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Issuer: Noel Gifts International Ltd.

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Meeting details:

Date: 23 October 2020

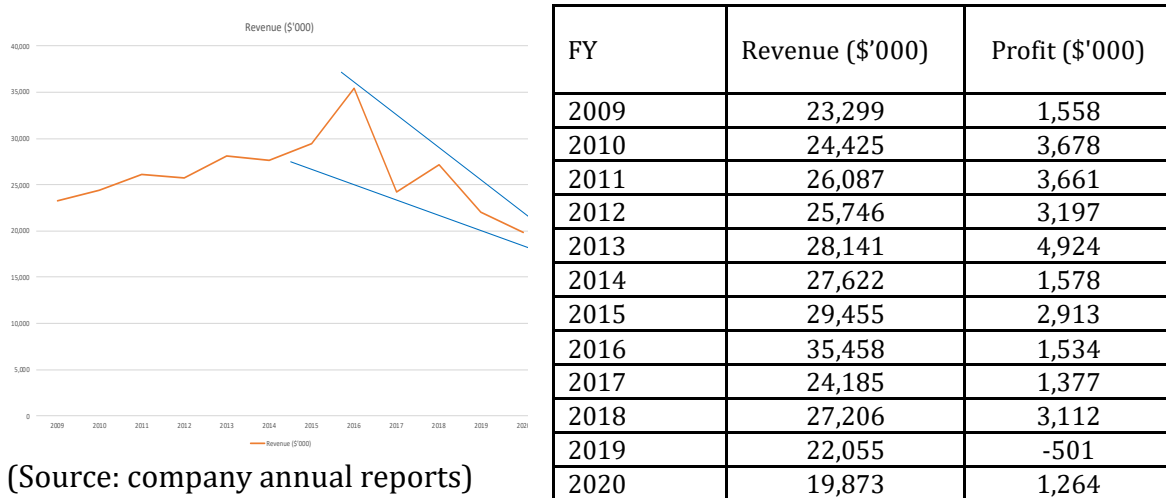
Time: 9.00 a.m.

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.

Q1. *[The question was first posted to the company following the review of the 2018 annual report. It has been updated following the review of the 2020 annual report.]*

The group reported revenue of \$19.9 million for the financial year ended 30 June 2020 a decrease of 10% from the previous year. As stated in the Managing Director’s message, the decrease was “mainly attributable to lower gift revenue due to the impact of the Covid-19 pandemic” (page 3 of the annual report).

The twelve-year history of the group’s revenue is shown in the table and chart below.



(Source: company annual reports)

The spike in revenue for FY2016 was due to the SG50 celebrations. Since then, revenue has slipped by 44% over four financial years, at an average rate of -13.5 per cent per year.

- (i) **Has the board reviewed the operating environment vis-à-vis the group’s business model and (re)validated its strategy?**
- (ii) **Can management help shareholders understand how it carries out “constant innovation and reinvention”? What are some of the examples of the group’s innovation and reinvention? How much have the innovation/reinvention contributed to the group’s top and bottom line?**

In Note 23 (page 115 – Revenue), the breakdown of revenue shows that revenue from sales of gifts and hampers (at point in time) decreased from \$21.5 million in FY2019 to \$19.4 million in FY2020.

- (iii) **Can management provide a further breakdown of the revenue by product type, by customer profile and by sales channel to help shareholders understand how the different segments have performed in the past 3-5 years?**

- (iv) **For the benefit of new and long-standing shareholders, would the company (re)state its business model and help shareholders understand the sustainability of its business model in view of the declining revenue?**

Q2. The group has total assets of \$37.2 million, with \$15.1 million invested in investment properties. The portfolio of properties can be seen on page 163 of the annual report. The group has 10 freehold strata units at 50 Playfair Road and a 99-year leasehold residential unit at 33 Rochester Drive.

- (i) **Can the group disclose the occupancy rate of the group's investment property portfolio?** With over 40% of the group's total assets invested in the investment properties, the performance of the property division will have a significant impact on the group's overall performance.
- (ii) **Has the group experienced difficulties in collecting rent from the tenants due to COVID-19?**

Under SFRS(I) 1-17, the group reported in the 2019 AR that contracted future minimum lease payments within a year from the end of the reporting period amounted to \$355,000. In the 2020 AR, under SFRS (I) 16, the operating lease payment within one year amounted to \$277,000.

- (iii) **Can the board, especially the audit committee, help shareholders understand if the two figures (\$355,000 vs \$277,000) are directly comparable?**
- (iv) **What is the committed occupancy rate as at 30 June 2020?**

The group has relied on independent desktop valuations and recognised fair value gain of \$0.4 million on investment properties in FY2020. In FY2019 and FY2018, the group recognised a \$1.2 million fair value loss and a \$1.5 million fair value gain of investment properties respectively.

- (v) **Can the company disclose the independent valuer?**

The rental income ranged from \$460,000 to \$540,000 in the past 7 years, averaging \$515,000 per year. The average valuation of the portfolio is approximately \$15.1 million over the same period, with direct operating expenses averaging \$183,000 per year. The rental yield, net of direct operating expenses, averaged 2.14 per cent.

- (vi) **Can management provide a breakdown to the direct operating expenses?**
- (vii) **Has the board reviewed the returns from the investment properties? How can the group improve the returns from its portfolio?**

Q3. As part of its corporate social responsibility, the group contributed to the SG50 Baby Jubilee Gifts and took part in a project organised by the Marine Parade Community Club to distribute 13 special hampers to the centenarians in Marine Parade in 2015. The group's CSR efforts were not highlighted in the 2017 annual report but in the 2018 annual report, it was stated that the group raised a total of \$31,500 for Focus on the Family (a family-centric non-profit organisation) as well as St Luke's Elder Care (a non-profit healthcare provider) by donating the proceeds from the sales of special gift sets.

In the 2019 AR, it was disclosed that a donation of \$100,000 was made in support of St Luke's ElderCare (SLEC).

This year, part of the group's CSR efforts involved the showing of appreciation and support for the healthcare frontliners with surprise gift boxes of snacks delivered to several hospitals in Singapore. Giveaway stations were also set up at the group's six retail outlets for over a week to provide free snacks, fruits and flowers to the healthcare workers for their selfless contributions, dedication and hard work.

Details of the group's CSR efforts could be found on pages 24-25 of the annual report (Sustainability Report – 7.7 Giving back to the community)

- (i) **Would the board help shareholders understand how it approaches the group's corporate social responsibility? In particular, how does the group determine its budget for CSR activities and the beneficiaries?**

The group made a relatively large donation of \$100,000 in FY2019 to St Luke when the group registered a net loss after tax of \$0.5 million in FY2019. It was also noted that Mr Alfred Wong Siu Hong, managing director, joined the board of St Luke's ElderCare Ltd (SLEC) in February 2018 and was appointed as the Chairman of the Fundraising Committee in November 2018.

- (ii) **Did the board, especially the independent directors, deliberate on the group's CSR approach and have a framework to govern its CSR efforts, especially in the selection of its partners and beneficiaries?**
- (iii) **In particular, did the independent directors approve the group's donation of \$100,000 to SLEC when the group reported a net loss after tax of \$0.5 million in FY2019? If so, can the independent directors help shareholders understand the rationale for the relatively large donation?**
- (iv) **Given that Mr Alfred Wong Siu Hong was appointed to the board of SLEC and was then appointed as the chairman of the fundraising committee, would the group's donation of \$100,000 be considered a discloseable transaction under Chapter 9 of the SGX-ST Listing Manual?**

Q4. The company welcomed back Mr Koh Soo Keong to the board as “independent director” on 1 June 2020.

Mr Koh was previously a director of the company from 1999 to 2017. In the announcement of Mr Koh’s cessation dated 1 August 2017, Mr Koh resigned from the board to “facilitate the renewal of the board of directors pursuant to the corporate governance principles” and also to “refresh and rejuvenate the board composition”. In his first stint as a director of the company, Mr Koh served for 18 years.

The company has also stated that it is mindful of the 9-year tenure for independent director and will subject Mr Koh to a two-tier voting at the AGM 2021.

The nominating committee (“NC”) has stated that there is a formal and transparent process for all board appointments.

- (i) **Would the board elaborate further on the “formal and transparent process” for board appointments, especially for independent directors? What is the search and nomination process for independent directors?**
- (ii) **How would the re-appointment of Mr Koh Soo Keong help the company in board renewal and rejuvenate the board composition?**
- (iii) **Would the NC elaborate further on how its search and nomination process would support board diversity? Would the NC consider making use of a professional search firm to enable the board to cast its net wider and further improve the diversity of the candidate pool?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer’s website, through “live” webcast and on SGXNet.

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](http://www.sias.org.sg)

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[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)



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