



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Jumbo Group Limited

Security: Jumbo Group Limited

Meeting details:

Date: 31 January 2019

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, the People's Republic of China, Taiwan, Thailand, Vietnam, and Japan. As of December 12, 2018, it operated 13 food and beverages (F&B) outlets in Singapore and 6 F&B outlets in the People's Republic of China under the JUMBO Seafood, JPOT, NG AH SIO Bak Kut Teh, Chui Huay Lim Teochew Cuisine, and J Café names. The company also operated 1 Cha Chuan Teng outlet as a franchisee, as well as manages 1 Singapore Seafood Republic outlet in Singapore; and franchises JUMBO and NG AH SIO Bak Kut Teh outlets in cities, such as Singapore, Shanghai, Beijing, Xi'an, Fuzhou, Taipei, Taichung, Ho Chi Minh, Bangkok, Tokyo and Osaka. In addition, it sells packaged sauces and spice mixes in its outlets, selected stores, supermarkets, travel agencies, and online through JUMBO eShop; as well as provides catering services in Singapore. Jumbo Group Limited was founded in 1987 and is based in Singapore. (Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=42R)

1. As shown in the Financial review (page 13 of the annual report), the consolidated revenue for the group increased by 5.5% to record a new high of \$153.0 million in the financial year ended 30 September 2018.

However, cost of sales increased at a faster pace by 7.4%, leading to a slight dip in gross profit margin from 63.4% in FY2017 to 62.7% in FY2018. Net profit attributable to owners of the company decreased from \$14.5 million to \$11.0 million, a drop of 23.8%. The summary on page 13 is reproduced below for reference:

\$'000	FY2014	FY2015	FY2016	FY2017	FY2018
Revenue	112,404	122,795	136,752	145,103	153,049
Profit before tax	15,591	15,141	18,438	17,819	13,493
Profit for the year	13,778	13,322	15,708	15,040	10,617
Net profit attributable to:					
Owners of the Company	11,521	10,600	15,508	14,472	11,022
Fellow co-operative venturers	1,828	2,152	-	-	-
Non-controlling interests	429	570	200	568	(405)
	13,778	13,322	15,708	15,040	10,617
Basic and diluted earnings per share (cents)	1.8	1.7	2.4	2.3	1.7

(Source: Company annual report)

While management has executed well on the growth strategy with the opening of 7 outlets (including a new Hong Kong-style “Cha Chaan Teng” in Singapore), the net profit attributable to owners of the company is 4% above the 5-year low of \$10.6 million.

- (i) **Can management help shareholders understand the synergies and economies of scale enjoyed by the group as it scales up its network of outlets in Singapore? How does the cost structure improve?**
- (ii) **As the group expands its network of outlets under other brands (such as NG AH SIO Bak Kut Teh and Tsui Wah), how will the group’s gross profit margins be affected?**
- (iii) **With 3 more franchised JUMBO Seafood outlets opened in the year (in the cities of Taichung, Fuzhou and Bangkok) and a NG AH SIO Bak Kut Teh opened in Taipei, there are currently 6 franchised stores. The total franchise income generated in FY2018 was \$641,000, up from \$200,000 in FY2017. What are management’s targets for the franchise business in 3-5 years’ time?**
- (iv) **To help shareholders understand the performance of the group, would management disclose the same-store sales for its established outlets?**

- (v) One of the main reasons for the lower profitability is the increase in employee benefits expense by 13.7% or \$5.7 million. The increase in manpower costs exceeded the increase in revenue (of 5.5%). **Would management help shareholders understand its efforts to increase the productivity of its work force? How does it intend to reduce the reliance on manpower?**

2. Food delivery has taken off globally in a big way in recent years. In the Corporate Presentation dated 17 January 2019, it listed four food delivery service providers as its partners.

- (i) **What is the group's strategy to collaborate with the food delivery service providers to capture more value for shareholders?** While food delivery service providers help to increase sales and improve the utilisation, hefty commissions have to be paid to these food delivery service providers as well. **How does management ensure that the tie-up is beneficial to the group?**
- (ii) **Has the company reviewed if the offering of food delivery services lead to any cannabalisation of sales from the outlets?**
- (iii) **How does management ensure that the service standard in the outlets (e.g. waiting time, food quality and availability of dishes) is not affected especially during the peak hours?**

3. As shown in the Corporate Governance report (page 30), in the financial year, the group has six employees who are immediate family members of a director or the CEO.

Name of employees who are immediate family members	Relationship with the Directors or the Group CEO	Remuneration Band ⁽¹⁾
Mr. Ang Hon Nam	Father of Mr. Ang Kiam Meng and Mrs. Christina Kong Chwee Huan	III
Mr. Ang Kiam Lian	Brother of Mr. Ang Kiam Meng and Mrs. Christina Kong Chwee Huan	III
Mdm. Wendy Ang Chui Yong	Sister of Mr. Ang Kiam Meng and Mrs. Christina Kong Chwee Huan	II
Ms. Angie Ang Yun-Lin	Daughter of Mr. Ang Kiam Meng and Mdm. Tan Yong Chuan, Jacqueline	I
Ms. Ashley Ang Yun-Xuan	Daughter of Mr. Ang Kiam Meng and Mdm. Tan Yong Chuan, Jacqueline	I
Ms. Jewel Ang Yun-Ru	Daughter of Mr. Ang Kiam Meng and Mdm. Tan Yong Chuan, Jacqueline	I

Note:

- (1) Band I: Remuneration of between \$50,001 and \$100,000 per annum
 Band II: Remuneration of between \$150,001 and \$200,000 per annum
 Band III: Remuneration of between \$200,001 and \$250,000 per annum

(Source: Company annual report)

- (i) **Would the nominating committee (NC) provide shareholders with better clarity on the roles and responsibilities of Mr. Ang Hon Nam?** Mr. Ang Hon Nam is the father of the Group CEO and executive director.



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- (ii) Does Mr. Ang Hon Nam report to the Group CEO?**
- (iii) Similarly, can the NC disclose the roles and responsibilities of the other five family members as well?**

A copy of the questions for the Annual Report for the financial year ended 30 September 2017 and 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: -----