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Issuer: Tung Lok Restaurants (2000) Ltd

Security: Tung Lok Restaurants (2000) Ltd

Meeting details:

Date: 31 July 2018

Time: 11.00 a.m.

Venue: Orchard Parade Hotel, 1 Tanglin Road, Level 2, Antica Ballroom, Singapore 247905

Company Description

Tung Lok Restaurants (2000) Ltd, an investment holding company, owns, operates, and manages restaurants in Singapore and the People's Republic of China. It is also involved in the central kitchen support function business, as well as management consulting, catering, and franchise businesses. In addition, the company produces and exports various products, such as fresh dim sums, rice dumplings, mooncakes, Chinese new year pastries, and festive foods. In addition, the company offers home-delivery services for various ready-to-cook and ready-to-eat dishes through its online store homefiesta.tunglok.com. As of March 31, 2017, the company operated a total of 45 outlets. Tung Lok Restaurants (2000) Ltd was founded in 1980 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=540)

1. As noted in the Message from independent non-executive chairman and president/Chief executive officer, the group achieved a 0.8% increase in revenue for FY18 but loss attributable to the owners of the company was \$(1.4) million.

In the Singapore core market, the group still faces the issues of “*acute shortage of manpower, stiff competition, rising operating costs and ever-changing consumer preferences.*” (page 13 of the annual report)

The group has also stated its strategy is to continue to streamline operational efficiencies and optimise existing resources with a view to boost productivity further and better manage expenses without compromising on quality.

In addition, to reduce over-reliance on Singapore, the group will be looking to launch promising brands in new geographical markets and expand into quick-service restaurants and casual dining concepts to offer greater convenience and choice to consumers.

The group’s track record of profit/(loss) attributable to owners are shown below:

FY2011 - \$ 4,060,000
FY2012 - \$(1,795,000)
FY2013 - \$(3,169,000)
FY2014 - \$(6,777,000)
FY2015 - \$574,000
FY2016 - \$611,000
FY2017 - \$422,000
FY2018 - \$(1,399,000)

After three years of profits from FY15-FY17, the group has once again slipped into a loss of \$(1.4) million in FY2018. Based on the 4 years of losses in the past 8 years, the cumulative losses amount to \$(7.5) million.

- (i) Would the board consider it opportune to carry out a strategic review of the performance of the Singapore operations to assess the core competencies of the group, its management and its financial strength and to fine-tune its scale and strategy so as to create long-term sustainable value for all the shareholders?**
- (ii) Given the competitive pressure, has the board considered and planned for a future where the group’s core operations will be more geographically balanced and with a stronger regional network?**
- (iii) As the group is looking to grow faster outside Singapore, what is the minimum return on investment required by the board/management?**

2. Since the corporate and business update on 31 July 2017, can shareholders understand if management have started and made tangible progress in the new strategic direction? Specifically:

- (i) New markets: What are the markets being evaluated for expansion? Has the group identified suitable and experienced partners for its expansion in the new cities?**
- (ii) Quick-service restaurants and casual dining: In the past year, other F&B operators have added to their Singapore portfolio other casual dining/quick-service restaurant brands, such as a popular casual quick-service restaurant from Hong Kong. Can management update shareholders on its plans for this new segment?**
- (iii) Margin: How does management adapt to a different mindset and acquire the new skill-sets required to run a quick-service restaurant operations efficiently and profitably?**

3. Dr Tan Eng Liang and Dr Ker Sin Tze were both first appointed on the board on 1 March 2001.

Although both Dr Tan and Dr Ker have served on the board for more than nine years from the date of their first appointments, the nominating committee, with the concurrence of the board, is satisfied that both Dr Tan and Dr Ker have remained independent in their judgement and can continue to discharge their duties objectively.

Notwithstanding that, Guideline 2.4 of the 2012 Code of Corporate Governance calls for the board to “also take into account the need for progressive refreshing of the Board”.

- (i) With the appointment of Dr Foo Say Mui as an independent director in 1 November 2016, what are the board’s other near-term plans to refresh the board membership progressively and in an orderly manner, to avoid losing institutional memory?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

[https://sias.org.sg/qa-on-annual-reports/?company=Tung%20Lok%20Restaurants%20\(2000\)%20Ltd](https://sias.org.sg/qa-on-annual-reports/?company=Tung%20Lok%20Restaurants%20(2000)%20Ltd)

The company’s response could be found here: -----