

NOEL GIFTS INTERNATIONAL LTD.

(Company Registration No. 198303940Z)
(Incorporated in the Republic of Singapore)

RESPONSES TO QUESTIONS FROM SHAREHOLDER OF NOEL GIFTS INTERNATIONAL LTD ON ANNUAL REPORT 2020

The Board of Directors of Noel Gifts International Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to address questions received from Shareholders relation to the Company’s annual report for the financial year ended 30 June 2020 (the “**Annual Report**”). The Company has received the following relevant and significant questions from the Shareholders and wishes to provide its responses in advance of the annual general meeting as follows:

Unless otherwise defined, all terms used in this announcement shall have the same meaning ascribed to them in the Annual Report.

Question 1:

Page 10 - Financial Highlights: Revenue. Except for 2018, the Group’s revenue has been on a general decline since 2016. This is likely to indicate a structural problem. What structural trends are adversely impacting the Group over the years?

Company’s response

The revenue was affected by the following reasons:

1. Market condition – the market sentiment forces consumers to spend less on discretionary purchases;
2. Economic condition – impacted by the COVID-19 pandemic;
3. More new entrants to the gifting businesses; and
4. Lack of projects sales.

With reference to Page 4 of the Annual report, the Group will constantly seek opportunities for innovation and reinvention.

Question 2:

Page 3 - Managing Director’s Message: Under the sub-header “Financial Review”, it was stated that “For the financial year ended 30 June 2020, the Group recorded revenue of \$19.9 million, a decrease of 10.0% from \$22.1 million in the previous year. The decline was mainly attributable to lower gift revenue due to the impact of the Covid-19 pandemic.” With the phased re-opening in Singapore, how much recovery has Noel Gifts experienced so far? Are the Christmas sales looking encouraging?

Company's response

Given the uncertainty in the global and local economies as a result of the impact of the COVID-19 pandemic and geo-political tensions, the Group expects to face more challenges. As the full effect of the aforesaid situation is still uncertain, the Group will continuously monitor and take appropriate measures to mitigate any adverse impact which may arise.

Question 3:

Page 118 – Profit (Loss) before income tax: While the Group's turnover has declined by 10.0%, the Directors' remuneration for Director of the company has increased by 22% from \$459k in 2019 to \$560k in 2020. What led to the increase?

Company's response

With reference to Page 4 of the Annual Report, the Group has re-designated Mrs. Ivy Tan as an Executive Director.

The Company had made an announcement on 31 December 2019 on the re-designation of Mrs. Ivy Tan's position as Non-independent Non-executive Director to Executive Director with effect 1 Jan 2020.

Accordingly, the directors' remuneration for FY2020 takes into consideration Mrs. Ivy Tan's remuneration.

Question 4:

Page 97 – Note 7 Trade Receivables: Why is there an increase?

- a. Loss allowance recognised in profit or loss increased from \$49,000 in FY2019 to \$181,000 in FY2020.
- b. Receivables written off as uncollectible from \$26,000 in FY2019 to \$112,000 in FY2020.

Company's response

- a. In view of the pandemic and economic recession that impacted many businesses, the Group is taking a more prudent approach in the trade receivable assessment.
- b. Receivables which were uncollectible after many attempts by the Group were written off as uncollectible against the allowances, resulting in an increase from FY2019 to FY2020.

Question 5:

Page 100 – Note 10 Inventories: Why is there an increase on the allowance for inventories from \$36,000 in FY2019 to \$97,000 in FY2020?

Company's response

The Group is taking a more prudent approach in the inventory assessment, in particular, in respect of the project balance stock.

Question 6:

Page 104 – Note 13 Financial Assets at Fair Value Through Other Comprehensive Income (“FVTOCI”).

- a. What are these \$1.4 million investment in equity instruments designed at FVTOCI comprises.
- b. What are these \$1.0 million investment in debt instruments designed at FVTOCI comprises.

Company's response

- a. Equity instruments designated as at FVTOCI mainly comprises local shares and perpetual bonds.
- b. Debt securities designated as at FVTOCI mainly comprises bonds with tenor of 8 to 12 years.

Question 7:

Page 99 – Note 9 Deposits, Other receivables and Prepayments
Why has other receivables increased from \$70,000 in FY2019 to \$323,000 in FY2020

Company's response

The increase in other receivables was partially due to grants received from the government, which were recognised as other income on an amortised basis.

By Order of the Board

Wong Siu Hong Alfred
Executive Chairman and Managing Director
22 October 2020