAL MEASURES

Upon realizing the errors in judgment of the relevant personnel and as of the date of this announcement, the Advance and the Interest had been fully repaid to the Group. Despite that the Advance and the Interest had already been fully repaid, the Directors (including all the independent non-executive Directors) have reviewed and ratified the Entrusted Payment Agreement retrospectively and confirmed that the Advance was on normal commercial terms and its terms were fair and reasonable and in the interests of the Company and the Shareholders as a whole. Mr. Guan Yihong, being an executive Director and the ultimate controlling shareholder of the Borrower, has abstained from voting on the relevant Board resolutions. Save as aforementioned, none of the other Directors has a material interest in the Entrusted Payment Agreement as well as the transactions contemplated thereunder.

The Board wishes to emphasize that it takes this matter very seriously and has taken and shall take a number of remedial measures to prevent reoccurrence of similar incidents. See “Remedial Measures” in this announcement for details.

PROVISION OF FINANCIAL ASSISTANCE

The Board announces that on January 5, 2023, Pin Xin Yue Gu, an indirect wholly-owned subsidiary of the Company, as the Lender, and Guangzhou Yanshang Investment, a company ultimately owned by Mr. Guan Yihong, as the Borrower, entered into the Entrusted Payment Agreement, pursuant to which the Lender settled payment for premises on behalf of the Borrower in an aggregate amount of RMB80.7 million. Such payment was accounted for as an Advance to an entity owned by the ultimate controlling shareholder in the Group’s consolidated financial statements. The Advance bore an interest rate at 2.6% per annum and were repayable on demand. As of the date of this announcement, the Advance and the Interest had been fully repaid to the Group.

The Entrusted Payment Agreement

Date

January 5, 2023

Parties

- (1) Pin Xin Yue Gu as the Lender; and
- (2) Guangzhou Yanshang Investment as the Borrower.

Subject Matter

Pursuant to the Entrusted Payment Agreement, the Lender settled payment for premises on behalf of the Borrower in an aggregate amount of RMB80.7 million. The Borrower shall fully repay the Advance and the Advance shall bear an interest rate at 2.6% per annum.

Repayment Terms

The Borrower shall repay the Advance and the interest to the Lender or its designated associated companies within twenty (20) business days after the Lender has served a notice to the Borrower.

The terms of the Entrusted Payment Agreement, including the interest rate, were determined after arm's length negotiations between the parties with reference to the average cost of funds of the Group, the prevailing interest rates for short-term loans in the PRC, and the interest rates of the Group's short-term fixed deposits as of the date of the Entrusted Payment Agreement.

As of the date of this announcement, the Advance and the Interest had been fully repaid to the Group.

INFORMATION OF THE PARTIES

The Group and the Lender

The Group is principally engaged in managing and operating Chinese cuisine restaurant brands in the PRC. The Lender is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The Borrower

The Borrower is a company incorporated in the PRC with limited liability, and is ultimately wholly owned by Mr. Guan Yihong. Mr. Guan Yihong is an executive Director and a controlling shareholder of the Company. The Borrower is principally engaged in investment and business management activities.

REASONS FOR AND BENEFITS OF THE PROVISION OF FINANCIAL ASSISTANCE

The Group adopts a prudent funding and treasury policy with a view to optimizing its financial position. As of December 31, 2022 and June 30, 2023, the Group's cash on hand and cash at bank amounted to RMB1,961.7 million and RMB2,154.2 million, respectively. As the Advance bore an interest rate at 2.6% per annum and was repayable on demand, it offered the Group an opportunity to utilize part of its idle cash to earn a more favorable interest income than a demand deposit with bank and more flexibility than a fixed deposit with bank. For example, the interest rate of the Group's 7-day call deposits during the six months ended June 30, 2023 was ranging from 1.7% to 2.1% per annum and the average return of the Group's short-term currency-linked investment products during the corresponding period was 1.8% per annum, which were both lower than the interest rate of the Advance. The Advance only accounted for 4.1% and 3.7% of the Group's cash on hand and cash at bank as of December 31, 2022 and June 30, 2023, respectively, and did not have any material adverse effect on the financial position and the cashflow of the Group at all material times.

The Directors (including the independent non-executive Directors) have reviewed and ratified the Entrusted Payment Agreement retrospectively and confirmed that the Advance was on normal commercial terms and its terms were fair and reasonable and in the interests of the Company and the Shareholders as a whole. Mr. Guan Yihong, being an executive Director and the ultimate controlling shareholder of the Borrower, has abstained from voting on the relevant Board resolutions. Save as aforementioned, none of the other Directors has a material interest in the Entrusted Payment Agreement as well as the transactions contemplated thereunder.

IMPLICATIONS OF THE LISTING RULES

As defined in Chapter 14A of the Listing Rules, Mr. Guan Yihong is a connected person of the Company by virtue of his position as an executive Director and a substantial shareholder of the Company. The Borrower, which is ultimately owned by Mr. Guan Yihong, is an associate of Mr. Guan Yihong and hence a connected person of the Company.

The Advance constituted a financial assistance under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio for the provision of financial assistance exceeded 0.1% but was less than 5%, the provision of financial assistance constituted a non-exempt connected transaction of the Company, which was subject to the reporting and announcement requirements but was exempted from the circular, independent financial advice and the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

The Company's failure to disclose the provision of financial assistance as soon as practicable after the terms of the Entrusted Payment Agreement had been agreed under Rule 14A.35 of the Listing Rules was due to an omission on the part of the relevant personnel to disclose the Advance to the Board, which arose out of a combination of errors in judgment. The Advance only subsequently came to the knowledge of the full Board in the course of preparing the interim results announcement of the Company for the six months ended June 30, 2023.

REMEDIAL MEASURES

Upon realizing the errors in judgement of the relevant personnel and as of the date of this announcement, the Advance and the Interest had been fully repaid to the Group.

The Board wishes to emphasize that it takes this matter very seriously and has taken and shall take the following remedial measures to prevent reoccurrence of similar incidents:

- (1) the compliance department of the Company has conducted a comprehensive review on the Group's internal control policies for monitoring fund transfers and connected transactions;
- (2) the Company has engaged an internal control consultant to enhance the Group's internal control policies for monitoring fund transfers and connected transactions, and advise the Board on the enhancement of the relevant internal control policies;
- (3) the audit committee of the Company, consisting of three independent non-executive Directors, has been entrusted with the responsibility to review and improve the internal control system (including the internal control policies for monitoring fund transfers and connected transactions);
- (4) the Company will designate specific personnel with professional knowledge to oversee and review the nature of fund transfers between the Group and its connected persons on an ongoing basis. The designated personnel shall have authorization to obtain all necessary information and documentation from the Group's business and finance departments and may directly report to the Board. The designated personnel is also authorized to seek independent professional advice without prior authorization from the Board;

- (5) the Group will issue relevant guidance and training materials, in particular, on how to identify connected transactions under the Listing Rules, to the Directors, senior management and the relevant staff of the Group. In particular, each of Mr. Guan Yihong and other executive Directors undertakes that he/she will attend a training session on compliance requirements for connected transactions before October 31, 2023; and
- (6) the Company will seek legal and/or other professional advice from time to time as and when it is necessary to ensure proper compliance with the relevant requirement of the Listing Rules by the Group.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Advance”	the advance(s) made by the Lender to the Borrower pursuant to the Entrusted Payment Agreement
“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Borrower” or “Guangzhou Yanshang Investment”	Guangzhou Yanshang Investment Co., Ltd. (廣州言上投資有限公司), a company incorporated in the PRC with limited liability
“Company”	Jiumaojiu International Holdings Limited (九毛九国际控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on February 1, 2019, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9922)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Entrusted Payment Agreement”	the entrusted payment agreement entered into between the Lender and the Borrower on January 5, 2023 in relation to the Advance
“Group”	the Company and its subsidiaries
“Interest”	the interest on the Advance at an interest rate at 2.6% per annum pursuant to the Entrusted Payment Agreement

“Lender” or “Pin Xin Yue Gu”	Guangzhou Pin Xin Yue Gu Enterprise Management Co., Ltd. (廣州品芯悅谷企業管理有限公司), a company established in the PRC with limited liability on June 23, 2016 and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, October 6, 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.