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Issuer: Tung Lok Restaurants (2000) Ltd

Stock code: 540

Meeting details:

Date: 25 August 2020

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. Would the board/management provide shareholders with better clarity on the following operational and financial matters? Specifically:

- (i) **Restaurant operations: What is the reduction in the current capacity of the group's restaurant as a result of the safe distancing measures (including the limit of 5 persons per group)?**
- (ii) **Foreign tourists: Prior to the pandemic, how much of the group's revenue is derived from tourists?**
- (iii) **SG Clean: Are there any specific reasons why two of the group's restaurant premises have yet to attain the 'SG Clean' certificates?**
- (iv) **Long term plans: What adjustments has management made to the group's expansion plans and business model, especially the pace of new restaurant opening and the format of its restaurant outlets?**
- (v) **Going concern: Given that the Restaurant operations incurred a segment loss of \$(2.08) million for the financial year ended 31 March 2020, and that current liabilities exceeded current assets by \$1.98 million, how can management improve the cash flow of the group? As at the financial year ended 31 March 2020, cash and bank balances slipped to \$9.75 million, down from \$12.1 million a year ago.**

Q2. In the message to shareholders, the impact of COVID-19 was highlighted:

...the pandemic has brought about unprecedented disruptions across all countries, industries and people... [The] food and beverage industry has not been spared and was especially impacted by the social distancing measures... The pandemic has weakened the near-term cash-generating ability of our assets. Therefore [the group has] taken a cautious approach in assessing these risks and provided for the necessary impairments based on current assessments.

On 30 June 2020, the company announced that its 60%-owned subsidiary, Tung Lok Xihe Restaurant Pte. Ltd., which operates in Unit #07-14/15 in Orchard Central, has renewed the lease term of the existing tenancy agreement entered with OCPL for one year.

As disclosed, OCPL would be considered an "interested person" for the purposes of Chapter 9 of the Catalist Rules as it is an associate of the company's controlling shareholders.

The company has stated that in accordance to the IPT rules, the renewal is for a period not exceeding three years and the terms of the renewal are supported by independent valuation report from TEHO Property Consultants Pte Ltd dated **16 December 2019** [emphasis added]. TEHO has stated that the rental value is within the reasonable range of the prevailing market rental as at 5 December 2019.

Accordingly, the company has stated that the renewal will not require the approval of shareholders as it is exempted under Catalist Rule 916(1).

- (i) **Would the board help shareholders understand why it is using an independent valuation report from December 2019 to justify the lease renewal at the end of June 2020 when the pandemic has devastated the F&B landscape since February 2020?** This is especially so for high-end dine-in restaurants, and for restaurants along Orchard Road that rely more on tourists.
- (ii) **What rebates and financial assistance has the subsidiary received from the landlord?**
- (iii) **Would it be more prudent if the audit and risk committee commission a new independent valuation report?**

Q3. In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”) and the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022.

Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- (i) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board, especially the independence of the long-tenured directors?**

At the annual general meeting scheduled to be held on 25 August 2020, Dr Ker Sin Tze is retiring pursuant to Regulation 91 of the company’s Constitution and will be seeking his re-election. Dr Ker was appointed as an independent director on 1 March 2001 and has been a director on the board for more than 19 years. He is the chairman of the nominating committee (NC) and also a member of the audit and risk committee and remuneration committee.

- (ii) **Would the board, especially Dr Ker Sin Tze as the NC chair, elaborate further on the plans (including the pace) to refresh the membership of the board to comply with the new 2018 Code in good time?** Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.
- (iii) **Has the NC evaluated the pros and cons of appointing independent directors with F&B experience?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer’s website, through “live” webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)