

# NOEL GIFTS INTERNATIONAL LTD.

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

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## SGX QUERIES REGARDING THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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The Board of Directors of Noel Gifts International Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the following in response to queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) with respect to the Company’s annual report for the financial year ended 30 June 2020 (the “**Annual Report**”).

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

### 1. **SGX-ST’s query 1**

Provision 2.4 of the Code of corporate governance 2018 (the “**Code**”) states that, “The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company’s annual report.”

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Please disclose how the Company has deviated from Provision 2.4 of the Code, and in particular, the required disclosure on board diversity policy and progress made towards implementing the board diversity policy, including objectives.

### **Company’s response**

The Company wishes to clarify that it has disclosed its board diversity policy, its view on how the current Board comprises persons whose diverse skills, experience, knowledge and gender provide for effective direction of the Group and how it maintains or enhances the Board’s balance and diversity on page 133 of the Annual Report.

For completeness, the Company wishes to elaborate that in reviewing the appointments of new Directors, the Board together with the NC ensures that it sets relevant objectives to promote and achieve diversity on the Board. In discharging its duties, the Board and the NC shall give due regard to the benefits of all aspects of diversity and strive to ensure that the Board is appropriately balanced to support the long-term success of the Company. The main objective is to continue to maintain the appropriate balance of perspectives, skills and experience on the Board to support the long-term success of the Company.

## 2. **SGX-ST's query 2**

Provision 8.1 of the Code states that "The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

- (a) each individual director and the CEO; and
- (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel." (emphasis added)

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regard to the disclosure of the amounts of remuneration of each individual director and the CEO. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

### **Company's response**

The Company notes that, as explained on page 142 of the Annual Report, in the interest of maintaining confidentiality, good morale and a strong team spirit within the Group, the Company is not disclosing the individual remuneration of the Directors and the top five key management personnel of the Group as the Company believes that such disclosure may result in prejudice to its business interest given the highly competitive environment the Company is operating in. The Company has instead disclosed on pages 141 and 142 of the Annual Report the breakdown showing the level and mix of the remuneration of each individual Director and the top five key management personnel into types of compensation in percentage terms and in bands of S\$250,000.

The Company has also given disclosure on its remuneration policies and procedure for setting remuneration on pages 140 and 141 of the Annual Report. The Board therefore believes that, taken as a whole, the disclosures provided are meaningful and sufficiently transparent in giving an understanding of the remuneration of its Directors and employees, the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation. Based on the above, the Board is of the view that its practices are consistent with the intent of Principle 8 of the Code.

### **3. SGX-ST's query 3**

Listing Rule 719(1) requires the Board to comment on the adequacy and effectiveness of the company's internal controls and risk management systems, and the AC's concurrence with the Board's comments. Where either the Board or the AC comments that the issuer's group's internal controls or risk management systems have weaknesses, the issuer must provide clear disclosure on the weaknesses and the steps taken to address them.

Please clarify whether and how Listing Rule 719(1) has been complied with.

#### **Company's response**

The Company wishes to clarify that based on the system of internal controls established and maintained by the Group, work performed by the external auditors, and reviews performed by Management, the Committees and the Board, with the concurrence of the AC are of the opinion that the Group's internal controls and risk management systems addressing financial, operational, compliance and information technology controls were adequate and effective as at 30 June 2020. In addition to the foregoing disclosure which is set out on page 144 of the Annual Report, the Company has also set out on page 148 of the Annual Report that, *inter alia*, the AC is satisfied that the current risk management function and system, and internal audit function is independent, effective and adequately resourced. In view of the foregoing, the Company notes that Listing Rule 719(1) has been complied with.

### **4. SGX-ST's query 4**

Listing Rule 1207(10C) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including audit committee's comment on whether the internal audit function is independent, effective and adequately resourced. Where the internal audit function is outsourced, please provide information on the relevant experience of accounting firm and the engagement team.

#### **Company's response**

As set out on page 148 of the Annual Report, the AC is satisfied that the current risk management function and system and internal audit function is independent, effective and adequately resourced and has appropriate standing in the Group as the internal audit function is outsourced to the IA.

As disclosed on page 147 of the Annual Report, the Company has appointed Yang Lee & Associates as the IA to provide internal audit services to the Group.

Yang Lee & Associates is a professional service firm that specialises in the provision of Internal Audit, Enterprise Risk Management and Sustainability Reporting advisory services. The firm was set up in the year 2005 and currently maintains a diverse outsourced internal audit portfolio of SGX-ST listed companies across different industries including distribution, manufacturing, services, food & beverage, trading, retail and property development industries.

The Engagement Team for this engagement comprises two Directors, a Manager and supported by two Associates. Each of the two Directors has more than 20 years of relevant experience whilst the Manager has approximately 10 years of relevant experience.

By Order of the Board

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