

# JAPAN FOODS HOLDING LTD.

## JAPAN FOODS HOLDING LTD.

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

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### JOINT VENTURE AGREEMENT BETWEEN JAPAN FOODS HOLDING LTD. AND AJISEN INVESTMENTS (INTERNATIONAL) LIMITED IN RELATION TO A JOINT VENTURE (THE “JOINT VENTURE”) TO CONDUCT THE BUSINESS OF OPERATING JAPANESE RAMEN RESTAURANTS UNDER THE “KONJIKI HOTOTOGISU” BRAND IN HONG KONG

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#### 1. INTRODUCTION

The board of directors of Japan Foods Holding Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 8 August 2019: (i) acquired 15,000 ordinary shares (“**Wakayama Shares**”) representing thirty per cent. (30%) in the issued share capital of Wakayama International Limited (“**Wakayama**”) from Ajisen Investments (International) Limited (“**Ajisen Investments**”), an indirect wholly-owned subsidiary of Ajisen (China) Holdings Limited (“**Ajisen China**”), at a consideration of US\$15,000 (or approximately S\$20,400<sup>(1)</sup>) based on the par value of the Wakayama Shares; and (ii) entered into a shareholders’ agreement (the “**JVA**”) with Ajisen Investments and Wakayama in relation to the Joint Venture for the business of operating Japanese ramen restaurants under the “Konjiki Hototogisu” (金色不如歸) brand in Hong Kong (the “**Business**”) by Wakayama.

As none of the relative figures computed on the bases set out under Rule 1006 of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) exceeds 5%, the Joint Venture does not constitute a “discloseable transaction” for the purposes of Chapter 10 of the Catalist Rules. Pursuant to the Company’s acquisition of 30% interest in the capital of Wakayama in relation to the Joint Venture, Wakayama has become an associated company.

#### 2. SALIENT TERMS OF THE JVA

The terms of the JVA were negotiated amongst the parties on a commercial basis taking into account, *inter alia*, normal business and operational considerations.

##### 2.1 Principal activity of Wakayama

Wakayama is an investment holding company incorporated in the British Virgin Islands (“**BVI**”) on 12 June 2007. As at the date of this announcement, Wakayama is dormant and does not carry on any business activity. As at the date of this announcement, Wakayama has incorporated a subsidiary company by the name “Success Asia Limited” to undertake the Business in Hong Kong. Success Asia Limited is currently dormant. With the entering of the Joint Venture, Wakayama and

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<sup>1</sup> Throughout this announcement, purely for illustrative purposes, the exchange rates of S\$1.36 per US\$ and S\$0.175 per HK\$ were used.

its subsidiary shall conduct the Business under the “Konjiki Hototogisu” (金色不如歸) brand in Hong Kong pursuant to the terms of the trademark sub-licence agreement separately entered into between Bachmann Enterprises Pte Limited (a wholly owned subsidiary of the Company) (“**Bachmann**”) and Wakayama (“**Trademark Sub-Licence Agreement**”).

## 2.2 Shareholding Structure of Wakayama

As at the date of this announcement, Wakayama has an issued and authorised capital of US\$50,000, comprising 50,000 ordinary shares of US\$1.00 each, of which 15,000 Wakayama Shares are registered in the name of the Company and 35,000 shares are registered in the name of Ajisen Investments.

As at the date of this announcement, the shareholding structure of Wakayama is as follows:

JV Partner	No. of shares in Wakayama held	% of total issued share capital of Wakayama
The Company	15,000	30.0%
Ajisen Investments	35,000	70.0%

The Company has funded the consideration for the 15,000 Wakayama Shares using internal cash resources. The 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 2020.

There is no requirement under the BVI Business Companies Act to prepare audited financial statements and accordingly, there has not been any audited financial statements prepared for Wakayama. Based on the latest management accounts made available to the Company, (i) the unaudited net asset value of Wakayama amounted to HK\$382,000 (or approximately S\$66,850<sup>(1)</sup>) as at 30 June 2019; and (ii) the unaudited net profit after tax of Wakayama amounted to HK\$7,867 (or approximately S\$1,377<sup>(1)</sup>) for the year ended 31 December 2018. There was no independent valuation conducted on Wakayama. As Wakayama did not have any business activity, the net asset value and profit attributable to the 30% interest acquired by the Company in Wakayama was insignificant.

## 2.3 Directors of Wakayama

The board of directors of Wakayama (“**Wakayama Board**”) shall comprise three (3) directors (“**Wakayama Directors**”). Ajisen Investments shall be entitled to nominate, appoint, and maintain up to two (2) persons as Wakayama Directors while the Company shall be entitled to nominate, appoint and maintain up to one (1) person as a Wakayama Director. The chairman of the Wakayama Board will be nominated by Ajisen Investments.

In the event of a change in their respective shareholdings in Wakayama, Ajisen Investments and the Company agreed that each party shall be entitled to nominate, appoint and maintain such number of person(s) as Wakayama Director(s) in light of each party’s then shareholdings in Wakayama.

## 2.4 Business of Wakayama

The day-to-day management and operation of Wakayama and its subsidiaries (if any) (“**Wakayama Group**”) and their affairs and business (including but not limited to identifying and selecting the locations for the operation of the Business; setting up the shops and the restaurants for the Business; the daily operation of the Business; keeping of the accounting records of the Wakayama Group; and the administration of the Wakayama Group) shall be undertaken by the Wakayama Directors.

## 2.5 Shareholders’ Loan and Further Funding

Ajisen Investments and the Company shall, in proportion to their respective shareholdings in Wakayama, provide funding to Wakayama by way of shareholders’ loan (“**Shareholders’ Loan**”) in the amounts of HK\$3,500,000 (or approximately S\$611,000<sup>(1)</sup>) and HK\$1,500,000 (or approximately S\$262,000<sup>(1)</sup>) respectively for the purpose of enabling the Wakayama Group to, *inter alia*, pay the membership fee and the royalties payable by Wakayama Group to Bachmann, pursuant to the Trademark Sub-Licence Agreement and as working capital of Wakayama.

The Shareholders’ Loan shall be unsecured, interest free and with no fixed repayment terms.

In the event the Wakayama Group requires further funding for its working capital or other requirements in relation to its business and such funding requirements are not financed by loans or credit facilities from banks, financial institutions or other third party, such funding requirements shall be met by advances from all the shareholders of Wakayama by way of interest-free shareholders’ loans on a *pro-rata* basis in proportion to their respective shareholdings in Wakayama provided that a business plan and explanation for the requirement for such additional funding has been set out by the management and approved by the Wakayama Board.

The Group intends to fund the Shareholder’s Loan using its existing cash resources.

## 2.6 Dividends

The Wakayama Board will review the financial position of Wakayama every six (6) months to consider whether any repayment of the Shareholders’ Loan should be made or any dividend or distribution should be declared and made in accordance with the dividend policy of Wakayama. Subject to the fullest extent permissible under the applicable laws, the shareholders of Wakayama will take all steps to ensure and procure that:

- (a) all the profits before tax of Wakayama in respect of its first two full financial years after the date of the JVA will not be distributed but will be retained as working capital and for the expansion purpose of the Wakayama Group; and
- (b) from its third financial year onwards, as regards to the audited net profits after tax of Wakayama in respect of each of its financial years, not less than 25% thereof shall be distributed to its shareholders by way of dividends or other distributions in proportion to their respective shareholdings in Wakayama.

### **3. RATIONALE**

Ajisen China is listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock Code: 538). It is one of the leading fast casual restaurant chain operators selling Japanese ramen and Japanese style dishes in the People's Republic of China and Hong Kong, operating more than 600 restaurants under the "Ajisen" brand. Ajisen Investments is a subsidiary of Ajisen China and is in such similar business (collectively known as the "**Ajisen Group**").

This Joint Venture will enable the Company and the Ajisen Group to leverage the strengths of the other in their respective areas. The Ajisen Group will gain access to the Group's experience and know-how in managing the Business. The Group will be able to tap on the Ajisen Group's local knowledge, business network and familiarity as well as its resources in Hong Kong.

The Board believes that the Joint Venture will combine the strengths of the Group and the Ajisen Group and are of the view that the benefits arising from the synergies and the enhanced position augurs well for the Business.

### **4. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

As at the date of this announcement, Mr Eugene Wong Hin Sun (the Company's Non-Executive Vice Chairman) holds interests (direct and indirect) in 1,200,000 ordinary shares representing approximately 0.11% in the share capital of Ajisen China.

Save as disclosed in this announcement, as at the date of this announcement, none of the Company's directors has any other interest, direct or indirect, in the Joint Venture (other than by reason only of being a Director of the Company). Save as disclosed above, 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 Joint Venture (other than by reason of its shareholding interest in the Company).

### **5. NO SERVICE AGREEMENT**

There is no service contract arising from the 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 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**

A copy of the JVA 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.

**BY ORDER OF THE BOARD**

TAKAHASHI KENICHI  
Executive Chairman and CEO  
8 August 2019

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*This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("**Sponsor**") in accordance with Rule 226(2)(b) of the Catalist Rules. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes 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.*