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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)

(1) CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING;

(2) FORMATION OF JOINT VENTURE IN RELATION TO THE POTENTIAL FRANCHISE IN AUSTRALIA AND NEW ZEALAND; AND

(3) POTENTIAL FRANCHISE IN THE PHILIPPINES

(1) CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

References are made to the sections headed “Business — Our business strategies — Expansion of our restaurant network” and “Future Plans and Use of Proceeds” in the Prospectus. The Net Proceeds from the Global Offering, after deducting the underwriting fees, commissions and other related expenses payable by the Company, amounted to approximately HK\$1,051 million, among which approximately HK\$603.3 million (representing approximately 57.4% of the Net Proceeds) has been earmarked for expansion of the restaurant network through self-operated restaurants in Hong Kong or abroad (“**Expansion of the Restaurant Network**”). As at the date of this announcement, the utilised Net Proceeds earmarked for Expansion of the Restaurant Network amounted to approximately HK\$237.0 million.

The Board has resolved to change the use of Net Proceeds such that the original proposed use of Net Proceeds for Expansion of the Restaurant Network comprising self-operated restaurants only will be expanded to include the opening of restaurants in selected overseas markets through joint venture and/or franchising arrangements.

As disclosed in the Prospectus, the Company plans to continue to expand its restaurant network in existing markets, including Hong Kong, Mainland China and Singapore, and gradually expand into the international markets, including Japan and Australia.

To better leverage market opportunities in the post-pandemic era and expand the Group's international restaurant network in a cost-effective and timely manner, the Board takes the view that it would be appropriate for the Group to expand its restaurant network in targeted markets through joint venture and/or franchising arrangements in addition to opening self-operated restaurants.

The Board considers that the adoption of joint venture and/or franchising arrangements would allow the Group to leverage on the joint venture partner's and/or franchisee's expertise and connections in the relevant local market including application for all relevant licenses and liaison with local governmental entities, identification of suitable premises and locations for operation of restaurants, local supply chain capability, recruitment of staff, etc. As compared to setting up self-operated restaurants by the Group on its own, the use of joint venture and/or franchising arrangements for expanding the Group's restaurant network in targeted markets could leverage the knowledge and experience of the local partner(s)/franchisee(s) and reduce the capital input required from the Group for new market entry, thereby enabling the Group to lower the associated risks by fostering a scalable business model for rapid expansion and market penetration. Such joint venture and/or franchising arrangements are also in line with the strategic development plan of the Group and are expected to further diversify the Group's revenue stream and increase the return to the Shareholders in the long run.

In view of the above, the Board considers that the change in the use of Net Proceeds and the revised international expansion plan are in the best interests of the Group and the Shareholders as a whole and will not have a material adverse effect on the existing business operations of the Group. The Board also confirms that there is no material change in the business nature of the Group as set out in the Prospectus.

Save as disclosed in this announcement, there are no other changes on the use of Net Proceeds.

The Company will from time to time assess the plans for the use of Net Proceeds and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance for the Group.

(2) FORMATION OF JOINT VENTURE IN RELATION TO THE POTENTIAL FRANCHISE IN AUSTRALIA AND NEW ZEALAND

On 31 October 2023, a subsidiary of the Company entered into the JV Agreement with a subsidiary of ST Group through the JV Company to govern the conduct of the Business in Australia and New Zealand.

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the JV Agreement is less than 5%, the transaction contemplated under the JV Agreement does not constitute a discloseable transaction

for the Company under Chapter 14 of the Listing Rules and the disclosure regarding the JV Agreement is made by the Company on a voluntary basis to inform its shareholders of the latest business development of the Group.

Summary of the principal terms of the JV Agreement is as follows:

Date

31 October 2023

Parties

- (a) Tam Jai Australia Pty Ltd., a subsidiary of the Company;
- (b) STG Food Industries 5 Pty Ltd., a subsidiary of ST Group; and
- (c) the JV Company.

To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, ST Group and its ultimate beneficial owners are Independent Third Parties.

Formation of the JV Company

On 11 October 2023, with the mutual understanding of the parties' intention to enter into the JV Agreement, Tam Jai Australia Pty Ltd. and STG Food Industries 5 Pty Ltd. have established the JV Company in Australia with limited liability, which has a total paid-up capital of AUD100 comprising 100 ordinary shares and held as to 49% by the Group and as to 51% by ST Group. The JV Company will have an initial registered capital of AUD2,000,000, among which, AUD980,000 will be contributed by the Group and AUD1,020,000 will be contributed by ST Group by way of injection of cash into the registered share capital of the JV Company.

Such capital contribution was determined after negotiations conducted at arm's length between the parties, with reference to the estimated initial capital requirement of the JV Company for the development of the Business. The capital contribution of the Group in the JV Company will be funded by the unutilised Net Proceeds in accordance with the revised use as described above under the section headed "(1) CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING".

The JV Company will not be accounted for as a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group.

Operation of the JV Company

The JV Company will be principally engaged in the Business in Australia and New Zealand. It is currently contemplated that subject to further negotiations between the parties, the JV Company will enter into a master franchise agreement with the Group and pursuant to which, the Group will grant the JV Company the master franchise rights to, amongst others, conduct the Business and to use the relevant intellectual property rights of the SamGor brand. With the master franchise rights, the JV Company may, as sub-franchisor, enter into further sub-franchise agreements with other sub-franchisees from time to time.

Further details and particulars of the franchising arrangements (including the franchising fee) will be subject to further negotiations amongst the Group, ST Group and the JV Company and have not been determined as at the date of this announcement.

Information on the parties to the JV 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).

ST Group is an established food and beverage group headquartered in Australia and was listed on the Singapore Exchange on 3 July 2019. ST Group holds the exclusive franchise and licence rights to a diversified portfolio of nine internationally popular brands — “PappaRich”, “NeNe Chicken”, “Gong Cha”, “Hokkaido Baked Cheese Tart”, “IPPUDO”, “Pafu”, “Kurimu”, “Maita” and “iDarts” — in various territories. As at the date of this announcement, ST Group had a network of 173 restaurants comprising self-owned restaurants and through its sub-franchisees and sub-licensees across its key geographical markets.

Reasons for and benefits of entering into the JV Agreement

As disclosed in the Prospectus, in Australia, the growing Chinese population has boosted the awareness and popularity of Chinese cuisine, which has become one of the most popular cuisines. Fast casual restaurants is one of the fastest growing restaurant categories due to millennial consumers’ demand for innovative dining concepts, quality food at reasonable prices and a more casual lifestyle. Consumers are becoming more health conscious, resulting in Asian cuisines becoming increasingly popular as they are generally perceived to be healthy due to the use of a balanced mix of food groups and the use of fresh ingredients. It was the Company’s plan at the time of its listing to expand its restaurant network to Australia.

Pursuant to the JV Agreement, the Company and ST Group will cooperate in the development of the JV Company, which in turn is expected to enter into further sub-franchise agreements with other sub-franchisees from time to time for the operation of the Business. The Group also retains the right to open and operate self-operated restaurants in Australia and New Zealand under the TamJai and SamGor brands. As mentioned above under the section headed “(1) CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING”, the Board considers that the formation of joint venture and entering into of franchising arrangement could facilitate the expansion of the Group’s restaurant network abroad with higher efficiency and lower entry costs. The Board is of the view that ST Group is the right partner to help the Group to capitalize the growth opportunity in Australia and New Zealand with its demonstrated track record in growing various restaurant brands, based on its experience with the local markets.

Therefore, the Board considers that the terms and conditions of the JV Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

(3) POTENTIAL FRANCHISE IN THE PHILIPPINES

The Board is also pleased to announce that the Group entered into a memorandum of understanding and heads of terms with a prospective partner in the Philippines, BVCUISINE Inc. (“**BVCUISINE**”), a subsidiary of Suyen Corporation in August 2023, and is exploring the possibility of entering into a master franchise agreement with BVCUISINE in relation to the proposed entry into the market in the Philippines by way of a franchise arrangement (the “**Potential Philippines Franchise**”).

Under the Potential Philippines Franchise, details of which are subject to further negotiations between the parties, it is contemplated that the Group will grant an exclusive license to BVCUISINE to set up and operate restaurants under certain brand of the Company in the Philippines for an initial fixed term with a renewal option subject to fulfilment of certain minimum development obligations, including but not limited to the opening of a minimum number of restaurants within a specified period. It is contemplated that the Group will receive from BVCUISINE certain franchise fees on mutually agreeable terms and/or fee structure, and will provide to BVCUISINE the necessary training and support, design services, and a license to use the Group’s intellectual property rights during the term of the franchise.

Suyen Corporation is a company based in the Philippines that operates in the retail industry. It is known for its strong presence in the fashion and retail sector, with a diverse portfolio of brands catering various market segments. Suyen Corporation has established itself as a key player in the Philippine retail market, offering a wide range of products including clothing, accessories, and lifestyle goods. Suyen Corporation is also involved in the food and beverage industry, managing the Philippine operations of the Japanese chains “Marugame Udon”, “Maisen” and “St. Marc Cafe”, as well as other brands such as “Patchi” and “Paul Boulangerie”.

The Board wishes to emphasise that the Potential Philippines Franchise may or may not materialise and save for the memorandum and heads of terms as disclosed above, the Group has not entered into any legally binding agreement with BVCUISINE in relation to the Potential Philippines Franchise as at the date of this announcement.

DEFINITIONS

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

“AUD”	Australian dollars, the lawful currency in Australia
“Board”	the board of Directors
“Business”	the operation of restaurants and associated delivery services under the SamGor brand
“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
“Global Offering”	has the meaning ascribed to it under the Prospectus
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“JV Agreement”	the joint venture agreement dated 31 October 2023 entered into among the Company, ST Group and the JV Company
“JV Company”	Tam Jai Aust JV Pty Ltd
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Net Proceeds”	the net proceeds from the Global Offering in the amount of approximately HK\$1,051 million
“Prospectus”	the prospectus of the Company dated 23 September 2021
“SamGor”	TamJai SamGor Mixian (譚仔三哥米線)
“Shareholder(s)”	shareholder(s) of the Company
“ST Group”	ST Group Food Industries Holdings Limited, a company incorporated in Singapore with limited liability whose shares are listed on the Singapore Stock Exchange (SGX:DRX)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“TamJai”	Tamjai Yunnan Mixian (譚仔雲南米線)

By order of the Board
Tam Jai International Co. Limited
Lau Tat Man

Chairman of the Board and Chief Executive Officer

Hong Kong, 1 November 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.