

**Issuer:** JB Foods Limited

**Security:** JB Foods Limited

**Meeting details:**

Date: 30 April 2018

Time: 10:00 a.m.

Venue: Raffles Marina, Chartroom at 10 Tuas West Drive, Singapore 638404

**Company Description**

JB Foods Limited, an investment holding company, produces and sells cocoa ingredient products. Its cocoa ingredient products comprise cocoa butter, powder, liquor, and cake products. The company procures, sells, and markets cocoa beans and ingredients, and related products; and trades in waste products and cocoa ingredients. It sells its products to international trade houses; and end users, such as food and beverage, and confectionery manufacturers under the JB COCOA brand in North and South America, Asia, Europe, and other countries. The company is based in Gelang Patah, Malaysia. JB Foods Limited is a subsidiary of JB Cocoa Group Sdn Bhd.

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

1. As noted in the CEO's Message, the group shipped out higher volume due to stronger customer demand but total revenue slipped by 1.6% to US\$295.6 million due to lower cocoa bean prices.

Gross profit more than doubled to US\$31.9 million, driven by a 6.3 percentage point improvement in gross profit margin to 10.8%.

- (i) How much more operational efficiency can the group achieve?**
- (ii) Does the group have a target for its gross/net profit margin in the next 2-3 years?**
- (iii) Can management help shareholders understand the impact of cocoa bean prices on the group's processing margins and profits? How sensitive is the group's performance to cocoa bean prices?**
- (iv) What is the revenue (and profit) breakdown of the group by product, i.e. cocoa butter, cocoa powder, cocoa liquor and cocoa cake?**
- (v) How much more growth can the current processing facilities support? What were the utilisation rates of the group's processing plants?**
- (vi) What were the key factors that led to a 14% jump in revenue from USA to US\$67.7 million (page 105)? How much of the increase was due to new key customers acquired?**

2. The board has also stated that it considers "dividends to be an important component of shareholder returns" and the board declared an interim dividend of 2 Singapore cents per share for the third quarter ended 30 September 2017. The dividend was paid on 2 March 2018.

This is the second year in a row that the company has declared dividends, after dividends were stopped in 2014.

- (i) As the company does not have a fixed dividend policy, would the board consider formalising a dividend policy that can give shareholders the assurance that, after taking in account of the group's operational needs, the company will strive to maintain a stable dividend pay out to shareholders?**

As at 31 December 2017, the group had a gearing ratio of 0.93x, down from 1.38x a year ago. In December 2017, the company proposed a rights issue of up to 75.8 million shares on the basis of one rights share for every three existing shares in the company.

- (ii) Would the company restate its strategic growth plans for the benefit of both new and old shareholders?**
- (iii) Has the company worked out the major capital needs for the next 3-5 years to support its growth? What guidance has the board provided to management to formulate a coherent capital management strategy to support the long term growth of the group?**

3. In the company's Corporate Governance Report, the attendance of the directors at meetings of the board and board committees held during FY2017 are as follows:

|   | Board of Directors |            | Audit Committee |            | Remuneration Committee |            | Nominating Committee |            | Risk Committee  |            |
|---|--------------------|------------|-----------------|------------|------------------------|------------|----------------------|------------|-----------------|------------|
|   | No. of Meetings    | Attendance | No. of Meetings | Attendance | No. of Meetings        | Attendance | No. of Meetings      | Attendance | No. of Meetings | Attendance |
| <u>Director</u>   |                    |            |                 |            |                        |            |                      |            |                 |            |
| Chua Cheow Khoo Michael                                     | 6                  | 6          | 4               | 4          | 2                      | 2          | 1                    | 1          | 2               | 2          |
| Tey How Keong   | 6                  | 6          | 4               | 4          | 2                      | 2          | 1                    | 1          | 2               | 2          |
| Goh Lee Beng  | 6                  | 6          | 4               | 4          | 2                      | 2          | 1                    | 1          | 2               | 2          |
| Goi Seng Hui<br>(Alternate:<br>Loo Wen Lieh) <sup>(1)</sup> | 6                  | 6<br>6     | 4               | 4<br>4     | 2                      | 2<br>2     | 1                    | 1<br>1     | 2               | 1<br>2     |
| Chin Koon Yew   | 6                  | 6          | 4               | 4          | 2                      | 2          | 1                    | 1          | 2               | 2          |

Note:

(1) Mr Loo Wen Lieh was appointed as Alternate Director to Mr Goi Seng Hui on 23 May 2013. An Alternate Director is not required to attend a board meeting if the director to whom he is appointed as alternate director is present at such board meeting.

(Source: Company annual report)

- (i) **Can the company confirm that both Mr Goi Seng Hui, as non-independent, non-executive director and vice chairman of the company, and his alternate director, Mr Loo Wen Lieh, have both attended all but one of the meetings together?**
- (ii) **How would the board dynamics change as a result?**

Principle 4 of the 2012 Code Of Corporate Governance states that there should be a formal and transparent process for the appointment and reappointment of directors to the Board.

In particular, Guideline 4.5 recommends that “[b]oards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency”.

The company has disclosed that Mr Loo Wen Lieh briefs Mr Goi Seng Hui on the matters discussed during Mr Goi Seng Hui's absence so that Mr Goi Seng Hui is kept up-to-date on matters concerning the company.

- (iii) **Would the nominating committee (NC) like to re-examine the continued need to appoint Mr Loo Wen Lieh as an alternate director to Mr Goi Seng Hui?**