



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

CORPORATE AND BUSINESS UPDATE

The Board of Directors (the “**Board**”) of Tung Lok Restaurants (2000) Ltd (“**TungLok**”, and together with its subsidiaries, the “**Group**”) wishes to provide a corporate and business update following a recent strategic review.

I. Review of Core Business and Operating Environment

The food and beverage (“**F&B**”) industry in Singapore has, for the past few years, been grappling with stiff competition, rising operating costs, manpower constraints and, in more recent times, weaker consumer spending amid a slowdown in global and domestic economies.

The Group, which specialises in Chinese cuisine, operates a total of 46 restaurant outlets. These comprise 26 outlets directly owned by the Group, 9 outlets held by the Group’s associates and 11 outlets under franchising/licensing contracts. These outlets are spread across Singapore, Indonesia, Japan, China and Vietnam. Currently, the Group operates more than 20 F&B brands. TungLok has a catering arm that provides outdoor and institutional catering services. In addition, TungLok has manufacturing facilities that produce delectable and high quality dim-sum, mooncakes, rice dumplings and festive goods.

To stay relevant and to differentiate itself, the Group has accelerated efforts to refresh dining concepts and streamline operations with a view to optimising costs while delivering differentiated values to customers. These efforts include refreshing menus on a regular basis, closing non-performing outlets, using central kitchens to maintain quality and consistency, reducing food wastage, executing centralised purchasing and automating certain cooking processes.

These efforts have enabled TungLok to improve its financial performance. The Group achieved a successful turnaround in FY2015 and was profitable in FY2016 and FY2017. TungLok’s balance sheet has also been strengthened. As at 31 March 2017, the Group has net working capital of S\$8.6 million and cash and bank balances of S\$15.0 million. The Group’s gearing ratio improved to 0.21 times as at 31 March 2017.

II. Sustaining Growth

To drive further growth, the Group will focus on the following strategies:

- ❖ Roll out promising brands to new geographical markets - this will reduce over-dependence on Singapore which is currently TungLok's key market;
- ❖ Expand services and capabilities to offer greater convenience and choice to consumers in Singapore with an eye on younger diners; and
- ❖ Streamline operations further through innovation, automation and other efforts to promote productivity at kitchen and service levels.

1. Bringing Promising Brands to New Geographical Markets

Since inception, TungLok has developed various brands on its own. Its focus in recent times is on brands that can thrive even in the current tough operating environment in Singapore, while having the potential to be rolled out abroad.

One such brand is *Singapore Seafood by TungLok*, which the Group has launched in Beijing, People's Republic of China. The brand underscores the unique reputation of Singapore's seafood cuisine in Asia. It was rebranded in September 2016 from *My Humble House*, a modern Chinese restaurant, which was launched in Beijing in 2004 when fine-dining in China was still in a nascent stage.

With more and more F&B establishments in China offering variants of Chinese fine-dining, the rebranding was timely. It gave *Singapore Seafood by TungLok* a first-mover advantage in Beijing. The outlet is operated through our 70%-owned subsidiary, My Humble House Xihe (Beijing) Restaurant Company Ltd., which was set-up in collaboration with Beijing-based XiHe Group, which runs a chain of successful restaurants in China.

As authentic Singapore-style seafood is new to Beijing, response has been positive. The second *Singapore Seafood by TungLok* outlet was opened in the prestigious China World Mall in May 2017 through our 40%-owned associate, Beijing Xihe Tung Lok Restaurant Company Ltd.

The Group will explore launching more outlets under this brand in Beijing and possibly other first and second-tier cities in China if demand and results remain encouraging. Any rollout will be carried out prudently and at a sustainable pace to ensure the brand achieves the desired return on investment.

2. Expanding Services and Capabilities to Offer Greater Convenience and Choice

The Group has been rejuvenating some of its restaurant concepts over the years in response to changing demand and lifestyles. In 2015, it launched an online store, *Home Fiesta*, to offer ready-to-eat dishes delivered to the doorstep of our customers.



TungLok has also tied up with leading e-commerce and food delivery platforms such as Qoo10, Food Panda and Deliveroo to expand its sales channels and customer base.

In seeking to offer consumers greater convenience and choice, the Group intends to roll out more quick-service restaurants (“**QSRs**”) and casual dining concepts in Singapore. The QSR model is highly scalable as such outlets will be designed to be technology-centric, manpower-lean, and will typically be no more than 1,500 square feet in size. Digital menu boards, self-service and ordering through smart devices are some features that can be introduced in QSRs.

The Group believes QSRs as well as casual dining concepts will be well received by diners in their early 20s to mid-30s. These technology-savvy millennials, who increasingly account for a significant portion of TungLok’s customers in Singapore, typically eat out often but tend to be cost-conscious. Our casual dining brands that have been well-received since their launch include *Dancing Crab*, *Tung Lok Teahouse* and *Lokkee*.

As part of our ongoing efforts to better serve younger diners, the Group will also step up engagement with them through social media such as Facebook, WeChat and Instagram. TungLok has been actively collaborating with social media influencers to promote its brands to their followers.

3. Further Streamlining Operations

The Group prides itself as being at the forefront of kitchen innovation. Its two central kitchens in Singapore, one of which is *halal*-certified, make use of equipment that can be pre-programmed to put together a variety of dishes with less dependency on skills. These machines have led to:

- i) Higher output - One worker can manage two or more of these machines at the same time;
- ii) Streamlined job scopes - the machines free up manpower, which can be deployed for more value-added tasks;
- iii) Lower energy consumption; and
- iv) Better consistency and quality control.

III. Outlook

While the F&B market in Singapore is expected to remain challenging in the foreseeable future, the Group will leverage on its healthy balance sheet to explore suitable investment opportunities that can add value to its business.

BY ORDER OF THE BOARD

Tjioe Ka Men
Executive Chairman
31 July 2017

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange"). The Company's Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the Exchange and 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 Company's Sponsor are set out below:

Name: Mr Ong Hwee Li (Registered Professional, SAC Capital Private Limited)

Address: 1 Robinson Road, #21-02 AIA Tower, Singapore 048542

Tel: 6532 3829

SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.