

15 July 2019

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

If you have sold or transferred all your ordinary shares in the capital of Tung Lok Restaurants (2000) Ltd (the “**Company**”) held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular with the Notice of EGM (as defined herein) and the attached Proxy Form (as defined herein) to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of EGM and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your ordinary shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Circular together with the Notice of EGM and the attached Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Notice of EGM and a Proxy Form are enclosed with this Circular.

This Circular has been reviewed by the Company’s Sponsor, SAC Capital Private Limited. This Circular has not been examined or approved by the Singapore Exchange Securities Trading Limited (“**Exchange**”) and the Exchange assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular. The contact person for the Sponsor is Mr Ong Hwee Li (Registered Professional, SAC Capital Private Limited), Address: 1 Robinson Road, #21-00 AIA Tower, Singapore 048542, Tel: +65 6232 3210.



同乐 TUNGLOK

## **TUNG LOK RESTAURANTS (2000) LTD**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200005703N)

### **CIRCULAR TO SHAREHOLDERS**

in relation to

- (1) **THE PROPOSED DISPOSAL OF 50% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF T&T GOURMET CUISINE PTE LTD TO MAKER FOOD MANUFACTURING PTE LTD AS AN INTERESTED PERSON TRANSACTION; AND**
- (2) **THE PROPOSED ADOPTION OF THE NEW SHAREHOLDERS’ GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**

Independent Financial Adviser to the Unaffected Directors



**SAC CAPITAL PRIVATE LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 200401542N)

#### **IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	28 July 2019 at 11.30 a.m.
Date and time of Extraordinary General Meeting	:	31 July 2019 at 11.30 a.m. (or as soon as practicable following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place)
Place of Extraordinary General Meeting	:	Orchard Rendezvous Hotel, 1 Tanglin Road, Level 2, Antica Ballroom, Singapore 247905

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## DEFINITIONS

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Unless otherwise stated, the following definitions shall apply throughout this Circular.

- “Act”** : The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
- “AGM”** : The Annual General Meeting of the Company
- “Agreement”** : The sale and purchase agreement in respect of the Proposed Disposal entered into between the Company and the Purchaser on 18 June 2019
- “Associate”** : (a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (b) In relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more,
- or such other definition as the Catalist Rules may from time to time prescribe
- “associated company”** : A company in which at least 20% but not more than 50% of its shares are held by the Group or the TYJ Group (as the case may be)
- “Audit and Risk Committee”** : The Audit and Risk Committee of the Company as at the date of this Circular, comprising Dr Tan Eng Liang, Dr Ker Sin Tze, Mr Chee Wai Pong, Mr Goi Seng Hui and Dr Foo Say Mui (Bill)
- “Board”** : The Board of Directors of the Company as at the date of this Circular
- “Catalist”** : The Catalist board of the SGX-ST
- “Catalist Rules”** : Section B: Rules of Catalist of the Listing Manual of SGX-ST, as amended, supplemented or modified from time to time
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 15 July 2019
- “Company”** : Tung Lok Restaurants (2000) Ltd

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## DEFINITIONS

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- “Completion”** : The completion of the Proposed Disposal of the Sale Shares in accordance with the terms and conditions of the Agreement
- “Completion Date”** : Thirty (30) business days following the fulfilment of the condition precedent set out in Section 4.4.1 of this Circular (or such other date as may be agreed in writing between TLM and MFM)
- “Consideration”** : Has the meaning ascribed to it in Section 4.3.1 of this Circular
- “Constitution”** : The constitution of the Company, as amended, supplemented or modified from time to time
- “Controlling Shareholder”** : A person who:
- (a) holds directly or indirectly 15% or more of the nominal amount of all voting Shares in the Company (unless the SGX-ST determines that such person is not a Controlling Shareholder of the Company); or
  - (b) in fact exercises control over the Company,
- and **“Control”** herein means the capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of a company
- “Directors”** : The directors of the Company for the time being
- “EGM”** : The Extraordinary General Meeting of the Company, notice of which is set out on pages 64 to 66 of this Circular
- “entity at risk”** : (a) the listed company;
- (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange (as defined in the Catalist Rules); or
  - (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange (as defined in the Catalist Rules), provided that the listed group, or the listed group and its interested person(s), has control over the associated company
- “FY”** : Financial year ended, or ending, 31 March, as the case may be
- “Group”** : The Company and its subsidiaries, collectively
- “GSH”** : Mr Goi Seng Hui
- “GSH Associate”** : Means, in relation to GSH:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

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## DEFINITIONS

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	(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and
	shall for the purposes of this Circular, include (i) the TYJ Group; and (ii) such associated companies of the TYJ Group in which GSH and his immediate family together (directly or indirectly) have an interest of 30% or more
<b>“GSH Interested Group”</b>	: GSH and GSH Associate (including T&T) that are considered Interested Persons
<b>“IFA” or “Independent Financial Adviser”</b>	: SAC Capital Private Limited, the independent financial adviser appointed to advise the Unaffected Directors in relation to the Proposed Disposal and the proposed adoption of the New IPT Mandate
<b>“IFA Letter”</b>	: The letters dated 15 July 2019 from the IFA to the Unaffected Directors in relation to the Proposed Disposal or the proposed adoption of the New IPT Mandate (as the case may be, and collectively, the <b>“IFA Letters”</b> ), annexed as <b>Appendices I and II</b> to this Circular, respectively
<b>“Immediate Family”</b>	: In relation to a person, means the person’s spouse, child, adopted child, step-child, sibling and parent
<b>“Independent Shareholders”</b>	: Shareholders other than the Purchaser, GSH, GSH Associates and parties not independent of them for the purposes of the Proposed Disposal and the proposed adoption of the New IPT Mandate
<b>“Independent Summarised Valuation Report”</b>	: The summary of the Valuation Report dated 3 May 2019 issued by the Independent Valuer in respect of T&T, annexed as <b>Appendix III</b> to this Circular
<b>“Independent Valuer”</b>	: AVA Associates Limited
<b>“Interested Person”</b>	: (a) a Director, chief executive officer, or Controlling Shareholder of the Company; or (b) an associate of any such Director, chief executive officer or Controlling Shareholder
<b>“IPT”</b>	: An interested person transaction between any of the entities at risk and the Interested Persons
<b>“IPT Review Committee”</b>	: Has the meaning ascribed to it in Section 5.6(a) of this Circular
<b>“Interested Person Transactions Register”</b>	: Has the meaning ascribed to it in Section 5.8.1 of this Circular
<b>“Joint Venture Agreement”</b>	: Has the meaning ascribed to it in Section 3.4 of this Circular
<b>“Latest Practicable Date”</b>	: 4 July 2019, being the latest practicable date prior to the printing of this Circular
<b>“Listing Manual”</b>	: The listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time

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## DEFINITIONS

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“LPS”	: Loss per Share
“Mandated IPT(s)”	: Has the meaning ascribed to it in Section 5.1 of this Circular
“New IPT Mandate”	: The new Shareholders’ general mandate for IPTs permitting the Tung Lok Target Group, which are considered to be <i>entities at risk</i> or any of them, to enter into the categories of Mandated IPTs as set out in Section 5.4 of this Circular with the GSH Interested Group, which are considered Interested Persons
“Notice of EGM”	: The notice of EGM as set out on pages 64 to 66 of this Circular
“NTA”	: Net tangible assets
“Ordinary Resolutions”	: The ordinary resolutions to be proposed at the EGM, details of which are set out in this Circular and in the Notice of EGM
“Original IPT Mandate”	: The Shareholders’ IPT general mandate which is subject to renewal at the upcoming AGM of the Company to be held on 31 July 2019, and described in further details under Section 5.1 of this Circular
“Proposed Disposal”	: The proposed disposal of 50% of the issued and paid-up share capital of T&T to MFM for a Consideration of S\$1,150,000
“Proxy Form”	: The proxy form attached to the Notice of EGM
“Purchaser” or “MFM”	: Maker Food Manufacturing Pte Ltd, a wholly-owned subsidiary of TYJ
“Sale List Items”	: Has the meaning ascribed to it in Section 5.6(b) of this Circular
“Sale Price Formula”	: Has the meaning ascribed to it in Section 5.6(b) of this Circular
“Sale Shares”	: 50% of the issued and paid-up share capital of T&T, which the Group currently owns through TLM
“Securities Account”	: A securities account maintained by a Depositor with CDP
“SFA”	: The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
“SGXNET”	: A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shareholders”	: Registered holders of Shares, except that, where the registered holder is CDP, the term “ <b>Shareholders</b> ” shall, in relation to such Shares, and where the context admits, mean the persons named as Depositors and whose Securities Accounts are credited with Shares
“Share(s)”	: Ordinary share(s) in the capital of the Company
“subsidiary”	: Shall have the meaning ascribed to it in the Act

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## DEFINITIONS

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- “Substantial Shareholder”** : A person has a substantial shareholding in the Company if:-
- (a) he has an interest or interests in one or more voting shares in the Company; and
  - (b) the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the Company
- “Tung Lok Target Group”** : The Group and such of its associated companies (other than T&T) that are considered entities at risk under Chapter 9 of the Catalist Rules
- “TLM”** : Tung Lok Millennium Pte Ltd, a wholly-owned subsidiary of the Company
- “T&T”** : T&T Gourmet Cuisine Pte Ltd, a joint venture company which is owned equally by the Company and TYJ through their respective wholly-owned subsidiaries. T&T is currently an associated company of the Group and a GSH Associate
- “TYJ”** : Tee Yih Jia Food Manufacturing Pte Ltd
- “TYJ Group”** : TYJ and its subsidiaries, collectively
- “Unaffected Directors”** : The Directors who are deemed to be independent for the purposes of making a recommendation to the Independent Shareholders in respect of (a) the Proposed Disposal; and (b) the proposed adoption of the New IPT Mandate, namely Mr Tjioe Ka Men, Dr Tan Eng Liang, Dr Ker Sin Tze, Mr Chee Wai Pong, Dr Foo Say Mui (Bill), Mdm Ng Siok Keow and Mdm Juliana Julianti Samudro
- “Valuation”** : Has the meaning ascribed to it in Section 4.5 of this Circular
- “Valuation Date”** : Has the meaning ascribed to it in Section 4.5 of this Circular
- “Valuation Report”** : The valuation report dated 3 May 2019 in respect of the Valuation of the market value of the 100% equity interest in T&T as at the Valuation Date issued by the Independent Valuer

### **Currencies, Units and Others**

- “S\$” and “cents”** : Singapore dollars and cents respectively
- “%” or “per cent.”** : per centum or percentage

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons, where applicable, shall include corporations.

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## **DEFINITIONS**

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Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Act, the Catalist Rules, the SFA or any statutory or regulatory modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Act, the Catalist Rules, the SFA or any statutory or regulatory modification thereof, as the case may be, unless otherwise provided.

Any discrepancies in the tables included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Circular may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date respectively, unless otherwise stated.



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## LETTER TO SHAREHOLDERS

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### TUNG LOK RESTAURANTS (2000) LTD

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200005703N)

#### Board of Directors

Dr Foo Say Mui (Bill) (Non-Executive Chairman and Independent Director)  
Mr Tjioe Ka Men (President/Chief Executive Officer)  
Dr Tan Eng Liang (Lead Independent Director)  
Dr Ker Sin Tze (Independent Director)  
Mr Chee Wai Pong (Independent Director)  
Mr Goi Seng Hui (Non-Executive and Non-Independent Director)  
Mdm Ng Siok Keow (Non-Executive and Non-Independent Director)  
Mdm Juliana Julianti Samudro (Non-Executive and Non-Independent Director)

#### Registered Office

1 Sophia Road  
#05-03, Peace Centre  
Singapore 228149

15 July 2019

To: The Shareholders of Tung Lok Restaurants (2000) Ltd

Dear Sir/Madam

- (1) **THE PROPOSED DISPOSAL OF 50% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF T&T GOURMET CUISINE PTE LTD TO MAKER FOOD MANUFACTURING PTE LTD AS AN INTERESTED PERSON TRANSACTION; AND**
- (2) **THE PROPOSED ADOPTION OF THE NEW SHAREHOLDERS' GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS.**

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#### 1. INTRODUCTION

- 1.1 On 18 June 2019, the Company announced that TLM had on 18 June 2019 entered into the Agreement with the Purchaser in relation to the Proposed Disposal of TLM's entire 50% shareholding interest in T&T, a joint venture company which is owned equally by the Company and TYJ through their respective wholly-owned subsidiaries, to the Purchaser for a Consideration of S\$1,150,000. The Directors proposed to convene an EGM and seek Shareholders' approval for the Proposed Disposal, being an interested person transaction under Chapter 9 of the Catalist Rules. Further details of the Proposed Disposal are set out in Section 4 of this Circular.
- 1.2 The Directors also intend to seek Shareholders' approval for the proposed adoption of the New IPT Mandate. Further details of the proposed adoption of the New IPT Mandate are set out in Section 5 of this Circular.
- 1.3 The purpose of this Circular is to provide Shareholders with relevant information relating to, and explaining the rationale for the Proposed Disposal and the proposed adoption of the New IPT Mandate and to seek Shareholders' approvals in relation thereto at the EGM to be held at Orchard Rendezvous Hotel, 1 Tanglin Road, Level 2, Antica Ballroom, Singapore 247905 on 31 July 2019 at 11.30 a.m. (or as soon as practicable following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place). The Notice of EGM is set out on pages 64 to 66 of this Circular.
- 1.4 Shareholders should note that **Ordinary Resolution 2** relating to the proposed adoption of the New IPT Mandate, is conditional upon the passing of **Ordinary Resolution 1** relating to the Proposed Disposal. Accordingly, in the event that **Ordinary Resolution 1** is not approved, **Ordinary Resolution 2** will not be proceeded with.

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## LETTER TO SHAREHOLDERS

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- 1.5 This Circular has been prepared solely for the purposes outlined above in Section 1.3 of this Circular and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched to by the Company) or for any other purposes.

## 2. CHAPTER 9 OF THE CATALIST RULES

### 2.1 Background

Chapter 9 of the Catalist Rules governs transactions by the Company, its subsidiaries or its associated companies who are considered entities at risk, with Interested Persons. The purpose is to guard against the risk that Interested Persons could influence the Tung Lok Target Group to enter into transactions with Interested Persons that may adversely affect the interests of the Company or its Shareholders. An interested person transaction includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

### 2.2 Materiality Thresholds

Pursuant to Rules 905 and 906 of the Catalist Rules, an immediate announcement and/or Shareholders' approval is required in respect of an interested person transaction if the value of the transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the Group's latest audited consolidated NTA).

- (a) An immediate announcement is required where:
- (i) the value of a proposed transaction is equal to or exceeds 3% of the Group's latest audited consolidated NTA ("**Threshold 1**"); or
  - (ii) the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than Threshold 1. In this instance, an announcement will have to be made immediately of the latest transaction and all future transactions entered into with that same interested person during the financial year.
- (b) In addition to an immediate announcement, Shareholders' approval is required where:
- (i) the value of a proposed transaction is equal to or exceeds 5% of the Group's latest audited consolidated NTA ("**Threshold 2**"); or
  - (ii) the aggregate value of all transactions entered into with the same interested person during the same financial year, will be equal to or exceed Threshold 2. The aggregation will exclude any transaction that has been approved by Shareholders previously, or is the subject of aggregation with another transaction that has been previously approved by Shareholders.

These requirements do not apply to transactions that are below S\$100,000 in value or certain transactions which qualify as excepted transactions under Chapter 9 of the Catalist Rules.

Pursuant to Rule 909 of the Catalist Rules, the value of a transaction is the amount at risk to the Company. This is illustrated by the following examples:

- (i) in the case of a partly-owned subsidiary or associated company, the value of the transaction is the Company's effective interest in that transaction;
- (ii) in the case of a joint venture, the value of the transaction includes the equity participation, shareholders' loans and guarantees given by the "*entity at risk*" within the meaning of Chapter 9 of the Catalist Rules; and

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## LETTER TO SHAREHOLDERS

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- (iii) in the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. In the case of lending of funds to an interested person, the value of the transaction is the interest payable on the loan and the value of the loan.

### 2.3 Illustration

For illustrative purposes only, based on the Group's latest audited consolidated financial statements for FY2019, the Group's latest audited consolidated NTA as at 31 March 2019 is approximately S\$15,123,272. Accordingly, in relation to the Group, for the purposes of Chapter 9 of the Catalyst Rules in the current financial year, Shareholders' approval is required where:

- (a) an interested person transaction is of a value equal to, or more than, approximately S\$756,164, being 5% of the Group's latest audited consolidated NTA as at 31 March 2019; or
- (b) an interested person transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, approximately S\$756,164. The aggregation will exclude any transaction that has been approved by Shareholders previously, or is the subject of aggregation with another transaction that has been approved by Shareholders.

- 2.4 Rule 920 of the Catalyst Rules allows a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses, which may be carried out with the listed company's interested persons. A general mandate granted by shareholders is subject to annual renewal.

### 3. **BACKGROUND AND RELATIONSHIP BETWEEN THE PARTIES**

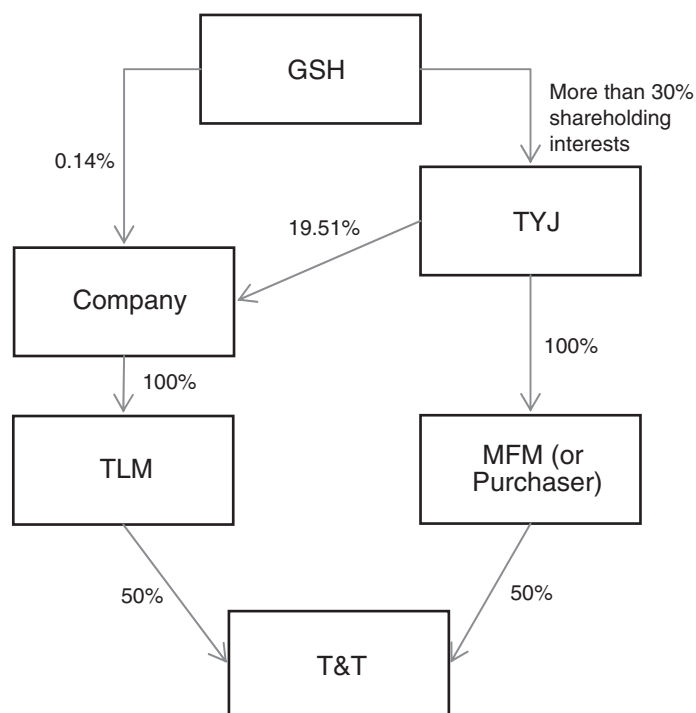
- 3.1 The Group and its associated companies owns and/or manages more than 40 restaurants.
- 3.2 The TYJ Group and its associated companies (including T&T) are, amongst other things, carrying on the business as manufacturers and distributors of frozen foods. TYJ is also a Controlling Shareholder of the Company holding 19.51% of the total issued share capital of the Company as at the Latest Practicable Date. MFM (i.e. the Purchaser) is a wholly-owned subsidiary of TYJ.
- 3.3 GSH has been a Non-Executive Director of the Company since 23 June 2011 and has an interest of more than 30% of the total issued share capital of TYJ. As a result, GSH is deemed interested in the Shares of the Company owned by TYJ (being a Controlling Shareholder of the Company).
- 3.4 As the Group, the TYJ Group and their respective associated companies are in complementary businesses, the Group and its associated companies have from time to time, had various business dealings with the TYJ Group and its associated companies in their ordinary course of business. In April 2005, TLM and MFM set up a joint venture company, T&T, to carry out the manufacturing and sale of various food products. Pursuant to the joint venture agreement dated 1 October 2008 ("**Joint Venture Agreement**"), the Company and TYJ each have equal control of the financial and operating policies of T&T through their respective wholly-owned subsidiaries. T&T was conceived due to the synergies between the business of the Group and that of the TYJ Group. Such synergies, amongst other things, include the existing distribution network and contacts that the TYJ Group has as a distributor of frozen food products, which T&T can tap on.

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## LETTER TO SHAREHOLDERS

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For illustrative purposes, please see the diagrammatic chart (as set out below) outlining the relationships, as at the Latest Practicable Date:



**Note:** For the avoidance of doubt, the above diagram is for illustrative purposes only and does not comprise the entire Group structure.

#### 4. THE PROPOSED DISPOSAL

##### 4.1 Rationale for the Proposed Disposal

As a result of intense competition, higher cost structure and low economies of scale, T&T had been reporting declining profits in recent years. In addition, since T&T's inception (on or around January 2005), its shareholders have not made significant investments to increase its scale and capabilities.

During a recent review of T&T's business, both the Company as well as TYJ (as shareholders of T&T) had deliberated that T&T should embark on expansionary plans to massively scale up T&T's operations in order for T&T to remain sustainable in the long run.

T&T is currently occupying certain floors of TYJ's factory and the intention is for T&T to move to a new factory (which is currently under development). Accordingly, this presents a good opportunity and/or platform for T&T to commence its expansionary plan.

However, it was noted that the expansionary plans (including moving T&T into a new premise) will require significant capital injection from both shareholders (including renovation costs and purchase of new equipment). TYJ has expressed that it is prepared to invest heavily in T&T (which may result in sustained losses for the initial periods) in order to grow T&T.

As the Group's core expertise is in the business of restaurateur, the management of the Company is of the view that it is not feasible for the Group to invest additional significant capital into T&T which operates primarily in the business of manufacturing and sale of various food products. The Group's existing capital should instead be earmarked for its working capital requirements and to expand its main core businesses (i.e. restaurant and catering businesses).

## LETTER TO SHAREHOLDERS

Additionally, even if the Company dilutes its stake in T&T, the investment required by T&T for its expansionary plans is still significant and the possible capital injection from TLM may likely deplete the Group's financial resources.

The Directors believe that given the increasingly challenging operating environment and the substantial investment sums required, the Proposed Disposal will allow the Group to avoid over-extending itself and at the same time, allow the Company with the flexibility to invest in potential new restaurantur businesses and undertake new investment opportunities that may arise in the future.

### 4.2 Financial information of T&T

The salient historical financial results of T&T for FY2015, FY2016, FY2017, FY2018 and FY2019 are set out below:

	FY2015 S\$	FY2016 S\$	FY2017 S\$	FY2018 S\$	FY2019 S\$
Revenue	6,380,402	5,452,990	5,637,057	5,911,914	6,031,297
Cost of sales and operating expenses	(5,253,212)	(4,693,653)	(4,947,553)	(5,347,554)	(5,594,631)
Interest expenses	(15,468)	(283)	–	(1,183)	–
Profit before tax	1,111,722	759,054	689,504	563,177	436,666
Income tax benefit/ (expense)	200,000	(186,966)	–	(138,062)	(47,482)
Profit after tax	1,311,722	572,088	689,504	425,115	389,184
Group's share of net profit (after tax) in T&T	655,861	286,044	344,752	212,557	194,592
Year-on-year % change in T&T's profit before tax	Not applicable	(31.7%)	(9.2%)	(18.3%)	(22.5%)
Dividends paid by T&T to TLM	–	–	725,000	–	450,000

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## LETTER TO SHAREHOLDERS

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The unaudited statement of the financial position of T&T as at 31 March 2019 is as follows:

	S\$
Cash and bank balances	500,343
Trade receivables	480,295
Other receivables and prepayments	166,052
Inventories	625,766
	<hr/>
Current assets	1,772,456
Non-current assets	223,373
	<hr/>
<b>Total assets</b>	<b>1,995,829</b>
	<hr/> <hr/>
Current liabilities	653,317
Non-current liabilities	35,318
	<hr/>
<b>Total liabilities</b>	<b>688,635</b>
	<hr/> <hr/>
<b>Net assets</b>	<b>1,307,194</b>
	<hr/> <hr/>
Proportion of the Group's ownership	50%
Group's share of the net assets of T&T, representing the carrying amount of the Sale Shares as at 31 March 2019	653,597
	<hr/> <hr/>

The Group's share of the net profit after tax in T&T during FY2019 and FY2018 has decreased 8.5% and 38.3% respectively.

### 4.3 Consideration

4.3.1 The consideration of S\$1,150,000 (the "**Consideration**") is to be paid fully in cash by the Purchaser for the purchase of the Sale Shares. The Agreement provides that the Purchaser pay TLM the Consideration on the date of Completion.

4.3.2 The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser and on a willing-buyer and willing-seller basis, taking into account, *inter alia*, the following factors:

- (a) the independent valuation of the 100% equity interest in T&T by the Independent Valuer, amounting to S\$2,300,000 as at 28 February 2019, as reflected in the Independent Summarised Valuation Report. Please refer to Section 4.5 of this Circular for more information on the Independent Summarised Valuation Report;
- (b) rationale for the Proposed Disposal (as set out in Section 4.1 of this Circular); and
- (c) future growth and the expansion prospects of T&T.

4.3.3 The net proceeds from the Proposed Disposal will be used by the Group for general working capital purposes, which includes financing the expansion of new outlets and repayment of bank indebtedness.

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### 4.4 Other Material Conditions in the Agreement

#### 4.4.1 Condition Precedent

The Proposed Disposal of the Sale Shares is conditional upon the passing at a general meeting of the Company of the requisite resolutions to approve the Proposed Disposal in accordance with the terms and conditions of the Agreement by Independent Shareholders.

#### 4.4.2 Representations and Warranties

Pursuant to the terms of the Agreement, the Company and the Purchaser have furnished to each other various representations and warranties customary for transactions such as the Proposed Disposal.

#### 4.4.3 Completion

On Completion, TLM and MFM shall, *inter alia*, procure the execution of a termination deed in relation to the Joint Venture Agreement. The Completion of the Proposed Disposal shall take place within thirty (30) business days following fulfilment of the condition precedent (as set out in Section 4.4.1 of this Circular above).

Upon Completion, T&T will cease to be an associated company of the Group.

### 4.5. Independent Valuation of the 100% equity interest in T&T

In connection with the Proposed Disposal, the Independent Valuer was commissioned by T&T to conduct an independent valuation (the “**Valuation**”) of the market value of the 100% equity interest in T&T as at 28 February 2019 (“**Valuation Date**”). Based on the Valuation Report, the 100% equity interest in T&T as at the Valuation Date is valued at S\$2,300,000. A copy of the Independent Summarised Valuation Report is set out in **Appendix III** to this Circular. The Valuation and the Valuation Report were prepared in accordance with the International Valuation Standards (2017 Edition) as published by the International Valuation Standard Committee. Market value is defined in the Valuation Report and the Independent Summarised Valuation Report as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

None of the Directors and/or the Controlling Shareholders of the Company and/or their respective Associates has any interest, direct or indirect, in the Independent Valuer.

None of the directors and/or the controlling shareholders of the Purchaser and/or their respective Associates has any interest, direct or indirect, in the Independent Valuer.

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### 4.6 Financial Effects of the Proposed Disposal

4.6.1 Based on the Group's latest audited consolidated financial information for FY2019, the relative figures for the Proposed Disposal as computed on the bases set out in Rule 1006 of the Catalyst Rules are as follows:-

Rule	Bases	Size of relative figure
1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	4.36% <sup>(1)</sup>
1006(b)	Net profits attributable to the assets disposed of, compared with the Group's net profits.	18.62% <sup>(2)</sup>
1006(c)	Aggregate value of Consideration given, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares.	2.74% <sup>(3)(4)</sup>
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

**Notes:**

(1) "net assets" means total assets less total liabilities.

*Based on the latest audited consolidated financial statements of the Company for FY2019, the net asset value of the Group is S\$14,979,424 and the net asset value attributable to the Sale Shares is S\$653,597.*

(2) *The unaudited net profit before income tax, minority interests and extraordinary items of the Sales Shares for FY2019 is S\$194,592. The audited net profit before income tax, minority interests and extraordinary items of the Group for FY2019 is S\$1,045,279.*

(3) *The Consideration for the Proposed Disposal is S\$1,150,000.*

(4) *The Company's volume weighted average price of S\$0.153 per Share as at 14 June 2019, being the last market day on which the Shares were traded preceding the date of the Agreement. The total number of Shares issued by the Company is 274,400,000. The market capitalisation of the Company was approximately S\$41,983,200.*

As the relative figure computed on the bases set out in Rule 1006(b) of the Catalyst Rules exceeds 5% but do not exceed 50%, the Proposed Disposal is classified as a "discloseable transaction" under Rule 1010 of the Catalyst Rules.

The amount of excess of the Consideration over the book value of the Sale Shares as at 31 March 2019, representing the gain on the Proposed Disposal (before deducting expenses in connection with the Proposed Disposal), is S\$496,403. The actual gain may differ based on the net assets position of T&T on the date of Completion.

### 4.6.2 Financial Effects

The financial effects of the Proposed Disposal on the Group as set out below are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Group following the Completion.



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## LETTER TO SHAREHOLDERS

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The financial effects of the Proposed Disposal on (i) the consolidated NTA per Share; and (ii) the consolidated LPS were prepared based on the latest audited consolidated financial statements for FY2019, being the most recently completed financial year, and subject to the following assumptions:

- (a) the financial effects of the Proposed Disposal on the consolidated NTA per Share were computed assuming that the Proposed Disposal was completed on 31 March 2019;
- (b) the financial effects of the Proposed Disposal on the consolidated LPS were computed assuming the Proposed Disposal had been effected on 1 April 2018; and
- (c) the expenses in connection with the Proposed Disposal have been disregarded.

### Financial Effect on NTA per Share

The financial effect of the Proposed Disposal on the consolidated NTA per Share for FY2019, assuming that the Proposed Disposal had been effected at the end of that financial year is an increase of 0.18 cents to 5.69 cents, representing an increase of 3.27% over the actual consolidated NTA per Share of 5.51 cents.

### Financial Effect on LPS

The financial effect of the Proposed Disposal on the consolidated LPS for FY2019, assuming that the Proposed Disposal had been effected at the beginning of that financial year is a decrease of 0.01 cents to 0.24 cents, representing a decrease of 4.00% over the actual consolidated LPS of 0.25 cents.

#### 4.7 The Proposed Disposal as an Interested Person Transaction

GSH has been a Non-Executive Director of the Company since 23 June 2011. GSH is a Controlling Shareholder and has an interest of more than 30% of the total issued share capital of TYJ. As a result, GSH is deemed interested in the Shares of the Company owned by TYJ, a Controlling Shareholder of the Company. GSH and the GSH Associates would be "Interested Persons" within the meaning of Rule 904 of the Catalist Rules. As such, the Proposed Disposal constitutes an "Interested Person Transaction" under Chapter 9 of the Catalist Rules.

Based on the Company's latest audited financial statements for FY2019, the Group's NTA amounted to S\$15,123,272 as at 31 March 2019. Accordingly, the Consideration represents approximately 7.6% of the latest audited NTA of the Group.

As the value of the Proposed Disposal exceeds 5% of the Group's latest audited NTA, the Proposed Disposal is, pursuant to Rule 906 of the Catalist Rules, subject to the approval of the Independent Shareholders being obtained at an EGM of the Company to be convened. GSH and the GSH Associates shall not vote on the Ordinary Resolution to approve the Proposed Disposal.

Save for the Proposed Disposal as disclosed above, the Group has not during the current financial year-to-date, entered into any other transaction (excluding transactions less than S\$100,000) with any other interested persons apart from those IPTs with TYJ and its Associates covered under the Original IPT Mandate granted by the Shareholders during the Company's AGM held on 31 July 2018. The total approximate value of transactions entered with TYJ and its Associates pursuant to the Original IPT Mandate during the financial year-to-date is S\$550,000.

#### 4.8 Opinion of the IFA

Pursuant to Rule 921(4)(a) of the Catalist Rules, the Company has appointed SAC Capital Private Limited as the IFA to express an opinion on whether the Proposed Disposal is carried out on normal commercial terms and prejudicial to the interests of the Company and its minority Shareholders. A copy of the IFA Letter to the Unaffected Directors dated 15 July 2019 on the Proposed Disposal is set out in **Appendix I** to this Circular.

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## LETTER TO SHAREHOLDERS

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Taking into consideration the factors set out in the IFA Letter (on the Proposed Disposal as set out in **Appendix I** to this Circular) and subject to the assumptions and qualifications set out in the IFA Letter, the IFA is of the opinion that, on balance, the Proposed Disposal as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

Shareholders are advised to read the IFA Letter as set out in **Appendix I** to this Circular carefully and consider it in the context of this Circular.

### 5. THE PROPOSED ADOPTION OF THE NEW IPT MANDATE

#### 5.1 Background of the proposed adoption of the New IPT Mandate

At the EGM held on 29 July 2011, the Company obtained the Original IPT Mandate whereby authority was given to the Group and its associated companies (including T&T) to enter into recurrent IPTs with the GSH Interested Group in the ordinary course of business provided that such transactions are carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority Shareholders, and in accordance with the review procedures for such transactions. Under Chapter 9 of the Catalist Rules, a general mandate for recurrent transactions with interested persons is subject to annual renewal. The Original IPT Mandate has been subsequently renewed annually at the Company's AGMs. The most recent renewal of the Original IPT Mandate was approved by the Independent Shareholders at the AGM of the Company held on 31 July 2018, and the Original IPT Mandate is subject to renewal at the forthcoming AGM of the Company to be held on 31 July 2019, subject to the satisfactory review by the Audit and Risk Committee of its continued relevance and application to the transactions with the Interested Persons and confirmation that the methods or review procedures for the transactions with the Interested Persons are sufficient to ensure that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Notwithstanding the Proposed Disposal, the Tung Lok Target Group intends to continue with the recurrent transactions arising from the ordinary course of business of the Tung Lok Target Group with the GSH Interested Group as set out in Section 5.4 of this Circular. These transactions will constitute "*Interested Person Transactions*" under Chapter 9 of the Catalist Rules.

Accordingly, the proposed adoption of the New IPT Mandate was proposed to enable the Tung Lok Target Group following Completion of the Proposed Disposal, to enter into the categories of recurrent transactions (more particularly set out in Section 5.4 of this Circular) in the ordinary course of its business with the GSH Interested Group (more particularly set out in Section 5.2 of this Circular) (the "**Mandated IPTs**"), provided that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

The New IPT Mandate is conditional upon the approval by the Independent Shareholders of the Ordinary Resolutions relating to the Proposed Disposal and the proposed adoption of the New IPT Mandate, respectively, as well as the Completion of the Proposed Disposal.

#### Scenario 1 - where Ordinary Resolution 1 relating to the Proposed Disposal is not approved

If Ordinary Resolution 1 relating to the Proposed Disposal is not approved by the Independent Shareholders, then Ordinary Resolution 2 relating to the proposed adoption of the New IPT Mandate will not be proceeded with, and the Original IPT Mandate (if approved by the Independent Shareholders at the AGM of the Company to be held on 31 July 2019) shall (unless revoked or varied by the Company in a general meeting) continue in force until the conclusion of the next AGM of the Company.

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### Scenario 2 - where approval is obtained for both Ordinary Resolution 1 and Ordinary Resolution 2 but Completion of the Proposed Disposal does not occur

If the Ordinary Resolutions relating to the Proposed Disposal and the proposed adoption of the New IPT Mandate are approved by the Independent Shareholders but the Completion of the Proposed Disposal does not take place, then the New IPT Mandate which is conditional upon, *inter alia*, the Completion of the Proposed Disposal, will automatically lapse and cease to be of effect. In addition, the Original IPT Mandate (if approved by the Independent Shareholders at the AGM of the Company to be held on 31 July 2019) shall (unless revoked or varied by the Company in a general meeting) continue in force until the conclusion of the next AGM of the Company.

### Scenario 3 - where approval is obtained for both Ordinary Resolution 1 and Ordinary Resolution 2 and Completion of the Proposed Disposal occurs

The Original IPT Mandate is conditional upon Ordinary Resolution 1 relating to the Proposed Disposal not being approved by the Independent Shareholders at the EGM and/or the non-Completion of the Proposed Disposal. Thus, if the Ordinary Resolutions relating to the Proposed Disposal and the proposed adoption of the New IPT Mandate are approved by the Independent Shareholders and upon Completion of the Proposed Disposal, the Original IPT Mandate will automatically lapse and cease to be of effect on the Completion Date. In addition, the New IPT Mandate will take effect from the Completion Date, and will (unless revoked or varied by the Company in a general meeting) continue in force until the conclusion of the next AGM of the Company.

### Scenario 4 - where approval is obtained for Ordinary Resolution 1 but approval is not obtained for Ordinary Resolution 2 and Completion of the Proposed Disposal occurs

The Proposed Disposal is not conditional upon Ordinary Resolution 2 relating to the proposed adoption of the New IPT Mandate being approved by the Independent Shareholders at the EGM. If Ordinary Resolution 1 relating to the Proposed Disposal is approved by the Independent Shareholders but approval is not obtained by the Independent Shareholders for Ordinary Resolution 2 relating to the proposed adoption of the New IPT Mandate, the Proposed Disposal can complete since the condition precedent set out in Section 4.4.1 of this Circular has been satisfied. In addition, Shareholders are to note that the Original IPT Mandate (if approved by the Independent Shareholders at the AGM of the Company to be held on 31 July 2019) will still lapse and cease to be of effect.

Shareholders are to note that in this Scenario 4 whereby the Completion of the Proposed Disposal occurs but approval is not obtained for Ordinary Resolution 2 relating to the proposed adoption of the New IPT Mandate, the Original IPT Mandate even if approved by the Independent Shareholders at the forthcoming AGM of the Company will nevertheless lapse and cease to be of effect as the guidelines and review procedures stated under the Original IPT Mandate can no longer apply since T&T is no longer an associated company of the Group and thus not deemed to be an entity at risk but only an Interested Person within the meaning of Chapter 9 of the Catalyst Rules.

**Shareholders are advised to read Section 8 of this Circular which sets out the recommendations of the Unaffected Directors, as well as the various conditions of both Ordinary Resolutions relating to the Proposed Disposal and the proposed adoption of the New IPT Mandate, respectively.**

#### 5.2 Classes of Interested Persons

The proposed adoption of the New IPT Mandate will apply to the transactions that are proposed to be carried out between any entity in the Tung Lok Target Group and the GSH Interested Group.

Currently T&T, being an associated company of the Company and a GSH Associate (being a company in which GSH indirectly has an interest of 30% or more), is deemed both an entity at risk and an Interested Person respectively for the purposes of the Original IPT Mandate.

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Shareholders should note that if Shareholders' approval is obtained for **Ordinary Resolution 1** (in relation to the Proposed Disposal) and upon Completion of the Proposed Disposal, T&T would cease to be an associated company of the Company and would no longer be deemed as an *entity at risk* within the meaning of Chapter 9 of the Catalist Rules. Upon Completion of the Proposed Disposal, T&T would still be considered as a GSH Associate and an Interested Person within the meaning of Chapter 9 of the Catalist Rules.

**Shareholders are advised to read Section 8 of this Circular which sets out the recommendations of the Unaffected Directors as well as the various conditions of both Ordinary Resolutions relating to the Proposed Disposal and the proposed adoption of the New IPT Mandate, respectively.**

### 5.3 Scope of the New IPT Mandate

The New IPT Mandate will apply to any transaction within the categories of Mandated IPTs as set out in Section 5.4 of this Circular arising from the ordinary course of business of the Tung Lok Target Group. Accordingly, any transaction entered into pursuant to the New IPT Mandate will be included for the purposes of aggregation for the thresholds as stated in Section 5.7 of this Circular. For the avoidance of doubt, the New IPT Mandate will cover Mandated IPTs below S\$100,000 in value, notwithstanding that the threshold and aggregation requirements of Chapter 9 of the Catalist Rules as at the Latest Practicable Date do not apply to such transactions. Transactions that do not fall within the ambit of the New IPT Mandate will be subject to the relevant provisions of Chapter 9 of the Catalist Rules and/or any other applicable provisions of the Catalist Rules.

### 5.4 Categories of Mandated IPTs

The categories of Mandated IPTs which will be covered by the New IPT Mandate are as set out below:

(a) Purchase of finished products from the GSH Interested Group

The Tung Lok Target Group may from time to time purchase finished products (including dim sum and mooncakes) from the GSH Interested Group. The GSH Interested Group has its own production facilities and is in the business of manufacturing and selling various food products.

(b) Sale of mooncakes to the GSH Interested Group

The Tung Lok Target Group may tap into the local and overseas distribution network of the GSH Interested Group (particularly, the TYJ Group) by selling the Tung Lok Target Group's Tung Lok brand of mooncakes to the relevant entities of the GSH Interested Group.

### 5.5 Rationale for and benefits of the New IPT Mandate

The Tung Lok Target Group and the GSH Interested Group are in related businesses, and have been transacting with each other, in the ordinary course of business pursuant to the Original IPT Mandate. As explained in Section 5.1 of this Circular, the Tung Lok Target Group and the GSH Interested Group intend to continue with such recurrent transactions notwithstanding the termination of the Joint Venture Agreement.

The Directors believe that the proposed adoption of the New IPT Mandate is in the interests of the Group for the following reasons:

- (a) It will be beneficial to the Group to allow the recurrent Mandated IPTs, provided that they are carried out on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders. The recurrent Mandated IPTs will enable the Tung Lok Target Group to benefit from the expertise and available resources of the GSH Interested Group;

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- (b) The proposed adoption of the New IPT Mandate will facilitate entry into the recurrent Mandated IPTs with the GSH Interested Group in the ordinary course of the Tung Lok Target Group's businesses since the Tung Lok Target Group has been procuring finished products (including dim sum and mooncakes) from the GSH Interested Group under the Original IPT Mandate. It is crucial that the Tung Lok Target Group maintains continuity of supplies and consistency of quality for those food supplies so that the provision of food and related services to the consumers of the Tung Lok Target Group's restaurant outlets and catering services will not be unduly disrupted; and
- (c) The recurrent Mandated IPTs will occur frequently at differing intervals. The proposed adoption of the New IPT Mandate and any subsequent renewals of the same on an annual basis is intended to facilitate the recurrent Mandated IPTs in the day-to-day transactions of the Tung Lok Target Group and will eliminate the need to prepare and make announcements and/or convene separate general meetings on a continual basis to seek prior approval for the entry into these transactions, which will serve to minimize disruptions to our food supply and improve operational efficiency in a cost-effective manner. Furthermore, the proposed adoption of the New IPT Mandate will give the Tung Lok Target Group and the GSH Interested Group the flexibility to conduct the recurrent Mandated IPTs in the ordinary course of business, thereby reducing the time and expenses which would otherwise be incurred to convene general meetings on an *ad hoc* basis, and allow such resources and time to be channeled towards the management of the Group's business.

### 5.6 Guidelines and review procedures under the New IPT Mandate

The New IPT Mandate incorporates the following guidelines and review procedures for the following Mandated IPTs:

#### (a) Purchase of finished products from the GSH Interested Group

The purchase of finished products from the GSH Interested Group will be carried out on terms comparable or more favourable to the Tung Lok Target Group than those offered by unrelated third-party suppliers to the Tung Lok Target Group.

The purchase prices of these finished products will be routinely reviewed by a committee (the "**IPT Review Committee**"), comprising representatives from the senior management team of the Company who are familiar with the Tung Lok Group's business. The IPT Review Committee shall comprise persons who are independent of the GSH Interested Group and approved by the Audit and Risk Committee.

Prior to any entry of a transaction with the GSH Interested Group for a new finished product, quotes shall be obtained (wherever possible or available) from at least two (2) other unrelated third party suppliers for similar finished products and at similar quantities for comparison. In determining whether the price and terms offered by the GSH Interested Group for the new finished product are fair and reasonable, the relevant entity in the Tung Lok Target Group will take into account relevant factors (other than price) including, but not limited to, delivery schedules, quality of products, credit terms, customer requirements and specifications, track record of counter-parties, overall services provided, costs and/or expenses (including, *inter alia*, storage, shipment and transportation) borne by each party, availability of preferential rates, rebates or discount and cost of freight.

For existing finished products which the Tung Lok Target Group has been purchasing from GSH Interested Group, at least two (2) comparable quotations from unrelated third parties for similar finished products and at similar quantities will be obtained at least half-yearly for comparison with the quotations from the GSH Interested Group. In determining whether the price and terms offered by the GSH Interested Group are fair and reasonable, relevant factors (other than price) including, but not limited to, delivery schedules, quality of products, credit terms, customer requirements and specifications, track record of counter-parties, overall services provided, costs and/or expenses (including, *inter alia*, storage, shipment and transportation) borne by each party, availability of preferential rates, rebates or discount and cost of freight will be taken into account.

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In the event that two (2) quotations from unrelated third parties are not available, the IPT Review Committee will determine the reasonableness of the quote offered by the GSH Interested Group in accordance with the Group's usual business practices and pricing policies or industry norms (as the case may be), taking into account relevant factors including, but not limited to, the nature of the product, order quantity, delivery schedules, quality of products, credit terms, customer requirements and specifications, track record of counter-parties, overall services provided, costs and/or expenses (including, *inter alia*, storage, shipment and transportation) borne by each party, availability of preferential rates, discounts or rebates and cost of freight.

(b) Sale of mooncakes to the GSH Interested Group

In respect of the sale of mooncakes by the Tung Lok Target Group to the GSH Interested Group, the selling price of agreed items of mooncakes ("**Sale List Items**") by the Tung Lok Target Group to the GSH Interested Group are fixed at a predetermined percentage discount to the relevant market selling price from time to time (the "**Sale Price Formula**"). The Sale Price Formula for sales to the GSH Interested Group is fixed by the IPT Review Committee. In determining the Sale Price Formula, the IPT Review Committee will take into account the usual business practices and pricing policies of the Tung Lok Target Group to ensure that the sale of mooncakes by the Tung Lok Target Group to the GSH Interested Group is carried out at prevailing market rates and on terms which are no more favourable than the usual commercial terms extended by the Tung Lok Target Group to unrelated third party customers (taking into consideration, where appropriate, preferential rates/ prices/ discounts accorded for high volume purchases). Any subsequent adjustment to the Sale Price Formula or the adoption of any new Sales Price Formulas shall be approved by the IPT Review Committee prior to making any sales to the GSH Interested Group. The IPT Review Committee shall inform the Audit and Risk Committee of any significant adjustments to the Sale Price Formula or the adoption of any new Sale Price Formula.

Prior to entering into a sales transaction with the GSH Interested Group for the Sale List Items, the relevant entity in the Tung Lok Target Group will take into account relevant factors (other than price) including, but not limited to, the strategic reasons for the transaction, volume of the transaction, delivery schedules, quality of products, credit terms, customer requirements and specifications, track record of counter-parties, overall services provided, costs and/or expenses (including, *inter alia*, storage, shipment and transportation) borne by each party and whether the sales are designated for export or for local markets.

### 5.7 Threshold Limits

In addition to the review procedures, the following approval procedures will be implemented to supplement existing internal control procedures for the Mandated IPTs to ensure that such transactions are undertaken on an arm's length basis and on normal commercial terms:

(a) Threshold for individual Mandated IPTs under the New IPT Mandate

Transactions between the Tung Lok Target Group and the GSH Interested Group:

- (i) Where an individual Mandated IPT is in excess of S\$200,000, such transaction will require the prior approval of the Audit and Risk Committee;
- (ii) Where an individual Mandated IPT is in excess of S\$30,000 but equal to or below S\$200,000, such transaction will be approved by the president/chief executive officer of the Company, who is independent of the GSH Interested Group;
- (iii) Where an individual Mandated IPT is in excess of S\$20,000 but equal to or below S\$30,000, such transaction will be approved by the chief operating officer of the Company, who is independent of the GSH Interested Group;

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- (iv) Where an individual Mandated IPT is in excess of S\$10,000 but equal to or below S\$20,000, such transactions will be approved by the senior vice president of the Company's purchasing department, who is independent of the GSH Interested Group; and
  - (v) Where an individual Mandated IPT is equal to or below S\$10,000, such transaction will be approved by the chief chef, executive chef, departmental manager or outlet manager (as the case may be), who is independent of the GSH Interested Group.
- (b) Threshold for aggregate value of recurrent Mandated IPTs under the New IPT Mandate
- (i) Where the aggregate value of the Mandated IPTs under the New IPT Mandate in the same financial year is less than 5% of the latest audited NTA of the Group, all Mandated IPTs under the New IPT Mandate will be reviewed on a monthly basis by the finance manager or financial controller of the Company to ensure that they have been carried out on normal commercial terms and in accordance with the procedures set out in the New IPT Mandate; and
  - (ii) Where the aggregate value of the Mandated IPTs under the New IPT Mandate in the same financial year is equal to or in excess of 5% of the latest audited NTA of the Group, all Mandated IPTs under the New IPT Mandate will be reviewed on a monthly basis by the finance manager or financial controller and the chief financial officer of the Company. In addition, the Audit and Risk Committee will also have to review the Interested Person Transactions Register to ensure that they have been carried out on normal commercial terms and in accordance with the procedures set out in the New IPT Mandate.

The threshold limits set out above are adopted by the Company taking into account, *inter alia*, the nature, volume, frequency and size of the transactions as well as the Group's day-to-day operations, administration and businesses. The threshold limits are arrived at as a result of a balancing exercise after considering the operational efficiency for the day-to-day business operations of the Group and the internal controls for the Mandated IPTs under the New IPT Mandate.

### 5.8 Additional procedures to be taken by the Company in respect of all Mandated IPTs under the New IPT Mandate

- 5.8.1 The finance department of the Tung Lok Target Group will maintain a register of transactions carried out with the Interested Persons (including transactions as set out in Section 5.4 of this Circular entered into with the GSH Interested Group pursuant to the New IPT Mandate) (recording the basis, including the quotations obtained to support such basis, on which they were entered into) (the "**Interested Person Transactions Register**"). Any discrepancies or significant variances (as determined by the IPT Review Committee), from the Group's usual business practices and pricing policies will be highlighted to the Audit and Risk Committee.
- 5.8.2 The finance manager of the Company will maintain a list of the Directors and Controlling Shareholders and their Associates (which is to be updated immediately if there are any changes) to enable identification of Interested Persons (including the GSH Interested Group). The master list of Interested Persons (including the GSH Interested Group) which is maintained shall be reviewed by the chief financial officer of the Company at least half-yearly and subject to such verifications or declarations as required by the Audit and Risk Committee from time to time or for such periods as determined by them.
- 5.8.3 The Company's annual internal audit plan shall incorporate a review of all Mandated IPTs, including the established review procedures for monitoring of such Mandated IPTs, entered into during the current financial year pursuant to the New IPT Mandate. The Group's internal auditor shall, on at least half-yearly basis, subject to adjustment in frequency, and depending on factors such as, *inter alia*, substantial increment of aggregate transactional value, report to the Audit and Risk Committee on all Mandated IPTs entered into with the GSH Interested Group pursuant to the

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## LETTER TO SHAREHOLDERS

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proposed New IPT Mandate, and the basis of such transactions, entered into with the Interested Persons during the review period. The internal audit report will be reviewed by the Audit and Risk Committee at least on a half-yearly basis to ascertain whether the guidelines and procedures established to monitor the Mandated IPTs under the New IPT Mandate entered into with the GSH Interested Group pursuant to the New IPT Mandate have been complied with.

- 5.8.4 The Audit and Risk Committee shall periodically review the Interested Person Transactions Register, at least on half-yearly basis, to ensure that they are carried out on normal commercial terms and in accordance with the guidelines and review procedures under the New IPT Mandate. In its review and/or approval of the Mandated IPTs under Section 5.7 (where relevant) and Section 5.8 of this Circular, the Audit and Risk Committee will generally only approve a Mandated IPT entered into with the GSH Interested Group pursuant to the New IPT Mandate if the terms of the transaction are no less favourable to the Tung Lok Target Group than the terms offered by unrelated third parties or in accordance with usual business practices and pricing policies or industry norms (as the case may be). All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by the Audit and Risk Committee. The Audit and Risk Committee shall, when it deems fit, have the right to require the appointment of independent advisers and/or valuers to provide additional information or review of controls and its implementation pertaining to the transactions under review.
- 5.8.5 The Audit and Risk Committee has the overall responsibility for determining the review procedures, with the authority to delegate to individuals within the Company as it deems appropriate. The Audit and Risk Committee will conduct periodic reviews (at least on half-yearly basis) of the review procedures for the Mandated IPTs entered into with the GSH Interested Group pursuant to the New IPT Mandate. If, during these periodic reviews, the Audit and Risk Committee is of the view that these review procedures are no longer appropriate to ensure that the Mandated IPTs entered into with the GSH Interested Group pursuant to the New IPT Mandate are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from the Shareholders based on new review procedures for the Mandated IPTs entered into with the GSH Interested Group. In the interim, the Audit and Risk Committee will review every Mandated IPT pending the grant of the fresh mandate. The fresh mandate will be in accordance with the requirements of the relevant provisions of Chapter 9 and/or other applicable provisions of the Catalist Rules (as amended from time to time).
- 5.8.6 For purposes of the above review and approval process, any Director who is not considered independent for purposes of the New IPT Mandate and/or any IPTs will abstain from and will undertake to ensure that his Associates will abstain from voting in relation to any respective resolutions, and/or abstain from participating in the Audit and Risk Committee's decision during its review of the established review procedures for the Mandated IPTs or during its review or approval of any IPT.
- 5.8.7 The Directors will ensure that all disclosure, approval and other requirements on the Mandated IPTs, including those required by prevailing legislation, the Catalist Rules and accounting standards, are complied with.
- 5.9 Validity Period and Conditionality of the New IPT Mandate

**Shareholders are to note that the proposed adoption of the New IPT Mandate is subjected to the following conditions, that (i) the Ordinary Resolutions relating to the Proposed Disposal and the proposed adoption of the New IPT Mandate being approved by the Independent Shareholders at the EGM; and (ii) Completion of the Proposed Disposal.**

**If all of the above conditions are fulfilled, the proposed New IPT Mandate will take effect from the Completion Date, and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the conclusion of the next AGM of the Company.** Approval from the Independent Shareholders will be sought for the renewal of the New IPT Mandate at the next AGM of the Company and at each subsequent AGM of the Company, subject



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## LETTER TO SHAREHOLDERS

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to satisfactory review by the Audit and Risk Committee of the continued applicability of the proposed New IPT Mandate to the Mandated IPTs and the continued sufficiency of the review procedures to ensure that the Mandated IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

**If the above conditions are not fulfilled, the proposed New IPT Mandate will not be adopted.**

**Shareholders are to also note that the Original IPT Mandate, renewal of which will be sought at the AGM of the Company to be held on 31 July 2019 (prior to the deliberations of the Ordinary Resolutions contemplated in the Notice of EGM), is subjected to the following conditions, that (i) Ordinary Resolution 1 relating to the Proposed Disposal not being approved by the Independent Shareholders at the EGM; and/or (ii) the Proposed Disposal does not complete (for any reason). Accordingly, if these conditions are satisfied, the Original IPT Mandate (if approved by the Independent Shareholders at the AGM of the Company to be held on 31 July 2019) shall (unless revoked or varied by the Company in a general meeting) continue in force until the conclusion of the next AGM of the Company.**

**Shareholders are advised to read Section 5.1 and Section 8 of this Circular which sets out the scenarios, recommendations of the Unaffected Directors as well as the various conditions of both Ordinary Resolutions relating to the Proposed Disposal and the proposed adoption of the New IPT Mandate, respectively.**

### 5.10 Disclosure of the Interested Person Transactions pursuant to the New IPT Mandate

The Company will:

- (a) announce the aggregate value of transactions conducted with the GSH Interested Group pursuant to the New IPT Mandate for the relevant financial periods which the Company is required to report on pursuant to Rule 705 of the Catalist Rules and within the time required for the announcement of such report while the New IPT Mandate remains in force, in accordance with the requirements of Chapter 9 of the Catalist Rules; and
- (b) disclose the New IPT Mandate in the Company's annual report, giving details of the aggregate value of transactions conducted with the GSH Interested Group pursuant to the New IPT Mandate during the financial year, and in the annual reports for the subsequent financial years that the New IPT Mandate continues in force, in accordance with the requirements of Chapter 9 of the Catalist Rules.

The disclosure will include the name of the Interested Persons (including the GSH Interested Group) and the corresponding aggregate value of the Mandated IPTs (including transactions as set out in Section 5.4 of this Circular entered into with the GSH Interested Group pursuant to the New IPT Mandate), presented to indicate (a) the aggregate value of all Mandated IPTs during the financial year under review; and (b) the aggregate value of all Mandated IPTs, conducted under the New IPT Mandate, in the following format (or in such other form as the Catalist Rules may require from time to time):

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S\$100,000 and the Mandated IPTs conducted under the New IPT Mandate)	Aggregate value of all Mandated IPTs conducted under the New IPT Mandate (excluding transactions less than S\$100,000)

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## LETTER TO SHAREHOLDERS

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### 5.11 Opinion of the IFA

SAC Capital Private Limited has been appointed as the IFA in relation to the proposed adoption of the New IPT Mandate pursuant to Rule 920(1)(b)(v) of the Catalist Rules to express an opinion on whether the methods or review procedures of the Company for determining transaction prices of the Mandated IPTs, if strictly applied and adhered to, are sufficient to ensure that the Mandated IPTs under the New IPT Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. A copy of the IFA Letter on the proposed adoption of the New IPT Mandate to the Unaffected Directors dated 15 July 2019 is set out in **Appendix II** to this Circular.

Having considered, *inter alia*, the rationale for and the benefits of the proposed adoption of the New IPT Mandate, the guidelines and review procedures under the New IPT Mandate and the role of the Audit and Risk Committee in enforcing the New IPT Mandate, and subject to the assumptions and qualifications set out in the IFA letter (on the proposed adoption of the New IPT Mandate as set out in **Appendix II** to this Circular), the IFA is of the opinion that the guidelines and review procedures of the Company as set out in Section 5 of this Circular, if applied strictly and adhered to, are sufficient to ensure that the Mandated IPTs will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Shareholders are advised to read the IFA Letter as set out in **Appendix II** to this Circular carefully and consider it in the context of this Circular.

## 6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

6.1 The details and shareholdings of the Directors and the Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders and Register of Directors' Shareholdings as at the Latest Practicable Date) are as follows:

Directors	Direct Interest	%	Deemed Interest	%
Tjioe Ka Men	463,160	0.17	107,170,840**	39.06
Ker Sin Tze	–	–	–	–
Tan Eng Liang	–	–	–	–
Chee Wai Pong	–	–	–	–
Foo Say Mui (Bill)	–	–	–	–
Ng Siok Keow	–	–	–	–
Goi Seng Hui	377,000	0.14	53,531,280 <sup>+</sup>	19.51
Juliana Julianti Samudro	–	–	–	–

## LETTER TO SHAREHOLDERS

Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Zhou Holdings Pte Ltd	104,272,000	38.00	–	–
Amazing Grace Investments Pte. Ltd.	–	–	104,272,000*	38.00
Tjioe Ka Men	463,160	0.17	107,170,840**	39.06
Tres Maria Capital Ltd	–	–	104,272,000*	38.00
Sugiono Wiyono Sugialam	–	–	104,272,000*	38.00
Goodview Properties Pte Ltd	54,015,780	19.69	–	–
Far East Organization Centre Pte. Ltd.	–	–	54,015,780#	19.69
Estate of Ng Teng Fong, Deceased	–	–	54,482,260##	19.86
Ng Chee Tat Philip	–	–	54,482,260###	19.86
Ng Chee Siong	–	–	54,015,780####	19.69
Tee Yih Jia Food Manufacturing Pte Ltd	53,531,280	19.51	–	–
Goi Seng Hui	377,000	0.14	53,531,280+	19.51
Antica Bay Pte. Ltd.	20,300,000	7.40	–	–
Andre Tanoto	–	–	20,300,000@	7.40

Notes:

\* Deemed to be interested in the 104,272,000 Shares held by Zhou Holdings Pte Ltd by virtue of Section 7 of the Act

\*\* Deemed to be interested in the 104,272,000 Shares held by Zhou Holdings Pte Ltd and 2,898,840 Shares held by Ang Tjia Leng @ Widjaja Linda Anggraini (spouse) by virtue of Section 7 of the Act

# Deemed to be interested in the 54,015,780 Shares held by Goodview Properties Pte Ltd by virtue of Section 7 of the Act

## Deemed to be interested in the 54,015,780 Shares held by Goodview Properties Pte Ltd by virtue of its controlling interest in Far East Organization Centre Pte Ltd, which in turn has a controlling interest in Goodview Properties Pte Ltd; and 466,480 Shares held by Kuang Ming Investments Pte. Ltd. as its associate, Mdm Tan Kim Choo, has more than 20% interest in Kuang Ming Investments Pte. Ltd. by virtue of Section 7 of the Act

### Deemed to be interested in an aggregate of 54,482,260 Shares as follows:

(a) Goodview Properties Pte Ltd has a direct interest in 54,015,780 Shares. The Estate of Ng Teng Fong has a controlling interest in Far East Organization Centre Pte. Ltd., which in turn has a controlling interest in Goodview Properties Pte Ltd. Ng Chee Tat Philip is a beneficiary of the Estate of Ng Teng Fong and is therefore deemed to be interested in the 54,015,780 Shares in which Goodview Properties Pte Ltd has an interest; and

(b) Kuang Ming Investments Pte. Ltd. has a direct interest in 466,480 Shares. Ng Chee Tat Philip has a more than 20% interest in Kuang Ming Investments Pte. Ltd. and is therefore deemed to be interested in the 466,480 Shares in which Kuang Ming Investments Pte. Ltd. has an interest

#### Deemed to be interested in the 54,015,780 Shares held by Goodview Properties Pte Ltd. The Estate of Ng Teng Fong has a controlling interest in Far East Organization Centre Pte. Ltd., which in turn has a controlling interest in Goodview Properties Pte Ltd. Ng Chee Siong is a beneficiary of the Estate of Ng Teng Fong and is therefore deemed to be interested in the 54,015,780 Shares in which Goodview Properties Pte Ltd has an interest

+ Deemed to be interested in the 53,531,280 Shares held by Tee Yih Jia Food Manufacturing Pte Ltd by virtue of Section 7 of the Act

@ Deemed to be interested in the 20,300,000 Shares held by Antica Bay Pte. Ltd. by virtue of Section 7 of the Act

6.2 Save for GSH and TYJ, none of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, (other than through their respective shareholdings in the Company, if any) in the Proposed Disposal and the proposed adoption of the New IPT Mandate.

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## LETTER TO SHAREHOLDERS

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### 7. STATEMENT OF THE AUDIT AND RISK COMMITTEE

- 7.1 The Audit and Risk Committee, having reviewed and considered, *inter alia*, the terms and conditions of, financial effects of, rationale for and benefit of the Proposed Disposal as well as the IFA Letter (on the Proposed Disposal) and the Valuation Report, confirms that it does not take a different view to the IFA and is satisfied that the terms of the Proposed Disposal are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.
- 7.2 The Audit and Risk Committee, having reviewed the terms of, rationale for and benefits to the proposed adoption of the New IPT Mandate as well as the IFA Letter (on the proposed adoption of the New IPT Mandate), confirms that it does not take a different view to the IFA and is satisfied that the guidelines and review procedures of the recurrent Mandated IPTs set up by the Company for determining the transaction prices of the Mandated IPTs under the proposed New IPT Mandate, if adhered to, are sufficient to ensure that the Mandated IPTs under the proposed New IPT Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

### 8. UNAFFECTED DIRECTORS' RECOMMENDATIONS

- 8.1 Having taken into consideration the rationale for and benefits of the Proposed Disposal, as set out in Section 4 of this Circular, the IFA Letter (on the Proposed Disposal) and the Valuation Report, the Unaffected Directors are of the unanimous opinion that the Proposed Disposal is in the best interests of the Company. Accordingly, the Unaffected Directors recommend that the Independent Shareholders vote in favour of Ordinary Resolution 1 relating to the Proposed Disposal as set out in the Notice of EGM.
- 8.2 Having considered, amongst others, the terms of, rationale for and benefits of the proposed adoption of the New IPT mandate to the Tung Lok Target Group set out in Section 5 of this Circular and the IFA Letter (on the proposed adoption of the New IPT Mandate), the Unaffected Directors are of the view that the proposed adoption of the New IPT Mandate is in the best interests of the Company and, accordingly, recommend that the Independent Shareholders vote in favour of Ordinary Resolution 2 relating to the proposed adoption of the New IPT Mandate as set out in the Notice of EGM.

Shareholders should note that the passing of Ordinary Resolution 2 relating to the proposed adoption of the New IPT Mandate is conditional upon the passing of Ordinary Resolution 1 relating to the Proposed Disposal. **Shareholders are to further take note that, in the event where Ordinary Resolution 1 relating to the Proposed Disposal is not passed by the Independent Shareholders, Ordinary Resolution 2 relating to the proposed adoption of the New IPT Mandate will not be proceeded with. In addition, the Original IPT Mandate (if approved by the Independent Shareholders at the AGM of the Company to be held on 31 July 2019) shall continue in force until the conclusion of the next AGM of the Company.**

### 9. ABSTENTION FROM VOTING

#### Abstinence from voting

In accordance with Rule 919 of the Catalist Rules, the Interested Persons will abstain and have undertaken to ensure that their Associates will abstain from voting on the Ordinary Resolutions approving the Proposed Disposal and the proposed adoption of the New IPT Mandate. Furthermore, such Interested Persons and their Associates shall not act as proxies in relation to such resolution unless voting instructions have been given by a Shareholder.

As GSH is an Interested Person, he will abstain from and has undertaken to ensure that the GSH Interested Group will abstain from making any recommendations or vote on any matter in connection with the Proposed Disposal and the proposed adoption of the New IPT Mandate. Save as disclosed herein, none of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal and the proposed adoption of the New IPT Mandate.

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## LETTER TO SHAREHOLDERS

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### 10. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 64 to 66 of this Circular, will be held at Orchard Rendezvous Hotel, 1 Tanglin Road, Level 2, Antica Ballroom, Singapore 247905 on 31 July 2019 at 11.30 a.m. (or such time immediately following the conclusion or adjournment of the AGM of the Company to be convened at 11.00 a.m. on the same day and at the same venue) for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolutions set out in the Notice of EGM.

### 11. ACTION TO BE TAKEN BY SHAREHOLDERS

#### 11.1 Appointment of Proxies

Shareholders who are unable to attend the EGM and wish to appoint a proxy or proxies to attend and vote on their behalf, may complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 1 Sophia Road, #05-03 Peace Centre, Singapore 228149 not less than 72 hours before the time appointed for the holding of the EGM. The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes. In such event, the Proxy Form will be deemed to be revoked.

#### 11.2 When Depositor regarded as Shareholder

A Depositor shall not be entitled to attend, speak and vote at the EGM unless he is shown to have Shares entered against his name in the Depository Register as certified by CDP not less than 72 hours before the time appointed for the holding of the EGM.

### 12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, including those who have delegated detailed responsibility for this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, the proposed adoption of the New IPT Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information contained in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/or reproduced in the Circular in its proper form and context.

### 13. CONSENTS

13.1 SAC Capital Private Limited, the IFA to the Unaffected Directors in respect of the Proposed Disposal and the proposed adoption of the New IPT mandate, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letters and all references to its name in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

13.2 AVA Associates Limited, the Independent Valuer to the Proposed Disposal, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the Independent Summarised Valuation Report and all references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

### 14. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Disposal. Accordingly, no service contract in relation thereto is proposed to be entered into between the Company and any such persons.

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## LETTER TO SHAREHOLDERS

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### 15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the office of the Company's registered office at 1 Sophia Road, #05-03 Peace Centre, Singapore 228149 during normal business for a period of three (3) months from the date of this Circular:

- (a) the Constitution of the Company;
- (b) the Annual Report of the Company for FY2019;
- (c) the IFA Letter (on the Proposed Disposal) from the IFA to the Unaffected Directors set out in **Appendix I** to this Circular;
- (d) the IFA Letter (on the proposed adoption of the New IPT Mandate) from the IFA to the Unaffected Directors set out in **Appendix II** to this Circular;
- (e) the consent letter from the IFA;
- (f) the Valuation Report;
- (g) the Independent Summarised Valuation Report set out in **Appendix III** to this Circular; and
- (h) the consent letter from the Independent Valuer.

Yours faithfully

For and on behalf of the Board of Directors of  
**TUNG LOK RESTAURANTS (2000) LTD**  
Mr Tjioe Ka Men  
President/Chief Executive Officer

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## APPENDIX I – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED DISPOSAL

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### SAC CAPITAL PRIVATE LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200401542N)

1 Robinson Road #21-00 AIA Tower  
Singapore 048542

15 July 2019

To: The directors of Tung Lok Restaurants (2000) Ltd (the “**Company**”) who are considered independent in relation to the Proposed Disposal (as defined below)

Dr Foo Say Mui (Bill)  
Mr Tjioe Ka Men  
Dr Tan Eng Liang  
Dr Ker Sin Tze  
Mr Chee Wai Pong  
Mdm Ng Siok Keow  
Mdm Juliana Julianti Samudro

Dear Sirs

### THE PROPOSED DISPOSAL OF 50% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF T&T GOURMET CUISINE PTE LTD TO MAKER FOOD MANUFACTURING PTE LTD AS AN INTERESTED PERSON TRANSACTION

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 15 July 2019 (the “**Circular**”) shall have the same meanings herein.*

#### 1. INTRODUCTION

On 18 June 2019, the Company announced that its wholly-owned subsidiary, Tung Lok Millennium Pte Ltd (“**TLM**”), had on 18 June 2019 entered into a conditional sale and purchase agreement (the “**Agreement**”) with Maker Food Manufacturing Pte Ltd (“**MFM**” or the “**Purchaser**”) in relation to the proposed disposal (the “**Proposed Disposal**”) of TLM’s entire 50% shareholding interest in T&T Gourmet Cuisine Pte Ltd (“**T&T**”), a joint venture company which is owned equally by the Company and Tee Yih Jia Food Manufacturing Pte Ltd (“**TYJ**”, together with its subsidiaries, referred to as the “**TYJ Group**”) through their respective wholly-owned subsidiaries, to the Purchaser for a consideration of S\$1,150,000 (the “**Consideration**”).

As at the Latest Practicable Date (as defined herein), TYJ has a direct interest in 53,531,280 ordinary shares in the Company (the “**Shares**”), representing approximately 19.51% of the issued share capital of the Company. Accordingly, TYJ is a controlling shareholder of the Company. Mr Goi Seng Hui (“**GSH**”) is a Non-Executive Director of the Company and as at the Latest Practicable Date, has an interest of more than 30% of the total issued share capital of TYJ. Accordingly, GSH is deemed interested in the Shares owned by TYJ. As at the Latest Practicable Date, GSH has an aggregate direct and deemed interest in 53,908,280 Shares, representing approximately 19.65% of the issued share capital of the Company and is a controlling shareholder of the Company.

The Purchaser, being a wholly-owned subsidiary of TYJ, is accordingly an “associate” of GSH and TYJ, and is deemed to be an “interested person” under Chapter 9 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Catalist Rules**”). The Proposed Disposal will therefore constitute an “interested person transaction” under Chapter 9 of the Catalist Rules.

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## APPENDIX I – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED DISPOSAL

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As the Consideration represents more than 5% of the Group's latest audited consolidated net tangible assets ("**NTA**") of the Group of approximately S\$15.1 million as at 31 March 2019, the Proposed Disposal is subject to the approval of the shareholders of the Company who are considered independent for the purposes of the Proposed Disposal (the "**Independent Shareholders**") pursuant to Rule 906 of the Catalist Rules.

The Company will be seeking approval for the Proposed Disposal from the Independent Shareholders at an extraordinary general meeting of the Company to be convened (the "**EGM**"). Pursuant to Rule 921(4)(a) of the Catalist Rules, the Company has appointed SAC Capital Private Limited ("**SAC Capital**") as the independent financial adviser ("**IFA**") to express an opinion on whether the Proposed Disposal is carried out on normal commercial terms and prejudicial to the interests of the Company and its minority Shareholders.

This letter, which sets out our evaluation and opinion in respect of the Proposed Disposal as an interested person transaction, has been prepared to comply with Rule 921(4)(a) of the Catalist Rules for inclusion in the Circular and for the use of the directors of the Company (the "**Directors**") who are deemed independent for the purposes of making a recommendation to the Independent Shareholders in respect of the Proposed Disposal (the "**Unaffected Directors**") in connection with and for the purposes of their consideration of the Proposed Disposal as an interested person transaction and their recommendation(s) to Independent Shareholders arising thereof.

### 2. TERMS OF REFERENCE

We have been appointed as the IFA in relation to the Proposed Disposal as an interested person transaction pursuant to Rule 921(4)(a) of the Catalist Rules to express an opinion on whether the Proposed Disposal is carried out on normal commercial terms and prejudicial to the interests of the Company and its minority Shareholders.

We are not and were not involved in any aspect of the negotiations entered into by the Company in connection with the Proposed Disposal or in the deliberations leading up to the decision of the Directors to undertake the Proposed Disposal. Accordingly, we do not, by this letter, warrant the merits of the Proposed Disposal other than to express an opinion on whether the Proposed Disposal is on normal commercial terms and prejudicial to the interests of the Company and its minority Shareholders.

We have not conducted a comprehensive review of the business, operations or financial condition of the Company and its subsidiaries (collectively, the "**Group**") and its associated companies, T&T or the TYJ Group. Our evaluation is confined to the financial terms of the Proposed Disposal and we have not evaluated the strategic, legal or commercial merits or risks of the Proposed Disposal, or the future growth prospects or earnings potential of the Group or T&T after the completion of the Proposed Disposal. Accordingly, we do not express any view as to the prices at which the Shares may trade upon completion of the Proposed Disposal or on the future growth prospects, financial position and earnings potential of the Group after the completion of the Proposed Disposal.

In the course of our evaluation and for the purposes of our opinion herein, we have held discussions with the Directors and the management of the Company (the "**Management**"). We have relied on the information and representations, whether written or verbal, provided to us by the Directors and the Management, including the information provided in the Circular. The Directors (including those who may have delegated detailed supervision of the Circular) have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, (a) all material information available to them in connection with the Proposed Disposal disclosed in the Circular; (b) such information is true and accurate in all material respects; and (c) there is no other information or fact, the omission of which would cause any information disclosed to us or the facts stated in the Circular to be inaccurate, incomplete or misleading in any material respect. Whilst care has been exercised in reviewing the information which we have relied on, we have not independently verified such information or representations and accordingly cannot and do not warrant or accept responsibility for the



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## APPENDIX I – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED DISPOSAL

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accuracy, completeness or adequacy of these information or representations. We have, however, made reasonable enquiries and exercised our judgement (as deemed necessary) in assessing the information and representations provided to us, and have found no reason to doubt the accuracy or reliability of such information or representations which we have relied on.

We would like to highlight that, save as disclosed, all information relating to the Group, T&T and the Proposed Disposal that we have relied upon in arriving at our opinion has been obtained from the Circular, publicly available information, the Directors and/or from the Management. We have not held any discussions with the directors and/or the management of T&T and we have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Group or T&T at any time or as at 4 July 2019 (the “**Latest Practicable Date**”). We have also not made any independent evaluation or appraisal of the assets and liabilities of the Group or T&T and have not been furnished with any such evaluation or appraisal, save for the business valuation report dated 3 May 2019 prepared by AVA Associates Limited (the “**Independent Valuer**”), being the independent valuer appointed to perform an independent valuation of the market value of 100% equity interest in T&T as at 28 February 2019 (the “**Valuation Report**”). A summary of the Valuation Report (the “**Independent Summarised Valuation Report**”) is set out in Appendix III to the Circular. As we are not experts in the evaluation or appraisal of T&T, we have placed sole reliance on the Valuation Report prepared by the Independent Valuer.

Our opinion, as set out in this letter, is based on the market, economic, industry and other applicable conditions prevailing on, and the information made available to us as of, the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion in the light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.

In arriving at our opinion, we have not had regard to the specific investment objectives, financial situation, tax position or individual circumstances of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) should consult his or their legal, financial, tax or other professional adviser.

**Our opinion in relation to the Proposed Disposal as an interested person transaction should be considered in the context of the entirety of this letter and the Circular.**

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this letter and our letter in relation to the proposed New IPT General Mandate (as defined in the Circular) as set out in Appendix II to the Circular). We have had no role or involvement and have not provided any advice, financial or otherwise, in the preparation, review and verification of the Circular (other than this letter and our letter in relation to the proposed New IPT General Mandate as set out in Appendix II to the Circular). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this letter and our letter in relation to the proposed New IPT General Mandate as set out in Appendix II to the Circular).

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## APPENDIX I – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED DISPOSAL

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### 3. THE PROPOSED DISPOSAL

#### 3.1 Background

The Company's wholly-owned subsidiary, TLM, had on 18 June 2019 entered into the Agreement with MFM, a wholly-owned subsidiary of TYJ, in relation to the Proposed Disposal to MFM for a cash consideration of S\$1,150,000.

#### 3.2 Rationale for the Proposed Disposal

The rationale for the Proposed Disposal is set out in section 4.1 of the Circular, and Shareholders are advised to read the information carefully.

#### 3.3 Information relating to T&T

T&T is a joint venture company set up in April 2005 by TLM together with TYJ's wholly-owned subsidiary, MFM, to carry out the manufacturing and sale of various food products.

The Group and its associated companies own and/or manage more than 40 restaurants. TYJ, together with its subsidiaries and its associated companies (including T&T) are, amongst other things, carrying on businesses as manufacturers and distributors of frozen foods. As the Group, the TYJ Group and their respective associated companies are in complementary businesses, the Group and its associated companies have from time to time, had various business dealings with the TYJ Group and its associated companies in their ordinary course of business. The joint venture was conceived due to the synergies between the business of the Group and that of the TYJ Group. Such synergies, amongst other things, include the existing distribution network and contacts that the TYJ Group has as a distributor of frozen food products, which T&T can tap on.

Pursuant to the joint venture agreement dated 1 October 2008 (the "**Joint Venture Agreement**"), the Company and TYJ has equal control of the financial and operating policies of T&T through their respective wholly-owned subsidiaries.

Further information on the financial results and financial position of T&T is set out in section 4.2 of the Circular and Shareholders are advised to read the information carefully.

#### 3.4 Information relating to the Purchaser

MFM is a wholly-owned subsidiary of TYJ and owns the remaining 50% shareholding interest in T&T. The TYJ Group is, amongst other things, carrying on the business as manufacturers and distributors of frozen foods.

GSH is a Non-Executive Director of the Company and GSH and TYJ are controlling shareholders of the Company. The Purchaser, being a wholly-owned subsidiary of TYJ, is accordingly an "associate" of GSH and TYJ, and is deemed to be an "interested person" under Chapter 9 of the Catalist Rules and the Proposed Disposal will therefore constitute an "interested person transaction" under Chapter 9 of the Catalist Rules.

#### 3.5 Consideration for the Proposed Disposal

The consideration of S\$1,150,000 was arrived at after arm's length negotiations between the Company and the Purchaser and on a willing-buyer and willing-seller basis, taking into account, *inter alia*, the following factors:

- (a) the independent valuation of the 100% equity interest in T&T by the Independent Valuer amounting to S\$2,300,000 as at 28 February 2019 as reflected in the Independent Summarised Valuation Report. Please refer to section 4.5 and Appendix III of the Circular for more information on the Independent Summarised Valuation Report;

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## APPENDIX I – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED DISPOSAL

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- (b) rationale for the Proposed Disposal (as set out in section 4.1 of the Circular); and
- (c) future growth and expansion prospects of T&T.

The Consideration is to be paid fully in cash by the Purchaser for the purchase of the Sale Shares. The Agreement provides that the Purchaser shall pay TLM the Consideration on the date of completion of the Proposed Disposal (the “**Completion**”).

The net proceeds from the Proposed Disposal will be used by the Group for general working capital purposes, which includes financing the expansion of new outlets and repayment of bank indebtedness.

### 3.6 Conditions Precedent

The Proposed Disposal of the Sale Shares is conditional upon the passing at a general meeting of the Company of the requisite resolutions to approve the Proposed Disposal in accordance with the terms and conditions of the Agreement by Independent Shareholders.

### 3.7 Independent Valuation of the 100% Equity Interest in T&T

In connection with the Proposed Disposal, the Independent Valuer was commissioned by T&T to conduct an independent valuation (the “**Valuation**”) of the market value of the 100% equity interest in T&T as at 28 February 2019 (“**Valuation Date**”). Based on the Valuation Report, the 100% equity interest in T&T as at the Valuation Date is valued at S\$2,300,000. A copy of the Independent Summarised Valuation Report is set out in Appendix III to the Circular.

## 4. EVALUATION OF THE PROPOSED DISPOSAL

In our evaluation of the Proposed Disposal as an interested person transaction, we have reviewed and examined the following factors which have a significant bearing on our assessment:

- (a) the rationale for the Proposed Disposal;
- (b) the historical financial performance and condition of T&T;
- (c) the reasonableness of the Consideration *vis-à-vis* a comparison with:
  - (i) the net asset value (“**NAV**”) of T&T as at 31 March 2019;
  - (ii) the market valuation of 100% equity interest in T&T; and
  - (iii) the valuation statistics of companies broadly comparable to T&T;
- (d) the financial effects of the Proposed Disposal on the Group; and
- (e) other relevant considerations.

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### 4.1 Rationale for the Proposed Disposal

The rationale for the Proposed Disposal is set out in section 4.1 of the Circular and has been reproduced in italics below:

*“Rationale for the Proposed Disposal*

*As a result of intense competition, higher cost structure and low economies of scale, T&T had been reporting declining profits in recent years. In addition, since T&T’s inception (on or around January 2005), its shareholders have not made significant investments to increase its scale and capabilities.*

*During a recent review of T&T’s business, both the Company as well as TYJ (as shareholders of T&T) had deliberated that T&T should embark on expansionary plans to massively scale up T&T’s operations in order for T&T to remain sustainable in the long run.*

*T&T is currently occupying certain floors of TYJ’s factory and the intention is for T&T to move to a new factory (which is currently under development). Accordingly, this presents a good opportunity and/or platform for T&T to commence its expansionary plan.*

*However, it was noted that the expansionary plans (including moving T&T into a new premise) will require significant capital injection from both shareholders (including renovation costs and purchase of new equipment). TYJ has expressed that it is prepared to invest heavily in T&T (which may result in sustained losses for the initial periods) in order to grow T&T.*

*As the Group’s core expertise is in the business of restaurateur, the management of the Company is of the view that it is not feasible for the Group to invest additional significant capital into T&T which operates primarily in the business of manufacturing and sale of various food products. The Group’s existing capital should instead be earmarked for its working capital requirements and to expand its main core businesses (i.e. restaurant and catering businesses).*

*Additionally, even if the Company dilutes its stake in T&T, the investment required by T&T for its expansionary plans is still significant and the possible capital injection from TLM may likely deplete the Group’s financial resources.*

*The Directors believes that given the increasingly challenging operating environment and the substantial investment sums required, the Proposed Disposal will allow the Group to avoid over-extending itself and at the same time, allow the Company with the flexibility to invest in potential new restaurateur businesses and undertake new investment opportunities that may arise in the future.”*

As set out above, one of the rationale for the Proposed Disposal is the requirement for significant capital injection for T&T’s expansionary plans in its primary business of manufacturing and sale of various food products, which is different from the Group’s main core businesses of restaurant and catering, and may likely deplete the Group’s financial resources. As at 31 March 2019, the Group’s audited cash and cash equivalents and working capital amounted to approximately S\$12.1 million and S\$7.9 million respectively.

We note that the Directors and the Management have been taking deliberate steps to manage its capital by carrying out rationalisation exercise and optimisation of its portfolio of brands/outlets via *inter alia*, closing down some of the loss-making outlets in FY2018 and FY2019. We note that the Proposed Disposal is in line with the Directors’ and the Management’s overall strategic plan, and the Proposed Disposal will allow the Group to earmark its capital for its working capital requirements and to expand its main core businesses. We further note that the net proceeds from the Proposed Disposal will be used by the Group for general working capital purposes, which includes financing the expansion of new outlets and repayment of bank indebtedness.

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### 4.2 Historical financial performance and condition of T&T

As extracted from section 4.2 of the Circular, the salient historical financial results of T&T for the financial years ended 31 March 2015, 2016, 2017, 2018 and 2019 (“FY2015”, “FY2016”, “FY2017”, “FY2018” and “FY2019” respectively) are set out below:

	FY2015	FY2016	FY2017	FY2018	FY2019
	S\$	S\$	S\$	S\$	S\$
Revenue	6,380,402	5,452,990	5,637,057	5,911,914	6,031,297
Cost of sales and operating expenses	(5,253,212)	(4,693,653)	(4,947,553)	(5,347,554)	(5,594,631)
Interest expenses	(15,468)	(283)	-	(1,183)	-
Profit before tax (“PBT”)	1,111,722	759,054	689,504	563,177	436,666
Income tax benefit/ (expense)	200,000	(186,966)	-	(138,062)	(47,482)
Profit after tax	1,311,722	572,088	689,504	425,115	389,184
PBT margin (%)	17.4	13.9	12.2	9.5	7.2
Group's share of net profits (after tax) in T&T	655,861	286,044	344,752	212,557	194,592
Year-on-year % change in T&T's PBT	Not applicable	(31.7%)	(9.2%)	(18.3%)	(22.5%)
Dividends paid by T&T to TLM	-	-	725,000	-	450,000

As extracted from section 4.2 of the Circular, the unaudited statement of the financial position of T&T as at 31 March 2019 is set out below:

	S\$
Cash and bank balances	500,343
Trade receivables	480,295
Other receivables and prepayments	166,052
Inventories	625,766
Current assets	1,772,456
Non-current assets	223,373
<b>Total assets</b>	<b>1,995,829</b>

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Current liabilities	653,317
Non-current liabilities	35,318
	688,635
<b>Total liabilities</b>	<b>688,635</b>
<b>Net assets</b>	<b>1,307,194</b>
Proportion of the Group's ownership	50%
Group's share of the net assets of T&T, representing the carrying amount of the Sale Shares as at 31 March 2019	653,597

We note the following:

(a) Financial Performance

Revenue

Revenue decreased from approximately S\$6.4 million in FY2015 to approximately S\$5.5 million in FY2016. Save for the dip in revenue in FY2016, revenue increased from approximately S\$5.5 million in FY2016 to approximately S\$5.6 million in FY2017, approximately S\$5.9 million in FY2018 and approximately S\$6.0 million in FY2019, representing a year-on-year revenue growth of between 2.0% to 4.9%. We understand from the Management that the increase in revenue for the period from FY2016 to FY2019 was mainly from higher sales of mooncakes. We further note that T&T has a high concentration of customers, where the TYJ Group had accounted for 61.0% to 88.3% of dim sum sales for the period from FY2015 to FY2019, and the top four customers for mooncake sales accounted for almost 100% of its mooncake sales for the period from FY2015 to FY2019, of which the TYJ Group and the Group collectively accounted for slightly over 50% of mooncake sales.

PBT margin

PBT margin has been on a declining trend from FY2015 to FY2019, decreasing from 17.4% in FY2015 to 7.2% in FY2019. We understand from the Management that this was mainly due to higher operating costs such as manpower, raw material and repair and maintenance of equipment.

(b) Financial position

Current assets

As at 31 March 2019, current assets amounted to approximately S\$1.8 million or 88.8% of total assets, which mainly comprised (i) cash and bank balance of approximately S\$0.5 million or 25.1% of total assets, (ii) trade receivables of approximately S\$0.5 million or 24.1% of total assets, (iii) other receivables and prepayments of approximately S\$0.2 million or 8.3% of total assets, and (iv) inventories of approximately S\$0.6 million or 31.4% of total assets.

Current liabilities

As at 31 March 2019, current liabilities amounted to approximately S\$0.7 million or 94.9% of total liabilities, which mainly comprised (i) trade payables of approximately S\$0.3 million or 40.6% of total liabilities, (ii) accruals and other payables of

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approximately S\$0.3 million or 45.5% of total liabilities and (iii) income tax payable of approximately \$60,000 or 8.7% of total liabilities.

### Working capital

As at 31 March 2019, T&T recorded positive working capital of approximately S\$1.1 million.

### Non-current assets

As at 31 March 2019, non-current assets (comprising plant and equipment) amounted to approximately S\$0.2 million or 11.2% of total assets, of which 79.6% of plant and equipment relates to machinery and equipment.

### Non-current liabilities

As at 31 March 2019, non-current liabilities (comprising deferred tax liability) amounted to approximately S\$35,000 or 5.1% of total liabilities.

### Net assets

As at 31 March 2019, the net assets of T&T amounted to approximately S\$1.3 million.

## 4.3 Reasonableness of the Consideration

### 4.3.1 Comparison with the NAV of T&T

As at 31 March 2019, the unaudited NAV of T&T was S\$1,307,194 and the Group's share of the net assets of T&T was S\$653,597. Accordingly, the Consideration of S\$1,150,000 represents a premium of S\$496,403 or 75.9% over the Group's share of T&T's unaudited NAV as at 31 March 2019.

The amount of excess of the Consideration over the unaudited book value of the Sale Shares as at 31 March 2019, representing the gain on the Proposed Disposal (before deducting expenses in connection with the Proposed Disposal), is S\$496,403. The actual gain may differ based on the net assets position of T&T on the date of Completion.

The Directors have confirmed that to the best of their knowledge and belief, (a) they are not aware of any circumstances which may cause the NAV of T&T as at the Latest Practicable Date to be materially different from the S\$1,307,194 recorded in the unaudited balance sheet of T&T as at 31 March 2019; (b) there have been no material disposals or acquisitions of assets by T&T since 31 March 2019 and up to the Latest Practicable Date; and (c) there are no contingent liabilities or bad or doubtful debts which are likely to have a material impact on the unaudited NAV of T&T as at 31 March 2019.

### 4.3.2 Comparison with the market valuation of 100% equity interest in T&T

In connection with the Proposed Disposal, the Independent Valuer was commissioned by T&T to conduct an independent valuation on the market value of the 100% equity interest in T&T as at 28 February 2019. As set out in the Independent Summarised Valuation Report, the Independent Valuer has conducted its valuation on the basis of "Market Value" which is defined as:

*"the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".*

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The Independent Valuer had conducted the Valuation in accordance with the International Valuation Standards (2017) issued by the International Valuation Standard Committee.

As set out in the Independent Summarised Valuation Report, the methods commonly used to develop approximate indications of value for a business or asset are the income, market and cost approaches. The Independent Valuer had calculated the market value of the 100% equity interest in T&T using the income approach. The basis for selecting the income approach was due to the availability of relevant data, specifically the historical operating records, development plans and financial projections provided by T&T. Based on such information, the Independent Valuer utilised a discounted cash flow (“DCF”) methodology to estimate the cash that is available, either to invest in new or existing businesses or to distribute, to equity holders. This allowed the Independent Valuer to estimate the market value of the 100% equity interest in the business under a set of reasonable and robust assumptions. The market approach was not deemed appropriate due to lack of comparable market transactions and prices. The Independent Valuer had performed a similar transaction search and found no similar disclosed recent transactions. The cost approach was also deemed inappropriate, as one of the significant assets of T&T’s business is its assembled workforce and its distribution network and these would not be properly reflected using a cost approach methodology.

The Independent Valuer has highlighted the following key operating risks in the Independent Summarised Valuation Report based on their study of T&T’s business, including (a) significant reliance on top customers for T&T’s revenue, (b) risk of non-renewal of T&T’s lease from TYJ for its manufacturing facilities, (c) potential future functional and economic obsolescence for T&T’s existing equipment which would require continuous reinvestment in the foreseeable future, and (d) management costs payable to TYJ for management and research and development expertise.

In the assumptions adopted by the Independent Valuer in its DCF model, the Independent Valuer had assumed a forecast period of 5 years, from 1 March 2019 to 31 March 2024, with T&T ceasing its operation at the end of the forecast period. An extract of the factors that the Independent Valuer had taken into consideration in adopting such assumption from the Independent Summarised Valuation Report is set out below:

- “- The Target continues to operate in a competitive market with little product differentiation for its dim sum products, while its mooncake sales are seasonal with limited market size. Substantial investments are needed if the Target is to consider expanding and enhancing its product offerings.*
- The current machinery and equipment date back to the mid-2000s. While they are still in working condition, with continuous maintenance, it will not be able to support any expansionary product development and production without substantial commitment and capital investments to enhance the Target’s product offerings.*
- It is reliant on TYJ’s distribution network and expertise to continue selling its products. However, dim sum sales to TYJ has stagnated at about SGD2.8 million annually in the last 4 years. An alternative distribution network will require time to establish and additional resources to be committed.*
- Profit margins have continued to decline over the last few years, given the keen competition. A comprehensive plan to establish a competitive advantage is needed to sustain and enhance profitability into the future.*

*Given the above and the operating risks discussed earlier, it is reasonable to assume that the business, if it continues to be operated as-is, is most likely to be viable for the duration of the forecast period only. At the end of the forecast period, the residual assets are assumed to be liquidated at book value.”*

As set out in section 4.1 of the Circular, we note that the shareholders of T&T have not made significant investments in T&T to increase its scale and capabilities since T&T’s inception (on or around January 2005). T&T had been reporting declining profits in recent years due to intense competition, higher cost structure and low economies of scale. During a recent review of T&T’s business, both the Company as well as TYJ (as shareholders of T&T) had deliberated that T&T should embark on expansionary plans to massively scale up T&T’s



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operations in order for T&T to remain sustainable in the long run.

We note that the assumption of T&T ceasing its operations after the forecast period as adopted in the DCF model by the Independent Valuer is consistent with the views of the shareholders of T&T on its sustainability in the long run without significant expansion of its production capabilities to remain competitive.

The independent valuation of T&T also involves other assumptions and limitations, and Shareholders are advised to read the above in conjunction with the Independent Summarised Valuation Report in its entirety as set out in Appendix III to the Circular.

Based on the information provided, the Independent Valuer's analyses and conclusions of the various proposed scenarios, and subject to the statement of general assumptions and limiting conditions attached to the Valuation Report, the Independent Valuer had assessed the market value of the 100% equity interest in T&T as of the Valuation Date to be S\$2,300,000.

Based on the above, we note that the Consideration of S\$1,150,000 is equivalent to the Group's 50% equity interest of the market value of T&T of S\$1,150,000 as at the Valuation Date.

### 4.3.3 Comparison with the Valuation Statistics of Companies Broadly Comparable to T&T

In considering what may be regarded as a reasonable range of valuation for the purposes of assessing the Consideration of the Proposed Disposal, we have referred to selected companies listed and traded on the regional stock exchanges which business operations are broadly comparable with those of T&T to give an indication of the current market expectations with regard to the perceived valuation of these businesses. We have, in consultation with the Management, used the following companies which are principally engaged in the business of manufacturing and sale of food products, with market capitalisations less than S\$1.0 billion (collectively, the "**Comparable Companies**").

We wish to highlight that the Comparable Companies are not exhaustive and there is no listed company or group which may be considered identical to T&T in terms of, *inter alia*, business activities, size and scale of operations, risk profile, geographical spread, operating and financial leverage, accounting policies, adherence to accounting standards, tax factors, track record and future prospects. In addition, each of the Comparable Companies may engage in other separate business activities which are not related to the principal business of T&T. Shareholders should also note that private companies, such as T&T, are generally valued at a discount to listed companies due to marketability. As such, any comparison merely serves as an illustrative guide to Shareholders.

Details on the Comparable Companies, including their business descriptions and selected key financial and valuation statistics, are set out below and in Annex I to this letter:

- (a) Delfi Limited ("**Delfi**");
- (b) Del Monte Pacific Limited ("**Del Monte**");
- (c) Food Empire Holdings Limited ("**Food Empire**");
- (d) Hosen Group Ltd ("**Hosen**"); and
- (e) JB Foods Limited ("**JB Foods**").

In assessing the financial terms of the Proposed Disposal, we have used the following valuation parameters in our analysis:

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Valuation parameter	Description
Price-earnings ratio (“PER”)	<p>The historical PER, which illustrates the ratio of the market price of a company’s shares relative to its historical consolidated earnings per share, is commonly used for the purpose of illustrating the profitability, and hence valuation, of a company.</p> <p>We have considered the historical PERs of the Comparable Companies based on their respective last transacted prices on the Latest Practicable Date and latest full-year net earnings per share, adjusted for any relevant corporate actions, <i>vis-à-vis</i> the corresponding historical PER of T&amp;T based on the Consideration and the latest unaudited financial information of T&amp;T for FY2019.</p>
Price-to-book net asset value (“P/NAV”) ratio	<p>An NAV-based approach is useful to illustrate the extent that the value of each share is backed by assets, and would be more relevant in the case where the group were to change the nature of its business or realise or convert the use of all or most of its assets. The NAV-based valuation approach may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets over a reasonable period of time at the aggregate value of the assets used in the computation of the NAV, with the balance to be distributed to its shareholders after the settlement of all the liabilities and obligations of the company or group.</p> <p>We have considered the historical P/NAV ratios of the Comparable Companies based on their respective last transacted prices on the Latest Practicable Date and latest announced NAV per share as at the end of the relevant financial year/period (as adjusted for any corporate activities which were undertaken after the latest available balance sheet that may affect the NAV per share, where relevant), <i>vis-à-vis</i> the corresponding historical P/NAV ratio of T&amp;T based on the Consideration and the NAV per Share of T&amp;T as at 31 March 2019.</p>
Enterprise value to EBITDA (“EV/EBITDA”) ratio	<p>The historical EV/EBITDA ratio illustrates the ratio of the market value of a company’s business relative to its historical consolidated pre-tax operating cashflow performance, without regard to its capital structure, and provides an indication of current market valuation relative to operating performance. “EV” is the sum of a company’s market capitalisation, preferred equity, minority interests, short- and long-term debts less cash and cash equivalents, and represents the actual cost to acquire the entire company. “EBITDA” refers to historical consolidated earnings before interest, tax, depreciation and amortisation expenses. EBITDA can be used to analyse the profitability between companies as it eliminates the effects of financing and accounting decisions.</p> <p>We have considered the historical EV/EBITDA ratios of the Comparable Companies based on their respective last transacted prices on the Latest Practicable Date, latest available balance sheet values (as adjusted for any corporate activities which were undertaken after the latest available balance sheet that may affect the EV, where relevant) and latest full-year EBITDA, <i>vis-à-vis</i> the corresponding EV/EBITDA ratio of T&amp;T based on the Consideration and the latest unaudited financial information of T&amp;T for FY2019.</p>

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### Comparative valuation statistics of the Comparable Companies vis-à-vis T&T

The following table sets out the comparative valuation statistics of the Comparable Companies vis-à-vis T&T as implied by the Consideration:

<b>Company</b>	<b>Historical PER (times)</b>	<b>Historical P/NAV ratio (times)</b>	<b>Historical EV/EBITDA ratio (times)</b>
Delfi	28.08	2.76	12.43
Del Monte	10.65	0.39	9.39
Food Empire	10.88	1.07	7.68
Hosen	14.57	0.44	6.66
JB Foods	5.37	1.21	5.74

<b>High</b>	28.08	2.76	12.43
<b>Mean</b>	10.37 <sup>(1)</sup>	1.17	8.38
<b>Median</b>	10.77 <sup>(1)</sup>	1.07	7.68
<b>Low</b>	5.37	0.39	5.74

<b>T&amp;T (Implied by the Consideration)</b>	<b>5.91</b>	<b>1.76</b>	<b>3.04</b>
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Source: Bloomberg L.P., annual reports and/or announcements of the respective Comparable Companies and SAC Capital's computations

**Note:**

- (1) Being a statistical outlier, Delfi was excluded from the computation of the mean and median historical PERs of the Comparable Companies.

### Historical PER comparison

We note that the historical PER of 5.91 times of T&T as implied by the Consideration is:

- (a) within the range of historical PERs of the Comparable Companies of between 5.37 times and 28.08 times; and
- (b) at a significant discount of approximately 43.0% and 45.1% to the mean and median historical PERs of the Comparable Companies of 10.37 times and 10.77 times respectively.

### Historical P/NAV ratio comparison

We note that the historical P/NAV ratio of T&T of 1.76 times as implied by the Consideration is:

- (a) within the range of historical P/NAV ratios of the Comparable Companies of between 0.39 times and 2.76 times; and
- (b) at a significant premium of 50.4% and 64.5% over the mean and median historical P/NAV ratios of the Comparable Companies of 1.17 times and 1.07 times respectively.

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### Historical EV/EBITDA ratio comparison

We note that the historical EV/EBITDA ratio of T&T of 3.04 times as implied by the Consideration is:

- (a) below the range of historical EV/EBITDA ratios of the Comparable Companies of between 5.74 times and 12.43 times; and
- (b) at a significant discount of 63.7% and 60.4% to the mean and median historical EV/EBITDA ratios of the Comparable Companies of 8.38 times and 7.68 times respectively.

#### **4.4 Financial effects of the Proposed Disposal**

The financial effects of the Proposed Disposal on the Group have been set out in section 4.6.2 of the Circular for illustrative purposes only and are not indicative of the actual financial position and/or results of the Group immediately after the Proposed Disposal. Shareholders are advised to read the information carefully, including the bases and assumptions set out therein.

We note the following:

- (a) the consolidated NTA per Share for FY2019 would increase by 0.18 cents from 5.51 cents before the Proposed Disposal to 5.69 cents upon the completion of the Proposed Disposal, representing an increase of 3.27% over the actual consolidated NTA per Share of 5.51 cents as at 31 March 2019; and
- (b) the consolidated loss per Share (“LPS”) for FY2019 would decrease by 0.01 cents from 0.25 cents before the Proposed Disposal to 0.24 cents upon the completion of the Proposed Disposal, representing a decrease of 4.00% over the actual consolidated LPS of 0.25 cents.

#### **4.5 Other Relevant Considerations**

##### **4.5.1 Contribution of T&T to the Group**

Based on the audited financial statements of the Group for FY2019, the unaudited management accounts of T&T for FY2019 and the proportionate equity interest of the Group in T&T, we note that:

- (a) the share of profit from T&T represented approximately 18.6% of the Group’s audited PBT for FY2019; and
- (b) the unaudited NAV of T&T as at 31 March 2019 represented approximately 4.3% of the Group’s audited NAV as at 31 March 2019.

We further note that comparing the implied proportionate share of revenue of the Group in T&T for FY2019 of approximately S\$3.0 million and the revenue of the Group of approximately S\$80.6 million in FY2019, T&T’s revenue was approximately 3.7% of the Group’s revenue for FY2019.

We note the investment in T&T is not a core asset of the Group and the business of T&T, primarily in the business of manufacturing and sale of various food products, is not the core expertise of the Group, which is in the businesses of restaurant and catering.

As set out in paragraph 4.2 of this letter, T&T had been profitable in the last 5 financial years ended 31 March 2019 and the share of profit from T&T had contributed positively to the Group’s net profit/(loss) after tax attributable to owners of the Company in the corresponding periods. Upon the Completion, T&T would cease to be an associated company of the Group and the share of profits from T&T (if any) will not be taken into account in the Group’s

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## APPENDIX I – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED DISPOSAL

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consolidated income statement. We note that the PBT margin of T&T had been on the decline in the last 5 financial years ended 31 March 2019 and Shareholders should note that there is no assurance that T&T would remain profitable in the future. We further note that the significant capital injection required for T&T's expansion plans as set out in section 4.1 of the Circular may result in sustained losses of T&T for the initial periods which will consequently have a negative impact to the Group's results.

Given the significant capital injection required for T&T's expansion plans and the uncertainties surrounding the returns from T&T, particularly in the initial periods after the additional capital injection, the Proposed Disposal will allow the Group to avoid over-extending itself and allow it to unlock the value from T&T prior to capital calls for such expansion plans. We note that based on the amount of excess of the Consideration over the unaudited book value of the Sale Shares as at 31 March 2019, the Group would recognise a gain on the Proposed Disposal (before deducting expenses in connection with the Proposed Disposal) of S\$496,403. Taking into account the dividends received by the Group from T&T since inception of the joint venture up to the Latest Practicable Date of S\$1,175,000, the total return on investment in T&T after the Proposed Disposal (based on the dividends received and the Consideration) would be approximately 190.6% over its cost of investment of S\$800,000.

#### 4.5.2 No material impact to the Group after the Proposed Disposal

We note that the Group has certain recurring transactions with T&T, including the procurement of dim sum and mooncakes from T&T, which is currently on a cost-plus basis. After the Proposed Disposal and the cessation of T&T as an associated company of the Group, the terms of transactions with T&T for the procurement of such items would cease to be on a cost-plus basis. Under the proposed New IPT Mandate, the Group will only enter into transactions with T&T if the terms are comparable or more favourable to the Group than those offered by unrelated third parties. Shareholders are advised to refer to section 5 of the Circular for details of the proposed New IPT Mandate.

We note that the purchases by the Group from T&T in FY2019 amounted to approximately S\$1.0 million, representing approximately 4.2% of cost of sales of the Group in FY2019. The Management is of the view that there would not be a material impact to the operations or gross profit margins of the Group arising from the Proposed Disposal.

#### 4.5.3 Termination of the Joint Venture Agreement

We note that on Completion, TLM and MFM shall, *inter alia*, procure the execution of a termination deed in relation to the Joint Venture Agreement (the "**Termination Deed**"). Pursuant to the Termination Deed, the Joint Venture Agreement shall be terminated with effect on the date of the Termination Deed and TLM, MFM and T&T (collectively, the ("**Parties**") shall have no further claims and demands against the other Parties with effect from and on the date of termination in respect of any matters in the Joint Venture Agreement.

#### 4.5.4 Restriction on transfer of shares in T&T

We note that under the Joint Venture Agreement, no shareholder of T&T shall transfer the shares in T&T held by him without the consent of the other shareholder. Accordingly, the Group would not be able to procure other buyers for its shares in T&T without the consent of the TYJ Group.

#### 4.5.5 Voting abstentions

We note that, as set out in section 9 of the Circular, GSH will abstain from and has undertaken to ensure that the GSH Interested Group (as defined in the Circular) will abstain from making any recommendations or vote on any matter in connection with the Proposed Disposal. Accordingly, the Proposed Disposal would proceed only if a majority of the Independent Shareholders were to vote in favour of the Proposed Disposal.

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## APPENDIX I – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED DISPOSAL

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### 5. OUR OPINION

In arriving at our opinion in respect of the Proposed Disposal as an interested person transaction, we have taken into account the following key considerations:

- (a) the rationale for the Proposed Disposal, as set out in paragraph 4.1 of this letter;
- (b) the historical financial performance and condition of T&T, as set out in paragraph 4.2 of this letter;
- (c) a comparison with the unaudited NAV of T&T as at 31 March 2019, namely, that the Consideration represents a premium of 75.9% over the Group's share of T&T's unaudited NAV as at 31 March 2019 and that based on the unaudited book value of the Sale Shares as at 31 March 2019, the gain on the Proposed Disposal (before deducting expenses in connection with the Proposed Disposal) would be S\$496,403;
- (d) a comparison with market valuation of 100% equity interest in T&T, namely, that the Consideration of the Proposed Disposal of S\$1,150,000 is equivalent to the Group's 50% equity interest of the market value of T&T of S\$1,150,000 as at the Valuation Date;
- (e) a comparison of the valuation statistics of companies broadly comparable to T&T as follows:
  - (i) the historical PER of 5.91 times of T&T as implied by the Consideration is (aa) within the range of historical PERs of the Comparable Companies of between 5.37 times and 28.08 times and (bb) at a significant discount of approximately 43.0% and 45.1% to the mean and median historical PERs of the Comparable Companies of 10.37 times and 10.77 times respectively;
  - (ii) the historical P/NAV ratio of 1.76 times of T&T as implied by the Consideration is (aa) within the range of historical P/NAV ratios of the Comparable Companies of between 0.39 times and 2.76 times and (bb) at a significant premium of 50.4% and 64.5% over the mean and median historical P/NAV ratios of the Comparable Companies of 1.17 times and 1.07 times respectively; and
  - (iii) the historical EV/EBITDA ratio of 3.04 times of T&T as implied by the Consideration is (aa) below the range of historical EV/EBITDA ratios of the Comparable Companies of between 5.74 times and 12.43 times and (bb) at a significant discount of 63.7% and 60.4% to the mean and median historical EV/EBITDA ratios of the Comparable Companies of 8.38 times and 7.68 times respectively;
- (f) the financial effects of the Proposed Disposal, namely, that (i) the consolidated NTA per Share as at 31 March 2019 would increase by 0.18 cents from 5.51 cents before the Proposed Disposal to 5.69 cents upon the completion of the Proposed Disposal and (ii) the consolidated LPS for FY2019 would decrease by 0.01 cents from 0.25 cents before the Proposed Disposal to 0.24 cents upon the completion of the Proposed Disposal; and
- (g) other relevant considerations as set out in paragraph 4.5 of this letter.

Having considered the above and subject to the assumptions and qualifications set out in this letter, we are of the opinion that, on balance, the Proposed Disposal as an interested person transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

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## **APPENDIX I – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED DISPOSAL**

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This letter has been prepared pursuant to Rule 921(4)(a) of the Catalist Rules for inclusion in the Circular and for the use of the Unaffected Directors in connection with and for the purposes of their consideration of the Proposed Disposal. The recommendation to be made by the Unaffected Directors to the Independent Shareholders shall remain the responsibility of the Unaffected Directors.

Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purposes at any time and in any manner without the prior written consent of SAC Capital in each specific case, except for the forthcoming EGM and for the purposes of the Proposed Disposal.

Our opinion is governed by, and construed in accordance with, the laws of Singapore. Our opinion is strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**SAC CAPITAL PRIVATE LIMITED**

Bernard Lim Aik Kwang  
Director

Chow You Yah  
Partner

**APPENDIX I – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED DISPOSAL**

Annex I

					← Latest full financial year →	→	
Company	Stock exchange(s)	Business description (as extracted from Bloomberg)	Share price as at the Latest Practicable Date	Market Capitalisation as at the Latest Practicable Date (million)	Financial year-end	Revenue (million)	Net profit after tax attributable to shareholders (million)
DeLif Limited	SGX-Mainboard	Delfi Limited manufactures, markets, and distributes chocolate confectionery products. The company offers a broad range of chocolate and sugar confectionery products such as molded chocolate, dragees, enrobed wafers, and biscuits. Delfi serves customers across South East Asia.	S\$1.30	S\$794.5	31 December	US\$427.0	US\$20.9
Del Monte Pacific Limited	SGX-Mainboard and Philippine Stock Exchange	Del Monte Pacific Limited produces and markets packaged vegetable and fruit, beverage and culinary products. The group has the exclusive right to use the Del Monte brand for packaged products in the USA, South America, Philippines, the Indian subcontinent and Myanmar, and the S&W brand for both packaged and fresh products globally except Australia and New Zealand	S\$0.151 <sup>(1)</sup>	S\$293.5	30 April	US\$1,955	US\$20.3
Food Empire Holdings Limited	SGX-Mainboard	Food Empire Holdings Limited manufactures and markets instant beverage products, frozen convenience food, confectionery and snack food. The company exports its products to markets such as Russia, Eastern Europe, Central Asia, the Middle East and Indochina.	S\$0.500	S\$267.1	31 December	US\$284.3	US\$18.1



**APPENDIX I – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED DISPOSAL**

		← Latest full financial year →					
<b>Company</b>	<b>Stock exchange(s)</b>	<b>Business description (as extracted from Bloomberg)</b>	<b>Share price as at the Latest Practicable Date</b>	<b>Market Capitalisation as at the Latest Practicable Date (million)</b>	<b>Financial year-end</b>	<b>Revenue (million)</b>	<b>Net profit after tax attributable to shareholders (million)</b>
Hosen Group Ltd	SGX-Catalist	Hosen Group Ltd distributes fast moving consumer goods (FMCGs) under its house brands as well as under third party leading brands. The company has its own lines of canned fruits, vegetables, seafood, meat products and beverages.	S\$0.040	S\$13.0	31 December	S\$68.3	S\$0.9
JB Foods Limited	SGX-Mainboard	JB Foods Limited produces cocoa products. The company's products include cocoa powder, cocoa liquor, and cocoa butter.	S\$0.665	S\$201.6	31 December	US\$327.1	US\$26.8

Source: Bloomberg L.P., annual reports and/or announcements of the respective companies

**Note:**

- (1) Being the closing share price quoted on the SGX-ST as at the Latest Practicable Date.

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED NEW IPT MANDATE

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### SAC CAPITAL PRIVATE LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200401542N)

1 Robinson Road #21-00 AIA Tower  
Singapore 048542

15 July 2019

To: The directors of Tung Lok Restaurants (2000) Ltd (the “**Company**”) who are considered independent in relation to the proposed New IPT Mandate (as defined below)

Dr Foo Say Mui (Bill)  
Mr Tjioe Ka Men  
Dr Tan Eng Liang  
Dr Ker Sin Tze  
Mr Chee Wai Pong  
Mdm Ng Siok Keow  
Mdm Juliana Julianti Samudro

Dear Sirs

### THE PROPOSED ADOPTION OF THE NEW SHAREHOLDERS’ GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 15 July 2019 (the “**Circular**”) shall have the same meanings herein.*

#### 1. INTRODUCTION

Tung Lok Restaurants (2000) Ltd (the “**Company**”), its subsidiaries (together with the Company, the “**Group**”) and its associated companies (including T&T Gourmet Cuisine Pte Ltd (“**T&T**”)) have certain recurrent transactions with Tee Yih Jia Food Manufacturing Pte Ltd (“**TYJ**”), its subsidiaries (together with TYJ, the “**TYJ Group**”) and its associated companies (including T&T) in the ordinary course of the Group’s business.

As at the Latest Practicable Date (as defined herein), TYJ has a direct interest in 53,531,280 ordinary shares in the Company (the “**Shares**”), representing approximately 19.51% of the total issued share capital of the Company. Accordingly, TYJ is a controlling shareholder of the Company. Mr Goi Seng Hui (“**GSH**”) is a Non-Executive Director of the Company and as at the Latest Practicable Date, has an interest of more than 30% of the total issued share capital of TYJ. Accordingly, GSH is deemed interested in the Shares owned by TYJ. As at the Latest Practicable Date, GSH has an aggregate direct and deemed interest in 53,908,280 Shares, representing approximately 19.65% of the total issued share capital of the Company. Accordingly, GSH, the TYJ Group and their associates constitute “interested persons” under Chapter 9 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Catalist Rules**”) and the transactions between the Group and its associated companies that are considered “entities at risk” under Chapter 9 of the Catalist Rules with GSH, the TYJ Group and its associated companies (including T&T) that are considered “interested persons” under Chapter 9 of the Catalist Rules (collectively, the “**GSH Interested Group**”) will therefore constitute “interested person transactions” under Chapter 9 of the Catalist Rules.

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED NEW IPT MANDATE

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The Company had obtained the approval of its shareholders (the “**Shareholders**”) for a general mandate for certain recurring interested person transactions with the GSH Interested Group at the extraordinary general meeting (“**EGM**”) held on 29 July 2011 (the “**Original IPT Mandate**”), which was last renewed at its annual general meeting (“**AGM**”) held on 31 July 2018. The Original IPT Mandate is subject to renewal at the forthcoming AGM of the Company to be held on 31 July 2019, subject to satisfactory review by the Audit and Risk Committee of its continued relevance and application to the transactions with the GSH Interested Group and confirmation that the methods or review procedures for the transactions with the GSH Interested Group are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

On 18 June 2019, the Company announced that its wholly-owned subsidiary, Tung Lok Millennium Pte Ltd (“**TLM**”), had on 18 June 2019 entered into a conditional sale and purchase agreement (the “**Agreement**”) with Maker Food Manufacturing Pte Ltd (“**MFM**” or the “**Purchaser**”) in relation to the proposed disposal (the “**Proposed Disposal**”) of TLM’s entire 50% shareholding interest in T&T, a joint venture company which is owned equally by the Company and TYJ through their respective wholly-owned subsidiaries, to the Purchaser for a consideration of S\$1,150,000 (the “**Consideration**”).

Assuming the completion of the Proposed Disposal, T&T will cease to be an associated company of the Group and an “entity at risk” within the meaning of Chapter 9 of the Catalist Rules. T&T will remain as an “interested person” within the meaning of Chapter 9 of the Catalist Rules, being an associate of GSH and TYJ. Notwithstanding the Proposed Disposal, the Tung Lok Target Group (as defined in the Circular) intends to continue with certain recurrent transactions arising from the ordinary course of business of the Tung Lok Target Group with the GSH Interested Group.

In view of the Proposed Disposal and the change in relationship with T&T after the completion of the Proposed Disposal, the Company is proposing the adoption of a new Shareholders’ general mandate for interested person transactions (the “**New IPT Mandate**”) to enable the Tung Lok Target Group to enter into the categories of recurrent transactions as set out in section 5.4 of the Circular in the ordinary course of its business with the GSH Interested Group (including T&T) (more particularly set out in section 5.2 of the Circular) (the “**Mandated IPTs**”), provided that such transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The adoption of the proposed New IPT Mandate is conditional upon the approval by the Shareholders who are considered independent for the purposes of the Proposed Disposal and the proposed adoption of the New IPT Mandate (the “**Independent Shareholders**”) of the ordinary resolutions relating to the Proposed Disposal and the proposed New IPT Mandate at an EGM of the Company to be convened, as well as the completion of the Proposed Disposal.

Pursuant to Rule 920(1)(b)(v) of the Catalist Rules, the Company has appointed SAC Capital Private Limited as the independent financial adviser (“**IFA**”) to express an opinion on whether the methods or review procedures of the Company for determining transaction prices of the Mandated IPTs, if strictly applied and adhered to, are sufficient to ensure that the Mandated IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

This letter, which sets out our evaluation and opinion in respect of the proposed New IPT Mandate, has been prepared to comply with Rule 920(1)(b)(v) of the Catalist Rules for inclusion in the Circular and for the use of the directors of the Company (the “**Directors**”) who are deemed to be independent for the purposes of making a recommendation to the Independent Shareholders in respect of the proposed New IPT Mandate (the “**Unaffected Directors**”) in connection with and for the purposes of their consideration of the proposed New IPT Mandate and their recommendation(s) to minority Shareholders arising thereof.

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED NEW IPT MANDATE

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### 2. TERMS OF REFERENCE

We have been appointed as the IFA in relation to the proposed adoption of the New IPT Mandate pursuant to Rule 920(1)(b)(v) of the Catalist Rules to express an opinion on whether the methods or review procedures of the Company for determining transaction prices of the Mandated IPTs, if strictly applied and adhered to, are sufficient to ensure that the Mandated IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

We are not and were not involved in any aspect of the negotiations entered into by the Company in connection with the interested person transactions contemplated under the proposed New IPT Mandate or in the deliberations leading up to the decision of the Directors to undertake the proposed New IPT Mandate. Accordingly, we do not, by this letter, warrant the merits of the proposed New IPT Mandate other than to express an opinion, for the purposes of Chapter 9 of the Catalist Rules, on whether the methods or review procedures of the Company for determining transaction prices of the Mandated IPTs under the proposed New IPT Mandate, if strictly applied and adhered to, are sufficient to ensure that the Mandated IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

For the purpose of arriving at our opinion in respect of the proposed New IPT Mandate, we have considered the guidelines and review procedures of the Company for determining transaction prices of the Mandated IPTs, but have not evaluated, and have not been requested to comment on the strategic, legal, financial or commercial merits or risks of the adoption of the New IPT Mandate, or the future growth prospects or earnings potential of the Group after the adoption of the New IPT Mandate. Such evaluation or comment, if any, is and remains the sole responsibility of the Directors.

In the course of our evaluation and for the purpose of our opinion herein, we have held discussions with the Directors and the management of the Company (the “**Management**”) and have relied on the information and representations, whether written or verbal, provided to us by the Directors and the Management, including the information provided in the Circular. The Directors (including those who may have delegated detailed supervision of the Circular) have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, (a) all material information available to them in connection with the proposed New IPT Mandate has been disclosed in the Circular; (b) such information is true and accurate in all material respects; and (c) there is no other information or fact, the omission of which would cause any information disclosed to us or the facts stated in the Circular to be inaccurate, incomplete or misleading in any material respect. Whilst care has been exercised in reviewing the information which we have relied on, we have not independently verified such information or representations and accordingly cannot and do not warrant or accept responsibility for the accuracy, completeness or adequacy of these information or representations. We have, however, made reasonable enquiries and exercised our judgement (as deemed necessary) in assessing the information and representations provided to us, and have found no reason to doubt the accuracy or reliability of such information or representations which we have relied on.

We would like to highlight that, save as disclosed, all information relating to the Tung Lok Target Group and the proposed New IPT Mandate that we have relied upon in arriving at our opinion has been obtained from the Circular, publicly available information, the Directors and/or from the Management. We have not held any discussions with the directors and/or the management of the GSH Interested Group and we have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Group at any time or as at 4 July 2019 (the “**Latest Practicable Date**”).

Our opinion, as set out in this letter, is based on the market, economic, industry and other applicable conditions prevailing on, and the information made available to us as of, the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion in light

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED NEW IPT MANDATE

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of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.

**Our opinion in relation to the proposed New IPT Mandate should be considered in the context of the entirety of this letter and the Circular.**

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this letter and our letter in relation to the Proposed Disposal as set out in Appendix I to the Circular). We have had no role or involvement and have not provided any advice, financial or otherwise, in the preparation, review and verification of the Circular (other than this letter and our letter in relation to the Proposed Disposal as set out in Appendix I to the Circular). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this letter and our letter in relation to the Proposed Disposal as set out in Appendix I to the Circular).

### **3. THE PROPOSED ADOPTION OF THE NEW IPT MANDATE**

#### **3.1 Rationale and benefits of the New IPT Mandate**

The rationale and benefits of the New IPT Mandate is set out in section 5.5 of the Circular, and Shareholders are advised to read the information carefully.

#### **3.2 Classes of Interested Persons**

The classes of Interested Persons under the New IPT Mandate have been extracted from section 5.2 of the Circular and are set out in italics below. Shareholders are advised to read the information carefully.

*“The proposed adoption of the New IPT Mandate will apply to the transactions that are proposed to be carried out between any entity in the Tung Lok Target Group and the GSH Interested Group.*

*Currently T&T, being an associated company of the Company and a GSH Associate (being a company in which GSH indirectly has an interest of 30% or more), is deemed both an entity at risk and an Interested Person respectively for the purposes of the Original IPT Mandate.*

*Shareholders should note that if Shareholders’ approval is obtained for Ordinary Resolution 1 (in relation to the Proposed Disposal) and upon Completion of the Proposed Disposal, T&T would cease to be an associated company of the Company and would no longer be deemed as an entity at risk within the meaning of Chapter 9 of the Catalist Rules. Upon Completion of the Proposed Disposal, T&T would still be considered as a GSH Associate and an Interested Person within the meaning of Chapter 9 of the Catalist Rules.”*

#### **3.3 Scope of the New IPT Mandate**

The scope of the New IPT Mandate is set out in section 5.3 of the Circular, and Shareholders are advised to read the information carefully.

#### **3.4 Categories of Mandated IPTs**

The categories of Mandated IPTs have been extracted from section 5.4 of the Circular and are set out in italics below. Shareholders are advised to read the information carefully.

*“The categories of Mandated IPTs which will be covered by the New IPT Mandate are as set out below:*

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED NEW IPT MANDATE

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(a) *Purchase of finished products from the GSH Interested Group*

*The Tung Lok Target Group may from time to time purchase finished products (including dim sum and mooncakes) from the GSH Interested Group. The GSH Interested Group has its own production facilities and is in the business of manufacturing and selling various food products.*

(b) *Sale of mooncakes to the GSH Interested Group*

*The Tung Lok Target Group may tap into the local and overseas distribution network of the GSH Interested Group (particularly, the TYJ Group) by selling the Tung Lok Target Group's Tung Lok brand of mooncakes to the relevant entities of the GSH Interested Group."*

### 3.5 Guidelines and Review Procedures under the New IPT Mandate

The Group has established guidelines and review procedures to ensure that the Mandated IPTs with the GSH Interested Group under the New IPT Mandate are undertaken on an arm's length basis and on normal commercial terms. Details of such review procedures, threshold limits and additional procedures to be taken by the Company are set out in sections 5.6, 5.7 and 5.8 respectively of the Circular, and Shareholders are advised to read the information carefully.

### 3.6 Validity Period and Conditionality of the New IPT Mandate

Shareholders are to note that the proposed adoption of the New IPT Mandate is subject to the following conditions:

- (a) the ordinary resolutions relating to the Proposed Disposal and the proposed adoption of the New IPT Mandate being approved by the Independent Shareholders at the EGM; and
- (b) the completion of the Proposed Disposal.

If all of the above conditions are fulfilled, the proposed New IPT Mandate will take effect from the completion of the Proposed Disposal, and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the conclusion of the next AGM of the Company. Approval from the Independent Shareholders will be sought for the renewal of the New IPT Mandate at the next AGM of the Company and at each subsequent AGM of the Company, subject to satisfactory review by the Audit and Risk Committee of the continued applicability of the proposed New IPT Mandate to the Mandated IPTs and the continued sufficiency of the review procedures to ensure that the Mandated IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If the above conditions are not fulfilled, the proposed New IPT Mandate will not be adopted.

Shareholders are to also note that the Original IPT Mandate, renewal of which will be sought at the AGM of the Company to be held on 31 July 2019 (prior to the deliberations of the Ordinary Resolutions contemplated in the notice of EGM), is subjected to the following conditions, that (i) ordinary resolution relating to the Proposed Disposal not being approved by the Independent Shareholders at the EGM; and/or (ii) the Proposed Disposal does not complete (for any reason). Accordingly, if these conditions are satisfied, the Original IPT Mandate (if approved by the Independent Shareholders at the AGM of the Company to be held on 31 July 2019) shall (unless revoked or varied by the Company in a general meeting) continue in force until the conclusion of the next AGM of the Company.

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS IN RELATION TO THE PROPOSED NEW IPT MANDATE

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Shareholders are advised to read sections 5.1 and 8 of the Circular which sets out the scenarios, recommendations of the Unaffected Directors as well as the various conditions of both ordinary resolutions relating to the Proposed Disposal and the proposed adoption of the New IPT Mandate, respectively.

#### 4. OUR OPINION

In arriving at our opinion in respect of the proposed adoption of the New IPT Mandate, we have taken into account the following key considerations in relation to the proposed adoption of the New IPT Mandate:

- (a) the rationale for and benefits of the proposed adoption of the New IPT Mandate, as set out in section 5.5 of the Circular;
- (b) the guidelines and review procedures of the Company under the New IPT Mandate, as set out in sections 5.6, 5.7 and 5.8 of the Circular; and
- (c) role of the Audit and Risk Committee in enforcing the New IPT Mandate, as set out in sections 5.6, 5.7 and 5.8 of the Circular.

Having considered the above and subject to the assumptions and qualifications set out in this letter, we are of the opinion that the guidelines and review procedures of the Company as set out in section 5 of the Circular, if applied strictly and adhered to, are sufficient to ensure that the Mandated IPTs will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

This letter has been prepared pursuant to Rule 920(1)(b)(v) of the Catalist Rules for inclusion in the Circular and for the use of the Unaffected Directors in connection with and for the purpose of their consideration of the proposed New IPT Mandate. The recommendation to be made by the Unaffected Directors to the Independent Shareholders shall remain the responsibility of the Unaffected Directors.

Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purposes at any time and in any manner without the prior written consent of SAC Capital Private Limited in each specific case, except for the forthcoming EGM and for the purposes of the proposed adoption of the New IPT Mandate.

Our opinion is governed by, and construed in accordance with, the laws of Singapore. Our opinion is strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**SAC CAPITAL PRIVATE LIMITED**

Bernard Lim Aik Kwang  
Director

Chow You Yah  
Partner

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## APPENDIX III – INDEPENDENT SUMMARISED VALUATION REPORT

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### AVA Associates Limited

(Co. No. 1292515)

138 Cecil Street, #08-03 Cecil Court, Singapore 069538  
806 Empress Plaza, 17-19 Chatham Road South, Tsim Sha Tsui, Hong Kong

15 July 2019

To  
Board of Directors  
**TUNG LOK RESTAURANTS (2000) LTD**  
26 Tai Seng Street  
#02-01  
Singapore 534057

Dear Sirs,

AVA Associates Limited (“**AVA**”) has been engaged to perform a valuation of the 100% equity interest (the “**Equity Interest**”) in T&T Gourmet Cuisine Pte Ltd (“**T&T**”, the “**Target**” or the “**Client**”) as at 28 February 2019 (“**Valuation Date**”), for internal reference and in relation to a possible disposal of T&T by Tung Lok Restaurants (2000) Limited (“**Tung Lok**”) and/or its subsidiaries (the “**Tung Lok Group**”). In the event that the Tung Lok Group were to proceed with the disposal in T&T and a circular (“**Circular**”) is required to be released to its shareholders, AVA is agreeable to allow Tung Lok and its appointed Independent Financial Adviser (“**IFA**”) to make reference to this valuation report in all the related announcements made on the Singapore Exchange (“**SGX**”), the Circular as well as the letter to be issued by the IFA to Tung Lok in connection to the Tung Lok Group’s disposal of T&T. In addition, AVA is also agreeable to the inclusion of our summarised valuation report in the Circular, if required. No other use, direct or indirect, of our analysis is intended or inferred or shall be relied upon by the Client and Tung Lok Group other than explicitly specified in the engagement letter herein.

### Definition of Value

In estimating the value of the Equity Interest, our efforts were based on the following premise of value:

**Market Value** – *“The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”* Such value represents an estimate based on the economic theory of equilibrium price for an asset in a perfect market. Unless otherwise noted, in estimating the Market Value, we have assumed that the business and its assets will remain a going concern in accordance with the relevant literature.



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## APPENDIX III – INDEPENDENT SUMMARISED VALUATION REPORT

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### Overview of the Target

T&T is a joint venture company, owned equally by the Tung Lok Group and Tee Yih Jia Food Manufacturing Pte Ltd (“TYJ”) through their respective wholly-owned subsidiaries. The Target, operating out of the first and fifth floors of Tee Yih Jia Building at 1 Senoko Road in Singapore, is principally involved in the business of manufacturing and selling dim sum products and mooncakes packaged in retail and catering packs.

### Scope of Work

We understand that the 2 ultimate shareholders of T&T, Tung Lok and TYJ, are considering a sale and purchase of the Tung Lok Group’s 50% equity interest in the Target. As part of the negotiation, and also Tung Lok’s compliance with the listing rules of SGX, T&T has engaged AVA to assist in the determination of the Market Value of the Equity Interest in the Target, to be carried out as at Valuation Date, for internal reference and subsequent disclosure to Tung Lok’s shareholders.

For this exercise, we estimated the value of the Equity Interest of the Target on the premise of a going concern where the business will continue running normally using all of its assets to produce income. The value is derived based on the following formula:

$$\begin{aligned} & \text{Market Value of the Equity Interest} \\ & = \\ & \text{Enterprise Value} - \text{Debt} + \text{Cash} + \text{Non-Operating Assets}/(\text{Liabilities}) \end{aligned}$$

Enterprise Value is a measure of a company's value or business to its stakeholders, namely debt holders and equity owners. It is generally defined with the following formula:

$$\text{Enterprise Value} = \text{Equity Value} + \text{Debt} - \text{Cash} - \text{Non-Operating Assets}/(\text{Liabilities})$$

Our valuation and report are prepared in accordance with the International Valuation Standards (2017 edition) as published by the International Valuation Standard Committee. The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Preparation of an information checklist for information gathering;
- Site visit;
- Discussion with the appropriate parties regarding the identified assets, proposed valuation methodologies, current/proposed operations and historical/forecast financials of the Target, as well as its prospects, etc;
- Development of appropriate valuation models pertinent to the exercise;
- Preparation of draft reports for discussion with the T&T; and
- Submission of the final report to the T&T for the purpose of this exercise.

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## APPENDIX III – INDEPENDENT SUMMARISED VALUATION REPORT

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### Sources of Information

As part of our due diligence, we relied upon documents supplied by T&T, including, but not limited to, the following:

- Audited annual financial statements of the Target for the fiscal periods from 1 April 2014 to 31 March 2018;
- Management account of the Target, for the 11 months from April 2018 to February 2019;
- Rental Agreement between TYJ and T&T dated 4 January 2018;
- Minutes of the meeting of T&T EXCO on 7 December 2018;
- Capability Development Grant from SPRING Singapore dated 19 March 2014;
- General mandate in relation to Interested Party transactions between T&T and Tung Lok, as approved by the shareholders of Tung Lok on 29 July 2011;
- Breakdown for Customers and Vendors for 2 years from 1 April 2016 to 31 March 2018;
- Breakdown for Revenue and Direct Costs for 5 years 1 April 2014 to 31 March 2018;
- Details of the fixed assets for 3 years from 1 April 2016 to 31 March 2019;
- Debtor ageing report as at 28 February 2019;
- Inventory aging as at 28 February 2019; and
- Other relevant documentations.

We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. In the course of our valuation, we held discussions with the management concerning the history and current conditions of the business, financial and general outlook of the Target. We assumed that the data we obtained in the course of the valuation, along with the opinions and representations provided to us by the companies are true and accurate. We also used financial and other information obtained from private and public sources we considered reliable. Our conclusions are dependent on such information being complete and accurate in all material respects. We believe the valuation procedures we employed provide a reasonable basis for our opinion.

### Valuation Theory

Our approach in valuing the Equity Interest relied on using the appropriate techniques to arrive at our conclusion of value. We considered the three generally recognized approaches to value: the income, market and cost approaches.

An overview of the three approaches considered is as follows:

- The *Income Approach* focuses on the income-producing capability of a business or asset. The income approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.
- The *Market Approach* measures the value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets. In estimating the value of a business under

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## APPENDIX III – INDEPENDENT SUMMARISED VALUATION REPORT

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the market approach there are two methodologies: the publicly-traded guideline company methodology and the recent transaction methodology. The publicly traded guideline company methodology develops an indication of value for the subject company by calculating market pricing multiples for selected publicly-traded guideline companies and applying these multiples to the appropriate financial measures of the subject company. The recent transaction methodology develops an indication of value for the subject company by calculating market pricing multiples based on actual acquisitions of similar businesses and applying these multiples to the appropriate financial measures of the subject company. After deriving a value, adjustments are then made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.

- The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being valued provide less utility than new assets, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence. The cost approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

### Selected Approach

We calculated the Market Value of the Equity Interest in the Target by estimating the value through the income approach, employing a discounted cash flow (“DCF”) analysis.

The value of the Equity Interest is derived based on the following formula:

$$\text{Equity Value} = \text{Enterprise Value} - \text{Debt} + \text{Cash} + \text{Non-Operating Assets}/(\text{Liabilities})$$

This formula assumes cash holdings as at Valuation Date are treated as excess cash.

Our basis for selecting the income approach was due to the availability of relevant data, specifically the historical operating records, development plans and financial projections provided by the Target. Based on this information, we utilized a discounted cash flow methodology to estimate the cash that is available, either to invest in new or existing businesses or to distribute, to equity holders. This allowed us to estimate the Market Value of the 100% equity interest in the business under a set of reasonable and robust assumptions.

The market approach was not deemed appropriate due to the lack of comparable market transactions and prices. We performed a similar transaction search and found no similar disclosed recent transactions. The cost approach was also deemed inappropriate, as one of the significant assets of this business is the Target’s assembled workforce and its distribution network, and these would not be properly reflected using a cost approach methodology.

### Valuation of the Equity Interest – Income Approach

#### Discounted Cash Flow Method

In line with our scope of work to derive the value of the Equity Interest in the Target, we chose the DCF methodology as it enables us to view the entire portfolio of assets as an operating entity, with the principal focus of the analysis on the operating entity's ability to generate free cash flow in the future, based on assumptions provided by the company. Free cash flow to equity holders ("FCFE") is defined as cash that is available either to invest in new or existing businesses or to distribute to investors (equity holders). Reasonable projections of revenues, expenses, and reinvestment requirements (i.e. working capital and capital expenditures) form the basis for estimating the future free cash flows that a company will likely generate from its existing business.

The FCFE for each year of the projection period was calculated by adding non-cash expenses, such as depreciation and amortization, deferred rent, and stock option expense, to and deducting incremental investments in working capital, and capital expenditures from the net profit.

The projected free cash flows in each period were discounted to present value at an appropriate rate of return, or "discount rate." The sum of the discounted stream of future free cash flow, together with the value of non-operating assets, if any, reflects the value of the subject enterprise or portfolio of assets.

#### Key Valuation Assumptions

We have assumed the following for the purpose of this exercise:

- In the course of operating the business, it will compose of all necessary assets, both tangible and intangible, to continue operating as it has under its current owners; and
- There are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value.

During the course of our work, we held discussions with management concerning the history, nature, and future prospects of the Target. They provided us with guidance on historical revenue, expenses, and working capital requirements. Based on our professional judgement, we have put forth a set of parameters deemed to be reasonable to arrive at a 5-year projection and adopted it for the purpose of this valuation. We discussed the risks of achieving these projections and the overall reasonableness of the parameters used. We considered the impact of each valuation-related parameter individually, and the related impact on our overall valuation conclusions.

Since the procedures we performed as related to the financial statements and projections on this assignment are limited in scope, and do not constitute an examination, review, or compilation of historical information in accordance with generally accepted auditing standards or an examination, review, or compilation of prospective information in accordance with established standards, we do not express an opinion on the financial, statistical, or other data provided by management included in our summary of findings.

## APPENDIX III – INDEPENDENT SUMMARISED VALUATION REPORT

### Analysis – Current Operating Risks

Key operating risks that we observed from our study of the business are as follows:

- **Revenue:** For the period ending 31 March 2017 and 31 March 2018, the top 5 customers, accounted for 95% and 86% of the Target’s revenue. There is significant reliance on these customers, especially TYJ who controls 50% of the Target. The Target relies heavily on TYJ to distribute its dim sum products.
- **Manufacturing Facilities:** The Target rents the facilities at TYJ’s Tee Yih Jia Building at 1 Senoko Road in Singapore. While the rental amount is market-determined, there is risk of the lease not being renewed by its owner, TYJ.
- **Machinery & Equipment:** Bulk of these assets were installed in the mid-2000s. While the manufacturing of mooncakes and dim sum products do not require sophisticated equipment, functional and economic obsolescence would set in for the existing equipment, thus needing continuous reinvestment in the foreseeable future. As-is, these assets will not be able to support any expansionary product development and production without substantial commitment and capital investments to enhance the Target’s product offerings.
- **Management Costs:** We were made to understand that the Target has leveraged on TYJ’s management and R&D expertise over the recent years without full compensation. It has been agreed, between Tung Lok and TYJ, for the Target to pay TYJ 10% of its operating profit from the financial year ended 31 March 2019 (“FY2019”) onward.

### DCF Model - Assumptions

The following assumptions were employed in the DCF model.

Parameters	Assumptions
Forecast Period	<ul style="list-style-type: none"> <li>• A 5-year period, from 1 March 2019 to 31 March 2024, is chosen, with the Target ceasing its operation at the end of that period. This assumption is based on the following factors.               <ul style="list-style-type: none"> <li>– The Target continues to operate in a competitive market with little product differentiation for its dim sum products, while its mooncake sales are seasonal with limited market size. Substantial investments are needed if the Target is to consider expanding and enhancing its product offerings.</li> <li>– The current machinery and equipment date back to the mid-2000s. While they are still in working condition, with continuous maintenance, it will not be able to support any expansionary product development and production without substantial commitment and capital investments to enhance the Target’s product offerings.</li> <li>– It is reliant on TYJ’s distribution network and expertise to continue selling its products. However, dim sum sales to TYJ has stagnated at about SGD2.8 million annually in the last 4 years. An alternative distribution network will require time to establish and additional resources to be committed.</li> <li>– Profit margins have continued to decline over the last few years, given the keen competition. A comprehensive plan to establish a competitive advantage is needed to sustain and enhance profitability into the future.</li> </ul> </li> </ul> <p>Given the above and the operating risks discussed earlier, it is reasonable to assume that the business, if it continues to be operated as-is, is most likely to be viable for the duration of the forecast period only. At the end of the forecast period, the residual assets are assumed to be liquidated at book value.</p>

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## APPENDIX III – INDEPENDENT SUMMARISED VALUATION REPORT

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Revenue	<ul style="list-style-type: none"><li>Total revenue grew 3.4%, 4.9% and 2.0% in FY2017, FY2018 and FY2019 respectively. Our analysis considered revenue growth of 3.0% in the forecast period.</li></ul>
Gross profit margin	<ul style="list-style-type: none"><li>Gross profit margins were 15.9%, 11.0% and 8.0% in FY2017, FY2018 and FY2019 respectively. Our analysis considered a gross margin of 11.0%.</li></ul>
Operating profit margin	<ul style="list-style-type: none"><li>Historical earnings before interest and tax (“EBIT”) were 12.3%, 10.1% and 5.4% in FY2017, FY2018 and FY2019 respectively. We assume the Target will operate with an EBIT margin of 5.5% to 8.3% in the forecast period.</li></ul>
Income tax rate	<ul style="list-style-type: none"><li>Marginal income tax rate of 17.0% is assumed.</li></ul>

### Conclusion of Value – Equity Interest in T&T

Based on the information provided, our analyses and conclusions of the various proposed scenarios, and subject to the attached Statement of General Assumptions and Limiting Conditions, we are of the opinion that, as at Valuation Date, the Market Value of the 100% equity interest in the Target is reasonably stated in the amount of SGD2,300,000 (Singapore Dollars Two million three hundred thousand).

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuations of prudent management over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

The information contained in this report may include proprietary, sensitive and confidential information that has not been publicly disclosed. Release of this information to any other party could be damaging to the Target.

Respectfully submitted,

**AVA Associates Limited**



*AVA Associates Limited, based in Hong Kong and Singapore, has been providing independent valuation services to clients in Asia since 2008. We provide transaction-based advisory services, primarily focusing on independent valuation services to assist its clients to comply with internal and external requirements. Our valuation team, made up of qualified professionals in their respective fields, has the expertise covering various classifications of tangible and intangible assets, focusing on four key competencies of business valuation, financial instrument valuation, intellectual property valuation and fixed asset valuation.*

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## APPENDIX III – INDEPENDENT SUMMARISED VALUATION REPORT

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### Statement of General Assumption and Limiting Conditions

1. This analysis is subject to the following general assumptions and limiting conditions:
2. No investigation has been made of, and no responsibility is assumed for, the legal description of the property being valued or legal matters, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is assumed to be free and clear of any liens, easements, encroachments, and other encumbrances unless otherwise stated.
3. Information furnished by others, upon which all or portions of this valuation is based, is believed to be reliable but has not been verified except as set forth in this report. No warranty is given as to the accuracy of such information.
4. This report has been made only for the purpose stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including, without limitations, any conclusions, the identity of AVA or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties other than the Company and its financial accounting firm, by any means without the prior written consent and approval of AVA.
5. This appraisal has been made in conformance with the International Valuation Standards issued by the International Valuation Standards Council.
6. Neither AVA nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony or appear in court or other legal proceedings unless specific arrangements therefore have been made.
7. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the valuation date hereof.
8. The date of value to which the estimate expressed in this report applies is set forth in the beginning of this report. This valuation is valid only for the valuation date indicated. Our analysis is based on the purchasing power of the Singapore Dollar as of that date.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government, or private entity or organization have been or can readily be obtained or renewed for any use on which the value estimate provided in this report is based.
10. Full compliance with all applicable federal, state, and local zoning and use, occupancy, environmental, and similar laws and regulations is assumed, unless otherwise stated.
11. Responsible ownership and competent management are assumed.
12. The value estimate is predicated on the financial structure prevailing as of the date of this analysis.
13. This report may not be included or referred to in any statutory filing or other public document.
14. This is a Summary Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the valuation process to develop the valuation professional's estimate of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the valuation professional's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The valuation professional is not responsible for unauthorized use of this report.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### TUNG LOK RESTAURANTS (2000) LTD

(Company Registration No. 200005703N)  
(Incorporated in the Republic of Singapore)

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting (“**EGM**”) of Tung Lok Restaurants (2000) Ltd (the “**Company**”) will be held at Orchard Rendezvous Hotel, 1 Tanglin Road, Level 2, Antica Ballroom, Singapore 247905 on 31 July 2019 at 11.30 a.m. (or as soon as practicable following the conclusion or adjournment of the Annual General Meeting (“**AGM**”) of the Company to be held at 11.00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without any amendments, the following ordinary resolutions:

*Unless otherwise defined, all capitalised terms herein shall bear the same meaning as used in the circular dated 15 July 2019 issued by the Company (the “**Circular**”).*

#### ORDINARY RESOLUTION 1:

##### THE PROPOSED DISPOSAL OF 50% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF T&T GOURMET CUISINE PTE LTD TO MAKER FOOD MANUFACTURING PTE LTD AS AN INTERESTED PERSON TRANSACTION

- (a) approval be and is hereby given for the Company and Tung Lok Millennium Pte Ltd (“**TLM**”) to enter into the proposed disposal of 50% of the issued and paid-up share capital of T&T for a consideration of S\$1,150,000 (the “**Proposed Disposal**”) pursuant to the terms and conditions of the sale and purchase agreement dated 18 June 2019 (the “**Agreement**”) between TLM and Maker Food Manufacturing Pte Ltd;
- (b) the execution of the Agreement by TLM, be and are hereby ratified, confirmed and approved;
- (c) the Directors and each of them be and are hereby authorised to from time to time amend, modify and/or supplement the terms of the Proposed Disposal and/or the Agreement as the Directors may deem appropriate; and
- (d) the Directors and/or any of them be authorised to complete and do all such acts and things (including without limitation to executing such documents and deeds as may be required, approving any amendments, alterations, or modifications to any documents, and to sign, file, and/or submit any notices, forms and documents with or to the relevant authorities) as they and/or he may in their/his absolute discretion consider expedient or necessary as they and/or he may think fit to give effect to the Proposed Disposal and/or this resolution.

#### ORDINARY RESOLUTION 2:

##### THE PROPOSED ADOPTION OF THE NEW SHAREHOLDERS’ GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

That, subject to and contingent upon the passing of **Ordinary Resolution 1**:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules, for the Tung Lok Target Group, which are considered to be *entities at risk* or any of them to enter into any of the transactions falling within the categories of Mandated IPTs (particulars of which are set out in **Section 5.4 of the Circular**) with the GSH Interested Group in accordance with the guidelines of the Company for Mandated IPTs as set out in the Circular, and subject to the review procedures for such Mandated IPTs as set out in **Sections 5.6 to 5.8 of the Circular** (the “**New IPT Mandate**”);



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) such approval shall, subject to the satisfaction of the conditions set out in Note (i) below or unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company;
- (c) the Audit and Risk Committee of the Company be and is hereby authorised to take such actions as it deems proper in respect of the review procedures for the Mandated IPTs and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Catalist Rules which may be prescribed by the SGX-ST from time to time; and
- (d) the Directors of the Company be and are hereby authorised to do all such acts and things (including without limitation executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the proposed New IPT Mandate and/or this resolution.

### NOTE TO ORDINARY RESOLUTION 2:

- (i) Shareholders are to note that **Ordinary Resolution 2** which relates to the proposed adoption of the New IPT Mandate is subjected to the following conditions, that (i) the Ordinary Resolution relating to the Proposed Disposal and the proposed adoption of the New IPT Mandate being approved by the Independent Shareholders at the EGM; and (ii) Completion of the Proposed Disposal.

Accordingly, if the above conditions are fulfilled, the proposed adoption of the New IPT Mandate will take effect from the Completion Date of the Proposed Disposal until the conclusion of the next AGM of the Company. If the above conditions are not fulfilled, the proposed New IPT Mandate will not be adopted.

In the event where the **Ordinary Resolution 1** relating to the Proposed Disposal is not approved at the EGM and/or the Proposed Disposal does not complete (for any reason), Shareholders are to note that the Original IPT Mandate (assuming that the Independent Shareholders have approved the resolution renewing the Original IPT Mandate at the AGM of the Company to be held on 31 July 2019) shall (unless revoked or varied by the Company in a general meeting) continue in force until the conclusion of the next AGM of the Company.

For more details, Shareholders can refer to the Notice of 19<sup>th</sup> AGM.

By Order of the Board

### LO KIM SENG

Secretary

Singapore, 15 July 2019

### NOTES:

- (1) A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy must be deposited at the Company's Registered Office, 1 Sophia Road, #05-03 Peace Centre, Singapore 228149, not less than 72 hours before the time fixed for holding the EGM.
- (3) Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the EGM. Relevant intermediary is either:-
  - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
  - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
  - (c) the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# Tung Lok Restaurants (2000) Ltd

(Incorporated in the Republic of Singapore)  
Registration No. 200005703N

**IMPORTANT:**

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Extraordinary General Meeting (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_ (Name)

\_\_\_\_\_ (NRIC/Passport/Company Registration No.)

of \_\_\_\_\_ (Address)

members of Tung Lok Restaurants (2000) Ltd (the "Company"), hereby appoint

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held at Orchard Rendezvous Hotel, 1 Tanglin Road, Level 2, Antica Ballroom, Singapore 247905 on Wednesday, 31 July 2019 at 11.30 a.m. (or as soon as practicable following the conclusion or adjournment of the Annual General Meeting to be held at 11.00 a.m. on the same day and at the same place) and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Meeting.)

No.	Ordinary Resolutions relating to:	For	Against
1	To approve the Proposed Disposal		
2	To approve the proposed adoption of the New IPT Mandate		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

Total number of shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

**IMPORTANT: Please read notes overleaf**



NOTES:-

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote in his stead at the Extraordinary General Meeting. Such proxy need not be a member of the Company.
3. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, a relevant intermediary is either:
  - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
  - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
  - (c) the Central Provident Fund (“CPF”) Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 1 Sophia Road #05-03, Peace Centre, Singapore 228149, not less than 72 hours before the time appointed for the Extraordinary General Meeting. If a shareholder submits a proxy form and subsequently attends the meeting in person and votes, the appointment of the proxy should be revoked.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
7. Where an instrument appointing a proxy is signed on behalf of the appointer by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with Section 179 of the Singapore Companies Act, Chapter 50.

GENERAL:-

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 15 July 2019.