Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: JB Foods Limited

Stock code: BEW

Meeting details:
Date: 28 April 2022
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the annual report and in the company's announcement dated 16 March 2022, following the onset of the armed conflict between Ukraine and Russia, the group expects its business in Russia to be negatively impacted in the short term due to various factors such as the massive devaluation of the Russian Roubles and supply chain disruption from the war.

The group is actively assessing the conflict situation in Russia and Ukraine, and would continue to exercise caution, as well as adopt remedial measures to mitigate its impact.

While the group does not have any physical assets in Russia and Ukraine, the two countries contributed approximately 17% of the group's FY2021 revenue (US$58.5 million for Russia). The exposure relating to the outstanding receivables is not expected to have significant impact to the group's financial performance (US$10.3 million as at 31 December 2021).

In view of the uncertain environment in Ukraine, the group has temporarily halted sales related activities due to massive damage to public infrastructure and disruption to its supply chain.

(i) **Can management give shareholders an update on the situation on the ground with nearly 2 months into the war, especially with its agent and customer?**

(ii) **What are the profiles of the main customers in the two countries? What are the main products sold in these two markets?**

(iii) **While the group has halted sales related activities in Ukraine, what is the status of the group's operations in Russia?**

(iv) **Can management also an update on the US$10.3 million (as at 31 December 2021) trade receivables due from customers in Russia? How much of it has been collected since? What is the level of communication with the agent(s) /customer(s) in Russia?**

Q2. In his statement to shareholders, the CEO stressed the importance of resolve, resilience and reliability to allow the group to continue to deliver during this challenging time.

Despite the higher profits, the group's gross profit declined by US$17.7 million or 40.5% from US$43.8 million for FY2020 to US$26.1 million for FY2021. This has been attributed to a significant surge in ocean freight rates caused by disruption in global supply chain and shortage of shipping vessels, higher trucking costs arising from higher local delivery sales in North America and Russia market.

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Cost of sales, selling and distribution expenses and administrative expenses all increased faster pace of 13.0%, 18.8%, and 9.9% respectively.

For FY2022, the company has stated that it expects continued global supply chain disruptions, significant ocean freight surges and more recently, turbulence from the Russia-Ukraine conflict would continue to post headwinds to its business and impact profitability and growth.

(i) **Can the management provide a breakdown to show the impact on profit margin due to higher freight rates and higher trucking costs? What are the levers available to management to better manage these costs?**

(ii) **What is management's view of cocoa bean price? Has the supply of cocoa bean been affected by COVID-19 related factors and/or bad weather?**

(iii) **How well has the group mitigated the impact due to the newly instated US$400 per tonne Living Income Differential that has been implemented in Ghana and Cote d'Ivoire?**

(iv) Management has attributed the increase to higher headcount and staff costs to support the sales growth, and higher sales commission arising from higher sales volume. **In addition, does management expect selling and distribution expenses to remain elevated and to account for a higher percentage relative to sales?**

The company recognised a gain on disposal of an investment property located in the United States of America amounting to US$12.8 million as Other Gains (net) in the statement of profit or loss. Without this one-off disposal, the group would just about break-even for the year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 US$'000	2020 US$'000 Restated
Revenue	21	**448,763**	417,754
Cost of sales		**(422,675)**	(373,921)
Gross profit		**26,088**	43,833
Other items of income			
Interest income		**92**	131
Other gain/(loss), net		**12,186**	(2,084)
Other items of expense			
Selling and distribution expenses		**(5,269)**	(4,435)
Administrative expenses		**(11,056)**	(10,058)
Finance costs	22	**(3,689)**	(4,910)
Profit before income tax	23	**18,352**	22,477
Income tax expense	24	**(4,502)**	(3,071)
Profit for the financial year		**13,850**	19,406

(Source: company annual report; emphasis added)

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(v) **How much pricing power does the group have to pass on costs increases?**
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(vi) **What are management's strategies to improve the profitability of the group going forward?**

Q3. The company has appointed Yang Lee & Associates ("IA") as the outsourced internal auditors. The IA is independent of the management and will report to the chairman of the audit committee (AC) on any material weaknesses and risks identified in the course of the audit which will also be communicated to management.

The IA has unfettered access to all the company's documents, records, properties and personnel, including access to the AC. The IA is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards), issued by the Institute of Internal Auditors. The AC is satisfied with the adequacy and effectiveness of the current internal audit function and is of the view that the internal audit function is independent, effective and adequately resourced.

(i) **What was the scope of the internal audit in FY2021?**

(ii) The group has subsidiaries in Singapore, Malaysia, Switzerland, The Republic of Estonia, United States of America, People's Republic of China, Indonesia, Republic of Cote D'Ivoire. **Were all major operating foreign entities included in the IA? How was the internal audit carried out for these overseas entities?**

(iii) **Given the closure of national borders, was the scope and the effectiveness of the IA affected?**

(iv) **What were the key findings and recommendations by the internal auditor?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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