

JAPAN FOODS HOLDING LTD.

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(Incorporated in the Republic of Singapore on 3 December 2007)
(Company Registration No. 200722314M)

BINDING MEMORANDUM OF UNDERSTANDING BETWEEN JAPAN FOOD HOLDINGS LTD (THE “COMPANY”) AND MINOR FOOD GROUP (SINGAPORE) PTE. LTD. (“MS”) IN RELATION TO A JOINT VENTURE TO CONDUCT BUSINESS OF FRANCHISING AND OPERATING EXISTING RESTAURANT BRANDS OWNED BY THE COMPANY AND MS IN JAPAN, THAILAND AND THE PEOPLE’S REPUBLIC OF CHINA

1. INTRODUCTION

The board of directors (the “**Board**”) of the Company (together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a binding memorandum of understanding (the “**MOU**”) with MS on 7 December 2018 relating to a proposed joint venture between the Company and MS to conduct the business of franchising and operating existing restaurant brands owned by the Company and MS in Japan, Thailand and the People’s Republic of China (the “**Proposed Joint Venture**”).

MS (formerly known as ThaiExpress Concepts Pte Ltd) has been operating in the food and beverage industry in Singapore since 2000. MS is an indirect subsidiary of Minor International Public Company Limited, one of the largest hospitality and restaurant operator group listed on the Stock Exchange of Thailand. The brands operated by MS in Singapore are “Thai Express”, “Xin Wang Hong Kong Café”, “Poulet”, “Buffet Town” and “Kiseki Japanese Buffet Restaurant”.

2. SALIENT TERMS OF THE MOU

The terms of the MOU were negotiated between the Company and MS on a commercial basis taking into account, *inter alia*, normal business and operational considerations.

2.1 Shareholding Structure

Pursuant to the terms of the MOU, the Company and MS will incorporate a joint venture company in Singapore (the “**JVC**”) with both parties contributing S\$100,000 each in equity, resulting in an initial issued and paid up share capital of S\$200,000 in aggregate divided into 200,000 ordinary shares. The shareholding structure of the JVC on incorporation will be as follows:

Shareholder of the JVC	Shareholding
The Company	100,000 ordinary shares (50%)
MS	100,000 ordinary shares (50%)

The Group intends to fund the subscription monies of the shares in the JVC using internal cash resources. The Proposed Joint Venture is not expected to have any material impact on the consolidated net tangible assets per share and earnings per share of the Group for the current financial year ending 31 March 2019.

2.2 Directors of the JVC

The board of directors of the JVC shall initially comprise of four (4) directors. The Company and MS shall each be entitled to nominate, appoint, and maintain two (2) persons as directors. The chairman of the board of directors of the JVC shall be appointed by rotation, on a yearly basis, between a director appointed by the Company and a director appointed by MS.

2.3 Shareholders' Loan

The Company and MS shall, in proportion to their respective shareholdings in the JVC, provide funding to the JVC by way of shareholder's loan ("**Shareholder's Loan**") in the aggregate amount of S\$2,300,000 towards the working capital of the JVC, which will be disbursed equally by each shareholder as and when required, as determined by the board of directors of the JVC. The Group intends to fund its portion of the Shareholder's Loan using internal cash resources

2.4 Subsequent Funding

Both the Company and MS further agree that they shall contribute, unless otherwise agreed, equal funding for each project undertaken by the JVC. It is the intention of the Company to fund its portion of such subsequent funding using internal cash resources.

2.5 Business of the JVC

The Company will oversee, develop and manage the JVC's Thai cuisine restaurant operations in Japan and provide technical support and expertise in the preparation of Japanese cuisine in Thailand and China.

MS will oversee, develop and manage the JVC's Japanese cuisine restaurant operations in Thailand and China and provide technical support and expertise in the preparation of Thai cuisine in Japan.

2.6 Other Terms

Under the terms of the MOU, the Company and MS have up to six (6) months from the date of the MOU to enter into the definitive joint venture agreement, failing which the MOU shall become null and void and have no legal effect.

3. RATIONALE FOR THE PROPOSED JOINT VENTURE

The Proposed Joint Venture will enable the Company and MS to leverage on one another's strengths and industry experience in operating in jurisdictions such as Thailand, China and Japan, as well as expertise in Japanese and Thai cuisine respectively. Through the Proposed Joint Venture, the Company will be able to tap on MS' expertise in Thai cuisine, as well as its knowledge and industry experience in operating restaurants in Thailand and China. Conversely, MS will be able to benefit from the Company's experience and know-how in Japanese cuisine and business contacts for operating restaurants within Japan.

4. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this announcement, none of the directors of the Company (“**Directors**”) have any interest, direct or indirect, in the Proposed Joint Venture (other than by reason only of being a Director). As at the date of this announcement, the Company has not received any notification from any of the Company's controlling shareholders that it has any interest, direct or indirect, in the Proposed Joint Venture (other than by reason of their shareholding interest in the Company).

5. NO SERVICE AGREEMENT

There is no service contract arising from the Proposed Joint Venture.

6. DIRECTORS' RESPONSIBILITY STATEMENT

This Announcement has been reviewed and approved by the Directors (including those who may have been delegated detailed supervision of the preparation of this Announcement). The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Joint Venture, and the Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

7. GENERAL INFORMATION AND CAUTIONARY STATEMENT

A copy of the MOU is available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of this announcement.

Shareholders should note that although the terms of the MOU are binding, there is no assurance that the definitive joint venture agreement for the Proposed Joint Venture will be entered into. Shareholders and investors are advised to exercise caution when dealing in the shares of the Company and to refrain from taking any action which may be prejudicial to their interests. In the event of any doubt, Shareholders and investors are advised to consult their stockbrokers, bank managers, solicitors, accountants and other professional advisors.

BY ORDER OF THE BOARD

TAKAHASHI KENICHI
Executive Chairman and CEO
7 December 2018

*This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (“**Sponsor**”) for compliance with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Ms Tan Cher Ting, Director, Investment Banking, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.*