

**Issuer:** Jumbo Group Limited  
**Security:** Jumbo Group Limited

**Meeting details:**

Date: 29 January 2018

Time: 9.00 a.m.

Venue: 190 Keng Lee Road, Chui Huay Lim Club, Singapore 308409

**Company Description**

Jumbo Group Limited, an investment holding company, operates and manages a network of restaurants in Singapore and the People's Republic of China. It operates 15 food and beverages (F&B) outlets in Singapore and 5 F&B outlets in the People's Republic of China under JUMBO Seafood, JPOT, NG AH SIO Bak Kut Teh, Chui Huay Lim Teochew Cuisine, and J Café brand names. The company also manages a Seafood Republic outlet in Singapore; and a franchise under Jumbo Seafood outlet in Taiwan and Vietnam, as well as offers catering services. In addition, it sells packaged JUMBO cereal premixes, JUMBO chilli crab pastes, black pepper crab spice mixes, and Teochew style bak kut teh spice mixes through its outlets, as well as selected stores, supermarkets, and travel agencies; and online through [jumboeshop.com.sg](http://jumboeshop.com.sg). Jumbo Group Limited was founded in 1987 and is based in Singapore. Jumbo Group Limited is a subsidiary of JBO Holdings Pte. Ltd.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=42R](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=42R))

**Q1.** As mentioned in the Chairman’s Message, the group achieved a record breaking revenue of \$145.1 million (page 6 of the annual report). Many milestones were also achieved, including the first franchised outlet in Ho Chi Minh City, Vietnam in May 2017, the first JUMBO Seafood outlet in Beijing in July 2017, and the group’s second franchised outlet in Taipei, Taiwan in December 2017.

Even as revenue hit a record level and gross profit margin maintained at 63% in the past two financial years, profit attributable to owners of the company decreased by 6.7% or \$1.0 million, from \$15.5 million in FY2016 to \$14.5 million in FY2017. The group’s net profit margin has dropped from 11.3% in FY2016 to 10.0% in FY2017. In the past 5 years, the net profit margin has ranged from 8.6% to 11.3%.

- a) While the group has maintained its gross profit margin at 63%, the net profit margin has dipped to 10.0%. **Can management help shareholders reconcile the decrease in net profit margin despite the gross profit margin being maintained at 63%? How much of the decrease could be attributed to start-up costs of the new outlets?**

In addition, “Other operating expenses” increased by \$1.0 million due to the additional expenses of approximately \$1.0 million in relation to the group’s 30<sup>th</sup> Anniversary celebrations.

- b) **Can shareholders understand if the group’s celebration was a key contributor to the dip in the group’s net profit margin?**
- c) **Has management evaluated the non-financial impact of the group’s 30<sup>th</sup> Anniversary celebrations? As the celebrations included monthly lucky draws, celebration dinners and gifts, what were the non-financial benefit for the group? Was there a marked increase in brand awareness, a jump in first-time customers, new membership sign-ups etc?**
- d) **Has management considered how to celebrate the 30<sup>th</sup> Anniversary with its shareholders?**

**Q2.** The Singapore market is still the key revenue and profit driver for the group, with 82% of the group’s revenue derived from Singapore. In the Group CEO’s Statement, the company has stated the following (page 11):

*On the outlet expansion front, we believe that there is sufficient demand for us to open one to two more F&B outlets in Singapore. To this end, we have been actively exploring new locations.*

- a) **Can management clarify if this means that the group is only looking to open up to two more F&B outlets in Singapore across its portfolio of 5 brands?** The group currently operates a total of 15 F&B outlets in Singapore under its 5 restaurant brands (namely JUMBO Seafood, JPOT, NG AH SIO Bak Kut Teh, Chui Huay Lim Teochew Cuisine and J Café).
- b) **Can management provide better visibility on the contribution by tourists to the group’s revenue in Singapore?**
- c) **Are there plans to acquire new brands or to develop new dining concepts to capture a different segment of the market?**

**Q3.** As the group expands its overseas footprint, the group has to increasingly leverage its local partners through a franchising model or through joint venture agreements. For instance, the first two franchising agreements in Vietnam and Taiwan were signed with Nova Bac Nam 79 Joint Stock Company and Ho Sing Food Co., Ltd. respectively.

- a) **As the group scales up its overseas network, how does management maintain stringent quality standards and match the consistency in the tastes of its signature dishes served by the franchised outlets?**

**b) Other than the quality and consistency of food, how does management ensure that food safety is observed and that hygiene standards are maintained in its overseas outlets?**

In Note 31 (page 88 – Subsequent events), the group disclosed that it had entered into a joint venture agreement with Baipin Co., Ltd to introduce the JUMBO Seafood brand to Taiwan to open eight new outlets on 6 November 2017. Then, on 14 December 2017, the company announced that its subsidiary, Jumbo Group of Restaurants Pte. Ltd., has entered into a franchise agreement with Ho Sing Food Co., Ltd. ("Ho Sing"), pursuant to which Ho Sing shall establish and operate JUMBO Seafood restaurants in Taiwan.

The Note from the annual report (page 88) is reproduced below:

**31 SUBSEQUENT EVENTS**

- (1) On 6 November 2017, Jumbo F&B Services Pte. Ltd., entered into a joint venture agreement with Baipin Co., Ltd to introduce the JUMBO Seafood brand to Taiwan with plans to open eight new outlets.
- (2) On 30 November 2017, Jumbo F&B Services Pte. Ltd. increased its contribution to the registered capital in Jumbo F&B Services (Shanghai) Co Ltd, an indirect wholly owned subsidiary of the Company, from USD350,000 to SGD1,243,792.
- (3) On 14 December 2017, the Company's wholly-owned subsidiary, Jumbo Group of Restaurants Pte. Ltd., entered into a franchise agreement with Ho Sing Food Co., Ltd. (和興餐飲股份有限公司) ("Ho Sing"), pursuant to which Ho Sing shall establish and operate JUMBO Seafood restaurants in Taiwan.

(Source: Company annual report)

**c) Can management provide better clarity on the current arrangement in Taiwan? Are there two separate agreements with two different partners (one through a joint venture, the other through a franchise model) to each open 8 outlets in Taiwan?**

A copy of the questions for the Annual Report for the financial year ended 30 September 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Jumbo%20Group%20Ltd>

The company's response could be found here: -----