

TUNG LOK RESTAURANTS (2000) LTD

(Incorporated in Singapore)
(Registration No. 200005703N)

CORPORATE AND BUSINESS UPDATE AND PROFIT GUIDANCE FOR THE SIX-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

I. Introduction

The Board of Directors (the “**Board**”) of Tung Lok Restaurants (2000) Ltd (“**TungLok**”) and together with its subsidiaries, the “**Group**”) wishes to provide the shareholders and investors with a Corporate and Business Update. This update includes (1) a recent business review by the Senior Management to respond to challenges in the operating environment further to the relaxation of movement restrictions due to the COVID-19 outbreak; (2) Business Strategies of the Group; and (3) the Profit Guidance for 6 months ended 30 September 2022 (“**1H FY23**”).

The 3 main business strategies of the Group have been outlined:

- i) Growing current and new revenue streams;
- ii) Enhance digital initiatives and improve margins; and
- iii) Oversea expansion through franchising/licensing opportunities.

II. Review of F&B Operating Environment

The Group currently operates a total of 34 restaurants spread across Singapore, Indonesia, Japan, Vietnam and the Philippines – 25 outlets directly owned by the Group, 3 held by the Group’s associates and 6 others under licensing/franchising contracts with our Group’s business predominantly in Singapore.

The outbreak of the pandemic in early Year 2020 presented unprecedented challenges to the food and beverage (“**F&B**”) sector. Movement restrictions and limitations on gatherings were imposed to curb the spread of COVID-19, impacting the Group’s operations significantly.

Apart from precautionary health and safety measures to ensure the well-being of our staff and customers, the Group deferred non-critical capital expenditure and has closed 8 outlets since the beginning of Year 2021. Despite significant wage support from the Singapore Government’s Jobs Support Scheme, the Group recorded a net loss of S\$1.8 million for the financial year ended 31 March (“**FY**”) 2022 compared to a net profit of S\$1.0 million for FY 2021.

However, even as movement restrictions in Singapore eased since April 2022, new challenges have emerged in the operating environment, chiefly: i) shortage of F&B staff; ii) higher energy costs; and iii) significant increases in food cost amid geopolitical conflicts and inflationary pressures.

Responding to these fresh challenges, the Senior Management has outlined the following business strategies which will leverage Tung Lok’s current F&B footprint and industry experience of more than 3 decades so as to grow revenue streams while improving internal efficiencies even further.

III. Business Strategies

i) Growing Current and New Revenue Streams

a) New Restaurant Outlets

Despite the challenges of the pandemic, the Group continued to introduce the following new concepts and outlets, underscoring the Group's confidence in the long-term F&B market:

New Concepts

- *Douraku Sushi* (Park Regis Singapore and d'Arena Jurong) which features a sushi bar offering authentic Japanese selections.
- *Ushio Sumiyaki and Sake Bar* (OUE Tower Level 8) which specialises in Japanese-style charcoal grilled delicacies and artisanal sakes from Japan.
- *Qin Restaurant & Bar* (The Clan Hotel) which serves re-imagined Asian classics with a modern touch, cocktails and wines.

New Outlets

- *TungLok Seafood* at Park Regis Singapore
- *Dancing Crab* at Northshore Plaza II Punggol
- *Slappy Cakes* at Northshore Plaza II Punggol
- *Lao Beijing* at Square 2
- *TungLok Peking Duck* at Velocity@Novena Square

These new outlets have received positive market reception and the Group is optimistic they will contribute positively to revenue growth as foot traffic recovers amid the lifting of restrictions.

Notwithstanding, the Group will continue to take a prudent and deliberate approach towards its expansionary plans, given the headwinds ahead.

b) Ready-to-Eat ("RTE") meals

The rise of hybrid or work-from-home practices has resulted in more people dining at home. Apart from food delivery, Tung Lok has seen a distinct increase in customer willingness to order RTE meals for convenience and to save on time.

Tung Lok has invested in technology in its central kitchen to ensure freshness and hygiene of blast-freeze RTE dishes which only require a few minutes of heating, without compromising on taste and quality.

With increasing demand and productivity, the Group more than tripled its range of RTE meals from 20 dishes pre-pandemic to 64 dishes as of October 2022. The RTE meals include traditional local Chinese dishes such as Vinegar Pork, Herbal Chicken and Shanghai Braised Pork.

RTE meals are sold on Tung Lok Home Fiesta's website, as well as in chillers located in 15 of the Group's outlets in Singapore. The Group also recently partnered with NTUC Supermarket to offer all 64 RTE products on the latter's online platform. In response to growing demand from the Muslim community, 17 halal options, not available pre-pandemic, have also been included.

These efforts have lifted revenue from RTE meals to S\$1.8 million in FY 2022 and S\$1.7 million in FY 2021 from S\$0.5 million in FY 2020, underscoring the positive market reception to the Group's RTE meals.

Moving forward, the Group will step up digital sales efforts, through social media campaigns. It will also continue to enhance its Tung Lok Home Fiesta website, and increase collaborations with other partners to expand customer reach. In May 2022, the Group has also started to export the RTE products to a supermarket chain operator in Brunei.

c) Catering

With the lifting of COVID-19 restrictions in Singapore, the Group is also seeing a revival in demand for its catering services. The Group is currently the resident caterer for Singapore EXPO, and partners with other venues such as CHIJMES and Gardens by the Bay to provide halal-certified and non-halal catering services.

The Group plans to leverage its track record to take on more supply kitchens to meet growing demand while exploring B2B partnerships to grow catering revenue.

ii) Enhance digital initiatives and improve margins

Worker wages have risen amid a labour shortage, while inflationary pressures have driven operating costs higher. The Group has implemented cost-containment measures in response, such as:

- a) Digital initiatives include equipping each restaurant outlet with at least 1 – 2 robot waiters to deliver food, and implementing mobile ordering systems for customers to self-order and make payments directly, lowering the costs of manpower.
- b) Negotiations with business partners to keep costs of ingredients low, as well as with landlords to maintain or lower rental costs for its existing outlets.
- c) Streamlining of backend processes such as voucher management and enhanced ERP systems.

As a result of its digital initiatives, the Group is able to maintain full operations even as diners return to our outlets, despite the reduced headcount. Gross profit margin has remained consistent despite the challenges mentioned, reflecting the initial success of these measures.

Moving forward, the Group will look to further lower its cost structure and expects gross margins to maintain, if not increase.

iii) Overseas Expansion through Franchising/Licensing Opportunities

Several of the Group's overseas licenced outlets were closed during the COVID-19 pandemic, in particular Cambodia and Taiwan. The Group has also divested its China outlets to rationalise resources and manage business costs.

As global borders begin to reopen and the F&B sector is recovering, the Group plans to re-establish its overseas network again, starting with the opening of licensed *TungLok Signatures* Manila, Philippines in July 2022.

The Group also intends to offer other brands for franchising such as *TungLok Seafood* and *TungLok Teahouse*, to countries with a growing middle class such as Vietnam.

IV. Outlook and Profit Guidance for 1H FY23

The Group believes that the above strategies will build a resilient business foundation moving forward.

In view of the recovering F&B industry and leaner cost structure, the Group expects to record a net profit for 1H FY23 (6 months ended 30 September 2021: loss of S\$3.4 million) even though this is its seasonally weaker half.

The Group expects to release its unaudited consolidated financial results for 1H FY23 on or before 14 November 2022.

Barring further disruptions to operations and other unforeseen circumstances, the Group expects that the financial performance for FY 2023 to improve compared to FY 2022, after taking into consideration the business strategies and the positive profit guidance for 1H FY23 above.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company. If in doubt, shareholders and potential investors of the Company should seek advice from their stockbrokers, bankers, solicitors, accountants, tax advisers or other professional advisers.

BY ORDER OF THE BOARD

Tjioe Ka Men
President/Chief Executive Officer

26 October 2022

This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"). 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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