



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

THE PROPOSED DISPOSAL OF THE 50% SHAREHOLDING INTERESTS IN T&T GOURMET CUISINE PTE LTD TO MAKER FOOD MANUFACTURING PTE LTD

1. Introduction

- 1.1 The board of directors (the “**Board**” or the “**Directors**”) of Tung Lok Restaurants (2000) Ltd (the “**Company**”, together with its subsidiaries, referred to as the “**Tung Lok Group**”) wishes to announce that the Company’s wholly-owned subsidiary, Tung Lok Millennium Pte Ltd (“**TLM**”), had entered into a conditional sale and purchase agreement (“**SPA**”) for the disposal of its entire shareholding interests in T&T Gourmet Cuisine Pte Ltd (“**T&T**”) comprising of 800,000 issued and paid-up ordinary shares (“**Sale Shares**”), which represents 50% of the shareholding interests in T&T, to Maker Food Manufacturing Pte Ltd (the “**Purchaser**” or “**MFM**”), for a total cash consideration of S\$1,150,000 (“**Consideration**”) (the “**Proposed Disposal**”).
- 1.2 The Board is also pleased to announce that the Company has appointed SAC Capital Private Limited as the independent financial adviser (“**IFA**”). Please refer to Section 11 of this Announcement for more information.

2. Information relating to T&T and the Purchaser

2.1 Information on T&T

T&T is a joint venture company set up by TLM together with Tee Yih Jia Food Manufacturing Pte Ltd’s (“**TYJ**”, together with its subsidiaries, referred to as the “**TYJ Group**”) wholly-owned subsidiary, MFM, to carry out the manufacturing and sale of various food products. The Company and TYJ each have equal control of the financial and operating policies of T&T.

The joint venture was conceived due to the synergies between the business of the Tung Lok 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.

2.2 Information of the Purchaser

MFM is a wholly-owned subsidiary of TYJ. The TYJ Group is, amongst other things, carrying on the business as manufacturers and distributors of frozen foods.

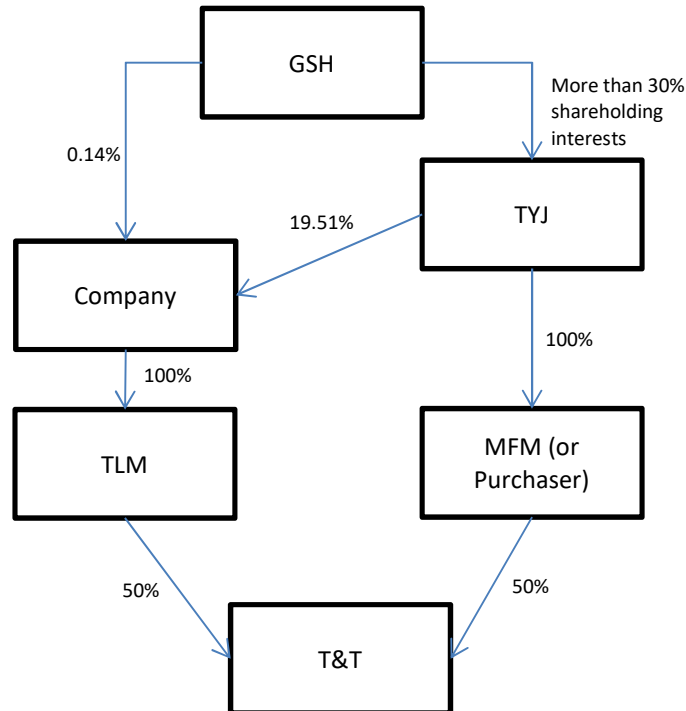
2.3 Relationship between the Company and the Purchaser

As at the date of this Announcement, TYJ is a controlling shareholder of the Company holding approximately 19.51% of the total issued share capital of the Company.

Mr Goi Seng Hui (“**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).

Accordingly, under Chapter 9 of the Listing Manual Section B: Rules of Catalyst of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Catalist Rules**”), the Company, being the issuer, is an “*entity at risk*” and the Purchaser, being an associate of GSH, is an “*interested person*”. The Proposed Disposal will therefore constitute an “*Interested Person Transaction*” (“**IPT**”) under Chapter 9 of the Catalist Rules.

For illustrative purposes, please see the diagrammatic chart (as set out below) outlining the relationships, as at the date of this Announcement:



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

3. Principal terms of the Proposed Disposal

3.1 Consideration

The Consideration of S\$1,150,000 was arrived at 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 AVA Associates Limited;
- (b) the rationale for the Proposed Disposal; and
- (c) future growth and the expansion prospects of T&T.

The Consideration will be fully satisfied in cash on Completion (as defined herein) in the manner set out in the SPA.

3.2 Condition Precedent

The agreement to sell and purchase the Sale Shares is conditional upon the passing at a general meeting of the Company of the requisite resolutions to approve the Proposed Disposal upon the terms and conditions of the SPA by shareholders of the Company (“**Shareholders**”) who are considered independent under Chapter 9 of the Catalist Rules.

3.3 Completion

The completion of the Proposed Disposal ("**Completion**") shall take place within thirty (30) business days following fulfilment of the condition precedent (as set out in Section 3.2 of this Announcement above).

4. **Financial Effects of the Proposed Disposal**

4.1 Assumptions

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

The financial effects of the Proposed Disposal on (i) the consolidated net tangible assets ("**NTA**") per ordinary share of the Company ("**Share**"); and (ii) the consolidated loss per Share ("**LPS**") were prepared based on the latest audited consolidated financial statements for the financial year ended 31 March 2019 ("**FY2019**") 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.

4.2 Financial Effect on NTA per Share

The financial effect of the Proposed Disposal on the 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 NTA per Share of 5.51 cents.

4.3 Financial Effect on LPS

The financial effect of the Proposed Disposal on the 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 LPS of 0.25 cents.

5. Relative Figures under Rule 1006 of the Catalist Rules

The relative figures for the Proposed Disposal as computed on the bases set out in Rule 1006 of the Catalist Rules, based on the audited consolidated financial information of the Tung Lok Group for FY2019, are as follows:

Rule	Bases	Size of relative figure
1006(a)	Net asset value of the assets to be disposed of, compared with the Tung Lok Group's net asset value	4.36% ⁽¹⁾
1006(b)	Net profits attributable to the assets disposed of, compared with the Tung Lok Group's net profits	18.62% ⁽²⁾
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% ⁽³⁾⁽⁴⁾
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 statement of the Company for FY2019, the net asset value of the Tung Lok 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 Tung Lok 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 SPA. The total number of Shares issued by the Company is 274,400,000. The market capitalisation of the Company is approximately S\$41,983,200.

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

6. Proposed Disposal as an Interested Person Transaction

As stated in Section 2.3 of this Announcement, GSH has been a 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). Accordingly, the Proposed Disposal, which is a transaction between the Purchaser (the “*interested person*”) and the Company (the “*entity at risk*”), constitutes an IPT under Chapter 9 of the Catalist Rules.

The value of the Proposed Disposal is S\$1,150,000.

Based on the audited financial statements as at 31 March 2019, the value of the Proposed Disposal represents approximately 7.6% of the Tung Lok Group’s latest audited NTA.

As the value of the Proposed Disposal exceeds 5% of the Tung Lok 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 extraordinary general meeting (“**EGM**”) of the Company to be convened.

Save for the Proposed Disposal as disclosed above, the Tung Lok Group has not during the current financial year-to-date, entered into any other transactions (excluding transactions less than S\$100,000) with any other interested persons apart from those IPTs with TYJ and its associates covered by the IPT general mandate granted by the Shareholders during the Company’s annual general meeting held on 31 July 2018. The total approximate value of transactions entered with TYJ and its associates pursuant to the IPT general mandate during the financial year-to-date is S\$390,000.

Pursuant to Rule 919 of the Catalist Rules, the Purchaser, GSH, TYJ and their associates will abstain from voting on the resolution approving the Proposed Disposal, and from accepting any appointments as proxies unless specific instructions as to voting are given at the EGM.

7. Rationale for the Proposed Disposal

- 7.1 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 the 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.

- 7.2 As the Tung Lok 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 Tung Lok Group to invest additional significant capital into T&T which operates primarily in the business of manufacturing and sale of various food products.

The Tung Lok 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).

- 7.3 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 may likely deplete the Tung Lok Group's financial resources.
- 7.4 The Board believes that given the increasingly challenging operating environment and the substantial investment sums required, the Proposed Disposal will allow the Tung Lok Group to avoid over-extending itself, and at the same time, allow the Company with the flexibility to invest in potential new restaurant businesses and undertake new investment opportunities that may arise in the future.

8. Other Financial Information

- 8.1 Based on the latest audited consolidated financial statements of the Company for FY2019, the net profits attributable to T&T is S\$389,184, and the book value of T&T is approximately S\$1,308,000. As such, the net profits attributable to the Sale Shares (representing the Company's 50% shareholding interest in T&T) is approximately S\$195,000, and the book value of the Sale Shares is approximately S\$654,000.
- 8.2 The salient historical financial results of T&T for FY2015, FY2016, FY2017, FY2018 and FY2019 are set out below:

	T&T FY2015⁽¹⁾	T&T FY2016⁽¹⁾	T&T FY2017⁽¹⁾	T&T FY2018⁽¹⁾	T&T FY2019⁽¹⁾
	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	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 results (net of 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	-	-	725,000	-	450,000

Note:

(1) T&T's financial year end is 31 March

- 8.3 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 approximately S\$496,000. The actual gain may differ based on the net assets position of T&T on the date of Completion.
- 8.4 The net proceeds from the Proposed Disposal will be used by the Tung Lok Group for general working capital purposes, which includes financing the expansion of new outlets and repayment of bank indebtedness.

9. **Interests of Directors and Controlling Shareholders**

Save as disclosed in this Announcement, none of the Directors or controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings (if any) in the Company.

10. **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 person.

11. **Independent Financial Adviser**

The Company has appointed SAC Capital Private Limited as the IFA to advise the Directors who are considered independent of the Proposed Disposal ("**Independent Directors**") and the audit and risk committee of the Company ("**Audit & Risk Committee**") on whether the Proposed Disposal is on normal commercial terms and whether it will be prejudicial to the interests of the Company and independent Shareholders (the "**IFA Opinion**").

The Independent Directors and the Audit & Risk Committee of the Board will be obtaining the IFA Opinion before forming its view on the Proposed Disposal which will be announced in due course.

A copy of the letter from the IFA to the Independent Directors and the Audit & Risk Committee will be set out in the Circular (as defined in Section 16 of this Announcement below) to be despatched to the Shareholders in due course.

12. **Audit & Risk Committee Statement**

The Audit & Risk Committee will be obtaining an opinion from the IFA before forming its view on whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

13. **Valuation of the 100% equity interest in T&T**

In connection with the Proposed Disposal, the Company has commissioned AVA Associates Limited to conduct an independent valuation of the market value of the 100% equity interest in T&T as at 28 February 2019 ("**Valuation Date**"). The valuation and 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 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.

Based on the valuation report dated 3 May 2019 issued by AVA Associates Limited ("**Valuation Report**"), the 100% equity interest in T&T as at the Valuation Date is valued at S\$2,300,000. A summary of the Valuation Report will be prepared and issued by AVA Associates Limited and a copy of which will be annexed to the Circular (as defined below).

14. Directors' Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement 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 those sources and/or reproduced in the Announcement in its proper form and context.

15. Documents for inspection

A copy of the SPA and a copy of the Valuation Report will be made available for inspection during normal business hours at the registered office of the Company at 1 Sophia Road #05-03, Peace Centre, Singapore 228149 for a period of three (3) months from the date of this Announcement.

16. Extraordinary General Meeting and Circular

A circular ("**Circular**") to the Shareholders containing further details of, *inter alia*, the Proposed Disposal and enclosing a notice of EGM to be convened in connection with the Proposed Disposal and the opinion of the IFA, will be despatched by the Company to the Shareholders in due course. In the meantime, Shareholders are advised to refrain from taking any action in relation to their Shares in the Company which may be prejudicial to their interests until they or their advisers have considered the information and recommendations to be set out in the Circular.

17. Cautionary Statement

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. There is no certainty or assurance that the Proposed Disposal will be completed. The Company will make the necessary announcements, in compliance with the requirements of the Catalist Rules, as and when there are material developments in respect of the Proposed Disposal, the SPA and other matters contemplated in this Announcement. Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Mr Tjioe Ka Men
President/Chief Executive Officer
Date: 18 June 2019

*This Announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited. It 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.*

The details of the contact person for the Sponsor is:-

Name: Mr Ong Hwee Li (Registered Professional, SAC Capital Private Limited)
Address: 1 Robinson Road, #21-00 AIA Tower, Singapore 048542
Tel: +65 6232 3210