



NOEL

2016
ANNUAL
REPORT

Rethink.
Refresh.
Reinvent.



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Financial Contents

Rethink. Refresh. Reinvent.

We are operating in a fast paced, new economy that is fueled by technology advances. The internet and social media has changed the landscape for communications and consumer behavior. There is a need for the Group to work towards meeting the changing needs of consumers, to innovate and reinvent to stay relevant in the new economy.



ABOUT US

Noel Gifts International Ltd (Noel Gifts) is the leading hampers, flowers and gifts company with an extensive offering of chic floral arrangements and gifting ideas for the stylish and discerning.

Over the past 41 years, the company has been Bringing People Closer with premium quality gift selections for all occasions. Since its inception in 1975, the company began business under the name “Noel Commerce” as a year-end hamper packaging company. In 1982, the company expanded to incorporate a flower business and was renamed “Noel Hampers and Gifts Pte Ltd” a year later.

In 1993, the company was renamed “Noel Gifts International Ltd” due to steady growth of the business. In the same year, the company also became a public listed company on the second board of Singapore Stock Exchange, SESDAQ. In 2008, Noel Gifts was listed on the SGX Mainboard.

Till today, Noel Gifts remains true to its core values, and continues living its vision of
Bringing People Closer, Making Everyday Better.

We believe this is the best time for us
to rethink, refresh and reinvent
ourselves amidst a fast-changing
business landscape characterised
by high volatility.

Alfred Wong Siu Hong
Managing Director



MANAGING DIRECTOR'S MESSAGE

Dear Shareholders

Having crossed the momentous 40-year milestone in our corporate journey, we are taking time to review our efforts as we devise future strategies. We believe this is the best time for us to rethink, refresh and reinvent ourselves amidst a fast-changing business landscape characterised by high volatility.

During the financial year of reporting, Noel Gifts International Ltd ("Noel Gifts") continued to focus on our core emphasis on people and relationships as we followed up on the execution of two of the government projects, which were awarded in June 2014 and March 2015. Of these, the engagement from the National Population and Talent Division, Prime Minister's Office (NPTD) for the supply, design and distribution of the Baby Jubilee Gift committed us to produce and deliver the commemorative SG50 Baby Jubilee gift set to all SG50 babies born in 2015. We were proud to be part of such a significant event in the history of Singapore as this marked the confidence the Government has in us to make such a special landmark a success.

Concurrently, the contract awarded by the Monetary Authority of Singapore (MAS) for the packaging, marketing and sale of numismatic currency sets was kicked off on 18 August 2015. Together, these two projects have contributed to a healthy revenue growth for the Group, as well as an increase in profit for the Gifts Division.

Executing these landmark projects were not without its risks and challenges, and I am thankful for the dedication and commitment of the Noel team. The successful completion of the projects further reinforces our belief in our capabilities in taking on large scale projects beyond the festive seasons.

In spite of our success in garnering the SG50 projects in FY2016, we continued to face headwinds in the increasingly challenging business environment as rising costs in transport, manpower and rental caused our margins to come under pressure.

With uncertainty and challenges prevalent in the economy, festive gifts demand is expected to be dampened for the year ahead. Nevertheless, the Group will be gearing up to review existing operations and processes to identify areas for enhancement, as we position ourselves to capitalise on any new challenges and opportunities that may arise in the future.

FINANCIAL REVIEW

For the financial year ended 30 June 2016, the Group delivered a 20.4% surge in revenue from \$29.5 million in FY2015 to \$35.5 million in the reporting year with an improved gross profit of 14.2% from \$13.8 million to \$15.7 million. However, gross profit margin in FY2016 was lower compared to the previous year due to sales related to the SG50 projects, which carried a lower profit margin.

Cost of operations hiked marginally, registering \$13.1 million against \$12.7 million in the previous reporting year due to higher staff costs.

The Group's profit after tax reported a dip of 47.3% from \$2.9 million in FY2015 to \$1.5 million in FY2016. The decrease was attributed to higher tax expense recorded in FY2016 due to profit before tax in FY2015 being substantially accounted for by a non-taxable capital gain of \$1.6 million, which was contributed by the disposal of an associate, First Balmoral Development Pte Ltd.

OUR MARKETS

Within the domestic market, Noel Gifts Division enjoyed a boost in revenue and profit from the two government projects – the SG50 Baby Jubilee gift set and the SG50 numismatic currency set. Noel Gifts is honoured to have participated in the two SG50 jubilation projects. Besides this, the division has also expanded its presence into the physical retail space when we started operating at Suntec City. This was subsequently followed by the opening of other retail outlets in Nanyang Technology University, Tan Tock Seng Hospital and Changi City Point. These retail stores are new explorative initiatives aimed to support the Group's

MANAGING DIRECTOR'S **MESSAGE**



penetration into different market segments and bring our products closer to our customers.

In line with the sober economic conditions, our operations in Malaysia further deteriorated, leading to the cessation of operations in Kuala Lumpur. We anticipate that this market will remain challenging. Our Johor Bahru operations will continue to play a relatively minor role within the Group.

DIVIDEND

In appreciation of the continued support rendered by all our shareholders, the Group will be declaring a first and final cash dividend of 0.6 cents per ordinary share, and a special dividend of 0.9 cents per ordinary share, subject to shareholders' approval at the upcoming Annual General meeting.

RETHINK. REFRESH. REINVENT

Against the backdrop of a fast-paced new economy fuelled by technological advances, our operations are also constantly adapting to the shifts in communications and consumer behaviour. We commit to innovate and reinvent thereby staying competitive and relevant to the contemporary consumers of this age.

ACKNOWLEDGEMENT

In closing, we would like to express our deepest gratitude to our customers, directors, team members, shareholders and supply partners for their staunch support and unwavering belief in us during this fruitful year.

Over and above, I would like to dedicate all Glory to God for our worthy accomplishments along this meaningful journey.

Yours sincerely

ALFRED WONG SIU HONG
Managing Director

Rethink.

The Group will be gearing up to review existing operations and processes to identify areas for enhancement as we position ourselves to capitalise on any new challenges and opportunities that may arise in the future.



BOARD OF **DIRECTORS**



MR ALFRED WONG SIU HONG

Managing Director

Alfred is the founder of Noel Gifts International Ltd, and has been its Managing Director since its commencement. Over 41 years of experience in the hamper, flower & gift business, he is in charge of the strategic planning, overall financial management and growth of the Group. Since 1997, he has been spearheading the Property Division, overseeing property investment and development. He is a recipient of the 1991 ENDEC Entrepreneurship Excellence Award. Mr Wong holds a Master of Business Administration degree with distinction.



MRS IVY TAN (MDM WONG PHUI HONG)

Non-Executive Director

Mrs Ivy Tan is a Non-Executive Director with effect from 28 September 2007. A co-founder since its inception, Mrs Tan was the Deputy Managing Director overseeing the management of the Gift division. Her long tenure with the company commensurate her vast experience and knowledge of the industry. Mrs Tan continues to provide advice in key strategic planning as an Advisor. She also serves as the Company Secretary. Mrs Tan was the Executive Pastor of Bethesda Bedok-Tampines Church (BBTC) from 2008 to 2014. She holds a Master of Business Administration degree with distinction.

BOARD OF **DIRECTORS**



MR FREDDIE HENG KIM CHUAN

Independent, Non-Executive Director

Freddie has been an Independent Director of the Company since 1993. He served as an Audit Manager in Arthur Andersen & Co. from 1981 to 1984, as a Financial Controller at Noel from 1984 to 1987, and as an Executive Director of Van Der Horst Limited from 1992 to 2000. Since 2000, he has been a Director in his own consultancy company and is also currently a Non-Executive Director in SML Corporation Limited, a company incorporated in Bermuda and listed on the Australian Stock Exchange. Mr Heng has an extensive experience in the areas of financial and operations systems, corporate restructuring as well as mergers and acquisitions. He is a Chartered Accountant and holds a Bachelor of Science (Economics) degree.



MR KOH SOO KEONG

Independent, Non-Executive Director

Soo Keong has been an Independent, Non-Executive Director of the Company since 1999. He was the Chief Executive Office and President of Toll Asia Pte Ltd (formerly known as SembCorp Logistics Ltd) until April 2007. He is a Board Member of two other publicly listed companies and the Chairman of the Agri-Food and Veterinary Authority of Singapore until March 2016. He holds a Bachelor of Engineering (Honours), a Master of Business Administration and a Post Graduate Diploma in Business Law from the University of Singapore (now known as the National University of Singapore).

MANAGEMENT TEAM

L-R
Bernadette Kwan
Jason Tan
Michelle Chong
Amos Sim



BERNADETTE KWAN | General Manager

Bernadette has been with Noel since June 1993. In her 23 years with the company, Bernadette has fronted the Product Management, Purchasing as well as the Operations Departments. As Noel's General Manager, Bernadette is responsible for overseeing the management of the Gifts Division. Her range of duties includes strategic planning, business operations, product development and advertising and promotions to marketing and sales for the local market. Bernadette holds a Masters in Business Administration.

JASON TAN | Creative Group Head

Before Jason's return to Noel in 2000, Jason had held various positions in sales, merchandising, advertising and promotions and marketing. Upon his return, he was put in charge of establishing the Creative Department. His responsibilities include all creative aspects of the company from the conceptualising of the products to its creative presentations, print designs to the final packaging. Jason also oversees the creative direction for all corporate identity, marketing materials and media presentations.

MICHELLE CHONG | Country Finance Manager

Michelle came on board to Noel in 1993. Over the last 23 years, she has risen up the ranks and was promoted to the position of Senior Accountant in April 2007. In 2012, Michelle was promoted and is the Country Finance Manager. She is overall-in-charge of the Group's finance, treasury and tax functions, and is tasked to oversee the finance function for the Singapore operations. She possesses a professional qualification from the Association of Chartered Certified Accountants.

AMOS SIM | General Sales Manager

Amos served in the Operations Department from 1997 to 2001 before moving over to the Sales Department as a Sales Executive for one and a half years.

After a short stint with a multi-national hygiene company as their Operations Manager, Amos returned to Noel as its Sales Manager, in late 2003. In July 2007, Amos was promoted to General Sales Manager to overseeing several sales channels. Since 2011, besides overseeing the sales channels, Amos is tasked with ensuring excellent customer care with the management of sales support and customer service under his purview. From March 2016, Amos is additionally tasked with overseeing the Retail outlets in Suntec City and Changi City Point. He currently holds a Diploma in Marketing.

MANAGEMENT TEAM

L-R
June Koh
Jess Chan
Magdalene Siew



JUNE KOH | Operations Manager

In 1996, June joined Noel as its Assistant Franchise Manager, with the responsibility to service Noel Franchisees in Bangkok and Malaysia. In 1997 she was transferred to the Operations Department where she took on the position of Assistant Operations Manager. In 2002, she was promoted to Fulfilment Manager to assist in the overseeing of the store, production and transport sections under the Operations Department. A Diploma holder in Business Studies, June currently heads the Operations Department.

JESS CHAN | Manager, Product Management and Advertising/ Promotions

Jess joined Noel in April 2001 as the Internet Marketing Assistant. In 2002, Jess was transferred to the Product Management Department where she gained considerable experience and expertise in that subject area. In 2006, she was promoted to Assistant Manager and was subsequently promoted to Product Manager the following year. Since June 2011, Jess has dual portfolio of Product Management as well as Advertising and Promotions. She holds a degree in Business and Commerce from the Monash University.

MAGDALENE SIEW | Internet Marketing Manager

Magdalene joined Noel in 2005 as an Internet Marketing Executive where she was responsible for the growth of the internet business. Other responsibilities she assumed included channel sales and the planning of internet-related marketing activities. In 2006 Magdalene was promoted to Senior Internet Marketing Executive. Two years later, the Bachelor holder in Business Advertising and Electronic Marketing was promoted to her current position as the Internet Marketing Manager.

MANAGEMENT TEAM

L-R
Gladys Tan
Jay Oon
Alvin Tan
Jesssheena Ong



GLADYS TAN | Personal Assistant/Office Manager

Gladys first joined Noel in March 1994 as the Secretary to the Managing Director. Over the years, she took on several roles which included secretarial and administration duties. She later moved through the ranks and was promoted to the Personal Assistant to the Deputy Managing Director in 2003.

In July 2007, she was promoted to take on the portfolio of Office Manager. With more than 22 years of service serving the top management of Noel, Gladys has been the Personal Assistant to the Managing Director since 2004. In 2011, she had also been put in charge of property lease. She holds a Diploma in Public Relations and Marketing.

JAY OON | Sales Manager

Jay joined Noel in 2005 as a Sales Executive. With more than 20 years of sales experience spanning across various industries such as alarm systems, information technology and training services, Jay was promoted to Sales Manager in 2007 to lead the sales team. He holds a certificate in Sales and Marketing from the Marketing Institute of Singapore.

ALVIN TAN | Fulfilment Manager

Alvin joined Noel in March 2005 as its Store Supervisor. In 2006, he was promoted to Store Senior Supervisor. A year later, he was promoted to Operation Executive to assist in the overseeing of the Operations Department. In July 2008, the Diploma holder in Computer Studies was promoted to Assistant Operations Manager. Alvin Tan has been promoted to Fulfilment Manager in 2011.

JESSSHEENA ONG | Credit Manager

Jesssheena joined Noel in September 1987 and has gain considerable experience and skills in credit control and management over the years. She was promoted to Credit Manager in July 2011 where she is in charge of overseeing the Credit Department responsible for credit management and accounts receivables. Jesssheena holds a GCE 'O' level Certificate.

MANAGEMENT TEAM

L-R
Cindy Ang
June Heah
Evelyn Lee



CINDY ANG | Assistant Sales Manager

Cindy joined Noel in 1996 as a Sales Executive. Over the 20 years with the company, she excelled in her sales performance and gained valuable experience in sales management. In July 2008, Cindy was promoted to Assistant Sales Manager. Cindy holds a GCE 'O' level Certificate.

JUNE HEAH | Customer Relations, Manager

June joined Noel in 1992 as Customer Service Assistant. Within the year, she was promoted to Customer Relations Officer. June rose through the ranks and in 2000 she was promoted to Customer Relations Executive. Having acquired extensive experience in customer service and managerial skills, June was promoted to Customer Relations Assistant Manager in July 2008 and in July 2012 she was promoted to Manager. June holds a GCE 'O' level Certificate.

EVELYN LEE | Assistant Manager, Personnel and Admin

Evelyn joined Noel in 2005 as Personnel and Admin Executive. Prior to Noel, Evelyn has been with a media and sales promotion company for over 10 years and had held various positions as promotions coordinator, media officer and HR executive. In Noel, besides personnel functions of recruitment, staff welfare and policy administration, Evelyn also assisted the General Manager with administrative matters. As Evelyn progressed with the company, her work scope widened to payroll management, assessing training needs, organise training and staff welfare programs as well as co-ordinate the company's needs on insurance. Evelyn was promoted to Assistant Manager, Personnel and Admin in 2011.

BUSINESS DEVELOPMENT **TEAM**

L-R
Winnie Tan
Joyce Yuen
Tham Mei Yoke
Toh Wei Hong



WINNIE TAN | General Manager

Winnie started out her career in Advertising and Promotions in 1988. Over the years, she has built up an extensive portfolio in consumer marketing, advertising and promotions and has handled the accounts of major local and international brands which include the likes of Yeo Hiap Seng, Gardenia, Evian, Eveready, Toyota, Kodak, Philips and Reebok.

Prior to joining Noel in 2004, Winnie served as a General Manager at a sales promotion consultancy firm and a media company. The Diploma holder in Marketing from the Chartered Institute of Marketing, the United Kingdom; Winnie oversees management and operating functions of Humming Flowers & Gifts Pte Ltd and Noel Hampers & Gifts (Johore) Sdn. Bhd.

JOYCE YUEN | General Manager

Joyce is the General Manager of Humming Flowers and Gifts Pte Ltd. She has more than 18 years in the flowers and gifts business prior to joining Humming Flowers and Gifts Pte Ltd in 2008. Her vast experience in customer service, sales management, product sourcing and operation processes contributes positively to the company. She has strong business sense and a good ability to build strong customer relationships. Currently, Joyce oversees the sales management of Humming Flowers & Gifts Pte Ltd.

THAM MEI YOKO | Finance Manager (Regional & Business Development)

Mei Yoke has been with Noel between 1988 to 2005, before she left the Group. In her 17 years of experience with the Group, she had participated in corporate finance, accounting, tax, corporate secretarial and other corporate functions. Some key highlights of her career with the Noel Group included participation in several corporate exercises such as Noel Gifts International Ltd initial public offering and the Group's diversification to new business. Mei Yoke obtained the professional qualification of the Association of Chartered Certified Accountants and is a member of the Institute of Singapore Chartered Accountants. She has rejoined the Noel Group in March 2012 as Finance Manager (Regional and Business Development) and is responsible in overseeing the Group's finance, accounting, internal controls, treasury and tax functions for new businesses and the overseas operations in Malaysia.

TOH WEI HONG | General Manager, Business Development

Wei Hong comes from a consulting and conglomerate background in retail, food service, and logistics. He is responsible for business development (M&A, JVs and investments) in Noel and oversees Information Technology as well. Wei Hong holds a Masters in Business Administration from Nanyang Business School.

BUSINESS DEVELOPMENT TEAM

L-R
Christopher Tan
Audrey Allyson Pavanaris
Kim Wong
Keith Wong Ho Hon



CHRISTOPHER TAN | Marketing Manager

Christopher joined Noel in 1996 as a Franchise Executive, servicing Noel Franchisees in Malaysia and Indonesia. In 1997, he was transferred to the Operations Department where he subsequently enjoyed a well-rounded exposure in various departments that include the Creative, Product Management and Property divisions. Christopher was promoted to Assistant Manager in 2002 and subsequently to the position of Product Manager in 2004. Christopher re-joined the company in 2007, and participated in several business development projects. Between 2011 and 2014, he spent most of his time in Kuala Lumpur and was instrumental to the set up of Noel Gifts Malaysia Sdn Bhd. Christopher Tan took over his new portfolio of Marketing in January 2015 for Humming Flowers & Gifts Pte Ltd, overseeing product development, creative design, advertising, PR and promotion for the Humming brand. He holds a Bachelor of Science (Economics) in Management Studies.

AUDREY ALLYSON PAVANARIS | Branch Manager

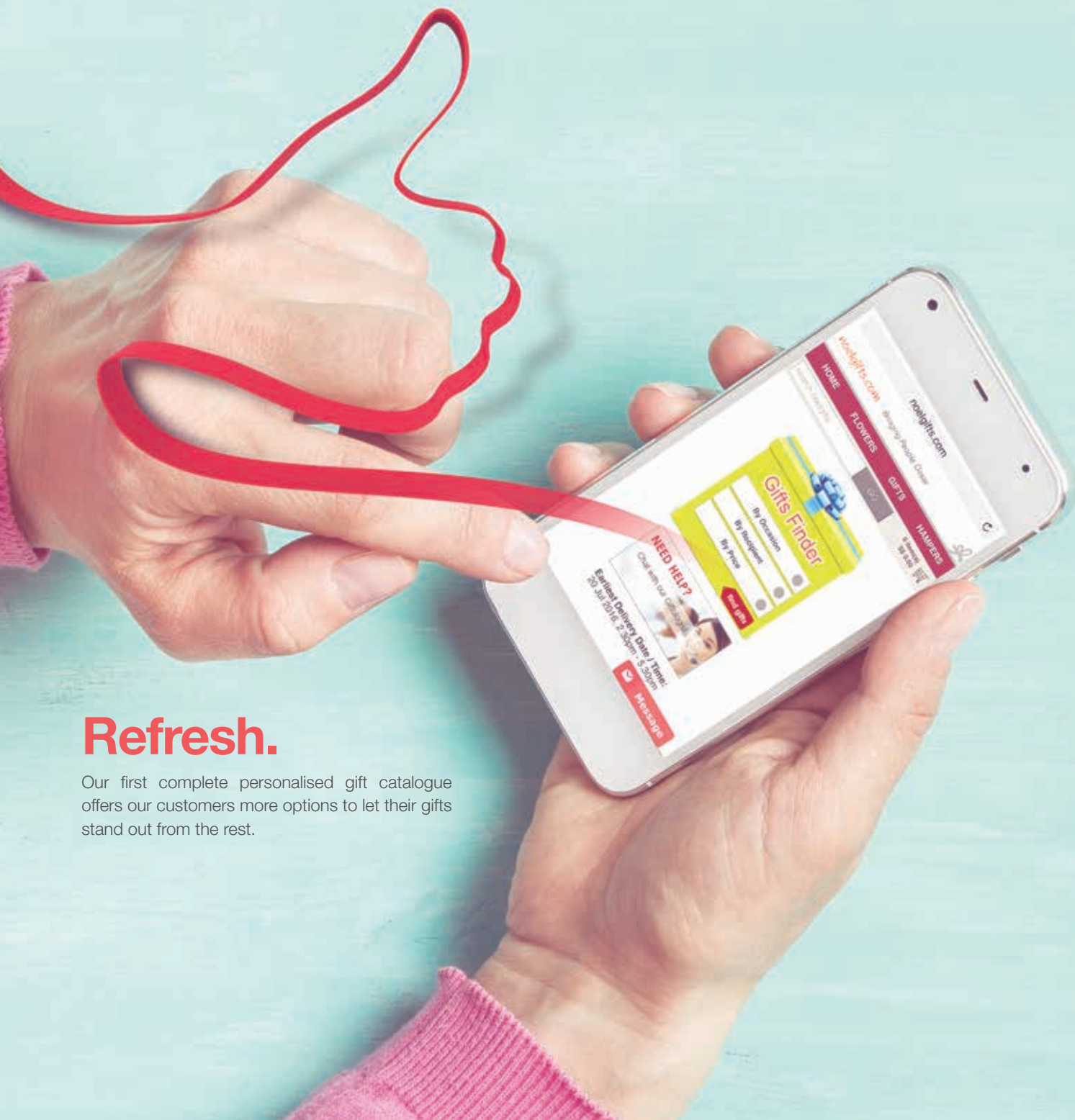
Audrey joined Noel Hampers & Gifts (Johore) Sdn. Bhd. in 1995 as a Customer Service Assistant. As a keen learner, she was transferred to assist the General Manager as his secretary between 1996 to 1999. The three years gave her good learnings and she was subsequently assigned to take care of product development and management as well as oversee the Customer Service Department between 2003 to 2007. Having many years of experience in the company coupled with well-rounded exposure in various departments, Audrey was poised to step into the position of Assistant Branch Manager in 2007. In June 2010, Audrey was promoted as the Branch Manager.

KIM WONG | Business Development Manager

Kim joined Noel in September 2005 as a Management Trainee. In her first three years with Noel, Kim was assigned to product management and sales duties; chalking up merchandising experience and building up excellent client relationships. She had participated actively in the integration programme of Noel's subsidiary company. From 2011 to 2014, Kim was seconded to the subsidiary, Humming Flowers & Gifts Pte Ltd to oversee Marketing including product development, creative design, digital marketing, advertising, PR and promotions for the Humming brand. She is currently back in Noel Gifts doing business development for the parent company. Kim is a holder of a Bachelor of Science in Business Administration from Boston University.

KEITH WONG HO HON | Assistant Manager

Keith started his sojourn with Noel Gifts International Ltd as a young intern at 17 years old. In 2009, he joined Noel as a management trainee and was assigned to the sales team, gaining knowledge and experience in sales as well as servicing key customers. In October 2011, he continued his sales journey with Noel Gifts Malaysia Sdn Bhd building and leading the sales team for the setup. In July 2014, Keith was given his new assignment in the Property Division to explore and uncover new opportunities in this dynamic sector. Keith is a holder of a Bachelor of Science (Business) from University of London.



Refresh.

Our first complete personalised gift catalogue offers our customers more options to let their gifts stand out from the rest.

OPERATIONS REVIEW

It had been a busy FY2016 for Noel Gifts executing two major government projects, namely the SG50 Baby Jubilee Gift set and SG50 Numismatic Currency Notes Collection. Amidst the project executions, the team endeavoured to inject fresh perspectives to gifting and embarked on some new initiatives.

PERSONALISATION CONCEPT CATALOGUE

We launched our very first complete personalised gift catalogue in April 2016 to offer our customers more options to let their gifts stand out among the rest. In line with our mission of “Bringing People Closer”, this catalogue aims to offer truly exclusive customised gifts that warm hearts and strengthen relationships. We created several product extensions, each allowing customers to personalise gifts with either receivers’ names, heartfelt messages or company logos.

One of the highlights include the Noel Signature Box, which features exquisitely beautiful fresh flowers arranged in a box. Customers can customise recipient’s name and a special message to be printed on the acrylic box. Other personalised products include quality French wines and champagnes with customised wine labels, as well as beautiful flower bouquets with recipient’s name prominently displayed. This catalogue is testament to Noel’s capability to customise both flowers and food hampers, thereby offering our customers a different gifting experience.



OPERATIONS **REVIEW**



Catering to our corporate customers, Noel also provides corporate personalisation services for festive season hampers and baskets. Our corporate clients have the option of their logos imprinted on festive season hampers to be sent to their business associates. Our aim is to help create lasting impressions for our corporate clients through the design of festive gifts that are true representations of them.

PHYSICAL RETAIL SPACE

During the year, the Gifts Division established a presence in the physical retail space with the set up of operations in four stores in Suntec City, Nanyang Technology University, Tan Tock Seng Hospital and Changi City Point. These retail outlets contribute towards the Group's foray into different market segments as we bring our products nearer to our customers.

CORPORATE SOCIAL RESPONSIBILITY

We celebrated the centenarians in Marine Parade on 26 December 2015 as part of our social efforts towards the community. This was a project of the Marine Parade Community Club and the Noel Group was honoured to be a participant in this SG50 celebration in Marine Parade. We also wanted to use this opportunity to bring joy and happiness to the centenarians in the precinct during the festive Christmas period.

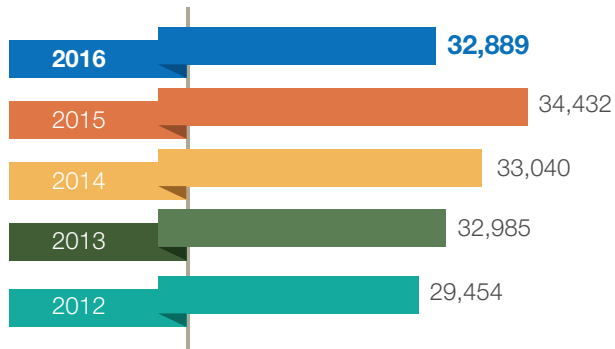
We were honoured to join Emeritus Senior Minister, Mr. Goh Chok Tong's entourage during the event.

All in all, we sponsored 13 special hampers that were distributed to the centenarians.

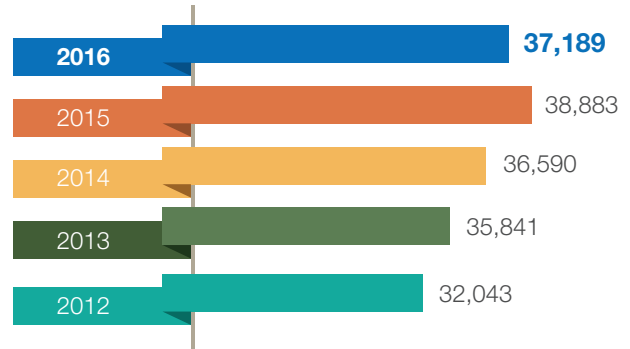


FINANCIAL HIGHLIGHTS

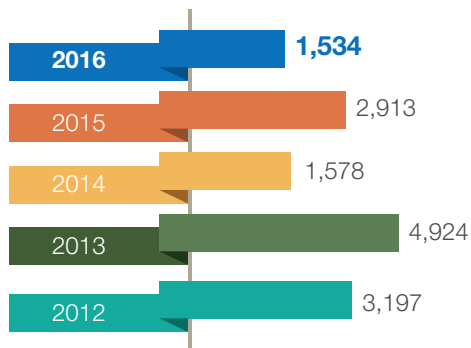
SHAREHOLDERS' FUND (S\$'000)



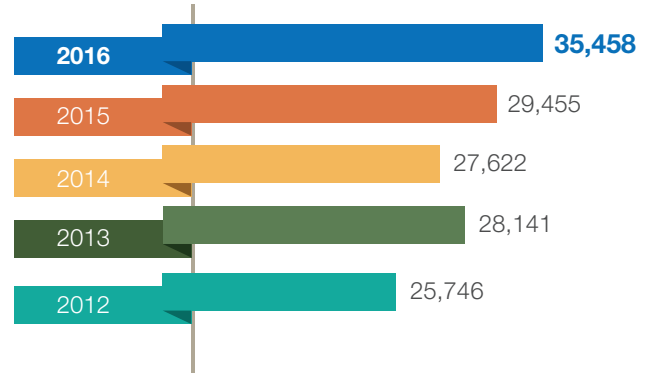
TOTAL ASSETS (S\$'000)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS (S\$'000)



REVENUE (S\$'000)





Reinvent.

Our operations are constantly adapting to the shifts in communications and consumer behaviour. We commit to innovate and reinvent thereby staying competitive and relevant to the contemporary consumers of this age.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Alfred Wong Siu Hong
Mrs Ivy Tan (Mdm Wong Phui Hong)
Freddie Heng Kim Chuan
Koh Soo Keong

AUDIT COMMITTEE

Freddie Heng Kim Chuan (Chairman)
Koh Soo Keong
Mrs Ivy Tan (Mdm Wong Phui Hong)

NOMINATING COMMITTEE

Freddie Heng Kim Chuan (Chairman)
Koh Soo Keong
Alfred Wong Siu Hong

REMUNERATION COMMITTEE

Koh Soo Keong (Chairman)
Freddie Heng Kim Chuan
Alfred Wong Siu Hong

COMPANY SECRETARY

Mrs Ivy Tan (Mdm Wong Phui Hong)

REGISTERED OFFICE

21 Ubi Road 1
#03-01
Singapore 408724

AUDITORS

Deloitte & Touche LLP
6 Shenton Way #33-00
OUE Downtown 2
Singapore 068809
Partner in charge: Mr Chua How Kiat
Appointed with effect from financial year ended June 30, 2013

REGISTRARS AND SHARE TRANSFER OFFICE

Intertrust Singapore Corporate Services Pte Ltd
77 Robinson Road #13-00
Robinson 77
Singapore 068896

PRINCIPAL BANKERS

The Development Bank of Singapore Limited
12 Marina Boulevard #43-03
Marina Bay Financial Centre Tower 3
Singapore 018982

Malayan Banking Berhad
2 Battery Road
Maybank Tower
Singapore 049907

United Overseas Bank Limited
80 Raffles Place, UOB Plaza
Singapore 048624

Overseas-Chinese Banking Corporation Limited
65 Chulia Street, OCBC Centre
Singapore 049513

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DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the financial year ended June 30, 2016.

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on pages 28 to 96 are drawn up so as to give a true and fair view of the financial position of the group and of the company as at June 30, 2016, and the financial performance, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended, and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the company in office at the date of this statement are:

Alfred Wong Siu Hong
Wong Phui Hong
Freddie Heng Kim Chuan
Koh Soo Keong

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate, except for the options mentioned below.

DIRECTORS' STATEMENT

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act, except as follows:

Name of directors and companies in which interests are held	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At July 1, 2015	At June 30, 2016	At July 1, 2015	At June 30, 2016
Noel Gifts International Ltd – Company			Ordinary shares	
Alfred Wong Siu Hong	22,537,627	22,537,627	23,000,000	23,000,000
Wong Phui Hong	6,831,372	6,831,372	8,500,000	8,500,000
Name of directors and companies in which interests are held	Shareholdings registered in the name of directors			
	At July 1, 2015	At June 30, 2016		
Noel Hampers & Gifts (Johore) Sdn Bhd – Subsidiary			Ordinary shares of RM1 each	
Wong Phui Hong			1,000	1,000

None of the directors holding office as at June 30, 2016 had any interests in the options to subscribe for ordinary shares of the company granted pursuant to the Noel Executives' Share Option Scheme.

By virtue of Section 7 of the Singapore Companies Act, Alfred Wong Siu Hong and Wong Phui Hong are deemed to have an interest in the shares held by the company in its subsidiaries.

The directors' interests in the shares and options of the company at July 21, 2016 were the same at June 30, 2016.

DIRECTORS' STATEMENT

4 SHARE OPTIONS

Details of options to subscribe for unissued shares of the company granted to executives and employees of the group under the Noel Executives' Share Option Scheme are as follows:

The Noel Executives' Share Option Scheme ("the Scheme") was approved by the members of the company at an Extraordinary General Meeting held on December 12, 1995. The Scheme provides an opportunity for full-time directors and executives ("Executives") of the group to participate in the share capital of the company.

The Scheme serves to motivate Executives to perform their utmost best and to maintain a high level of contribution for the benefit of the group as well as to retain Executives whose contributions are important to the long-term growth and profitability of the group.

Administration of the Scheme is undertaken by the Remuneration Committee comprising:

Koh Soo Keong (Chairman)
Freddie Heng Kim Chuan
Alfred Wong Siu Hong

Each option entitles the holder to subscribe for 1 ordinary share in the company at the relevant exercise price.

Subject to Rule 9 of the Scheme, an option shall immediately lapse upon the participant ceasing to be employed by the company or any of its subsidiaries.

Holders of the share options have no right to participate in any share issues of any other company. No employee or employee of related corporations has received 5% or more of the total options available under this scheme.

During the financial year, no option to take up unissued shares of the company was granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the company.

There were no unissued shares of the company under option at the end of the financial year.

DIRECTORS' STATEMENT

5 AUDIT COMMITTEE

The Audit Committee ("Committee") of the company is chaired by Freddie Heng Kim Chuan; a non-executive director, and includes Wong Phui Hong and Koh Soo Keong, both non-executive directors.

The Committee has met two times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external auditors of the company:

- (a) the group's financial and operating results and accounting policies;
- (b) the financial statements of the company and the consolidated financial statements of the group before their submission to the directors of the company and external auditors' report on those financial statements;
- (c) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the company and the group;
- (d) the co-operation and assistance given by the management to the group's external auditors; and
- (e) the re-appointment of the external auditors of the group.

The Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Committee.

The Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the group at the forthcoming AGM of the company.

DIRECTORS' STATEMENT

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Alfred Wong Siu Hong

Wong Phui Hong

September 27, 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NOEL GIFTS INTERNATIONAL LTD

Report on the Financial Statements

We have audited the accompanying financial statements of Noel Gifts International Ltd (the company) and its subsidiaries (the group) which comprise the consolidated statements of financial position of the group and the statement of financial position of the company as at June 30, 2016, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 96.

Management' Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF NOEL GIFTS INTERNATIONAL LTD

Opinion

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the group and of the company as at June 30, 2016 and the financial performance, changes in equity and cash flows of the group and changes in equity of the company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the company and by the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

September 27, 2016

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016

		Group		Company	
	Note	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	14,893	12,021	12,834	10,628
Trade receivables	7	1,255	1,395	621	654
Amount due from related companies, associate and related parties	8	—	—	92	197
Deposits, other receivables and prepayments	9	301	640	229	522
Inventories	10	2,975	5,516	1,797	3,733
Assets classified as held for sale	11	4	—	—	—
Total current assets		19,428	19,572	15,573	15,734
Non-current assets					
Subsidiaries	12	—	—	3,112	3,091
Associate	13	27	28	—	—
Club membership	14	145	160	145	160
Available-for-sale investments	15	1,392	1,236	1,392	1,236
Plant and equipment	16	1,850	2,062	1,308	1,465
Investment properties	17	14,347	15,825	14,347	15,825
Total non-current assets		17,761	19,311	20,304	21,777
Total assets		37,189	38,883	35,877	37,511

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION (cont'd)

JUNE 30, 2016

		Group		Company	
	Note	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	18	616	1,312	449	1,099
Amount due to related companies, associate and related parties	8	46	49	1,049	997
Other payables	19	2,862	2,546	2,166	1,753
Finance lease	20	–	20	–	20
Income tax payable		375	73	372	52
Total current liabilities		3,899	4,000	4,036	3,921
Non-current liabilities					
Other payables	19	249	260	184	185
Deferred tax liability	21	152	191	125	138
Total non-current liabilities		401	451	309	323
Capital and reserves					
Share capital	22	10,251	10,251	10,251	10,251
Currency translation deficit		(93)	(112)	–	–
Fair value adjustment surplus		24	46	24	46
Accumulated profits		22,707	24,247	21,257	22,970
Total equity		32,889	34,432	31,532	33,267
Total liabilities and equity		37,189	38,883	35,877	37,511

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

YEAR ENDED JUNE 30, 2016

	Note	Group 2016 \$'000	2015 \$'000
Revenue	23	35,458	29,455
Cost of sales		(19,755)	(15,699)
Gross profit		15,703	13,756
Other operating income	24	681	2,114
Distribution costs		(3,668)	(3,632)
Administrative expenses		(8,821)	(8,613)
Other operating expenses		(2,074)	(627)
Finance costs	25	(3)	(2)
Profit before income tax	26	1,818	2,996
Income tax expense	27	(284)	(83)
Profit for the year		1,534	2,913
Other comprehensive (loss) income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign subsidiaries		19	24
Fair value loss on available-for-sale investments		(22)	(8)
Other comprehensive (loss) income for the year		(3)	16
Total comprehensive income for the year		1,531	2,929
Earnings per share (cents):			
Basic and diluted	28	1.50	2.84

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED JUNE 30, 2016

	Share capital	Currency translation deficit	Fair value adjustment surplus	Accumulated profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
Balance at July 1, 2014	10,251	(136)	54	22,871	33,040
Total comprehensive income for the year					
Profit for the year	–	–	–	2,913	2,913
Other comprehensive income (loss) for the year	–	24	(8)	–	16
Total	–	24	(8)	2,913	2,929
Dividends, representing transaction with owners, recognised directly in equity (Note 29)	–	–	–	(1,537)	(1,537)
Balance at June 30, 2015	10,251	(112)	46	24,247	34,432
Total comprehensive income for the year					
Profit for the year	–	–	–	1,534	1,534
Other comprehensive income (loss) for the year	–	19	(22)	–	(3)
Total	–	19	(22)	1,534	1,531
Dividends, representing transaction with owners, recognised directly in equity (Note 29)	–	–	–	(3,074)	(3,074)
Balance at June 30, 2016	10,251	(93)	24	22,707	32,889

See accompanying notes to financial statements.

STATEMENTS OF **CHANGES IN EQUITY** (cont'd)

YEAR ENDED JUNE 30, 2016

	Share capital	Fair value adjustment surplus	Accumulated profits	Total
	\$'000	\$'000	\$'000	\$'000
<u>Company</u>				
Balance at July 1, 2014	10,251	54	21,170	31,475
Total comprehensive income for the year				
Profit for the year	–	–	3,337	3,337
Other comprehensive loss for the year	–	(8)	–	(8)
Total	–	(8)	3,337	3,329
Dividends, representing transaction with owners, recognised directly in equity (Note 29)	–	–	(1,537)	(1,537)
Balance at June 30, 2015	10,251	46	22,970	33,267
Total comprehensive income for the year				
Profit for the year	–	–	1,361	1,361
Other comprehensive loss for the year	–	(22)	–	(22)
Total	–	(22)	1,361	1,339
Dividends, representing transaction with owners, recognised directly in equity (Note 29)	–	–	(3,074)	(3,074)
Balance at June 30, 2016	10,251	24	21,257	31,532

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED JUNE 30, 2016

	Group	
	2016	2015
	\$'000	\$'000
Operating activities		
Profit before income tax	1,818	2,996
Adjustments for:		
Impairment loss on club membership	15	5
Depreciation of plant and equipment	614	632
Plant and equipment written off	16	1
Dividend income	(58)	(59)
Interest income	(100)	(46)
Fair value loss of investment properties	1,478	150
Gain on disposal of investment in associate	–	(1,607)
Allowance for doubtful debts – trade receivables, net	106	90
Allowance for inventories	238	64
Net foreign exchange losses	21	37
Gain on disposal of plant and equipment	(5)	(85)
Operating cash flows before movements in working capital	4,143	2,178
Trade receivables	34	(237)
Other receivables and prepayments	339	(243)
Inventories	2,303	(2,311)
Amount due from associates and related parties – net	(3)	(4)
Trade payables	(696)	643
Other payables	305	294
Cash generated from operations	6,425	320
Interest received	100	46
Income tax paid	(21)	(135)
Net cash from operating activities	6,504	231

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS** (cont'd)

YEAR ENDED JUNE 30, 2016

	Group	
	2016	2015
	\$'000	\$'000
Investing activities		
Dividend income	58	59
Proceeds on disposal of plant and equipment	12	214
Proceeds on disposal of investment in associate	–	3,400
Purchase of plant and equipment (Note A)	(430)	(1,163)
Purchase of available-for-sale investments	(178)	–
Net cash (used in)/from investing activities	(538)	2,510
Financing activities		
Dividend paid	(3,074)	(1,537)
Repayment of the hire purchase facility	(20)	(10)
Cash used in financing activities	(3,094)	(1,547)
Net increase in cash and cash equivalents	2,872	1,194
Cash and cash equivalents at beginning of year	12,021	10,827
Cash and cash equivalents at end of year (Note 6)	14,893	12,021

Note A:

In 2015, the group acquired plant and equipment (Note 15) for an aggregate amount of \$1,193,000 of which \$30,000 was acquired by means of hire purchase arrangement. Cash payment of \$1,163,000 were made to purchase plant and equipment.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1 GENERAL

The company (Registration No. 198303940Z) is incorporated in Singapore with its principal place of business and registered office at 21 Ubi Road 1, #03-01, Singapore 408724. The company is listed on the main board of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the company are the marketing of gifts, property investment and development and the operation of a franchise programme whereby franchisees will have the right to use the company's name, creative gift designs, and marketing, sales, operations and purchasing strategies and systems.

The principal activities of the subsidiaries and associates are disclosed in Notes 12 and 13 respectively.

The consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the year ended June 30, 2016 were authorised for issue by the Board of Directors on September 27, 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50, and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS – On July 1, 2015, the group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/ revised FRSs and INT FRSs does not result in changes to the group's and company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

At the date of authorisation of these financial statements, the following new/revised FRSs and amendments to FRS that are relevant to the group and the company were issued but not effective:

- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*
- FRS 115 *Revenue from Contracts with Customers*
- FRS 109 *Financial Instruments*
- FRS 116 *Leases*
- Improvements to Financial Reporting Standards (November 2014)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods is not expected to have a material impact on the consolidated financial statements of the group and the financial statements of the company in the period of their adoption except for the following:

Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments have been made to the following:

- Materiality and aggregation – An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statement of financial position and statement of profit or loss and other comprehensive income – The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.
- Presentation of items of other comprehensive income (“OCI”) arising from equity-accounted investments – An entity’s share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes – Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative will take effect from financial years beginning on or after January 1, 2016.

Management is still currently evaluating the impact from applying the new amendments to FRS 1.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

FRS 115 will take effect from financial years beginning on or after January 1, 2018.

Management is still currently evaluating the impact from applying the new FRS.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement*, and introduced new requirements for (i) classification and measurement of financial assets and financial liabilities, (ii) general hedge accounting, (iii) impairment requirements for financial assets.

Key requirements for FRS 109 that may be relevant to the group and the company:

In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

FRS 109 will take effect from financial years beginning on or after January 1, 2018.

Management is still currently evaluating the impact from applying the new FRS.

FRS 116 *Leases*

FRS 116 was issued in June 2016 and will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 116 will take effect from financial years beginning on or after January 1, 2019.

Management is still currently evaluating the impact from applying the new FRS.

Improvements to Financial Reporting Standards (November 2014)

Standards included in this cycle of improvement project comprised of the following. Amendments apply for annual periods beginning on or after January 1, 2016 with early application permitted, unless otherwise stated.

FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*

FRS 105 provides additional guidance on when an entity reclassifies an asset (disposal group) from held-for-sale to held-for-distribution to owners (or vice versa), or when held-for distribution accounting is discontinued:

- Reclassifications from held-for-sale to held-for-distribution to owners (or vice versa) should not be considered changes to a plan of sale or a plan of distribution to owners, and the classification, presentation and measurement requirements applicable to the new method of disposal should be applied.
- Assets that no longer meet the criteria for held-for-distribution to owners (and do not meet the criteria for held-for-sale) should be treated in the same way as assets that cease to be classified as held-for-sale.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the company and its subsidiaries. Control is achieved when the company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the group's ownership interests in existing subsidiaries

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the group to the former owners of the acquiree, and equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest rate basis for debt instruments.

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Available-for-sale financial assets

Certain investments held by the group and company are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, which are recognised directly in profit or loss. Where the investment is disposed or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is included in the profit or loss for the period. Dividends on available-for-sale instruments are recognised in the profit or loss when the group's and company's right to receive payments is established.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the assets and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings. All borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or expired.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contract liabilities are recognised initially at their fair values. Subsequent to initial recognition, the financial guarantee contract liabilities are measured at the higher of: (i) the amount determined in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 18 *Revenue*.

INVENTORIES – Inventories are stated at the lower of cost (determined on a first-in, first-out basis) and net realisable value. Cost comprises the original purchase price plus cost incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all costs to be incurred in marketing, selling and distribution.

CLUB MEMBERSHIP – Club membership is held on a long term basis, as these memberships have no expiry dates. Club membership is stated at purchase cost less accumulated impairment loss, which represents management's best estimate of its realisable value less cost to sell.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PLANT AND EQUIPMENT – Plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

		Years
Computers	–	3 to 8
Leasehold improvements	–	3 to 20
Furniture and fittings	–	2.5 to 8
Motor vehicles	–	5 to 7
Equipment	–	2 to 8

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

ASSETS HELD FOR SALE – Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INVESTMENT PROPERTIES – Investment properties are held on a long-term basis for investment potential and to earn rental income. Investment properties are measured initially at cost, including transaction cost and measured subsequently at fair values at the end of the reporting period. Any gain or loss arising from changes in the fair value of an investment property is recognised in profit or loss for the period in which it arises.

Any gain or loss on the disposal of an investment property is recognised in the profit or loss in the period of disposal.

The fair values of the group's investment properties are revalued at reporting date on a systematic basis based on management's valuation. Management's valuation is based on valuations from independent professional valuers with reference to recent transactions of similar properties in the vicinity.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS – At the end of each reporting period, the group reviews the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

ASSOCIATES – An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate. When the group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the group retains an interest in the former associate and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued and the fair value of any retained interest and any proceeds from the disposal of a part interest in the associate is included in the determination of the gain and loss on disposal of the associate. In addition, the group accounts of all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets and liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets and liabilities, the group reclassifies the gain or loss from the equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The group continues to use equity method when an investment in an associate becomes an investment in joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the group reduces its ownership interest in an associate but the group continues to use the equity method, the group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associate of the group, profits and losses resulting from the transactions with the associate are recognised in the group's consolidated financial statements only to the extent of interests in the associate that are not related to the group.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROVISIONS – Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

Interest income

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

GOVERNMENT GRANTS – Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the company whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The company has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis. Current and deferred tax are recognised as an expense or income in profit or loss.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the group and the company are presented in Singapore dollars, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in their functional currencies using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents comprise cash on hand, bank balances and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

There are no critical judgements, apart from those involving estimations (see below), that the management has made in the process of applying the group's accounting policies for the amounts recognised in the financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Allowance for trade and other receivables

The allowance policy for doubtful debts of the group is based on the ongoing evaluation of collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assigning the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of customer of the group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The carrying amount of the trade and other receivables at the end of the reporting period are disclosed in Notes 7, 8 and 9 to the financial statements.

(b) Allowance for inventories

Inventories are valued at the lower of cost or net realisable value. The group reviews its inventories levels in order to identify slow-moving and obsolete merchandise as well as assessing if net realisable value is lower than its carrying amount. Where the group identifies slow-moving and obsolete merchandise, or items of inventories with a net realisable value that is lower than its carrying amount, the group estimates the amount of inventories loss as allowance on inventories.

The carrying amount of the inventories at the end of the reporting period is disclosed in Note 10 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(c) Impairment of investment in subsidiaries and associates

The company assesses at each reporting date whether there is an indication that the investment in subsidiaries and associates may be impaired. Should there be any indicator of impairment, the company will recognise the impairment loss up to the attributable share of net asset values.

The carrying amount of the investment in subsidiaries and associate at the end of the reporting period is disclosed in Notes 12 and 13 to the financial statements.

(d) Valuation of the investment properties

As described in Note 2 to the financial statements, investment properties are stated at fair value based on management's estimation, which is based on valuations performed by independent professional valuer with reference to recent transactions of similar properties in the vicinity. In determining the fair value, the valuer has determined the fair values with reference to recent transactions of similar properties in the vicinity. In relying on the valuation reports of the professional valuer, management has exercised judgement in arriving at a value which is reflective of the current market conditions.

The carrying amount of the investment properties based on their fair values at the end of the reporting period is disclosed in Note 17 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	16,379	13,889	13,733	11,886
Available-for-sale financial assets	1,392	1,236	1,392	1,236
	17,771	15,125	15,125	13,122
Financial liabilities				
Payables at amortised cost	3,629	3,989	3,747	3,909
Finance leases	–	20	–	20
	3,629	4,009	3,747	3,929

(b) *Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

The group and company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) *Financial risk management policies and objectives*

The group's major financial instruments include trade receivables, deposits, available for sale financial assets, and trade and other payables. Details of these financial instruments are disclosed in respective notes to the financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate risk management measures are implemented on a timely and effective manner. The group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the group's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Foreign exchange risk management

The group is exposed to minimal foreign exchange rate risk as the purchases and sales are denominated in its respective functional currencies. Any movement in foreign exchange rate is unlikely to impact the results of the group materially.

(ii) Interest rate risk management

The group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets only. Interest-bearing financial assets are mainly cash and balances with banks and other financial institutions (Note 6), trade receivables (Note 7) and finance lease (Note 20) which are all short term in nature. Therefore, any future variations in interest rates will not have significant impact on the results of the group.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(iii) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the group. The group manages this risk by selection of creditworthy customers and counterparties and by monitoring compliance of debtors and counterparties with their payment obligations. Cash deposits are placed with financial institutions of good credit standing.

The group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the end of the reporting period are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The group follows up on the payment status of each customer through the finance department, which actively monitors customer's payments relative to credit period extended to them and highlight matters requiring follow up action by management.

Further details of credit risks on trade receivables are disclosed in Note 7 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(iv) Liquidity risk management

The group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities.

Liquidity and interest risk analysis

Non-derivative financial liabilities

The group's and company's non-derivative financial liabilities are payables at amortised cost, which are non-interest bearing and finance leases, as disclosed in Note 4(a). The contractual maturity for these non-derivative financial liabilities are repayable on demand and less than one year, except for the non-current portion of accrued restoration costs which is disclosed separately in Note 19.

The maximum amount that the company could be forced to settle under the financial guarantee contract, financial support and interest-free loan as disclosed in Note 30 to the financial statements, if the full amount is claimed by the counterparty to the guarantee and commitment, is \$3,616,000 (2015 : \$3,451,000). The earliest period that the guarantee and commitment could be called is within 1 year (2015 : 1 year) from the end of the reporting period. The company considers that it is more likely than not that no amount will be payable under these arrangements.

Non-derivative financial assets

The following tables detail the weighted average effective interest rates and the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the group and the company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial assets on the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	More than 5 years	Adjustment	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>						
2016						
Non-interest bearing	–	3,679	–	190	–	3,869
Fixed interest rate instruments	1.58	12,915	–	1,223	(236)	13,902
Total		16,594	–	1,413	(236)	17,771
2015						
Non-interest bearing	–	8,085	–	–	–	8,085
Fixed interest rate instruments	1.53	5,893	–	1,255	(108)	7,040
Total		13,978	–	1,255	(108)	15,125
<u>Company</u>						
2016						
Non-interest bearing	–	2,233	–	190	–	2,423
Fixed interest rate instruments	1.70	11,698	–	1,223	(219)	12,702
Total		13,931	–	1,413	(219)	15,125
2015						
Non-interest bearing	–	6,082	–	–	–	6,082
Fixed interest rate instruments	1.53	5,893	–	1,255	(108)	7,040
Total		11,975	–	1,255	(108)	13,122

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(v) Derivative financial instruments

The group does not contract for derivative financial instruments.

(vi) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade receivables, deposits, other receivable, payables, finance leases and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The group classifies fair value measurement using fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset and liability that are not based on observable market data (unobservable inputs).

The following presents the assets measured at fair value (Level 1).

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
<u>Group and Company</u>		
Available-for-sale investments	<u>1,392</u>	<u>1,236</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(d) *Capital risk management policies and objectives*

The group manages its capital to ensure that entities in the group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the equity balance.

The capital structure of the group consists of equity attributable to owners of the company, comprising issued capital and accumulated profits.

The management reviews the capital structure on an ongoing basis. The group's and the company's overall strategy remains unchanged from prior year.

5 RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2016	2015
	\$'000	\$'000
Short-term benefits	1,510	1,454
Post-employment benefits	71	61
Advisory fee	42	93
Total	1,623	1,608

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	2,193	6,217	1,334	4,824
Fixed deposits	12,700	5,804	11,500	5,804
Total	14,893	12,021	12,834	10,628

Fixed deposits of the group and the company bear effective interest at an average rate of 1.3% (2015 : 0.83%) and 1.4% (2015 : 0.83%) per annum respectively. The fixed deposits of the group and company are for an average tenure of 110 days (2015 : 107 days) and 119 days (2015 : 107 days) respectively. The fixed deposits are redeemable on demand and the penalty for early redemption is insignificant.

7 TRADE RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Outside parties	1,614	1,656	812	768
Less: Allowance for doubtful debts	(359)	(261)	(191)	(114)
Net	1,255	1,395	621	654

The average credit period is 45 days (2015 : 45 days). Interest rate of 1% (2015 : 1%) per month is charged on the overdue balance.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

7 TRADE RECEIVABLES (cont'd)

The table below is an analysis of trade receivables as at June 30:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Not past due and not impaired	737	561	358	251
Past due but not impaired (i)	518	834	261	403
Impaired receivables – collectively assessed (ii)	359	261	191	114
Less: Allowance for doubtful debts	(359)	(261)	(191)	(114)
	–	–	–	–
Total trade receivables, net	1,255	1,395	621	654

A majority of the group's and company's trade receivables that are neither past due nor impaired are creditworthy counterparties with good track record of credit history.

Included in the group's and company's trade receivable balances are debtors with a carrying amount of \$518,000 and \$263,000 (2015 : \$834,000 and \$403,000) respectively which are past due at the reporting date for which the group and company have not provided as there have not been a significant change in credit quality and the amounts are still considered recoverable. The group and company do not hold any collateral over these balances.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

7 TRADE RECEIVABLES (cont'd)

- (i) Ageing of receivables that are past due the average credit period but not impaired:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
> 45 days to 3 months	215	318	118	144
> 3 months to 6 months	229	455	81	224
> 6 months to 12 months	74	61	64	35
Total	518	834	263	403

- (ii) These amounts are stated before any deduction for impairment losses and are not secured by any collateral or credit enhancements.

Movement in the allowance for doubtful debts:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the year	261	223	114	91
Charge to profit or loss	145	93	100	66
Amounts recovered during the year	(39)	(3)	(23)	–
Written-off against trade receivables	–	(43)	–	(43)
Exchange difference	(8)	(9)	–	–
Balance at end of the year	359	261	191	114

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

8 RELATED COMPANIES, ASSOCIATE AND RELATED PARTIES

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<u>DUE FROM</u>				
Subsidiaries:				
Trade	-	-	205	196
Non-trade	-	-	429	633
	-	-	634	829
Less: Allowance for doubtful debts	-	-	(542)	(632)
Net	-	-	92	197
Movement in allowance for doubtful debts – Subsidiaries:				
Balance at beginning of year	-	-	632	501
(Credit) Charge to profit or loss	-	-	(90)	131
Balance at end of year	-	-	542	632
Movement in allowance for doubtful debts – Associate:				
Balance at beginning of year	-	50	-	50
Written off against receivables	-	(50)	-	(50)
Balance at end of year	-	-	-	-
<u>DUE TO</u>				
Subsidiaries:				
Trade	-	-	58	5
Non-trade	-	-	991	992
Associate:				
Trade	46	49	-	-
Total – Due to	46	49	1,049	997

The above balances are unsecured, interest-free and repayable on demand.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

9 DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Deposits	184	447	145	383
Prepayments	70	167	43	115
Other receivables	47	26	41	24
Total	301	640	229	522

The other receivables are interest-free and repayable on demand and the average age of these receivables is less than 30 days.

10 INVENTORIES

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Liquor	1,832	2,288	1,206	1,330
Gifts and accessories	1,143	3,228	591	2,403
Total	2,975	5,516	1,797	3,733

This is stated after allowance for obsolescence as follows:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	117	119	54	55
Charge to profit or loss	238	64	131	48
Written-off against inventories	(99)	(66)	(54)	(49)
Balance at end of year	256	117	131	54

Allowance for inventories have been estimated based on the age, historical and expected future usage of inventories.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

11 ASSETS CLASSIFIED AS HELD FOR SALE

Noel Gifts Malaysia Sdn Bhd had ceased its operations and vacated their rented office building. The assets held for sale represents the net book value of furniture and fittings left behind for the landlord in lieu of the outstanding amount due to them. The furniture and fittings are expected to be sold within twelve months and hence have been classified as assets held for sale and are presented separately in the statement of financial position. There were no liabilities related to the assets classified as held for sale.

The proceeds on disposal are expected to exceed the net carry amount of the plant and equipment and, accordingly, no impairment loss has been recognised on the classification of these buildings as held for sale.

12 SUBSIDIARIES

	Company	
	2016	2015
	\$'000	\$'000
Unquoted equity shares, at cost	4,561	4,561
Less: Allowance for impairment	(1,449)	(1,470)
Net	3,112	3,091
Movement in the allowance for impairment:		
Balance at beginning of the year	1,470	1,486
Credit to profit or loss	(21)	(16)
Balance at end of the year	1,449	1,470

A reversal of impairment loss recognised of \$21,000 (2015 : \$16,000) was recognised during the year in respect of the company's investments in its subsidiaries based on the fair value less cost to sell which is estimated based on the net tangible asset of the subsidiaries. Any impairment charged (reversal) is eliminated on consolidation.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

12 SUBSIDIARIES (cont'd)

Significant transactions with subsidiaries:

	Company	
	2016	2015
	\$'000	\$'000
Sales of goods	(91)	(774)
Management fee	(291)	(509)
SAP maintenance fee	(55)	(62)
Purchases of goods	235	116

The details of the subsidiaries are as follows:

<u>Subsidiaries</u>	Effective equity interest and voting power held		Cost of investment		Principal activities/ Country of incorporation and operations
	2016	2015	2016	2015	
	%	%	\$'000	\$'000	
Humming Flowers & Gifts Pte Ltd ⁽¹⁾	100	100	2,000	2,000	Selling of hampers, flowers and gifts/Singapore
Noel Gifts Malaysia Sdn. Bhd. ⁽²⁾ [formally known as Noel Hampers & Gifts (Penang) Sdn. Bhd.]	100	100	833	833	Selling of hampers, flowers and gifts/Malaysia
Noel Hampers & Gifts (Johore) Sdn Bhd. ⁽²⁾	90	90	537	537	Selling of hampers, flowers and gifts/Malaysia

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

12 SUBSIDIARIES (cont'd)

<u>Subsidiaries</u>	<u>Effective equity interest and voting power held</u>		<u>Cost of investment</u>		<u>Principal activities/ Country of incorporation and operations</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
	<u>%</u>	<u>%</u>	<u>\$'000</u>	<u>\$'000</u>	
Noel Property Development Pte Ltd ⁽³⁾	100	100	1,003	1,003	Property investment and development (currently dormant)/Singapore
Noel Gifts (Chengdu) Co. Pte Ltd ⁽³⁾	100	100	188	188	Selling of hampers, flowers and gifts/ People's Republic of China
Total			<u>4,561</u>	<u>4,561</u>	

Held by Humming Flowers & Gifts Pte Ltd

Direct Farm Pte Ltd ⁽²⁾⁽⁴⁾	100	—	<u>50</u>	<u>—</u>	Selling of flowers (Wholesaler)/Singapore
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Notes on auditors:

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by other firms of auditors.

(3) Unaudited management accounts were used for consolidation as the subsidiary is not material to the group.

(4) During the financial year, Direct Farm Pte Ltd incorporated in Singapore with an initial investment of \$50,000 and is fully owned by Humming Flowers & Gifts Pte Ltd.

There were no non-wholly owned subsidiary of the group that have material non-controlling interests.

Financial support given to a subsidiary of the group is disclosed in Note 30 (b).

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

13 ASSOCIATE

Unquoted equity shares, at cost

Less: Allowance for impairment

Net

Share of post-acquisition loss, net of dividend received

Carrying amount

Movement in the allowance for impairment:

Balance at beginning of the year

Written-off

Balance at end of the year

Significant transactions with an associate:

Management fee income

Group		Company	
2016	2015	2016	2015
\$'000	\$'000	\$'000	\$'000
244	244	244	244
-	-	(244)	(244)
244	244	-	-
(217)	(216)	-	-
27	28	-	-
-	-	244	244
-	-	-	-
-	-	244	244
-	5	-	5

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

13 ASSOCIATE (cont'd)

The details of the associate are as follows:

<u>Associates</u>	Effective equity interest and voting power held		Cost of investment		Principal activities/ Country of incorporation and operations
	2016	2015	2016	2015	
	%	%	\$'000	\$'000	
Noel Hampers & Gifts (K.L.) Sdn. Bhd. ⁽¹⁾	40	40	244	244	Selling of hampers, flowers and gifts/Malaysia

Notes on auditors:

(1) Unaudited management accounts were used for equity accounting purpose as the associate is not significant to the group.

The above associate is accounted for using the equity method in the consolidated financial statements.

Impairment loss had been recognised in the company's profit or loss to provide for the associate, which had been incurring losses from their operations.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

13 ASSOCIATE (cont'd)

Summarised financial information of the associate is set out below. The summarised financial information below represents amounts shown in the associate's unaudited financial statements prepared in accordance with FRS:

	Noel Hampers & Gifts (K.L) Sdn. Bhd.	
	2016	2015
	\$'000	\$'000
Current assets	290	309
Non-current assets	25	26
Current liabilities	(246)	(263)
Non-current liabilities	(1)	(1)
Revenue	-	-
Profit for the year, representing total comprehensive income for the year	-	-
Group's share of associate's profit for the year	-	-
Net assets of the associate	68	71
Carrying amount of the group's interest in the associate	27	28

14 CLUB MEMBERSHIP

	Group and Company	
	2016	2015
	\$'000	\$'000
Golf club membership, at cost	208	208
Less: Impairment loss	(63)	(48)
Net	145	160

Club membership represents management's right of use of facilities at selected establishments and have no expiry dates. The carrying amounts reflect management's best estimate of its realisable value less cost to sell.

Movement in impairment loss:

Balance at beginning of year	48	43
Charge to profit or loss	15	5
Balance at end of year	63	48

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

15 AVAILABLE-FOR-SALE INVESTMENTS

Quoted other investments, at fair value

Group and Company

2016	2015
\$'000	\$'000
1,392	1,236

The investments offer the company the opportunity for return through dividend and capital gain. A fair value loss of \$22,000 (2015 : fair value loss of \$8,000) was recorded in the other comprehensive income.

16 PLANT AND EQUIPMENT

	Computers	Leasehold improvements	Furniture and fittings	Motor vehicles	Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
Cost:						
At July 1, 2014	1,812	673	241	891	567	4,184
Additions	229	22	80	838	24	1,193
Disposals	–	–	–	(471)	–	(471)
Written-off	(6)	(38)	–	–	(2)	(46)
Translation difference	(8)	(9)	(6)	(12)	(5)	(40)
At June 30, 2015	2,027	648	315	1,246	584	4,820
Additions	193	99	36	57	45	430
Disposals	(70)	–	(11)	(72)	(10)	(163)
Written-off	(26)	(30)	(23)	–	(3)	(82)
Transfer to asset held for sale	–	(9)	(6)	–	–	(15)
Translation difference	(4)	(4)	(5)	(8)	(3)	(24)
At June 30, 2016	2,120	704	306	1,223	613	4,966

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

16 PLANT AND EQUIPMENT (cont'd)

	Computers	Leasehold improvements	Furniture and fittings	Motor vehicles	Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>						
Accumulated depreciation:						
At July 1, 2014	1,330	173	98	693	250	2,544
Depreciation for the year	296	108	46	107	75	632
Disposals	–	–	–	(342)	–	(342)
Written-off	(6)	(37)	–	–	(2)	(45)
Translation difference	(8)	(9)	(3)	(7)	(4)	(31)
At June 30, 2015	1,612	235	141	451	319	2,758
Depreciation for the year	242	101	57	139	75	614
Disposals	(70)	–	(11)	(65)	(10)	(156)
Written-off	(21)	(20)	(22)	–	(3)	(66)
Transfer to asset held for sale	–	(6)	(4)	–	(1)	(11)
Translation difference	(9)	(2)	(4)	(5)	(3)	(23)
At June 30, 2016	1,754	308	157	520	377	3,116
Carrying amount:						
At June 30, 2016	366	396	149	703	236	1,850
At June 30, 2015	415	413	174	795	265	2,062

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

16 PLANT AND EQUIPMENT (cont'd)

	Computers	Leasehold improvements	Furniture and fittings	Motor vehicles	Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Company</u>						
Cost:						
At July 1, 2014	1,632	368	115	572	257	2,944
Additions	195	16	53	656	17	937
Disposal	(6)	–	–	(426)	–	(432)
At June 30, 2015	1,821	384	168	802	274	3,449
Additions	121	99	27	–	27	274
Disposal	(70)	–	–	–	(10)	(80)
At June 30, 2016	1,872	483	195	802	291	3,643
Accumulated depreciation:						
At July 1, 2014	1,200	86	32	447	96	1,861
Depreciation for the year	249	67	25	68	34	443
Disposal	(6)	–	–	(314)	–	(320)
At June 30, 2015	1,443	153	57	201	130	1,984
Depreciation for the year	209	62	34	91	35	431
Disposal	(70)	–	–	–	(10)	(80)
At June 30, 2016	1,582	215	91	292	155	2,335
Carrying amount:						
At June 30, 2016	290	268	104	510	136	1,308
At June 30, 2015	378	231	111	601	144	1,465

There were no pledged assets and securities as at June 30, 2016 and 2015.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

17 INVESTMENT PROPERTIES

	Group and Company	
	2016	2015
At beginning of the year	\$'000	\$'000
Loss from fair value adjustments	15,825	15,975
	(1,478)	(150)
At end of the year	14,347	15,825
Comprises:		
– Freehold land and building	12,648	14,126
– Leasehold property	1,699	1,699
Total at fair value	14,347	15,825

The property rental income earned by the group from its investment properties, freehold land and building of which are leased out under operating leases, amounted to \$533,000 (2015 : \$540,000) (Note 23). Direct operating expenses arising on the freehold land and building in the year amounted to \$171,000 (2015 : \$187,000).

The fair values of the group's and company's investment properties at June 30, 2016 and 2015 are arrived at on the basis of the valuation review carried out by independent external professionals, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The valuations are determined based on market comparable approach that reflects recent transaction prices for similar properties in the vicinity.

The fair value of the group and company's investment properties as at June 30, 2016 is classified under Level 3 of the fair value hierarchy.

There were no transfers between the respective levels during the year.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

17 INVESTMENT PROPERTIES (cont'd)

The following table shows the significant unobservable inputs used in the valuation models:

<u>Type</u>	<u>Valuation techniques</u>	<u>Unobservable inputs</u>	<u>Range</u>
Freehold land and building	Direct comparison method	Transacted price of comparable properties	\$514 to \$568 psf (2015: \$574 to \$634 psf)
Leasehold property	Direct comparison method	Transacted price of comparable properties	\$1,328 to \$1,468 psf (2015: \$1,328 to \$1,468 psf)

Significant increases (decreases) in transacted price of comparable properties in isolation would result in significant increase (decrease) in fair value measurement.

18 TRADE PAYABLES

The average credit period on purchases of goods is 45 days (2015 : 45 days). No interest is charged on the trade payables.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

19 OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Accrual of operating expenses	2,658	2,322	2,020	1,535
Accrued operating lease incentives	144	178	101	125
Remuneration payable to directors	91	91	91	91
Tenancy deposits	96	96	95	96
Sundry payables	122	119	43	91
Total	3,111	2,806	2,350	1,938
Current payables	2,862	2,546	2,166	1,753
Non-current payables	249	260	184	185
	3,111	2,806	2,350	1,938

The group and company's non-current payables consist of the following:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Accrued restoration costs	139	115	107	84
Accrued operating lease incentives	110	145	77	101
	249	260	184	185

Accrued restoration costs relates to the estimated costs to be incurred to restore the current leased premise to its original condition at the end of the tenure of the lease in 2018-2020. Accrued operating lease incentives relates to the aggregate benefit of operating lease incentive that is recognised over the lease term. The amounts relating to the accrued restoration costs and accrued operating lease incentives have not been discounted for the purpose of measuring accrued restoration costs, because the effect is not material.

NOTES TO **FINANCIAL STATEMENTS**

JUNE 30, 2016

20 FINANCE LEASE

	Group and Company			
	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Amounts payable under finance lease:				
Within 1 year	—	21	—	20
Less: Future finance charges	—	(1)		
Present value of lease obligations	—	20		

The fair values of the company's finance lease obligations approximate their carrying amount.

The effective interest rates of the above lease is Nil% (2015 : 4.95%) per annum.

21 DEFERRED TAX LIABILITY

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	191	167	138	119
(Credit) Charge to profit or loss (Note 27)	(39)	24	(13)	19
Balance at end of year	152	191	125	138

The balance comprises mainly the tax effect of the accelerated depreciation of plant and equipment.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

22 SHARE CAPITAL

	Group and Company		
	2016	2015	2016
			2015
	Number of ordinary shares		\$'000
			\$'000
Issued and paid up:			
At beginning of year and end of year	102,476,024	102,476,024	10,251
			10,251

The company has one class of ordinary shares which has no par value, one vote per share and carry a right to dividends when declared by the company.

23 REVENUE

	Group	
	2016	2015
	\$'000	\$'000
Sale of goods	34,925	28,915
Rental income	533	540
Total	35,458	29,455

24 OTHER OPERATING INCOME

	Group	
	2016	2015
	\$'000	\$'000
Government grants	410	236
Dividends income from available-for-sale-investments	58	59
Interest income	100	46
Gain on disposal of an associate	—	1,607
Gain on disposal of plant and equipment	5	85
Others	108	81
Total	681	2,114

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

25 FINANCE COSTS

Bank charges

Group	
2016	2015
\$'000	\$'000
3	2

26 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging (crediting):

Employee benefit expense (including directors' remuneration)
 Cost of defined contribution plans included in employee benefit expense
 Cost of inventories included in cost of sales
 Auditors' remuneration:
 Auditor of the company
 Other auditors
 Non-audit fees paid to:
 Auditors of the company
 Other auditors
 Directors' remuneration:
 Director of the company
 Other directors
 Directors' fees
 Net foreign exchange losses
 Depreciation of plant and equipment
 Allowance for doubtful debts – trade receivables, net
 Allowance for inventories
 Gain on disposal of plant and equipment
 Fair value loss of investment properties
 Impairment loss on club membership

Group	
2016	2015
\$'000	\$'000
8,713	8,523
878	824
16,886	13,378
65	67
6	6
11	12
1	2
669	629
248	144
92	91
49	61
614	632
106	90
238	64
(5)	(85)
1,478	150
15	5

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

27 INCOME TAX EXPENSE

	Group	
	2016	2015
	\$'000	\$'000
Current tax:		
Current year	339	64
Overprovision in prior years	(16)	(5)
Deferred tax (Note 21)		
Current year	(31)	24
Overprovision in prior years	(8)	–
Income tax expense	284	83

Domestic income tax of the company is calculated at 17% (2015 : 17%) of the estimated assessable income for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2016	2015
	\$'000	\$'000
Profit before income tax	1,818	2,996
Income tax expense at statutory tax rate of 17% (2015 : 17%)	309	509
Tax effect of expenses/income that are not deductible (taxable) in determining taxable profit	303	(305)
Effect of different tax rate of subsidiaries operating in other jurisdictions	(13)	(12)
Tax effect of exempt income	(42)	(54)
Effect of unused tax losses and other timing differences not recognised as deferred tax assets	8	141
Utilisation of tax losses and other timing differences previously not recognised	(13)	(12)
Overprovision in prior years	(16)	(5)
Tax incentive	(243)	(188)
Others	(9)	9
Income tax expense	284	83

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

27 INCOME TAX EXPENSE (cont'd)

The group has tax losses carry forward available for offsetting against future taxable income as follows:

	Group	
	2016	2015
	\$'000	\$'000
Amount at beginning of year	569	723
Currency translation difference	(35)	(52)
Adjustment to prior year	(31)	(131)
Amount arising during the year	–	81
Amount utilised in current year	(43)	(52)
Amount at end of year	460	569
Deferred tax benefit on above not recorded at 24% (2015 : 25%)	110	142

The group has other temporary differences available for offsetting against future taxable income as follows:

	Group	
	2016	2015
	\$'000	\$'000
Amount at beginning of year	126	16
Currency translation difference	(8)	(9)
Adjustment to prior year	(2)	95
Amount arising during the year	154	57
Amount utilised in current year	(31)	(33)
Amount at end of year	239	126
Deferred tax benefit on above not recorded at 24% (2015 : 25%)	57	31

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

27 INCOME TAX EXPENSE (cont'd)

Deferred tax benefits vary from the Singapore statutory tax rate as it includes deferred tax on overseas operation.

The realisation of the future income tax benefits from tax losses carryforward and other temporary differences is available for offsetting against future taxable income subject to the conditions imposed by law including the retention of majority shareholders as defined.

No deferred tax asset has been recognised in respect of unutilised tax losses and other timing differences due to unpredictability of future profit streams.

28 EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the company is based on the following data:

	2016	2015
Earnings for the purposes of basic earnings per share (\$'000)	<u>1,534</u>	<u>2,913</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	<u>102,476</u>	<u>102,476</u>
Earnings per share (cents) – Basic	<u>1.50</u>	<u>2.84</u>

There is no dilution as no share options were granted or outstanding during the financial year.

29 DIVIDENDS

In November 2015, a first and final one-tier tax-exempt dividend of 0.6 cent per share totalling \$615,000 and a special dividend of 2.4 cent per share totalling \$2,459,000 were paid to shareholders in respect of the year ended June 30, 2015.

In the financial year ended June 30, 2016, the directors have proposed a first and final one-tier tax-exempt dividend of 0.6 cent per share totalling \$615,000 and a special dividend of 0.9 cent per share totalling \$922,000. These dividends are subject to approval by shareholders at the forthcoming Annual General Meeting and have not been provided for.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

30 CONTINGENT LIABILITIES

- a) The company has provided a corporate guarantee amounting to \$3,000,000 (2015 : \$3,000,000) in favour of a financial institution for securing banking facilities granted to its wholly-owned subsidiary, Humming Flowers & Gifts Pte Ltd.

The company has provided a corporate guarantee amounting to \$70,000 (2015 : \$78,000) in favour of a financial institution for securing banking facility granted to its subsidiary, Noel Hampers & Gifts (Johore) Sdn Bhd.

The financial effects of FRS 39 relating to the financial guarantee contracts issued by the company are not material to the financial statements of the company and these are not recognised. The management do not expect material losses under these guarantees.

- b) In 2015, the company had given undertaking to a subsidiary, Noel Gifts Malaysia Sdn. Bhd. to provide financial support to this subsidiary to enable it to operate as going concerns and to meet its obligations for at least 12 months from the financial year end. No financial support was provided for the year 2016 as the company has ceased operations. As at June 30, 2016, Noel Gifts Malaysia Sdn. Bhd. is in capital deficiency position of \$546,000 (2015 : \$373,000).

31 OPERATING LEASE COMMITMENTS

- a) Lessee's lease commitments

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments under operating leases included in profit or loss	1,304	1,265	761	787

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

31 OPERATING LEASE COMMITMENTS (cont'd)

a) Lessee's lease commitments (cont'd)

At the end of the reporting period, the commitments in respect of non-cancellable operating leases were as follows:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Within one year	963	1,129	703	819
In the second to fifth year inclusive	2,775	3,517	1,955	2,480
After five years	–	209	–	147
Total	3,738	4,855	2,658	3,446

The group and the company have various operating lease agreements for offices and warehousing facilities. Lease terms do not contain restrictions on the group's and the company's activities concerning dividends, additional debt or further leasing. Leases are negotiated and rentals are fixed for an average term of 3 to 7 years.

b) Lessor's lease commitment

At the end of the reporting period, the group and the company have contracted with tenants for the following future minimum lease payments as follows:

	Group and Company	
	2016	2015
	\$'000	\$'000
Within one year	428	353
In the second to fifth year inclusive	156	85
Total	584	438

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

32 SEGMENT INFORMATION

(a) Operating segments

The group determines its operating segments based on internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The group is organised into business units based on their products and services on which information is prepared and reportable to the group's chief operating decision maker for the purposes of resources allocation and assessment of performance.

The accounting policies of the reportable segments are the same as the group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of share of profits of associates, investment revenue and finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The group is principally engaged in two reportable segments, namely "Gifts and Properties". The Gifts segment relates to the marketing of gifts and operation of franchise programme. The Properties segment relates to property investment and development.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

32 SEGMENT INFORMATION (cont'd)

(a) Operating segments (cont'd)

June 30, 2016

SEGMENT REVENUE AND RESULTS

Revenue

Result:

Segment result
Other operating income
Fair value loss of investment properties
Finance cost
Unallocated other operating income
Unallocated other expense
Profit before income tax
Income tax
Profit for the year

Other information:

Capital expenditure on plant and equipment and
investment properties
Depreciation

Gifts	Properties	Group
\$'000	\$'000	\$'000
34,925	533	35,458
2,544	205	2,749
516	–	516
–	(1,478)	(1,478)
(3)	–	(3)
		164
		(130)
		1,818
		(284)
		1,534
427	3	430
608	6	614

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

32 SEGMENT INFORMATION (cont'd)

(a) Operating segments (cont'd)

	<u>Gifts</u>	<u>Properties</u>	<u>Group</u>
	\$'000	\$'000	\$'000
<u>June 30, 2016</u>			
STATEMENT OF NET ASSETS			
Assets:			
Segment assets	6,368	14,508	20,876
Investment in associates	27	–	27
Unallocated assets			<u>16,286</u>
Total assets			<u>37,189</u>
Liabilities:			
Segment liabilities	3,555	218	3,773
Income tax payable			375
Deferred tax liability			<u>152</u>
Total liabilities			<u>4,300</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

32 SEGMENT INFORMATION (cont'd)

(a) Operating segments (cont'd)

June 30, 2015

SEGMENT REVENUE AND RESULTS

Revenue

Result:

Segment result
Other operating income
Fair value loss of investment properties
Finance cost
Unallocated other operating income
Unallocated other expense
Profit before income tax
Income tax
Profit for the year

Other information:

Capital expenditure on plant and equipment and
investment properties
Depreciation

Gifts	Properties	Group
\$'000	\$'000	\$'000
28,915	540	29,455
1,219	(57)	1,162
402	1,612	2,014
—	(150)	(150)
(2)	—	(2)
—	—	100
—	—	(128)
		2,996
		(83)
		2,913
1,190	3	1,193
601	31	632

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

32 SEGMENT INFORMATION (cont'd)

(a) Operating segments (cont'd)

	<u>Gifts</u>	<u>Properties</u>	<u>Group</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<u>June 30, 2015</u>			
STATEMENT OF NET ASSETS			
Assets:			
Segment assets	10,956	15,878	26,834
Investment in associates	28	–	28
Unallocated assets			12,021
Total assets			<u>38,883</u>
Liabilities:			
Segment liabilities	4,076	111	4,187
Income tax payable			73
Deferred tax liability			191
Total liabilities			<u>4,451</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

32 SEGMENT INFORMATION (cont'd)

(b) Geographical segments

The group's two business segments are managed on a regional basis through three main geographical areas, namely Singapore, Malaysia and China. The group's revenue from external customers are analysed based on location of customers. Non-current assets are analysed by the geographical areas in which they are located.

	Revenue from external customers		Non-current assets	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Singapore	34,709	28,023	17,700	19,216
Malaysia	749	1,432	61	94
China	—	—	—	1
Total	35,458	29,455	17,761	19,311

CORPORATE GOVERNANCE REPORT

Noel Gifts International Ltd. (the “Company”) is committed to maintaining high standards of corporate governance in complying with the benchmark set by the Code of Corporate Governance 2012 (“the Code”) so as to ensure greater transparency and protection of shareholders’ interests. This statement outlines the main corporate governance policies and practices adopted by the Company.

Board Matters

The primary role of the board of directors of the Company (the “Board”) is to protect and enhance long-term shareholder value. It sets the overall strategy for the Company and its Subsidiaries (the “Group”) and supervises the management of the Group (the “Management”). It is also responsible for the overall corporate governance of the Group including its strategic direction, establishing goals for Management and monitoring the achievement of these goals.

The Board is supported by the Audit Committee, the Nominating Committee and the Remuneration Committee.

The Board holds at least two meetings each year. It may, however, hold strategy meetings and/or extraordinary meetings to address any specific significant matters that may arise from time to time.

The number of Board Meeting held in the year ended 30 June 2016 and the attendance at those meetings were read as follows:

Name of the director	Total no. of meetings held = 2
	No. of meetings attended
Mr Alfred Wong Siu Hong	2/2
Mr Freddie Heng Kim Chuan	2/2
Mr Koh Soo Keong	2/2
Ms Wong Phui Hong	2/2

CORPORATE GOVERNANCE REPORT

Matters Requiring Board Approval

The Board meets to consider the following, without limitation, corporate events and/or actions:

- approval of half yearly results announcements;
- approval of the annual report and accounts;
- declaration of interim dividends and proposal of final dividends;
- approval of corporate strategy(ies);
- authorisation of major investments and funding proposals;
- convening of shareholders' meetings;
- other matters as may be considered by the Board from time to time.

Newly appointed directors will be briefed by the Board to familiarise them with the Group's operations and strategic directions. Directors are provided with regular updates on the latest governance and listing policies.

Board Composition and Balance

The Board now consists of four suitably qualified members, of whom two are independent directors, one non-executive director and one executive director. The Board has reviewed its composition and is satisfied that such composition is appropriate, given the background, qualifications and experience of its directors. Should the scope of business activities change, the board would invite more suitable candidates to join the board as well as to rotate the members at the right time. Key information on the directors is set out on pages 6 to 7 of Annual Report 2016.

Alfred Wong Siu Hong is both the Chairman of the Board and the Managing Director of the Group. The Board believes that in the case of the Group, the two roles complement each other. In addition, key business decisions will require the Board's approval, the Board is of the view that there are sufficient safeguards and checks to ensure that the management is accountable to the Board as a whole and there is a balance of power and authority. In terms of scheduling board meetings, setting meeting agenda, managing the flow of information to the Board and ensuring compliance, the Managing Director would be in the best position to carry them out effectively and efficiently since he is also involved in the day-to-day running of the business. The Managing Director is responsible to the Board for all corporate governance procedures to be implemented by the Group and ensures that management conforms to such practices.

CORPORATE GOVERNANCE REPORT

The Board has appointed Mr Koh Soo Keong as the lead independent non-executive director to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the independent directors and the Chairman. The lead independent non-executive director will make himself available, where appropriate, to shareholders when they have concerns for which contact through the normal channels of the Executive Chairman and Managing Director or Finance Managers have failed to resolve their concerns, or is inappropriate.

Board Committees

To assist the Board in the execution of its duties, the Board has delegated specific functions to the following committees:

Audit Committee (“AC”)

The Audit Committee members are:

- Freddie Heng Kim Chuan, Chairman, Independent Director
- Koh Soo Keong, Independent Director
- Ms Wong Phui Hong, Non-Executive Director

The AC, regulated by a set of written terms of reference, comprises three members, the majority of whom, including its Chairman, are independent of management.

The Board is of the view that members of the AC are appropriately qualified to discharge their responsibilities and they have accounting and/or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.

The principal functions of the AC are to:

- a) reviews the financial statements and recommends to the Board for approval;
- b) recommends to the Board the appointment and re-appointment of auditors and their fees for shareholders' approval and reviews the scope and results of the audit and its cost-effectiveness;
- c) reviews the independence and objectivity of the external auditors, at least annually; and
- d) reviews interested person transactions.

CORPORATE GOVERNANCE REPORT

The AC ensures that a review of the effectiveness of the group's material internal controls, including financial, operational and compliance controls, is conducted at least annually. The Board is satisfied that existing controls are adequate.

The AC has free and independent access to the external auditors, and other senior management staff for information that it may require. It has full discretion to invite any director and executive officer to attend its meetings. The AC has also express power to investigate any matter brought to its attention, within its terms of reference, with the power to seek professional advice at the Company's expense. The AC has undertaken a review of all non-audit services provided by the external auditors and is satisfied that they would not affect the independence of the external auditors.

All members of AC attended the two meetings held during the financial year ended 30 June 2016 and have also met up with the external auditors in the absence of the management team in August 2016.

The Company's external auditors, carry out, in the course of their statutory audit, a review of the effectiveness of internal financial controls to the extent of their scope as laid out in the audit plan. The external auditors, during the conduct of their normal audit procedures, may also report on matters relating to internal controls. Any material non-compliance and recommendation for improvement will be reported to the AC. Management follows up on the auditor's recommendations as part of its role in the review of the Company's internal control systems.

The AC has reviewed the Company's risk assessment, and management controls in place, it is satisfied that there are adequate internal controls in the Company. The AC expects the risk assessment process to be a continuing process.

Management reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Company's policies and strategies.

Based on the work performed by the external auditors, management control in place and a written assurance from the Managing Director, General Managers and the Finance Managers, including back-to-back assurances received from the respective departments, that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances are in accordance with the relevant standards, and (b) an effective risk management and internal control system have been put in place, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance risks, information technology controls, and risk management systems are adequate, where the Group considers relevant and material to its operations, to provide reasonable assurance of the integrity, effectiveness and efficiency of the Company in safeguarding its assets and shareholders' investments.

The Group does comply with Rule 712, 715, and 716 of the SGX-ST Listing Manual in relation to its auditors. The AC recommended Deloitte & Touche LLP to the Board for re-appointment as external auditors of the Company.

CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2016, the remuneration paid or payable to the Group's external auditors for providing the audit and other non-audit services are set out on page 85 of the Annual Report.

Nominating Committee ("NC")

The members of the Nominating Committee are:

- Freddie Heng Kim Chuan, Chairman, Independent Director
- Koh Soo Keong, Independent Director
- Alfred Wong Siu Hong, Executive Director

There was one meeting held during the financial year ended 30 June 2016 which was attended by all the members.

The Company's Constitution require one-third of the directors to retire and subject themselves to re-election by shareholders at every Annual General Meeting ("AGM"). A retiring director is eligible for re-election by the shareholders of the Company at the AGM. The NC recommends that Mr Alfred Wong Siu Hong and Mr Freddie Heng Kim Chuan be re-elected at the forthcoming AGM.

The principal functions of the NC are to:

- a) make recommendations to the Board on all board appointments;
- b) develop a process to assess the effectiveness of the Board and contribution by each director;
- c) on an annual basis, determine whether a director is independent;
- d) formulate guidelines to ensure a director having multiple board representations has sufficient time and attention devoted to the affairs of each company; and
- e) recommend re-nomination and re-election of director.

During the financial year, all directors are requested to complete a Board Evaluation Questionnaire to assess the overall effectiveness of the Board and evaluate the directors based on each director's self assessment and contribution. This self-assessment process takes into consideration, inter alia, attendance at meetings, maintenance of independence and disclosure of interested person transactions. The results of the exercise are reviewed by the NC for determining areas for improvement and enhancement of the Board effectiveness. The NC will also consider other performance criteria as set out in the Code.

CORPORATE GOVERNANCE REPORT

The NC has assessed the independence of the independent directors, Mr Freddie Heng Kim Chuan and Mr Koh Soo Keong after considering the recommendations set out in the Code. Notwithstanding that Mr Heng and Mr Koh have served the Board since year 1993 and 1999 respectively, the Board is fully satisfied that they have demonstrated complete independence, robustness of character and judgement as a Board member. Despite the 9 years time frame, Mr Heng and Mr Koh have continued to be and are deemed to be independent and have the requisite qualifications, experience and integrity as independent directors. The Board believes that Mr Heng and Mr Koh who have many years of business and financial experience are able to serve the present needs of the Group.

The Board, through the NC, will use its best efforts to ensure that directors appointed to the Board possess the necessary background, experience and knowledge critical to the Group's business and that each director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The Board has determined that no director may serve on the Board of more than 6 public listed companies. The Board views that multiple representations of the Directors do not hinder their ability to carry out their duties and will benefit the Company, as the Directors are able to bring with them the experience and knowledge obtained from such board representations in other companies.

Remuneration Committee ("RC")

The Remuneration Committee comprises:

- Koh Soo Keong, Chairman, Independent Director
- Freddie Heng Kim Chuan, Independent Director
- Alfred Wong Siu Hong, Executive Director

Although the Code provides that the RC should comprise entirely of non-executive directors; the Board is of the view that the Managing Director has objective and independent value adding opinions that are helpful inputs to the RC's deliberation and decision making.

The principal functions of the RC are to:

- a) recommend to the Board, a framework of remuneration for the Board and key executives, and to determine specific remuneration packages for the executive director; and
- b) review senior executive remuneration and non-executive directors' fees annually.

CORPORATE GOVERNANCE REPORT

In setting the remuneration packages, the RC takes into account the performance of the Group, as well as individual directors and key executives, aligning their interests with those of shareholders, and linking rewards to corporate and individual performance. Non-executive directors will receive directors' fees in accordance with a framework comprising basic fees and additional fees for serving on sub-committee of the Board. The Board recommends the payment of directors' fees to be approved at the forthcoming AGM.

The independent directors do not have service contracts with the Company. The Company has entered into a 3 years' a service-agreement with the Executive Director, namely Mr Alfred Wong Siu Hong. The service agreement can be terminated by either party giving not less than three months' written notice in accordance with the terms of the service agreement.

There was one physical meeting held during the financial year ended 30 June 2016 which were attended by all the members.

Remuneration Matters

The Group's remuneration policy is to provide compensation packages at market rates which will reward successful performance and attract, retain and motivate managers and directors.

The Group currently adopts a remuneration policy for staff comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of variable bonus that is linked to the Company and individual performance.

The Board supports and is aware of the need for transparency. However, after deliberation the Board is of the view that full disclosure of the specific remuneration of each individual director and the top 5 key management executive who are not the director of the Company is not in the best interests of the Company and therefore shareholders. Inter alia, the Board has taken into account the very sensitive nature of the matter, the relative size of the Group, the highly competitive business environment the Group operates in and the irrevocable negative impact such disclosure may have on the Group.

CORPORATE GOVERNANCE REPORT

Summary remuneration table for the directors of the Company for the financial year ended 30 June 2016 is set out below.

Name of Director	Directors' Fee %	Salary %	Bonus %	Other Benefits %	Total %
Between S\$500,000 to S\$750,000					
Alfred Wong Siu Hong	–	57%	38%	5%	100%
Below S\$250,000					
Freddie Heng Kim Chuan	100%	–	–	–	100%
Koh Soo Keong	100%	–	–	–	100%
Wong Phui Hong	100%	–	–	–	100%

The total remuneration in aggregate paid to the top five key management personnel in the Company and its subsidiaries for the financial year ended 30 June 2016 was S\$798,000. In the interest of maintaining confidentiality, good morale and a strong spirit of team work within the Group, the Company is not disclosing the remuneration of the top 5 key management personnel, who are the General Managers and the Branch Manager of the Group and believe that such disclosure may be prejudicial to its business interest given the highly competitive environment it is operating in.

The details of the remuneration of an employee who is an immediate family member of a Director and whose remuneration exceeds S\$50,000 for the financial year ended 30 June 2016 are as follows:

Employee	Family relationship	Fixed Salary %	Variable salary and bonus %	Total %
S\$50,000 to below S\$100,000				
Wong Lai Kuan, Kim	Daughter of Alfred Wong (Managing Director)	73%	27%	100%
Wong Ho Hon, Keith	Son of Alfred Wong (Managing Director)	71%	29%	100%

CORPORATE GOVERNANCE REPORT

Key information on management team is set out on pages 8 to 13 of Annual Report 2016.

The members of the RC do not have specialised knowledge in the field of executive compensation. However, they have gained experience in this area via managing the business and/or the human resource matters of the Group and companies outside the Group. If any of the members require independent professional advice, such professional fees would be borne by the Company. Moreover, they may also liaise with the management, and may consult other employees and seek additional information if required.

Accountability and Audit

The Management is required to provide timely and adequate information to the Board on affairs and issues that require the Board's attention including reports on operational and financial matters. In order to fulfill its responsibilities, the Management provides the Board with management information such as feasibility studies, reports and accounts on a timely basis prior to each Board meeting. In addition, all relevant information on material events and transactions are circulated to directors as and when they arise. Hence the Board is of the opinion that, under the present arrangement, management information provided to the Board is sufficient and timely for it to perform its duties effectively.

The Board has separate and independent access to management staff at all times.

The Company Secretary and/or agents attend all board meetings and are responsible to ensure that board procedures are followed. Together with the management staff, the Company Secretary is responsible for compliance with all other rules and regulations which are applicable to the Company.

The Company Secretary ensures that queries made by the directors are answered promptly by the Management. Where the directors, either individually or as a group, in the furtherance of their duties, require professional advice, the Company Secretary can assist them in obtaining independent professional advice, at the Company's expense. The Board members have separate and independent access to the Company Secretary at all times.

Communication with Shareholders

The Company communicates with its shareholders through the Annual Report, AGM and Extraordinary General Meetings, shareholders' circulars and SGXNET announcements through the website of SGX. The Company does not practice selective disclosure and releases all price-sensitive information through SGXNET.

CORPORATE **GOVERNANCE REPORT**

At general meetings, shareholders are given opportunity to express their views and ask questions regarding the Group and its businesses. If shareholders are unable to attend the meetings, the Constitution of the Company allows a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder though proxy form sent in advance.

The Company ensures separate resolutions are proposed at general meetings on each distinct issue. The external auditors, the chairpersons of the various Board Committees are present to assist the Directors in addressing any relevant queries by shareholders.

The Company adheres to the guidelines set by the Board for dividend payment. In addition, the amount of dividends will also depend on the general financial condition, cash flow, future expansion and investment plans and other factors as the directors may deem appropriate.

Whistle Blowing Policy

The Company has established the whistle blowing procedure where employees within the Group may raise concerns about possible improprieties in matters of business activities, financial reporting and unethical or illegal conduct through well defined and accessible channels. To ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports are sent to the independent directors of the Audit Committee.

Interested Person Transaction

The only interested person transaction during the year relates to the management fee of less than \$100,000 paid to Ms Wong Phui Hong, as an advisor of the Group.

Save as disclosed above, the Group does not have any interested person transaction in the financial year ended 30 June 2016 that is discloseable under Rule 920(1)(a)(ii) of the SGX-ST Listing Manual.

Material Contracts

No material contracts (including loans) of the Company or its subsidiaries involving the interests of the chief executive officer or any director or controlling shareholders subsisted at the end of the financial period or have been entered into since the end of the previous financial year.

CORPORATE **GOVERNANCE REPORT**

Dealings in Securities

The Company has adopted the best practices stipulated in Listing Rules 1207(19)(b) and 1207(19)(c) of the SGX-ST Listing Manual in relation to dealings in the Company's securities. Its directors and officers are not allowed to deal in the Company's shares on short-term considerations and during the period commencing one month before the announcement of the Company's half-year and full year results and ending on the date of the announcement of the results.

Directors and officers are also expected to observe laws governing insider trading at all times even when dealing with securities within permitted trading period.

Risk Management

The Group does not have a Risk Management Committee. However, the management regularly assesses and reviews the Group's business and operational environment in order to identify areas of significant business and financial risks as well as appropriate measures to control and mitigate these risks.

STATISTICS OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 – 99	9	0.86%	210	0.00%
100 – 1,000	109	10.44%	71,445	0.07%
1,001 – 10,000	607	58.14%	2,559,832	2.50%
10,001 – 1,000,000	304	29.12%	16,503,588	16.10%
1,000,001 and above	15	1.44%	83,340,949	81.33%
	<u>1,044</u>	<u>100.00%</u>	<u>102,476,024</u>	<u>100.00%</u>

Issued share capital : \$10,251,457.65
 Number of shares : 102,476,024
 Class of shares : ordinary shares
 Voting rights : one vote per share

Based on information available to the Company as at 15 September 2016, approximately 26.81% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

STATISTICS OF SHAREHOLDINGS

The percentage of the total holding of the twenty largest shareholders is approx 84.89% and their names and numbers of shares held are:

TOP TWENTY SHAREHOLDERS AS AT 15 SEPTEMBER 2016

S/No.	Name	No. of Shares	Percentage
1	WONG SIU HONG ALFRED	21,265,627	20.75%
2	ROYAL INST OF CONSTRUCTION ECONOMISTS PTE LTD	10,082,000	9.84%
3	LIM JULIAN	8,000,000	7.81%
4	WONG PHUI HONG	6,831,372	6.67%
5	ROYAL WORLD TRUST PTE LTD	5,091,000	4.97%
6	WONG HO HON KEITH	5,000,000	4.88%
7	WONG LAI KUAN KIM	5,000,000	4.88%
8	WONG LAI YEE KRISTINE (HUANG LIYI)	5,000,000	4.88%
9	TAN BIAN KIAN	4,500,000	4.39%
10	WONG KOON HONG	3,679,700	3.59%
11	TAN DENG ZHENG (CHEN DENGZHENG)	2,000,000	1.95%
12	TAN DENG ZHI (CHEN DENGZHI)	2,000,000	1.95%
13	TAN GEOK BEE	1,849,500	1.80%
14	LIM YEW LIAN	1,705,250	1.66%
15	OCBC NOMINEES SINGAPORE PTE LTD	1,336,500	1.30%
16	WANG TONG PENG @WANG TONG PANG	863,000	0.84%
17	YAP BOH SIM	800,000	0.78%
18	LOW CHOON KIAT PAUL	750,000	0.73%
19	DBS NOMINEES PTE LTD	641,300	0.63%
20	PHILLIP SECURITIES PTE LTD	600,000	0.59%
		86,995,249	84.89%

STATISTICS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

Name of Shareholders	No of Shares	
	Direct Int	Deemed Int
Alfred Wong Siu Hong	22,537,627	23,000,000 ¹
Lim Julian	8,000,000	22,537,627 ²
Wong Phui Hong	6,831,372	8,500,000 ³
Tan Bian Kian	4,500,000	6,831,372 ⁴
Wong Koon Hong	3,620,000	1,705,250 ⁵
Lim Yew Lian	1,705,250	3,620,000 ⁶
Royal Institute Of Construction Economists Pte Ltd	9,956,000	

- 1 Mr Alfred Wong Siu Hong 's deemed interest comprises 23,000,000 Shares held by following persons:–
 - (i) 8,000,000 held by his wife, Mdm Lim Julian;
 - (ii) 5,000,000 held by his daughter Miss Wong Lai Kuan Kim;
 - (iii) 5,000,000 held by his son Mr Wong Ho Hon Keith; and
 - (iv) 5,000,000 held by his daughter Miss Wong Lai Yee Kristine
- 2 Mdm Lim Julian is deemed to be interested in the shares held by her husband, Mr Alfred Wong Siu Hong.
- 3 Ms Wong Phui Hong's deemed interest comprises 8,500,000 Shares held by following persons:–
 - (i) 4,500,000 held by her husband Mr Tan Bian Kian;
 - (ii) 2,000,000 held by her son Mr Tan Deng Zhi; and
 - (iii) 2,000,000 held by her son Mr Tan Deng Zheng.
- 4 Mr Tan Bian Kian is deemed to be interested in the shares held by his wife, Mdm Wong Phui Hong.
- 5 Mr Wong Koon Hong is deemed to be interested in the shares held by his wife, Mdm Lim Yew Lian.
- 6 Mdm Lim Yew Lian is deemed to be interested in the shares held by her husband, Mr Wong Koon Hong.

PORTFOLIO HELD BY **PROPERTY DIVISION**

Held By	Existing Use	Location	Storeys/ Unit no.	Area (sq ft)	Tenure	Unexpired term of lease
Noel Gifts International Ltd	Light Industrial	50 Playfair Road Singapore 367995	#03-01	3,477	Freehold strata titles	–
			#05-01	3,477		
			#06-01	3,477		
			#06-02	1,399		
			#06-03	1,970		
			#06-04	1,464		
			#07-01	3,466		
			#07-02	1,227		
			#07-03	1,970		
			#07-04	1,464		
				23,391		
Noel Gifts International Ltd	Residential	33 Rochester Drive Singapore 138638	#28-04	1,216	Leasehold	88

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Noel Gifts International Ltd (“the Company”) will be held at The Conference Room, 21 Ubi Road 1 #03-01 Singapore 408724 on Tuesday, 25 October 2016 at 9.00 a.m. for the following purposes:–

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company for the year ended 30 June 2016 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final dividend of 0.6 cent (one-tier tax) and a special dividend of 0.9 cent (one-tier tax) per ordinary share for the year ended 30 June 2016 (2015: 3.0 cent). **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to Regulation 87 of the Company’s Constitution:–
 - (i) Mr Alfred Wong Siu Hong **(Resolution 3)**
 - (ii) Mr Freddie Heng Kim Chuan **(Resolution 4)**
4. To re-appoint Messrs Deloitte & Touche LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

6. To approve the payment of Directors’ fees of S\$91,000/- for the year ended 30 June 2016 (2015: S\$91,000/-). **(Resolution 6)**

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions with or without any modifications:–

7. Authority to allot and issue shares

“That pursuant to Section 161 of the Companies Act, Cap. 50 and subject to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to issue shares or convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that:–

NOTICE OF ANNUAL GENERAL MEETING

- (i) the aggregate number of shares and convertible securities to be issued pursuant to this Resolution does not exceed 50 per cent. (50%) of the total number of issued shares excluding treasury shares in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 20 per cent. (20%) of the total number of issued shares excluding treasury shares in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);
- (ii) (subject to such manner of calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the total number of issued shares excluding treasury shares shall be based on the total number of issued shares excluding treasury shares in the capital of the Company at the time this Resolution is passed, after adjusting for:–
 - a. new shares arising from the conversion or exercise of any convertible securities;
 - b. new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of SGX-ST; and
 - c. any subsequent consolidation or subdivision of shares;
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.” [See Explanatory Note (i)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

8. Renewal of Share Buy-Back Mandate

“That:–

- (i) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “Companies Act”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the “Shares”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:–

- a. market purchase(s) on the SGX-ST (“Market Purchase”); and/or
- b. off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act (“Off-Market Purchase”);

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “Share Buy-Back Mandate”);

- (ii) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:–

- a. the date on which the next Annual General Meeting of the Company is held or required by law to be held;
- b. the date by which the share buy-backs are carried out to the full extent mandated; or
- c. the date on which the authority contained in the Share Buy-Back Mandate is varied or revoked;

- (iii) in this Resolution:–

“Maximum Limit” means the number of Shares representing 10 per cent. (10%) of the issued ordinary share capital of the Company as at the date of the passing of this Resolution; and

NOTICE OF ANNUAL GENERAL MEETING

“Maximum Price” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commissions, applicable goods and services tax and other related expenses) which shall not exceed:–

- a. in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price; and
- b. in the case of an Off-Market Purchase, pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price,

where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) consecutive market days on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after such five (5) market day period;

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for the purchase of Shares from holders of Shares, stating therein the purchase price (which shall not be greater than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

“market day” means a day on which the SGX-ST is open for trading in securities.

- (iv) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.”
[See Explanatory Note (ii)]

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

Notice of Books Closure and Dividend Payment Date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Noel Gifts International Ltd (the “Company”) will be closed for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company’s Share Registrar, Intertrust Singapore Corporate Services Pte Ltd, 77 Robinson Road, #13-00 Robinson 77, Singapore 068896 up to 5.00 p.m. on 2 November 2016 will be registered to determine shareholders’ entitlements to the said dividends.

Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 2 November 2016 will be entitled to the proposed dividends.

Payment of the dividends, if approved by the members at the Annual General Meeting to be held on 25 October 2016 will be made on 14 November 2016.

By Order of the Board
Ms Wong Phui Hong
Company Secretary
Singapore: 10 October 2016

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a Member of the Company.
2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 21 Ubi Road 1 #03-01 Singapore 408724 not less than forty-eight (48) hours before the time for holding the meeting.
4. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

NOTICE OF ANNUAL GENERAL MEETING

- (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
- (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

Note to item no 3:

The Board of Directors, in consultation with the Nominating Committee, recommends to members the re-election of Mr Alfred Wong Siu Hong and Mr Freddie Heng Kim Chuan as Directors of the Company.

Note to Resolution 4

Mr Freddie Heng Kim Chuan will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and will be considered independent for the purpose of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

- (i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the Company (whether by way of rights, bonus or otherwise). The number of shares which the Directors may issue under this Resolution shall not exceed 50% of the total number of issued shares excluding treasury shares in the capital of the Company. For issue of shares other than on a pro-rata basis to all shareholders of the Company, the aggregate number of shares to be issued shall not exceed 20% of the total number of issued shares excluding treasury shares in the capital of the Company. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares will be calculated in accordance with Rule 806(3) of the SGX-ST Listing Manual as set-out in sub-paragraph (ii) of this Ordinary Resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
- (ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting to purchase or acquire up to 10% of the total number of issued ordinary shares excluding treasury shares in the capital of the Company as at the date of the passing of this Resolution. Details of the proposed Renewal of Share Buy-Back Mandate are set out in Appendix A.
 - (a) As at the date of this Notice, the Company has not purchased or acquired its shares. The amount of financing required for the Company to purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as this will depend on the number of shares purchased or acquired and the price at which such shares were purchased or acquired.

NOTICE OF ANNUAL GENERAL MEETING

- (b) The financial effects of the purchase or acquisition of shares by the Company pursuant to the proposed Renewal of Share Buy-Back Mandate on the Group's audited financial statements for the financial year ended 30 June 2016 are set out in Appendix A and are for illustration only.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

NOEL GIFTS INTERNATIONAL LTD

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

PROXY FORM

*I/We, _____ (Name)

of _____ (Address)

being a member/members of the abovenamed Company, hereby appoint:-

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

or failing him/her, the Chairman of the Annual General Meeting ("AGM"), as my/our proxy(ies) to vote for me/us and on my/our behalf at the AGM of the Company to be held on Tuesday, 25 October 2016 at 9.00 a.m. at The Conference Room, 21 Ubi Road 1 #03-01 Singapore 408724 and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions	No. of Votes For	No. of Votes Against
1.	Adoption of Directors' Statement and Audited Financial Statements for the year ended 30 June 2016		
2.	Declaration of first & final dividend and a special dividend		
3.	Re-election of Mr Alfred Wong Siu Hong		
4.	Re-election of Mr Freddie Heng Kim Chuan		
5.	Re-appointment of Messrs Deloitte & Touche LLP as Auditors and fixing their remuneration		
6.	Approval of Directors' fees amounting to S\$91,000/-		
7.	Authority to allot and issue new shares		
8.	Renewal of Share Buy-Back Mandate		

Dated this _____ day of _____, 2016.

Total number of Shares in	No. of Shares held
(a) CDP Register	
(b) Register of Members	

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 2 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents.

Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company who is not a relevant intermediary entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
 - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 21 Ubi Road 1 #03-01 Singapore 408724 not less than forty-eight hours (48) hours before the time fixed for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose Shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time fixed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.



NOEL

NOEL GIFTS INTERNATIONAL LTD
Company Registration No. 198303940Z

21 Ubi Road 1 #03-01
Singapore 408724
T: +65 6299 1133
F: +65 6293 3522

www.noelgifts.com