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Tam Jai International Co. Limited

譚仔國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2217)

CONTINUING CONNECTED TRANSACTION MANAGEMENT SERVICES AGREEMENT

MANAGEMENT SERVICES AGREEMENT

The Board announces that on 1 June 2023 (after trading hours), the Company entered into the Management Services Agreement with MGHK (a direct wholly-owned subsidiary of Toridoll HK, a controlling shareholder of the Company), pursuant to which the Group will provide the Management Services to the MGHK Group for a term commencing from 1 June 2023 to 31 May 2024 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, MGHK is a direct wholly-owned subsidiary of Toridoll HK, a controlling shareholder of the Company which is interested in approximately 74.60% of the issued share capital of the Company. Therefore, MGHK is a connected person of the Company. The transactions contemplated under the Management Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the annual cap for the Management Services Agreement exceeds 0.1% but is less than 5%, the Management Services Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

MANAGEMENT SERVICES AGREEMENT

On 1 June 2023 (after trading hours), the Company entered into the Management Services Agreement with MGHK. The principal terms of the Management Services Agreement are set out below:

Date

1 June 2023

Parties

- (a) The Company; and
- (b) MGHK (a direct wholly-owned subsidiary of Toridoll HK, a controlling shareholder of the Company).

Term

1 June 2023 to 31 May 2024 (both days inclusive).

Subject matter

The Group shall provide the MGHK Group with management services including (i) assistance in stabilizing the Business' operations; (ii) assistance in the procurement process of the Business; (iii) provision of expertise and knowledge sharing on improving frontline store operations; (iv) assistance in marketing activities and provision of marketing plans for the Business; (v) provision of general support services (including but not limited to negotiation with landlords in the case of site development, project management and maintenance, information technology support, accounting and finance services, and legal support services); and (vi) assistance in strengthening the enforcement of reporting system (collectively, the “**Management Services**”).

Pricing policy

Pursuant to the Management Services Agreement, the services fee payable by MGHK to the Group for the Management Services shall be determined on a cost-plus basis taking into account the actual cost (including labour costs based on the actual number of man hours and the applicable hourly rate) incurred by the Group plus a mark-up at a rate of not more than 3%. Such pricing term was determined by the parties after arm's length negotiation.

In determining the mark-up rate, the Company has taken into account the scope of the Management Services to be provided by the Group to the MGHK Group, and the analysis performed by the Company in respect of the market margin by making comparisons with comparable organizations providing similar services under similar terms.

Payment arrangement

The Group shall issue invoice to MGHK on a monthly basis for the Management Services rendered during the preceding month, and MGHK shall settle such invoice by the end of the next month.

Historical transaction amount

Pursuant to the management services agreement between the Company and Toridoll HK dated 31 May 2022, the total service fees received or receivable by the Group for provision of management services to Toridoll HK and its subsidiaries (including the MGHK Group but excluding the Group) for the period from 1 June 2022 to 31 March 2023 and the period from 1 April 2023 to 30 April 2023 were HK\$2,025,500 and HK\$216,000, respectively.

Annual caps

It is anticipated that the annual caps for the service fees to be paid by MGHK to the Group pursuant to the Management Services Agreement shall not exceed HK\$5,000,000 and HK\$1,000,000 for the period from 1 June 2023 to 31 March 2024 and the period from 1 April 2024 to 31 May 2024, respectively.

The annual caps for the Management Services were determined based on the expected business needs of the MGHK Group for the Management Services during the term of the Management Services Agreement taking into account, among other factors, the historical transaction amount for provision of management services by the Group to Toridoll HK and its subsidiaries (including the MGHK Group but excluding the Group), the number of restaurants operated or expected to be operated by the MGHK Group and the expected demand for the relevant Management Services in relation to the operation of the Business.

REASONS AND BENEFITS OF ENTERING INTO THE MANAGEMENT SERVICES AGREEMENT

The Board is of the view that the provision of the Management Services will enable the Group to better utilize its existing business resources to expand its source of income. Further, the provision of the Management Services will enhance the overall business operation of MGHK, which may in turn benefit the Group as the Group may be able to leverage on MGHK's business operation advancement, and to explore areas of potential future strategic cooperation between the Group, MGHK and/or Toridoll Japan. It is also the Board's view that the Business is not, and will not be, in direct or indirect competition with the Group's business since there is clear and adequate delineation of the Group's business and the Business. Hence, it is believed that the transactions contemplated under the Management Services Agreement are beneficial to the business growth and development of the Group as a whole.

In light of the foregoing, the Directors (including the independent non-executive Directors) consider that although the provision of the Management Services is not in the ordinary and usual course of business of the Group, the terms of the Management Services Agreement and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better and are in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

In order to ensure that the continuing connected transactions of the Group are being conducted in a fair and reasonable manner, the Group adopts the following internal control methods and procedures:

- (i) the relevant management personnel of the Company will conduct regular checks on a quarterly basis to review and assess whether the continuing connected transaction is being conducted in accordance with the terms of the Management Services Agreement and are on normal commercial terms or better;
- (ii) the finance department of the Company will review the relevant invoices on a monthly basis to ensure the price charged for a specific transaction is fair and reasonable and in accordance with the applicable pricing policy; and
- (iii) the Company also conducts regular quarterly reviews to ensure the transaction amounts are within the relevant annual caps.

The independent non-executive Directors will review the transactions contemplated under the Management Services Agreement on an annual basis as required under Rule 14A.55 of the Listing Rules and confirm in the Company's annual report whether such transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement(s) governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

For compliance with Rule 14A.56 of the Listing Rules, the Company will also engage its external auditors to conduct an annual review of the continuing connected transactions under the Management Services Agreement to ensure that, among others, the transaction amounts are within the annual cap limit and the transactions are in accordance with the terms of the agreement(s) governing the transactions.

INFORMATION ON THE PARTIES TO THE MANAGEMENT SERVICES AGREEMENT

The Group is a restaurant chain operator of the TamJai and SamGor branded fast casual restaurant chain in Hong Kong with operations also in Mainland China, Singapore and Japan, specialising in mixian (a type of rice noodle).

MGHK is principally engaged in the operation of “Marugame Seimen” restaurants serving udon noodles under the brand name of “Marugame” in Hong Kong. As at the date of this announcement, MGHK is an indirect wholly-owned subsidiary of Toridoll Japan, whose shares are listed on the Tokyo Stock Exchange.

LISTING RULES IMPLICATIONS

As at the date of this announcement, MGHK is a direct wholly-owned subsidiary of Toridoll HK, a controlling shareholder of the Company which is interested in approximately 74.60% of the issued share capital of the Company. Therefore, MGHK is a connected person of the Company. The transactions contemplated under the Management Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the annual cap for the Management Services Agreement exceeds 0.1% but is less than 5%, the Management Services Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

BOARD APPROVAL

At the Board meeting held to approve the Management Services Agreement, each of Mr. Sugiyama Takashi, Mr. Tomitani Takeshi and Mr. Someya Norifumi was considered as having a material interest in the transactions contemplated under the Management Services Agreement as each of them is a senior management of Toridoll Japan and/or a director of certain subsidiaries of Toridoll Japan. Accordingly, each of Mr. Sugiyama Takashi, Mr. Tomitani Takeshi and Mr. Someya Norifumi had abstained from voting on the Board resolution for approving the Management Services Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors was required to abstain from voting on the relevant Board resolution.

DEFINITIONS

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

“Board”	the board of Directors
“Business”	the operation of “Marugame Seimen” restaurants serving udon noodles under the brand name of “Marugame” in Hong Kong by MGHK
“Company”	Tam Jai International Co. Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 2217)
“connected person(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Services Agreement”	the management services agreement entered into between the Company and MGHK on 1 June 2023
“MGHK”	Marugame (HK) Limited, a direct wholly-owned subsidiary of Toridoll HK and indirect wholly-owned subsidiary of Toridoll Japan
“MGHK Group”	MGHK and its subsidiaries
“SamGor”	TamJai SamGor Mixian (譚仔三哥米線)
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TamJai”	TamJai Yunnan Mixian (譚仔雲南米線)

- “Toridoll HK” Toridoll Holding Limited, a company incorporated in Hong Kong with limited liability on 21 September 2012 and a controlling shareholder of the Company
- “Toridoll Japan” Toridoll Holdings Corporation, a company established in Japan with limited liability on 11 June 1990 whose shares are listed on the Tokyo Stock Exchange (stock code: 3397) and a controlling shareholder of the Company

By order of the Board
Tam Jai International Co. Limited
Lau Tat Man
Chairman of the Board and Chief Executive Officer

Hong Kong, 1 June 2023

As at the date of this announcement, the executive Directors are Mr. Lau Tat Man, Ms. Chan Ping, Rita and Mr. Yeung Siu Cheong, the non-executive Directors are Mr. Sugiyama Takashi, Mr. Tomitani Takeshi and Mr. Someya Norifumi, and the independent non-executive Directors are Mr. Lee Kwok Ming, Mr. Loo Kwok Wing and Mr. Yeung Yiu Keung.