同乐 TUNGLOK

TUNG LOK RESTAURANTS (2000) LTD
(Incorporated in Singapore)
(Registration No. 200005703N)

RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS FOR THE COMPANY'S 21ST ANNUAL GENERAL MEETING

The Board of Directors (the "**Board**") of Tung Lok Restaurants (2000) Ltd (the "**Company**", together with its subsidiaries, the "**Group**") wishes to thank the shareholders for submitting their questions ahead of the Company's 21st Annual General Meeting ("**AGM**") to be held on 30 July 2021 at 10.00 a.m. (Singapore time) by way of electronic means. The Company would like to provide its responses to the substantial questions relevant to the resolutions tabled for approval at the AGM.

1. With reference to page 118 of the Company's annual report ("**Annual Report**") for the financial year ended 31 March 2021 ("**FY21**") about "Segment information", particularly "Geographical information". How much revenue was generated outside Singapore i.e. China, Japan, Vietnam, Indonesia respectively?

   Company's response:

   The Group's business is predominantly based in Singapore.

   The Company operates in China through its associates as disclosed in Note 18 to the financial statements for FY21 (page 105 of the Annual Report). The Group has accounted for the investment in associates using the equity method. Accordingly, the revenue of our China associates was not consolidated as part of the Group's revenue.

   The Group operates in Japan, Vietnam and Indonesia through its licensees. Out of the Group's revenue of S$59.73 million recorded in FY21, S$0.33 million (or 0.55%) was related to fees earned from those licensees.

2. With reference to pages 13 and 15 of the Annual Report about "Message from Independent Non-Executive Chairman and President/Chief Executive Officer":
   (a) it was stated that "S$2.6 million loss of revenue contribution from an outlet that was closed in FY20". What outlet was closed in the financial year ended 31 March 2020 ("**FY20**")?
   (b) it was stated that "S$0.8 million loss of revenue contribution from an outlet that was closed in FY21". What outlet was closed in FY21?
   (c) it was stated that "Subsequent to the financial year under review, the Group has closed 4 non-performing outlets in Singapore." What were these "4 non-performing outlets"?

   Company's response:

   The Group closed Shin Yeh located at Liang Court in FY20 and Dancing Crab located at The Grandstand in FY21. Subsequent to FY21, the Group closed Slappy Cakes located at Resorts World Sentosa, Duckland located at United Square as well as Lokkee and Slappy Cakes, both located at Plaza Singapura.

3. With reference to page 63 of the Annual Report about “Independent Auditor’s Report”, particularly “Impairment assessment of property, plant and equipment and right-of-use assets”. At the 2nd sentence, it was stated that “The Group has several restaurant outlets that are loss-making since past years …” What were these “several restaurant outlets” that are loss-making for past few years (i.e., even before the onset of Covid pandemic in 2020)?

   Company’s response:

   The loss-making outlets were the ones which were closed subsequent to FY21 as mentioned in the Company’s response to Question 2.

4. With reference to page 105 of the Annual Report about “Associates”. While the Group has turned from losses in FY20 to profits in FY21, the Group’s investments in associates have turned from profit of S$612,000 in FY20 to losses of S$1.55 million in FY21. Which associate(s) were incurring most of this S$1.55 million loss after tax? What went wrong?

   Company’s response:

   The restaurants operated by our associates were also severely disrupted by the COVID-19 outbreak and the consequent social distancing measures implemented to curb the transmission of the virus.

   Singapore Seafood Republic located at Resorts World Sentosa which is operated by the associate, SSR Sentosa Pte. Ltd. (“**SSR**”), was adversely affected by the closed borders and the lack of tourist arrivals to Resorts World Sentosa. In FY21, SSR had also recorded an impairment of its property, plant and machinery amounting to S$342,000. Consequently, SSR accounted for most of the S$1.55 million losses incurred by the associates.

5. With reference to page 116 of the Annual Report about “Segment information”. For catering operations segment, its revenue from external customers has increased by 8.0% from S$8.65 million in 2020 to S$9.34 million in FY21. What were the main reasons behind its growth in 2021?

   Company’s response:

   The Group’s catering operations managed to secure short-term contracts to provide bento sets to foreign workers who were quarantined in the dormitories during the first half of FY21, explaining the higher revenue contributions recorded for catering operations in FY21 compared to FY20.

6. With reference to page 106 of the Annual Report about “Property, plant and equipment”. Noted that there were additions in “Property, plant and equipment” of S$1.09 million in FY21. Where these additions of S$1.09 million in FY21 mainly for the Catering operations segment and Manufacturing operations segment?

   Company’s response:

   The information can be found in Page 116 of the Annual Report (Segment information).

7. How will the “capital commitments” trend be like over the next 2-3 years? How will they be funded?

   Company’s response:

   The prolonging effects of the COVID-19 pandemic will likely result in a slow and gradual recovery of the economy. Given that the Group is still in the midst of the COVID-19 pandemic, the Group will continue to adopt a prudent approach in its expansionary plans and capital commitment.

   Any capital commitment shall be funded by the S$1.45 million unutilised net proceeds from the Rights Issue completed in Year 2014, internally generated resources and bank credit facilities.

8. With reference to page 13 of the Annual Report about “Message from Independent Non-Executive Chairman and President/Chief Executive Officer”. In the last paragraph, it was stated that “Administrative expenses, decreased by S$7.0 million or 22.1% to S$24.7 million in FY21 from S$31.7 million in FY20, mainly due to reduction of headcount by 193 compared to February 2020 and temporary salary reductions as part of the Group’s cost control measures introduced after the onset of the pandemic.” On the next page, in the 2nd last paragraph, it was also stated that “… effects to conserve liquidity through implementing cost control measures. These included deferment of non-critical capital expenditure, reduction of casual labour, temporary salary cuts for existing staff ranging from 10% to 30%, requesting staff to accelerate the utilisation of their annual leaves, voluntary and compulsory no-pay leave arrangements.” In view of current no dining-in restrictions, what cost control measures will be implemented to save the Group?

   Company’s response:

   With the recent surge in cases, the COVID-19 pandemic continues to pose challenges and uncertainties to our food and beverage business.

   The Group will monitor the situation closely and continue to proactively contain our operating costs, including manpower costs. Subsequent to FY21, the Group has also closed 4 non-performing outlets in Singapore to manage its liquidity.

   It is also noted that the Singapore Government has offered subsidies and rental rebates during the recent heightened alert periods to mitigate the impact to the affected industries, which includes the food and beverage industry.

9. With reference to page 47 of the Annual Report (Corporate Governance Report). It was stated that "The aggregate total remuneration paid to or accrued to the top six (6) Key Management (who are not Directors or the CEO) amounted to S$845,096." Despite the Group depending on Jobs Support Scheme and rent concessions to avoid an operating loss in FY2021, why was there an increase in one headcount for Key Management Personnel & incurrence of additional aggregate total remuneration of S$87,015 from S$758,081 in FY2020 to S$845,096 in FY2021?

   Company's response:

   Provision 8.1 (b) of the Code of Corporate Governance 2018 ("**2018 Code**") has recommended listed companies to disclose the total remuneration paid for at least the top 5 key management personnel (who are not directors or the Chief Executive Officer). For FY20, the Company has disclosed the total remuneration paid to the top 5 (out of 7) key management personnel ("**KMP**") which amounted to S$758,081.

   For FY21, the Company has voluntarily disclosed the remuneration of all the 6 KMPs (as listed in Page 22 to 23 of the Annual Report as 1 KMP had resigned) although the 2018 Code only recommended the disclosure of the top 5 KMP.

   Therefore the Company would like to clarify that for FY21, there was no increase to the number of KMP and remuneration paid to the KMP. Instead, there was a decrease of 1 KMP for FY21 (FY21: 6 KMP; FY20: 7 KMP) and the average remuneration per KMP had also decreased in FY21 compared to FY20.

BY ORDER OF THE BOARD

Tjioe Ka Men
President/Chief Executive Officer
Date: 29 July 2021

*This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited. This announcement 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 announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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