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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 MASTER FRANCHISE AGREEMENT

MASTER FRANCHISE AGREEMENT

The Board announces that on 13 November 2023 (after trading hours), TJI Marugame (a wholly-owned subsidiary of the Company) entered into the Master Franchise Agreement with Toridoll Japan (a controlling shareholder of the Company) for a term commencing from 13 November 2023 to 12 November 2026 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Toridoll Japan is a controlling shareholder of the Company which is interested in approximately 74.56% of the issued share capital of the Company. Therefore, Toridoll Japan is a connected person of the Company. The transactions contemplated under the Master Franchise Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios as defined under the Listing Rules in respect of the annual caps for the Master Franchise Agreement exceeds 0.1% but is less than 5%, the Master Franchise 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.

MASTER FRANCHISE AGREEMENT

On 13 November 2023 (after trading hours), TJI Marugame (a wholly-owned subsidiary of the Company) entered into the Master Franchise Agreement with Toridoll Japan. The principal terms of the Master Franchise Agreement are set out below:

Date

13 November 2023

Parties

- (a) TJI Marugame; and
- (b) Toridoll Japan (a controlling shareholder of the Company).

Term

The Master Franchise Agreement has an initial term of three years commencing on 13 November 2023 and ending on 12 November 2026 (both days inclusive), and may be renewed subject to the parties' mutual agreement in writing and the Company's compliance with all applicable requirements under the Listing Rules.

Subject matter

Toridoll Japan grants to TJI Marugame the exclusive rights in Hong Kong (the "**Franchise Rights**") to:

- (i) establish and operate (or license its wholly-owned subsidiaries to establish and operate) a restaurant business (the "**Master-Owned Franchise Restaurant**") by using the System and the Marks and in accordance with the terms of the Master Franchise Agreement;
- (ii) license unaffiliated third party(ies) to develop and operate a restaurant business (the "**Franchised Restaurant**") by using the System and the Marks and in accordance with the terms of the Master Franchise Agreement; and
- (iii) use the Marks and the System only for the purpose of exercising the right to license unaffiliated third party(ies) to develop and operate a restaurant business by using the System and the Marks and in accordance with the terms of the Master Franchise Agreement.

Payment terms

(a) Commitment Fee

TJI Marugame shall pay to Toridoll Japan a one-off fee of USD100,000 (the “**Commitment Fee**”) within 90 days upon signing the Master Franchise Agreement.

(b) Unit Development Fee

TJI Marugame shall pay to Toridoll Japan a one-off fee of USD20,000 (the “**Unit Development Fee**”) within 30 days upon the opening of the first Master-Owned Franchise Restaurant or Franchised Restaurant (as the case may be). For the avoidance of doubt, no further Unit Development Fee shall be payable in respect of the opening of any subsequent Master-Owned Franchise Restaurant or Franchised Restaurant.

(c) Royalty

Pursuant to the Master Franchise Agreement, TJI Marugame shall pay to Toridoll Japan an ongoing monthly royalty fee (the “**Royalty**”) equal to 3% of the Net Sales earned or generated by each Franchised Restaurant and Master-Owned Franchise Restaurants, on or before the end of each calendar month.

Pricing policy and basis

The fees chargeable under the Master Franchise Agreement, including the amount of the Commitment Fee and the Unit Development Fee, and the rate of the Royalty, were agreed between TJI Marugame and Toridoll Japan after arm’s length negotiation based on a range of factors, including but not limited to the terms of master franchise arrangements Toridoll Japan has with other Independent Third Parties when granting similar franchise rights, and with reference to prevailing market practice for comparable transactions based on publicly available information and market intelligence obtained by the Company, in order to ensure that the terms under the Master Franchise Agreement shall not be less favourable to the Group than terms offered to Independent Third Parties.

Annual caps

The annual caps for the transactions contemplated under the Master Franchise Agreement during the term of the agreement are as follows:

	Period from 13 November 2023 to 31 March 2024	Year ending 31 March 2025	Year ending 31 March 2026	Period from 1 April 2026 to 12 November 2026
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Annual caps:	2,000,000	4,000,000	8,000,000	8,000,000

Such annual caps are determined with reference to (i) the one-off Commitment Fee and Unit Development Fee to be paid; (ii) the overall business plan and expected operational scale of TJI Marugame in relation to the Franchise Rights, including the estimated number of Master-Owned Franchised Restaurants and Franchised Restaurants to be operated or licensed (as the case may be) by TJI Marugame; (iii) the estimated growth of the Japanese udon noodles market in Hong Kong; and (iv) the estimated Net Sales to be generated during the term of the Master Franchise Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER FRANCHISE AGREEMENT

The Board is of the view that (i) the Group has already successfully established itself as the market leader in the mixian business in Hong Kong, getting into the Japanese udon noodles business through the entering into of the Master Franchise Agreement will help the Group expand its operations in Hong Kong, as part of the Group's growth strategy and commitment to diversification; (ii) Toridoll Japan possesses extensive expertise and experience in the Japanese udon noodles industry, the entering into of the Master Franchise Agreement will enable the Group to leverage their knowhow and best practices to ensure successful operations; and (iii) the franchise arrangement offers the Group scalability with shorter implementation time and lower entrance cost, allowing the Group to expand its footprint more efficiently.

In light of the foregoing, the Directors (including the independent non-executive Directors) consider the terms of the Master Franchise 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 and on normal commercial terms, 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 relevant continuing connected transaction are being conducted in accordance with the terms of the Master Franchise Agreement and are on normal commercial terms;
- (ii) the finance department of the Company will review the relevant invoices on a monthly basis to ensure the fees payable are in accordance with the terms of the Master Franchise Agreement; and

(iii) the Company also conducts regular quarterly reviews to ensure the transaction amounts are within the relevant annual caps. In addition, where a threshold of 70% of the utilization rate is met, the finance department will alert the management team to consider revising the annual caps in accordance with the relevant requirements of the Listing Rules.

The independent non-executive Directors will review the transactions contemplated under the Master Franchise 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 Master Franchise 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 MASTER FRANCHISE 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).

Toridoll Japan is 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Toridoll Japan is a controlling shareholder of the Company which is interested in approximately 74.56% of the issued share capital of the Company. Therefore, Toridoll Japan is a connected person of the Company. The transactions contemplated under the Master Franchise Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios as defined under the Listing Rules in respect of the annual cap for the Master Franchise Agreement exceeds 0.1% but is less than 5%, the Master Franchise 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 Master Franchise Agreement, each of Mr. Sugiyama Takashi, Mr. Tomitani Takeshi and Mr. Someya Norifumi is considered as having a material interest in the transactions contemplated under the Master Franchise Agreement as each of them is a director of certain subsidiaries of Toridoll Japan. Accordingly, each of Mr. Sugiyama Takashi, Mr. Tomitani Takeshi and Mr. Someya Norifumi has abstained from voting on the Board resolution for approving the Master Franchise 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
“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
“Marks”	means any and all of the trademarks, trade names, certification marks and other commercial symbols and related logos relating to the System licensed or designated by Toridoll Japan under the Master Franchise Agreement
“Master Franchise Agreement”	the master franchise agreement entered into between TJI Marugame and Toridoll Japan on 13 November 2023

“Net Sales”	means the amount of all sales of a Franchised Restaurant or Master-Owned Franchise Restaurant by whatever name or description, less the amount of any value added, consumption or any other tax on the sales, and any authorized return, refund or discount
“Products”	the sanuki-style udon noodles and all other food items prepared according to the manual of Toridoll Japan, as well as all items and services offered or sold at or from or otherwise in connection with the Franchised Restaurant
“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
“System”	a system for developing and operating such restaurants that feature and sell the Products prepared according to the manual of Toridoll Japan
“TamJai”	TamJai Yunnan Mixian (譚仔雲南米線)
“TJI Marugame”	TJI Marugame Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary 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, 13 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.