



Securities Investors Association (Singapore)

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Issuer: Old Chang Kee Ltd.

Security: Old Chang Kee Ltd.

Meeting details:

Date: 26 July 2018

Time: 2.00 p.m.

Venue: OnePeople.sg, 381 Toa Payoh Lorong 1, Singapore 319758, Harmony Room 1

Company Description

Old Chang Kee Ltd., an investment holding company, manufactures and distributes food products under the Old Chang Kee brand in Singapore, Australia, and Malaysia. The company offers traditional, seafood, and chicken favourites, as well as desserts and breakfast products. It also operates retail food outlets; provides delivery and catering services; and franchises rights to sell its products, as well as engages in general trading activities. The company operates Curry Times, a curry themed restaurant; Curry Times Tingkat, a self-service concept store; Bun Times retail outlets offering buns with various fillings like curry chicken and coconut; Mushroom Café, an al fresco concept eatery; O' My Darling, a mobile kitchen; and Dip'n'Go, a concept of food on the go. As of March 31, 2017, it operated a total of 89 outlets in Singapore. Old Chang Kee Ltd. was founded in 1956 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5ML)

1. The group reported a substantial increase in revenue of \$7.1 million or 9% due to “mainly due to revenue contribution from new outlets and increase in revenue from existing outlets, partially offset by the absence of revenue from closed outlets”.

- (i) To help shareholders better understand the drivers of its growth, can management also disclose the changes in same-store sales?**
- (ii) Can the company also provide a breakdown of the \$7.1 million to show the individual impact of revenue contribution from new outlets, increase in revenue from existing outlets and the negative impact due to closed outlets?**
- (iii) Other than the Old Chang Kee brand, the group has developed other brands such as Dip ‘n’ Go, Bun Times, Take 5, O’ My Darling, Mushroom Cafe, Curry Times and the catering service. Can management disclose what is the total revenue contribution from non-Old Chang Kee brands? Does the group intend to scale up any of these other brands to grow it into a major revenue/profit contributor for the group?**

2. Food delivery services have taken off in Singapore, with several competitors partnering restaurants and food outlets to bring added convenience to customers.

- (i) Can management explain how it is leveraging third party food delivery services to increase its sales and geographical coverage?**
- (ii) Does management have a near-term (2-3 years) target for sales generated from online platforms/services?**
- (iii) Has management evaluated if such food delivery services cannibalise in-store sales?**
- (iv) What are management’s strategies to maximise profits by tapping into these third party food delivery services?**

3. In Note 34 (page 146 – Capital management), it is disclosed that management monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Due to a lower level of cash and bank balances, the group’s gearing ratio increased to 24% as at 31 March 2018, from 17% a year ago.

- (i) Having spent \$6.7 million in 2016, \$8.3 million in 2017 and \$8.5 million in 2018 for a total amount of more than \$23.5 million in the past three years, can management confirm that the heavy-investment phase is over now that the factory facilities in Woodlands and Malaysia have been completed?**
- (ii) Can management update shareholders on the projected productivity gains from the new factories?**



- (iii) What are the other significant capital needs required to support the group's growth?**

- (iv) Does the board consider it opportune to establish a formal dividend policy to give shareholders the added assurance that the company will share its success with its shareholders?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=222

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