

Issuer: Noel Gifts International Ltd

Security: Noel Gifts International Ltd

Meeting details:

Date: 25 Oct 2016

Time: 09:00AM

Venue: The Conference Room, 21 Ubi Road 1 #03-01 Singapore 408724

Company Description:

Noel Gifts International Ltd provides floral arrangements, gifts, and hampers primarily in Singapore, Malaysia, and China. It operates through two segments, Gifts and Properties. The company also provides its flowers, hampers, and gifting ideas through its Website. It also operates a franchise program that provides franchisees the right to use the company's name; creative gift designs; and marketing, sales, operations, and purchasing strategies and systems. The company's franchise operations are located in Kuala Lumpur, Johor Bahru, Penang, Jakarta, and Bangkok. In addition, it is involved in the investment and development of properties. The company was formerly known as Noel Hampers and Gifts Pte Ltd and changed its name to Noel Gifts International Ltd in 1993. Noel Gifts International Ltd was founded in 1975 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=543)

1. In the Managing Director's message (page 3-4 of the annual report), the company highlighted that they are "constantly adapting to the shifts in communications and consumer behaviour" and are committed "to innovate and reinvent thereby staying competitive and relevant to the contemporary consumers of this age".

This is in deep contrast with the Gifts Division expanding its physical retail presence by opening up outlets in Suntec City, Nanyang Technology University, Tan Tock Seng Hospital and Changi City Point.

Can management help shareholders understand the rationale of going from "online to offline" at a time when the traditional retailers are suffering and are developing their online strategy? What are the opportunities in the retail space that the group can capitalise on?

2. With a 40-year proven track record in Singapore, the group is at the point where it is devising its "future strategies" (page 3 - Managing Director's message). The group has scaled back or ceased operations in the overseas ventures. At the same time, property development is also challenging given the poor market sentiments. **What are the possible growth opportunities for the group? Can the group seize more opportunities in the core business of hampers, flowers and gifts locally? Are there plans to re-enter the property development market?** Due to good and prudent management, the group has built up a sizeable cash hoard that is not generating much value given the low interest rate. **What is the board's view of the appropriate capital structure, taking into account the capital needs to fund growth and working capital?**

3. In the Corporate Governance report (page 98), the board disclosed that they had reviewed its composition and is satisfied that such composition is appropriate, given the background, qualifications and experience of its directors".

Guideline 2.5 of the Corporate Governance Code states that:

The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making.

The board currently comprises of four directors. **Could the board also confirm that it had deliberated on the size of the board and that it is satisfied with both the current size and composition of the board?**

In addition, both independent directors have served the board since 1993 and 1999. Given that business environment is evolving rapidly and digital disruption continues to upend retail and change consumption patterns, **what are the board's renewal plans?** New directors with the relevant experience and competencies (especially online shopping/e-commerce) can help the group to "rethink" its business strategy, "refresh" the product offering and consumer experience, and eventually to "reinvent" the group to keep it relevant to today's consumers.

Sources:

http://infopub.sgx.com/FileOpen/Noel%20Gifts%20International%20Ltd_2016%20Annual%20Report.ashx?App=Announcement&FileID=424177

<http://infopub.sgx.com/FileOpen/Noel%20Gifts%20AR2015.ashx?App=Announcement&FileID=369723>

<http://infopub.sgx.com/FileOpen/Noel%20Gifts%20Int%20Ltd%20Annual%20Report%202014.ashx?App=Prospectus&FileID=23416>

http://infopub.sgx.com/FileOpen/Noel%20Gifts%20International%20Ltd%20AR2013_Lores.ashx?App=Prospectus&FileID=19548

<http://infopub.sgx.com/FileOpen/Noel%20Gifts%20International%20Limited%20AR%202012.ashx?App=Prospectus&FileID=2995>

<http://infopub.sgx.com/FileOpen/Noel%202011%20AR.ashx?App=Prospectus&FileID=13393>