



**Securities Investors Association (Singapore)**

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**Issuer:** Noel Gifts International Ltd

**Security:** Noel Gifts International Ltd

**Meeting details:**

Date: 30 October 2018

Time: 9.00 a.m.

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

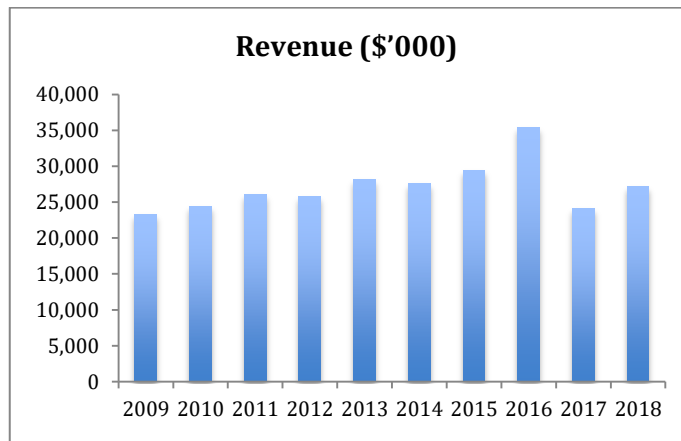
**Company Description**

Noel Gifts International Ltd provides hampers, flowers, and gifts in Singapore and Malaysia. It operates through two segments, Gifts and Properties. In addition, it 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. Further, it invests in and develops properties. Noel Gifts International Ltd offers its products through its retail outlets and online. 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](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=543))

1. The group reported revenue of \$27.2 million for the financial year ended 30 June 2018, an improvement of 12.5% from 2017. While the jump in revenue is encouraging, the group's top line has not seen any meaningful growth in the past ten years. The ten-year history of the group's revenue is shown in the table and chart below.

FY	Revenue (\$'000)	Profit (\$'000)
2009	23,299	1,558
2010	24,425	3,678
2011	26,087	3,661
2012	25,746	3,197
2013	28,141	4,924
2014	27,622	1,578
2015	29,455	2,913
2016	35,458	1,534
2017	24,185	1,377
2018	27,206	3,112



- (i) **Has the board reviewed the operating environment vis-à-vis the group's business model and (re)validated its strategy?** It would appear that the group has not grown in scale in the past ten years, especially if revenue is adjusted for inflation.

Over the period, shareholders' funds have increased from \$22.88 million in 2009 to \$34.78 million as at 30 June 2018. The CAGR for shareholders' funds is approximately 4.8% per annum over the period. This is after the company has given out approximately \$15.2 million as dividends over the period. The dividend has consistently ranged from 1 cent per share to as much as 3 cents although the company has only declared a dividend of 1 cent per share for FY2017 and FY2018.

- (ii) **As the board sets the group's overall corporate strategy and direction, can the directors help shareholders understand if the group's operations are sustainable, given the market trends and changes in buying patterns?**
- (iii) **Has the board carried out any scenario planning? What would the group look like in 5 years' time and in 10 years' time?**
- (iv) The company has not included a Sustainability Report in its annual report. Under the SGX guidelines for sustainability reporting that was introduced in 2016, companies have up to 12 months from the end of the financial year to publish their first report, starting with any financial year ending on or after 31 December 2017. **Would the company be releasing a Sustainability Report in due course to help shareholders better understand the group's environmental, social and governance (ESG) efforts?**

2. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

- (i) **Market share:** Has the group estimated its market share? Has it been able to consolidate its market position?
- (ii) **Online-offline:** How successful has the group been in its multi-channel strategy?
- (iii) **“Big data”:** What are the efforts by management to leverage technology in the business? For example, companies have analysed their customer data to improve customer engagement and to identify cross-selling and up-selling opportunities.
- (iv) **Retail strategy:** With stores being opened in Suntec City, Nanyang Technology University, Tan Tock Seng Hospital and Changi City Point in 2016, can management provide an update on these outlets? Please update shareholders on its current retail strategy.
- (v) **Investment properties:** The group has a portfolio of light industrial freehold units at 50 Playfair Road and a residential unit, amounting to \$15.83 million. **What is the occupancy rate of its investment portfolio?** The portfolio generated \$498,000 in rental income, with direct operating expenses amounting to \$294,000. The net rental income yield (pre-tax) is approximately 1.3%. **Can management help shareholders understand if the rental yield is satisfactory, given the group’s cost of capital? What are management’s efforts to improve the return from its investment portfolio?**

3. Following the resignation of Mr Freddie Heng Kim Chuan as director, the company appointed Mr Foo Der Rong and Mr Aric Loh to the board as independent directors on 1 August 2017. Mr Loh brings to the board his prior experience as an audit partner at Deloitte & Touche LLP, Singapore.

**Has the nominating committee (NC) reviewed the overall desired competency matrix of the board and identified gaps, if any, in skills or competencies that could be addressed in director appointments?** For instance, the appointment of an additional director with experience in e-commerce, marketing, sales, logistics, innovation or start-ups could offer the board new and varied perspective.

A copy of the questions for the Annual Report for the financial year ended 30 June 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Noel%20Gifts%20International%20Ltd>

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