



NOEL

— C O N T I N U I N G O U R —

ANNUAL
REPORT

CONTENTS

01 

About Us

02 

Director's Message

05 

Board of Directors

07 

Management Team

08 

Operations Review

09 

Financial Highlights

10 

Corporate Information

12 

Financial Contents



Fresh Florals

ABOUT US

Noel Gifts International Ltd (Noel Gifts) is Singapore's 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 44 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.

Kraft Blooms



DIRECTOR'S MESSAGE



DEAR SHAREHOLDERS,

As we approach our 45th year in the business, we are thankful God has guided us through another fulfilling year of new ventures and projects, despite uncertainty and increasing volatility within the global economy.

With greater economic headwinds expected in the year ahead, the Group will continue to evaluate and enhance existing operations and processes, ensuring that we are well-positioned for emerging challenges and opportunities.

FINANCIAL REVIEW

For the financial year ended 30 June 2019, the Group recorded revenue of \$22.1 million, a decrease of 18.9% from \$27.2 million in the previous year. The decline was mainly attributable to lower gift revenue due to poorer market conditions and completion of project. The gross profit decrease was also largely in line with the decrease in revenue.

Excluding the fair value loss on investment properties, total distribution, administrative and other operating expenses decreased by \$1.1 million to \$10.7 million, mainly due to lower manpower and depreciation expenses.

As such, the Group recorded an operating profit before tax of \$0.8 million as compared to \$1.9 million, a decrease of 58.5% year-on-year.

There was also a \$1.2 million fair value loss of investment properties on the industrial properties held by the company, as compared to \$1.5 million fair value gain of investment properties in FY2018.

As a result of the above, the group registered a net loss after tax of \$0.5 million in FY2019 compared to a profit of \$3.1 million in the previous year.

In celebration of Noel Gifts' 45th anniversary and in appreciation of the continued support rendered by all our shareholders, the Group will be declaring a first and final cash dividend of \$0.001 cents per ordinary share, and a special dividend of \$0.019 cents per ordinary share, subject to shareholders' approval at the upcoming Annual General Meeting.



DIRECTOR'S MESSAGE

CONTINUING OUR JOURNEY

With the launch of our Singapore Bicentennial Medallion Set Collection, and the expansion of our physical retail space, Noel Gifts strives to keep moving forward amidst challenges arising from geo-political tensions, technological shifts and an unpredictable global market.

As we continue on our journey in Bringing People Closer, the Group will seek out new opportunities and explore fresh gifting ideas that will continue to please our customers and fulfil their ever-changing needs.

Yours sincerely

Alfred Wong Siu Hong
Managing Director



Everlasting Blooms



Terrariums



The Monogram Series

BOARD OF DIRECTORS



MR ALFRED WONG SIU HONG

Managing Director

Mr Wong is the founder of Noel Gifts International Ltd, and has been its Managing Director since its commencement. With over 44 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.



MS WONG PHUI HONG (MRS IVY TAN)

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 commensurates with her vast experience and knowledge of the industry. 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 FOO DER RONG

Independent, Non-Executive Director

Mr Foo was appointed as an Independent Director of the Company on 1 August 2017. He graduated with a Bachelor of Commerce Degree from Nanyang University and has a wealth of rich experience and knowledge in business development, corporate restructuring, investment strategies and operation management, in a wide range of industries.

Mr Foo is currently a Director of Tian International Pte Ltd, a Non-Executive Director of Southern Lion Sdn Bhd and an Independent Director of Pavillon Holdings Ltd, SLB Development Ltd and Matex International Ltd. He is also an Executive Director of Adege Holdings Pte Ltd. His previous appointments include being the Managing Director/CEO of Intraco Ltd and Hanwell Holdings Ltd (formerly known as PSC Corporation Ltd) and Executive Director of Tat Seng Packaging Group Ltd. He was the Vice Chairman of Teck Ghee Community Club and is currently serving as a Patron of Teck Ghee Community Club.



MR ARIC LOH SIANG KHEE

Independent, Non-Executive Director

Mr Loh was appointed an Independent Director of the Company on 1 August 2017 and was last re-elected a Director of the Company on 27 October 2017. He is the Chairman of the Audit Committee, as well as a member of the Nominating Committee and Remuneration Committee. He is also the Lead Independent Non-Executive Director of the Company.

Mr Loh was formerly an audit partner at Deloitte & Touche LLP, Singapore. He currently runs his own accounting practice. Mr Loh is also an Independent Director of Tee International Limited.

Mr Loh holds a Bachelor Degree of Accountancy (2nd Class Honours) from the National University of Singapore. He is a member of the Institute of Singapore Chartered Accountants and the American Institute of Certified Public Accountants.

MANAGEMENT TEAM

MS BERNADETTE KWAN

General Manager

As Noel Gifts' General Manager, Bernadette is responsible for overseeing the supply chain operations and marketing for the Group.

Having served with Noel Gifts since 1993, Bernadette has 26 years of in-depth industry experience and is familiar with every aspect of the business.

Bernadette holds an MBA from the University of Hull.

MR JASON TAN

Senior Manager, Creative

Before his return to Noel Gifts in 2000, Jason had held various positions in sales and marketing. Upon his return, he was put in charge of establishing the Creative Department. His responsibilities include all creative aspects of the Group.

MS MICHELLE CHONG

Senior Manager, Finance

Michelle joined Noel Gifts in 1993. She oversees the Group's accounting, finance, tax, corporate secretarial functions and other related activities.

She possesses a professional qualification from the Association of Chartered Certified Accountants.

MS KIM WONG

Senior Manager, Group Marketing

Kim joined Noel Gifts in September 2005. She oversees the Group's marketing activities in the Gifts division and is currently pursuing her Doctorate in Innovation.

Kim has more than a decade's experience in the Group, spanning the Sales and Marketing departments.

Kim holds a Bachelor of Science in Business Administration from Boston University.

MS AUDREY ALLYSON PAVANARIS

Branch Manager

Audrey is responsible for the entire business operations of Noel Hampers & Gifts in Johore, Malaysia.

She joined the Group in 1995 and is an all-rounded industry veteran with more than two decades of in-depth experience.



OPERATIONS REVIEW

FY2019 has been an eventful year for Noel Gifts where the Group implemented several initiatives and explored fresh gifting perspectives with the product launch of medallion sets.

LAUNCH OF BICENTENNIAL MEDALLION SETS

During the year, the Group ventured into new grounds with the release of the Singapore Bicentennial Medallion Set Collection as a gifting option and a unique opportunity for corporates and individuals to own a piece of Singapore's legacy. Featuring milestones and achievements from our nation's history, these keepsake medallions were specially minted in support of the Singapore Bicentennial Office to commemorate the occasion. The first three series of the thematic nine-book collection were launched and had received a warm response.

EXPANSION IN PHYSICAL RETAIL

Building on our existing retail presence, we have expanded to a total of 6 physical retail outlets to bring our products closer to our customers and increase brand awareness. These stores will bring about greater convenience, providing quick and accessible gifts for customers on the go.

As an extension of the online gifting experience, our physical retail will continue to evolve to meet the changing needs of our customers, bringing people closer and making every day better.

CORPORATE SOCIAL RESPONSIBILITY

Last year, the Group partnered with St Luke's ElderCare (SLEC) for the SLEC Fundraising Gala Dinner. A donation of \$100,000 was made by the Group in support of SLEC's cause, adding to the total of \$832,000 raised from the meaningful event graced by her Excellency, Madam President Halimah Yacob. The Group also collaborated with Hagar (a registered charity in Singapore) during the Christmas season in support of the trafficking survivors under their care.

HR TRANSFORMATION EXERCISE

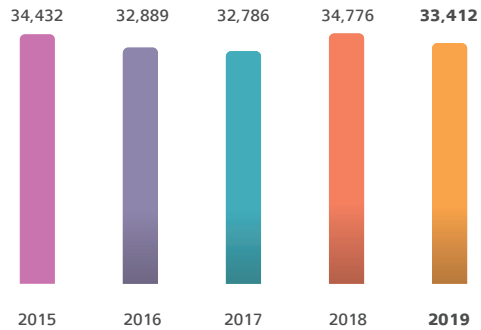
With our ongoing human resource transformation exercise, the Group aims to move towards a more integrated approach in maximising our human capital potential to meet the rising demands of the industry. We hope the new structure will allow the Group as a whole to stay nimble as we adapt to new developments in the face of evolving trends and unprecedented changes due to disruptive technologies.



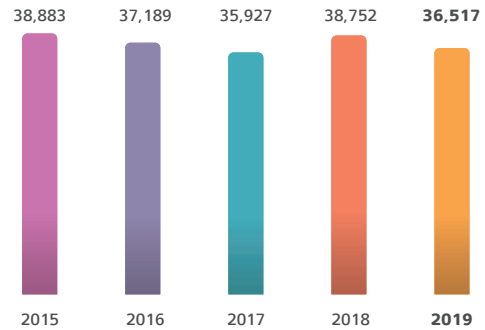
FINANCIAL HIGHLIGHTS

SHAREHOLDERS' FUND

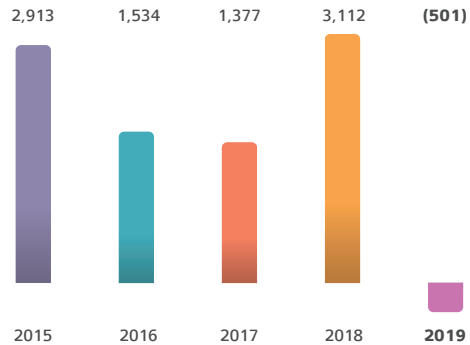
(S\$'000)

**TOTAL ASSETS**

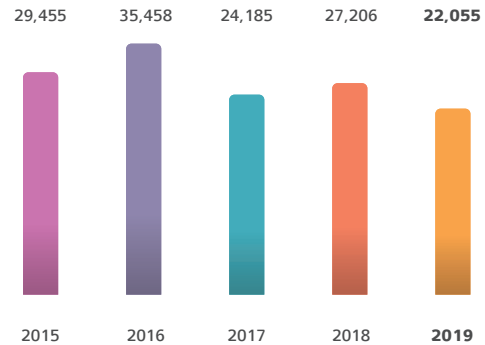
(S\$'000)

**PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS**

(S\$'000)

**TURNOVER**

(S\$'000)



C O R P O R A T E I N F O R M A T I O N

BOARD OF DIRECTORS

Wong Siu Hong Alfred – Executive Chairman and Managing Director
 Wong Phui Hong – Non-Executive Director
 Foo Der Rong – Non-Executive Independent Director
 Aric Loh Siang Khee – Non-Executive Lead Independent Director

AUDIT COMMITTEE

Aric Loh Siang Khee (Chairman)
 Wong Phui Hong
 Foo Der Rong

REMUNERATION COMMITTEE

Foo Der Rong (Chairman)
 Wong Siu Hong Alfred
 Aric Loh Siang Khee

NOMINATING COMMITTEE

Foo Der Rong (Chairman)
 Wong Siu Hong Alfred
 Aric Loh Siang Khee

COMPANY SECRETARY

Siau Kuei Lian (RHT Corporate Advisory Pte Ltd)

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 Tey Jack Kie
 Appointed with effect from financial year ended June 30, 2018

REGISTRARS AND SHARE TRANSFER OFFICE

RHT Corporate Advisory Pte Ltd
 30 Cecil Street
 #19-08 Prudential Tower
 Singapore 049712

PRINCIPAL BANKERS

- (1) The Development Bank of Singapore Limited
 12 Marina Boulevard #43-03
 Marina Bay Financial Centre Tower 3
 Singapore 018982
- (2) Malayan Banking Berhad
 2 Battery Road
 Maybank Tower
 Singapore 049907
- (3) United Overseas Bank Limited
 80 Raffles Place, UOB Plaza
 Singapore 048624
- (4) Overseas-Chinese Banking Corporation Limited
 65 Chulia Street, OCBC Centre
 Singapore 049513

Vivid Ecuadorian roses beautifully arranged in this aesthetic floral arrangement. What better way to make someone's day?



Fresh Florals

FINANCIAL CONTENTS

13	Directors' Statement
18	Independent Auditor's Report
23	Statements of Financial Position
25	Consolidated Statement of Profit or Loss and Other Comprehensive Income
26	Statements of Changes in Equity
28	Consolidated Statement of Cash Flows
30	Notes to the Financial Statements
86	Corporate Governance Report
110	Statistics of Shareholdings
112	Portfolio Held by Property Division
113	Notice of Annual General Meeting
	Proxy Form



Everlasting Blooms

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, 2019.

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 23 to 85 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, 2019, 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
Aric Loh Siang Khee
Foo Der Rong

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, 2018	At June 30, 2019	At July 1, 2018	At June 30, 2019
Noel Gifts International Ltd (Company)			Ordinary shares	
Alfred Wong Siu Hong	27,537,627	28,447,027	18,000,000	18,000,000
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, 2018	At June 30, 2019
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, 2019 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, 2019 were the same at June 30, 2019.

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.

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.

The Scheme had accordingly expired and lapsed on 12 December 2005.

DIRECTORS' STATEMENT

5 AUDIT COMMITTEE

The Audit Committee ("Committee") of the company was chaired by Aric Loh Siang Khee; a non-executive director, and includes Wong Phui Hong and Foo Der Rong, both whom are 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 audit plans of the external auditors;
- (c) 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;
- (d) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the company and the group;
- (e) the co-operation and assistance given by the management to the group's external auditors; and
- (f) 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 30, 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NOEL GIFTS INTERNATIONAL LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Noel Gifts International Ltd (the “company”) and its subsidiaries (the “group”) which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at June 30, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group and the statement of changes in equity of the company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 23 to 85.

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 Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)s”) so as to give a true and fair view of the financial position of the group and of the company as at June 30, 2019 and of 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.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NOEL GIFTS INTERNATIONAL LTD

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in audit
Fair value assessment of investment properties As at June 30, 2019, the group has investment properties amounting to \$14.63 million (2018: \$15.83 million). The group engages an independent external valuer to fair value some of its investment properties at reporting date and management applied that fair value to its other investment properties. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The external valuer adopts direct comparison method whereby sale transactions of similar properties in the vicinity is considered and adjusted accordingly. The significant unobservable inputs used in the valuation model are disclosed in Note 15 to the financial statements.	Our audit focused on ensuring the appropriateness of the fair values of the investment properties and included the following key procedures, amongst others: (a) Assessed the objectivity and competency of the independent valuation experts. We evaluated their terms of appointment, scope of work and valuation methodologies. (b) Performed independent assessment if the inputs and assumptions made are reasonable in obtaining the fair value of the investment properties. (c) We also held discussions with the valuers to understand their valuation methods and assumptions and basis used, where appropriate. (d) We have also assessed whether management's approach of applying the average fair value of the units subjected to valuation by external valuer to the remaining properties is appropriate. We have also reviewed the appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NOEL GIFTS INTERNATIONAL LTD

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and SFRS(I)s, 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.

In preparing the financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NOEL GIFTS INTERNATIONAL LTD

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NOEL GIFTS INTERNATIONAL LTD

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner responsible for the audit resulting in this independent auditor's report is Mr Tey Jack Kie.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

September 30, 2019

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019

		Group		Company	
	Note	2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	14,365	14,459	10,934	11,931
Trade receivables	7	1,197	1,035	605	451
Amount due from related companies	8	–	–	817	295
Deposits, other receivables and prepayments	9	514	484	452	422
Inventories	10	1,908	2,112	1,247	1,298
Total current assets		17,984	18,090	14,055	14,397
Non-current assets					
Subsidiaries	11	–	–	3,099	3,089
Club membership	12	190	165	190	165
Available-for-sale investments	13	–	3,152	–	3,152
Financial assets at fair value through other comprehensive income	13	2,425	–	2,425	–
Plant and equipment	14	1,285	1,518	906	953
Investment properties	15	14,633	15,827	14,633	15,827
Total non-current assets		18,533	20,662	21,253	23,186
Total assets		36,517	38,752	35,308	37,583

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION (cont'd)

JUNE 30, 2019

		Group		Company	
	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	16	630	528	494	395
Amount due to related companies and related parties	8	—	—	988	989
Other payables	17	2,019	2,714	1,451	2,011
Income tax payable		150	357	108	297
Total current liabilities		2,799	3,599	3,041	3,692
Non-current liabilities					
Other payables	17	203	226	162	175
Deferred tax liability	18	103	151	49	84
Total non-current liabilities		306	377	211	259
Capital and reserves					
Share capital	19	10,251	10,251	10,251	10,251
Currency translation deficit		(85)	(97)	—	—
Fair value adjustment surplus (deficit)		138	(12)	138	(12)
Accumulated profits		23,108	24,634	21,667	23,393
Total equity		33,412	34,776	32,056	33,632
Total liabilities and equity		36,517	38,752	35,308	37,583

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED JUNE 30, 2019

		Group	
	Note	2019 \$'000	2018 \$'000
Revenue	20	22,055	27,206
Cost of sales		<u>(11,010)</u>	<u>(13,879)</u>
Gross profit		11,045	13,327
Other operating income	21	463	1,932
Distribution costs		(3,123)	(3,513)
Administrative expenses		(7,243)	(7,859)
Other operating expenses		(1,544)	(448)
Finance costs	22	<u>–</u>	<u>(1)</u>
(Loss) Profit before income tax	23	(402)	3,438
Income tax expense	24	<u>(99)</u>	<u>(326)</u>
(Loss) Profit for the year		<u>(501)</u>	<u>3,112</u>
Other comprehensive loss:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net fair value gain (loss) in equity instruments designated as at FVTOCI arising during the year		116	–
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss in available-for-sale investments arising during the year:			
– equity securities		–	(20)
– debt securities		–	(57)
Net fair value gain (loss) in debt instruments measured at FVTOCI arising during the year		35	–
Exchange differences arising on translation of foreign subsidiaries		12	(20)
Financial assets at fair value through other comprehensive income:			
Reclassification of fair value adjustment loss from debt securities equity on disposal		<u>(1)</u>	<u>–</u>
		162	(97)
Total comprehensive (loss) income for the year		<u>(339)</u>	<u>3,015</u>
Earnings per share (cents):			
Basic and diluted	25	<u>(0.49)</u>	<u>3.04</u>

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED JUNE 30, 2019

	Share capital \$'000	Currency translation deficit \$'000	Fair value adjustment surplus (deficit) \$'000	Accumulated profits \$'000	Total \$'000
<u>Group</u>					
Balance at July 1, 2017	10,251	(77)	65	22,547	32,786
<i>Total comprehensive income for the year</i>					
Profit for the year	–	–	–	3,112	3,112
Other comprehensive loss for the year	–	(20)	(77)	–	(97)
Total	–	(20)	(77)	3,112	3,015
Dividends, representing transaction with owners, recognised directly in equity (Note 26)	–	–	–	(1,025)	(1,025)
Balance at June 30, 2018	10,251	(97)	(12)	24,634	34,776
<i>Total comprehensive income for the year</i>					
Loss for the year	–	–	–	(501)	(501)
Other comprehensive gain for the year	–	12	150	–	162
Total	–	12	150	(501)	(339)
Dividends, representing transaction with owners, recognised directly in equity (Note 26)	–	–	–	(1,025)	(1,025)
Balance at June 30, 2019	10,251	(85)	138	23,108	33,412

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY (cont'd)

YEAR ENDED JUNE 30, 2019

	Share capital \$'000	Fair value adjustment surplus (deficit) \$'000	Accumulated profits \$'000	Total \$'000
<u>Company</u>				
Balance at July 1, 2017	10,251	65	20,579	30,895
<i>Total comprehensive income for the year</i>				
Profit for the year	–	–	3,839	3,839
Other comprehensive loss for the year	–	(77)	–	(77)
Total	–	(77)	3,839	3,762
Dividends, representing transaction with owners, recognised directly in equity (Note 26)	–	–	(1,025)	(1,025)
Balance at June 30, 2018	10,251	(12)	23,393	33,632
<i>Total comprehensive income for the year</i>				
Loss for the year	–	–	(701)	(701)
Other comprehensive gain for the year	–	150	–	150
Total	–	150	(701)	(551)
Dividends, representing transaction with owners, recognised directly in equity (Note 26)	–	–	(1,025)	(1,025)
Balance at June 30, 2019	<u>10,251</u>	<u>138</u>	<u>21,667</u>	<u>32,056</u>

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

	Group	
	2019	2018
	\$'000	\$'000
Operating activities		
(Loss) Profit before income tax	(402)	3,438
Adjustments for:		
Loss on disposal of financial assets at FVTOCI	1	–
(Reversal) Impairment loss on other investment	(25)	17
Impairment loss on plant and equipment	–	1
Depreciation of plant and equipment	497	639
Dividend income	(108)	(124)
Interest income	(168)	(107)
Fair value loss (gain) of investment properties	1,194	(1,530)
Expected credit loss – trade receivables	49	35
Allowance for inventories	36	45
Net foreign exchange loss (gains)	13	(21)
Plant and equipment written off	61	–
(Gain) Loss on disposal of plant and equipment	(12)	1
Operating cash flows before movements in working capital	1,136	2,394
Trade receivables	(212)	149
Other receivables and prepayments	(30)	12
Inventories	168	328
Trade payables	102	(31)
Other payables	(679)	552
Cash generated from operations	485	3,404
Interest received	168	107
Income tax paid	(353)	(43)
Net cash from operating activities	300	3,468

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

YEAR ENDED JUNE 30, 2019

	Group	
	2019	2018
	\$'000	\$'000
Investing activities		
Dividend income	108	124
Proceeds on disposal of plant and equipment	12	–
Proceeds on disposal of financial assets at FVTOCI	1,002	–
Purchase of plant and equipment (Note A)	(365)	(395)
Purchase of financial assets at FVTOCI	(126)	(1,001)
Net cash from (used in) investing activities	631	(1,272)
Financing activities		
Dividend paid	(1,025)	(1,025)
Repayment of the hire purchase facility	–	(10)
Net cash used in financing activities	(1,025)	(1,035)
Net (decrease) increase in cash and cash equivalents	(94)	1,161
Cash and cash equivalents at beginning of year	14,459	13,298
Cash and cash equivalents at end of year (Note 6)	14,365	14,459

Note A

In 2018, the group acquired plant and equipment for an aggregate amount of \$434,000 of which \$39,000 have not been paid and is recorded as other payables. Cash payment of \$395,000 was made to purchase plant and equipment. There is no unpaid plant and equipment at the end of the reporting period.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 are disclosed in Note 11.

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, 2019 were authorised for issue by the Board of Directors on September 30, 2019.

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, and Singapore Financial Reporting Standards in Singapore (International) ("SFRS(I)s").

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 SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 A NEW FINANCIAL REPORTING FRAMEWORK – The group and the company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) (“SFRS(I)”) for the first time for financial year ended June 30, 2019 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the group and the company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (June 30, 2019), except for areas of exceptions and optional exemptions set out in SFRS(I) 1.

In the first set of SFRS(I) financial statements for the financial year ended June 30, 2019, an additional opening statement of financial position as at date of transition (July 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts are not presented for equity as at date of transition (July 1, 2017) and as at end of last financial period under FRS (June 30, 2018) as there were no changes compared to amounts previously reported. Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the group’s and the company’s previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 15 and SFRS(I) 9.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment of financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the financial statements are described below.

The group and the company applied SFRS(I) 9 with an initial application date of July 1, 2018. The group and company has not restated the comparative information, which continues to be reported under FRS 39. There was no material impact on adoption of SFRS(I) 9.

The significant accounting policies for financial instruments under SFRS(I) 9 is as disclosed below.

(a) Classification and measurement of financial assets and financial liabilities

The group and company has applied the requirements of SFRS(I) 9 to instruments that have not been derecognised as at July 1, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 1, 2018. The classification of financial assets is based on two criteria: the group and company's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. There are no changes in classification and measurement of the group and company's financial assets and financial liabilities.

The group's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale investments and were measured at fair value at each reporting date under FRS 39 have been designated as at fair value through other comprehensive income.

(b) Impairment of financial assets

SFRS(I) 9 requires an expected credit loss model as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires the group and company 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 of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, SFRS(I) 9 requires the group and company to recognise a loss allowance for expected credit losses on i) debt investments subsequently measured at amortised cost or at FVTOCI, ii) lease receivables, iii) contract assets and iv) loan commitments and financial guarantee contracts to which the impairment requirements of SFRS(I) 9 apply.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

Apart from providing more extensive disclosures, the adoption of SFRS (I) 9 did not have an impact on the statement of financial position of the company as at July 1, 2018 and June 30, 2019, and statement of profit or loss and other comprehensive income and the statement of cash flows of the company for the year ended June 30, 2019.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 supersedes FRS 11 Construction Contracts, FRS 18 Revenue and the related Interpretations. SFRS(I) 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the financial statements are described below.

The group and company's significant accounting policies for its revenue streams are disclosed below. There was no material impact from adoption of SFRS(I) 15.

STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the group and the company in the periods of their initial application.

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 Leases
- Annual Improvements to SFRS(I)s 2015-2017 Cycle

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 16 "Leases"

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 existing framework.

As at June 30, 2019, the group has non-cancellable operating lease commitments of S\$1,812,000 as disclosed in Note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under SFRS(I) 16, and hence the group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16.

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.

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;

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 16 "Leases" (cont'd)

- 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.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 16 "Leases" (cont'd)

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

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 instruments.

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.

Financial assets (before July 1, 2018)

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.

Trade and other receivables

Trade and other receivables are initially measured at fair value plus transaction costs and subsequently 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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (before July 1, 2018) (cont'd)

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 available-for-sale equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other 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 certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (before July 1, 2018) (cont'd)

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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

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 assets (from July 1, 2018)

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (from July 1, 2018) (cont'd)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (from July 1, 2018) (cont'd)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI, except for short-term balances when the effect of discounting is immaterial.

Debt instruments classified as at FVTOCI

Listed redeemable notes held by the group are classified as at FVTOCI. Fair value is determined in the manner described in Note 4(c)(vi). The listed redeemable notes are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these listed redeemable notes as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these listed redeemable notes had been measured at amortised cost. All other changes in the carrying amount of these listed redeemable notes are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these listed redeemable notes are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to accumulated profits.

The group has made an irrevocable election (on an instrument-by-instrument basis) to designate all investments in equity instruments as at FVTOCI on initial application of SFRS(I) 9 (see Note 13).

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (from July 1, 2018) (cont'd)

Dividends on these investments in equity instruments are recognised in profit or loss when the group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other operating income" line item in profit or loss.

Impairment of financial assets

The group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at FVTOCI, trade and other receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (from July 1, 2018) (cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (from July 1, 2018) (cont'd)

The group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The group considers that default has occurred when a financial asset is more than 90 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (from July 1, 2018) (cont'd)

Write-off policy

The group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investments revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset 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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (from July 1, 2018) (cont'd)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previous accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

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.

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.

Derecognition of financial liabilities

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

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments (cont'd)

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.

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:

		<u>Years</u>
Computers	–	3 to 8
Leasehold improvements	–	3 to 8
Furniture and fittings	–	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.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments (cont'd)

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.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments (cont'd)

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.

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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

REVENUE RECOGNITION (before July 1, 2018) – 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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments (cont'd)

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.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments (cont'd)

REVENUE RECOGNITION (from July 1, 2018) – The group recognises revenue from the following major sources:

- Sale of gifts and hampers
- Rental income

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer. The group has generally concluded that it is the principal in its revenue arrangements and records revenue on a gross basis because it typically controls the goods or services before transferring them to the customer.

Sale of gifts and hampers

The group sells flowers and gifts to its customers.

Revenue is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 30 days upon delivery.

The group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. customer loyalty points).

Rental income

The group earned rental income from investment properties held. Revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided based on the terms specified in the contract.

Interest income

Interest income is accrued on a time basis, by reference, to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments (cont'd)

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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments (cont'd)

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.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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) Calculation of loss allowance

When measuring ECL, the group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The carrying amount of the trade receivables at the end of the reporting period is disclosed in Note 7 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Key sources of estimation uncertainty (cont'd)

(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.

(c) Impairment of investment in subsidiaries

The company assesses at each reporting date whether there is an indication that the investment in subsidiaries 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.

During the year, the company carried out a review of the recoverable amount of the investment in subsidiaries having regard to the existing performance of the relevant subsidiaries and management is satisfied that the impairment loss recognised at end of reporting period is adequate. The carrying amount of the investment in subsidiaries at the end of the reporting period is disclosed in Note 11 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 on some of its investment properties with reference to recent transactions of similar properties in the vicinity. Management applied that fair value to its other investment properties. 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 15 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial assets				
Financial assets at amortised cost (2018: Loans and receivables, including cash and cash equivalent)	16,013	15,908	12,761	13,050
Financial assets at fair value through other comprehensive income (2018: Available-for-sale investments)	2,425	3,152	2,425	3,152
	18,438	19,060	15,186	16,202
Financial liabilities				
Payables at amortised cost	2,594	3,208	2,888	3,372

The following table shows the original measurement categories in accordance with FRS 39 and the new measurement categories under SFRS (I) 9 for the group's and company's financial assets as at July 1, 2018.

			Group		Company	
	Original classification under FRS 39	New classification under SFRS (I) 9	Original carrying amount under FRS 39 \$'000	New carrying amount under SFRS (I) 9 \$'000	Original carrying amount under FRS 39 \$'000	New carrying amount under SFRS (I) 9 \$'000
Financial assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	14,459	14,459	11,931	11,931
Trade receivables	Loans and receivables	Amortised cost	1,035	1,035	451	451
Amount due from related companies	Loans and receivables	Amortised cost	–	–	295	295
Deposits and other receivables	Loans and receivables	Amortised cost	414	414	373	373
Investment in equity instruments	Available- for-sale	Designated at FVTOCI*	1,455	1,455	1,455	1,455
Investment in debt instruments	Available- for-sale	FVTOCI	1,697	1,697	1,697	1,697

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

(a) Categories of financial instruments (cont'd)

	Original classification under FRS 39	New classification under SFRS (I) 9	Group		Company	
			Original carrying amount under FRS 39 \$'000	New carrying amount under SFRS (I) 9 \$'000	Original carrying amount under FRS 39 \$'000	New carrying amount under SFRS (I) 9 \$'000
Financial liabilities						
Payables	Amortised cost	Amortised cost	14,459	14,459	11,931	11,931

* These equity securities are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these investments in equity securities as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

(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.

(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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

(c) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management

The group and company are 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 and company 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) 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 and subject to immaterial credit loss.

(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 current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is > 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the company has no realistic prospect of recovery.	Amount is written off

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

(c) Financial risk management policies and objectives (cont'd)

The table below details the credit quality of the group's financial assets as well as maximum exposure to credit risk by credit risk rating grades:

	<u>Note</u>	<u>Internal credit rating</u>	<u>12-month or lifetime ECL</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>	<u>Net carrying amount</u>
<u>June 30, 2019</u>				<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<u>Group</u>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	1,461	(264)	1,197
Other receivables	9	Performing	12- month ECL	451	—	451
Financial assets at FVTOCI	13	Performing	12- month ECL	2,425	—	2,425
<u>Company</u>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	747	(142)	605
Related companies receivables	8	(i)	Lifetime ECL (simplified approach)	1,265	(448)	817
Other receivables	9	Performing	12- month ECL	405	—	405
Financial assets at FVTOCI	13	Performing	12- month ECL	2,425	—	2,425

- (i) The group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The group only grants credit to creditworthy counterparties. Cash is held with creditworthy institutions and is subject to immaterial credit loss. Although the group's credit exposure is concentrated mainly in Singapore, it has no significant concentration of credit risk with any single customer or group of customers.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

(c) Financial risk management policies and objectives (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.

Non-derivative financial assets

Financial assets are due within 12 months and repayable on demand, except for financial assets at FVTOCI which are held for medium to long-term strategic purposes.

(v) Derivative financial instruments

The group and company does not contract for derivative financial instruments.

(vi) Fair values of financial assets and financial liabilities

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

(c) Financial risk management policies and objectives (cont'd)

Fair value of financial assets that are measured at fair value on a recurring basis

Some of the group's and company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used).

Financial assets/ Financial liabilities	Fair value as at (Group and Company)				Fair value hierarchy	Valuation technique(s) and key input(s)
	2019		2018			
	Assets (\$'000)	Liabilities (\$'000)	Assets (\$'000)	Liabilities (\$'000)		
Financial assets at FVTOCI (see Note 13)						
Quoted equity and debt securities	2,425	–	3,152	–	Level 1	Quoted bid prices in an active market.

There were no transfers between the different levels of the fair value hierarchy in the financial year.

(vii) Equity price risk management

The group is exposed to equity risks arising from equity investments classified as at FVTOCI. Equity investments measured at FVTOCI are held for strategic rather than trading purposes. The group does not actively trade such investments.

Further details of these equity investments can be found in Note 13.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

(c) Financial risk management policies and objectives (cont'd)

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

In respect of equity investments at FVTOCI, if the inputs to the valuation model had been 10% higher/lower while all other variables were held constant:

The group's net profit for the year ended June 30, 2019 would have been unaffected as the equity investments are classified as at FVTOCI; and

The group's asset revaluation reserves would decrease/increase by \$68,000 (2018: decrease/increase by \$146,000).

The group's sensitivity to equity prices has not changed significantly from the prior year.

(d) Capital 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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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	
	2019	2018
	\$'000	\$'000
Short-term benefits	1,284	1,219
Post-employment benefits	95	62
Advisory fee	3	31
Total	1,382	1,312

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

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	1,927	3,221	1,102	2,092
Fixed deposits	12,438	11,238	9,832	9,839
Total	14,365	14,459	10,934	11,931

Fixed deposits of the group and the company bear effective interest at an average rate of 1.82%. (2018: 1.48%) and 1.81% (2018: 1.48%) per annum respectively. The fixed deposits of the group and company are for an average tenure of 115 days (2018: 67 days) and 111 days (2018: 52 days) respectively. The fixed deposits are redeemable on demand and the penalty for early redemption is insignificant.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

7 TRADE RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Outside parties	1,461	1,276	747	568
Less: Loss allowance	(264)	(241)	(142)	(117)
Net	1,197	1,035	605	451

The average credit period is 45 days (2018: 45 days). Interest rate of 1% (2018: 1%) per month is charged on the overdue balance.

Loss allowance for trade receivables has been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table details the risk profile of trade receivables from contracts with customers based on the group's provision matrix. As the group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the group's different customer base.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

7 TRADE RECEIVABLES (cont'd)

		Trade receivables – days past due			
		61 to	91 to		
2019	< 60 days	90 days	120 days	> 120 days	Total
Group	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	< 1%	1-5%	5-15%	> 15%	
Estimated total gross carrying amount at default	785	43	132	501	1,461
Lifetime ECL	–	(1)	(19)	(244)	(264)
					1,197
Company					
Expected credit loss rate	< 1%	1-5%	5-15%	> 15%	
Estimated total gross carrying amount at default	375	19	84	269	747
Lifetime ECL	–	(1)	(9)	(132)	(142)
					605

The movements in credit loss allowance are as follows:

	Group 2019 \$'000	Company 2019 \$'000
Balance at beginning of the year	241	117
Loss allowance recognised in profit or loss during the year on:		
– Assets originated	78	40
– Reversal of unutilised amounts	(29)	(15)
	49	25
Receivables written off as uncollectible	(26)	–
Balance at end of the year	264	142

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

7 TRADE RECEIVABLES (cont'd)

Previous accounting policy for impairment of trade receivables:

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

	Group 2018 \$'000	Company 2018 \$'000
Not past due and not impaired	644	298
Past due but not impaired ^(a)	391	153
Total trade receivables, net	<u>1,035</u>	<u>451</u>
(a) Aging of receivables that are past due but not impaired:		
Less than 90 days	157	56
90 to 365 days	234	97
	<u>391</u>	<u>153</u>

Management believed that trade receivables that were neither past due nor impaired were with creditworthy counterparties.

Movement in the allowance for doubtful debts:

	Group 2018 \$'000	Company 2018 \$'000
Balance at beginning of year	286	198
Charge to profit or loss	85	17
Amounts recovered during the year	(50)	(19)
Written against provision	(79)	(79)
Exchange difference	(1)	—
Balance at end of year	<u>241</u>	<u>117</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

8 RELATED COMPANIES

	Company	
	2019	2018
	\$'000	\$'000
<u>AMOUNTS DUE FROM</u>		
Subsidiaries:		
Trade	89	50
Non-trade	<u>1,176</u>	<u>693</u>
	1,265	743
Less: Loss allowance	<u>(448)</u>	<u>(448)</u>
Net	<u>817</u>	<u>295</u>
Movement in credit loss allowance		
– Subsidiaries:		
Balance at beginning of year	448	470
Credit to profit or loss	<u>–</u>	<u>(22)</u>
Balance at end of year	<u>448</u>	<u>448</u>
<u>AMOUNTS DUE TO</u>		
Subsidiaries:		
Trade	–	–
Non-trade	<u>988</u>	<u>989</u>
Total – Due to	<u>988</u>	<u>989</u>

The average credit period for trade balance is 45 days (2018: 45 days). Interest rate of 1% (2018: 1%) per month is charged on the overdue balance.

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

For purpose of impairment assessment, the amounts due from related corporation is considered to have low credit risk as the timing of payment is controlled by the ultimate holding company taking into account cash flow management within the ultimate holding company's group of companies and there has been no significant increase in the risk of default on the amounts due from related corporation since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

9 DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deposits	381	202	346	167
Prepayments	63	70	47	49
Other receivables	70	212	59	206
Total	<u>514</u>	<u>484</u>	<u>452</u>	<u>422</u>

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

For the purpose of impairment assessment, deposits and other receivables are considered to have low credit risk as there had been no significant increase in the risk of default since initial recognition. Accordingly, the loss allowance is measured at an amount equal to 12-month ECL.

10 INVENTORIES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Liquor	1,132	1,287	764	834
Gifts and accessories	776	825	483	464
Total	<u>1,908</u>	<u>2,112</u>	<u>1,247</u>	<u>1,298</u>

This is stated after allowance for obsolescence as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance at beginning of year	229	198	157	126
Charge to profit or loss	36	45	24	41
Written-off against allowance for obsolescence	(70)	(14)	(60)	(10)
Balance at end of year	<u>195</u>	<u>229</u>	<u>121</u>	<u>157</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

11 SUBSIDIARIES

	Company	
	2019	2018
	\$'000	\$'000
Unquoted equity shares, at cost	4,621	4,561
Less: Allowance for impairment	(1,522)	(1,472)
Net	<u>3,099</u>	<u>3,089</u>
Movement in the allowance for impairment:		
Balance at beginning of year	1,472	1,472
Charge to profit or loss	50	—
Balance at end of year	<u>1,522</u>	<u>1,472</u>

Significant transactions with subsidiaries:

	Company	
	2019	2018
	\$'000	\$'000
Sales of goods	(146)	(124)
Management fee	(974)	(462)
SAP maintenance fee	(55)	(55)
Purchases of goods	<u>128</u>	<u>151</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

11 SUBSIDIARIES (cont'd)

The details of the subsidiaries are as follows:

Subsidiaries	Effective equity interest and voting power held		Cost of investment		Principal activities/ Country of incorporation and operations
	2019 %	2018 %	2019 \$'000	2018 \$'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⁾	100	100	833	833	Inactive/Malaysia
Noel Hampers & Gifts (Johore) Sdn. Bhd. ⁽²⁾	90	90	537	537	Selling of hampers, flowers and gifts/Malaysia
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 (inactive) People's Republic of China
Gift Collective Pte Ltd ⁽⁴⁾	100	—	10	—	Engage in retail sale via internet and wholesale Trade of a variety of goods
Total			<u>4,571</u>	<u>4,561</u>	
<i>Held by Humming Flowers & Gifts Pte Ltd</i>					
Direct Farm Pte Ltd ⁽²⁾	100	100	50	50	Struck-off/Singapore

Notes on auditors:

- (1) Audited by Deloitte & Touche LLP, Singapore.
- (2) Struck-off during the year.
- (3) Unaudited management accounts were used for consolidation as the subsidiary is not material to the group.
- (4) Incorporated on 3 June 2019, inactive at year end

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

12 CLUB MEMBERSHIP

	Group and Company	
	2019	2018
	\$'000	\$'000
Golf club membership, at cost	208	208
Less: Impairment loss	(18)	(43)
Net	190	165

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.

	Group and Company	
	2019	2018
	\$'000	\$'000
Movement in impairment loss:		
Balance at beginning of year	43	43
Reversal for impairment	(25)	–
Balance at end of year	18	43

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FY2018: AVAILABLE-FOR-SALE INVESTMENTS)

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Investments in equity instruments designated as at FVTOCI:				
– Quoted securities	676	1,455	676	1,455
Investments in debt instruments classified as at FVTOCI:				
– Quoted securities	1,749	1,697	1,749	1,697
Total financial assets at FVTOCI	2,425	3,152	2,425	3,152

The investments offer the company the opportunity for return through dividends and capital gains. A fair value gain of \$150,000 (2018: fair value loss of \$77,000) was recorded in the other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (cont'd)

Quoted equity securities

The investments in quoted equity securities offer the group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on the quoted closing market prices on the last market day of the financial year.

These equity securities are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these investments in equity securities as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Quoted debt securities

The debt securities include listed redeemable notes that carry an average interest at 4% per annum.

These redeemable notes are held by the group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to sell these financial assets. Hence, the redeemable notes are classified as at FVTOCI.

For purpose of impairment assessment, the notes are considered to have low credit risk as they are held with counterparties with credit rating ranging from AAA to BAA. The group holds no collateral over this balance. Accordingly, for the purpose of impairment assessment for these debts instruments, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL, management has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of these debt instruments obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. No loss allowance is recognised in the current reporting period.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

The quoted debt securities disposed of during the current reporting period amounted to \$943,000 (2018:NIL)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

14 PLANT AND EQUIPMENT

Group	Computers \$'000	Leasehold improvements \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Equipment \$'000	Total \$'000
Cost:						
At July 1, 2017	2,192	712	323	1,399	587	5,213
Additions	78	61	8	277	10	434
Disposals	(18)	—	—	(123)	(2)	(143)
Written-off	(5)	—	—	—	(16)	(21)
Translation difference	3	1	1	2	1	8
At June 30, 2018	2,250	774	332	1,555	580	5,491
Additions	62	85	21	147	11	326
Disposals	(14)	(36)	(4)	(116)	(2)	(172)
Written-off	(11)	(163)	(48)	—	(7)	(229)
Translation difference	(2)	(1)	(1)	(1)	(1)	(6)
At June 30, 2019	2,285	659	300	1,585	581	5,410
Accumulated depreciation:						
At July 1, 2017	1,862	422	199	557	425	3,465
Depreciation for the year	202	120	61	199	57	639
Disposals	(18)	—	—	(123)	(2)	(143)
Written-off	(5)	—	—	—	(16)	(21)
Translation difference	2	1	1	1	1	6
At June 30, 2018	2,043	543	261	634	465	3,946
Depreciation for the year	91	102	43	220	41	497
Disposals	(14)	(14)	(3)	(116)	(2)	(149)
Written-off	(2)	(114)	(46)	—	(6)	(168)
Translation difference	(2)	(1)	(1)	(1)	—	(5)
At June 30, 2019	2,116	516	254	737	498	4,121
Accumulated impairment:						
At July 1, 2017	—	26	—	—	—	26
Impairment for the year	—	—	1	—	—	1
At June 30, 2018	—	26	1	—	—	27
Disposals	—	(22)	(1)	—	—	(23)
At June 30, 2019	—	4	—	—	—	4
Carrying amount:						
At June 30, 2019	169	139	46	848	83	1,285
At June 30, 2018	207	205	70	921	115	1,518

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

14 PLANT AND EQUIPMENT (cont'd)

	Computers \$'000	Leasehold improvements \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Equipment \$'000	Total \$'000
<u>Company</u>						
Cost:						
At July 1, 2017	1,965	491	214	825	295	3,790
Additions	69	55	7	244	10	385
Disposal	(16)	—	—	(67)	(2)	(85)
At June 30, 2018	2,018	546	221	1,002	303	4,090
Additions	56	86	11	147	11	311
Disposal	(19)	(36)	(4)	(117)	(7)	(183)
At June 30, 2019	2,055	596	228	1,032	307	4,218
Accumulated depreciation:						
At July 1, 2017	1,722	300	133	388	188	2,731
Depreciation for the year	159	88	40	124	34	445
Disposal	(15)	—	—	(49)	(2)	(66)
At June 30, 2018	1,866	388	173	463	220	3,110
Depreciation for the year	61	92	27	144	27	351
Disposal	(14)	(14)	(3)	(117)	(5)	(153)
At June 30, 2019	1,913	466	197	490	242	3,308
Accumulated impairment:						
At July 1, 2017	—	26	—	—	—	26
Impairment for the year	—	—	1	—	—	1
At June 30, 2018	—	26	1	—	—	27
Written-off	—	(22)	(1)	—	—	(23)
At June 30, 2019	—	4	—	—	—	4
Carrying amount:						
At June 30, 2019	142	126	31	542	65	906
At June 30, 2018	152	132	47	539	83	953

There were no company pledged assets and securities as at June 30, 2019 and 2018.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

15 INVESTMENT PROPERTIES

	Group and Company	
	2019	2018
	\$'000	\$'000
At fair value:		
At beginning of year	15,827	14,297
(Loss) Gain from fair value adjustments	(1,194)	1,530
At end of year	<u>14,633</u>	<u>15,827</u>
Comprises:		
– Freehold land and building	12,883	14,127
– Leasehold property	<u>1,750</u>	<u>1,700</u>
Total at fair value	<u>14,633</u>	<u>15,827</u>

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 \$526,000 (2018: \$498,000) (Note 20). Direct operating expenses arising on the freehold land and building in the year amounted to \$172,000 (2018: \$177,000).

The fair values of the group's and company's investment properties at June 30, 2019 and 2018 are arrived at on the basis of the valuation review on some of the investment properties 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. Management then applied the fair value to the other investment properties.

The fair value of the group and company's investment properties as at June 30, 2019 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, 2019

15 INVESTMENT PROPERTIES (cont'd)

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

Type	Valuation techniques	Unobservable inputs	Range
Freehold land and building	Direct comparison method	Transacted price of comparable properties	\$523 to \$578 psf (2018: \$574 to \$634 psf)
Leasehold property	Direct comparison method	Transacted price of comparable properties	\$1,367 to \$1,511 psf (2018: \$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.

16 TRADE PAYABLES

The average credit period on purchases of goods is 45 days (2018: 45 days). No interest is charged on the trade payables.

17 OTHER PAYABLES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Accrual of operating expenses	1,612	2,217	1,083	1,551
Accrual restoration costs	216	184	177	145
Accrued operating lease incentives	42	76	30	53
Remuneration payable to directors	21	92	21	92
Tenancy deposits	102	99	102	99
Provision for onerous lease	92	70	92	70
Sundry payables	137	202	108	176
Total	2,222	2,940	1,613	2,186
Current payables	2,019	2,714	1,451	2,011
Non-current payables	203	226	162	175
Total	2,222	2,940	1,613	2,186

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

17 OTHER PAYABLES (cont'd)

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

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Accrued restoration costs	195	184	156	145
Accrued operating lease incentives	8	42	6	30
Total	203	226	162	175

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 2019 to 2021. 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.

18 DEFERRED TAX LIABILITY

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	151	175	84	104
Credit to profit or loss (Note 24)	(48)	(24)	(35)	(20)
Balance at end of year	103	151	49	84

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

19 SHARE CAPITAL

	Group and Company		
	2019	2018	2019
	Number of ordinary shares		\$'000
			\$'000
Issued and paid up:			
At beginning 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.

20 REVENUE

	Group	
	2019	2018
	\$'000	\$'000
Sale of gifts and hampers, at point in time	21,529	26,708
Rental income	526	498
Total	22,055	27,206

There is no transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for sale of flowers and gifts as at the end of the reporting period.

21 OTHER OPERATING INCOME

	Group	
	2019	2018
	\$'000	\$'000
Government grants	166	162
Dividend income from financial assets at FVTOCI	108	124
Interest income	168	107
Gain on disposal of plant and equipment	11	–
Gain from fair value adjustments on investment properties	–	1,530
Others	10	9
Total	463	1,932

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

22 FINANCE COSTS

	Group	
	2019	2018
	\$'000	\$'000
Bank charges	–	1

23 (LOSS) PROFIT BEFORE INCOME TAX

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

	Group	
	2019	2018
	\$'000	\$'000
Employee benefit expense (including directors' remuneration)	7,207	8,069
Cost of defined contribution plans included in employee benefit expense	697	803
Cost of inventories included in cost of sales	8,480	11,294
Auditors' remuneration:		
Auditor of the company	65	65
Other auditors	2	2
Non-audit fees paid to:		
Auditors of the company	12	29
Other auditors	3	4
Directors' remuneration:		
Director of the company	459	550
Other directors	44	40
Directors' fees	91	93
Net foreign exchange loss (gain)	23	(21)
Depreciation of plant and equipment	497	639
Expected credit loss – trade receivables	49	35
Loss on disposal of financial asset at FVTOCI	1	–
Allowance for inventories	36	45
(Gain) Loss on disposal of plant and equipment	(11)	1
Fair value loss (gain) of investment properties	1,194	(1,530)
Reversal of Impairment loss on other investment	(25)	17
Obsolete inventories written off	36	21

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

24 INCOME TAX EXPENSE

	Group	
	2019	2018
	\$'000	\$'000
Current tax:		
Current year	115	346
Underprovision in prior year	32	4
Deferred tax (Note 18):		
Current year	(48)	(24)
Income tax expense	<u>99</u>	<u>326</u>

Domestic income tax of the company is calculated at 17% (2018: 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	
	2019	2018
	\$'000	\$'000
(Loss) Profit before income tax	<u>(402)</u>	<u>3,438</u>
Income tax expense at statutory tax rate of 17% (2018: 17%)	(68)	585
Tax effect of expenses (income) that are not deductible (taxable) in determining taxable profit	248	(203)
Effect of different tax rate of subsidiaries operating in other jurisdictions	(3)	—
Tax effect of exempt income	(35)	(52)
Effect of unused tax losses and other timing differences not recognised		
as deferred tax assets	—	2
Underprovision in prior years	32	4
Tax incentive	(44)	(33)
Others	(31)	23
Income tax expense	<u>99</u>	<u>326</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

25 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:

	<u>2019</u>	<u>2018</u>
Earnings for the purposes of basic earnings per share (\$'000)	<u>(501)</u>	<u>3,112</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>(0.49)</u>	<u>3.04</u>

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

26 DIVIDENDS

In the financial year ended June 30, 2019, the directors have proposed a first and final one-tier tax-exempt dividend of 0.1 cent per share totalling \$102,000 and a special dividend of 1.9 cent totalling \$1,947,000. These dividends are subject to approval by shareholders at the forthcoming Annual General Meeting and have not been provided for.

In November 2018, a first and final one-tier tax-exempt dividend of 0.3 cent per share totalling \$308,000 and a special dividend of 0.7 cent per share totalling \$717,000 were paid to shareholders in respect of the year ended June 30, 2018.

In November 2017, a first and final one-tier tax-exempt dividend of 0.3 cent per share totalling \$308,000 and a special dividend of 0.7 cent per share totalling \$717,000 were paid to shareholders in respect of the year ended June 30, 2017.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

27 OPERATING LEASE ARRANGEMENTS

(a) Lessee's lease commitments

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Minimum lease payments under operating leases included in profit or loss	<u>1,553</u>	<u>1,246</u>	<u>1,127</u>	<u>862</u>

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Within one year	<u>1,480</u>	1,191	<u>1,217</u>	919
In the second to fifth year inclusive	<u>332</u>	1,375	<u>262</u>	1,053
Total	<u>1,812</u>	<u>2,566</u>	<u>1,479</u>	<u>1,972</u>

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 commitments

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	
	2019 \$'000	2018 \$'000
Within one year	<u>355</u>	389
In the second to fifth year inclusive	<u>149</u>	247
Total	<u>504</u>	<u>636</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

28 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, 2019

28 SEGMENT INFORMATION (cont'd)**(a) Operating segments (cont'd)**

	Gifts \$'000	Properties \$'000	Group \$'000
June 30, 2019			
SEGMENT REVENUE AND RESULTS			
Revenue	21,529	526	22,055
Result:			
Segment result	156	320	476
Other operating income	213	—	213
Fair value loss of investment properties	—	(1,194)	(1,194)
Unallocated other operating income			250
Unallocated other expense			(147)
Loss before income tax			(402)
Income tax			(99)
Loss for the year			(501)
Other information:			
Capital expenditure on plant and equipment and investment properties	326	—	326
Depreciation	489	8	497
STATEMENT OF NET ASSETS			
Assets:			
Segment assets	4,891	14,838	19,729
Unallocated assets			16,788
Total assets			36,517
Liabilities:			
Segment liabilities	2,666	186	2,852
Income tax payable			150
Deferred tax liability			103
Total liabilities			3,105

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

28 SEGMENT INFORMATION (cont'd)

(a) Operating segments (cont'd)

	Gifts \$'000	Properties \$'000	Group \$'000
June 30, 2018			
SEGMENT REVENUE AND RESULTS			
Revenue	26,708	498	27,206
Result:			
Segment result	1,456	204	1,660
Other operating income	188	–	188
Fair value gain of investment properties	–	1,530	1,530
Finance cost	(1)	–	(1)
Unallocated other operating income			214
Unallocated other expense			(153)
Profit before income tax			3,438
Income tax			(326)
Profit for the year			3,112
Other information:			
Capital expenditure on plant and equipment and investment properties	426	8	434
Depreciation	636	3	639
STATEMENT OF NET ASSETS			
Assets:			
Segment assets	5,132	16,009	21,141
Unallocated assets			17,611
Total assets			38,752
Liabilities:			
Segment liabilities	3,334	134	3,468
Income tax payable			357
Deferred tax liability			151
Total liabilities			3,976

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

28 SEGMENT INFORMATION (cont'd)

(b) Geographical segments

The group's two business segments are managed on a regional basis through two main geographical areas, namely Singapore and Malaysia. 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Singapore	21,698	26,829	18,517	20,634
Malaysia	357	377	16	28
Total	<u>22,055</u>	<u>27,206</u>	<u>18,533</u>	<u>20,662</u>

CORPORATE GOVERNANCE REPORT

Noel Gifts International Ltd. (the “**Company**” or together with its subsidiaries, the “**Group**”) is committed to maintain high standards of corporate governance by complying with the benchmark set by the Code of Corporate Governance 2012 (“**the Code 2012**”) so as to ensure greater transparency and protection of the shareholders’ interests. Whilst the Company is not yet required to comply with the revised Code of Corporate Governance 2018, the Company has, where possible, taken steps to adhere to its intent.

The Report describe the practices the Company has undertaken with respect to each of the principles and guideline and the extent of its compliance with the Code 2012 and should be read as a whole, instead of being separately under the different principles of the Code 2012. The Company has complied with the principles and guidelines as set out in the Code 2012 and the Listing Manual where applicable except where otherwise stated. Appropriate explanations have been provided in the relevant sections below where these are deviations from the Code 2012 and Guide.

Board Matters

Principle 1: Board’s Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board of Directors (the “**Board**”) oversees the business affairs of the Group and sets overall corporate strategy and direction. It approves the Group’s strategic plans, key business initiatives and financial objectives, major investment and divestment and funding proposals. The Board also monitors the operating and financial performance and oversees the processes for risk management, financial reporting and compliance and evaluating the adequacy of internal controls.

The Board has delegated certain functions to the Audit Committee (“**AC**”), Nominating Committee (“**NC**”) and Remuneration Committee (“**RC**”) to assist with the execution of its specific responsibilities. Each Committee has its own written terms of reference which clearly set out its objectives, duties, powers and responsibilities which has been amended to be in line with the Code 2012, where applicable. The Chairman of the respective Committees will report to the Board on their discussion and recommendations on the specific agendas for the Board’s approval.

The Board is updated regularly on risk management, corporate governance and key changes in the relevant regulatory requirements and accounting standards. Appropriate external trainings will be arranged when necessary.

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 and full year results announcements;
- approval of the annual report and financial statements;
- declaration of interim dividends and/or proposal of final dividends;
- approval of corporate strategy(ies);
- authorisation of major investments and funding proposals;
- convening of shareholders' meetings; and/or
- any other matters as may be considered necessary by the Board from time to time.

Every Director is expected, in the course of carrying out his duties, to act in good faith, provide insights and consider at all times, for the interests of the Company as a whole.

The Board conducts regular scheduled meetings on a half yearly basis and ad-hoc meetings as warranted by particular circumstances. During the meetings, important matters concerning the Group may be put to the Board by way of circulating resolutions for approval. The Management can get acquainted with the Directors for guidance or exchange of business and governance practices outside of the meetings.

The number of Board Meetings held in the financial year ended 30 June 2019 and the record of the attendance at those meetings were read as follows:

Name	Board Meeting		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings		No. of meetings		No. of meetings		No. of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Wong Siu Hong Alfred	2	2	2	2*	1	1	1	1
Ms Wong Phui Hong	2	2	2	2	1	1*	1	1*
Mr Foo Der Rong	2	2	2	2	1	1	1	1
Mr Aric Loh Siang Khée	2	2	2	2	1	1	1	1

Note:

* By invitation

CORPORATE GOVERNANCE REPORT

Upon appointment as a new Director, the new Director will receive a formal letter of appointment or service agreement from the Company and the letter or agreement will indicate the relevant information on his/her duties and responsibilities as a Director. The new Director will be briefed by the Board to familiarize them with the Group's operations and strategic directions. The Board as a whole is updated regularly on the latest corporate governance, listing practices, risk management matters and key changes to the relevant regulatory requirements and financial reporting standard, so as to enable them to properly discharge their duties as Board and Board Committees members.

To attain a better understanding of the Group's business, the new Director will visit the Group's operational facilities and meet with the key management personnel.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board now consists of four qualified members, two of whom are Independent Directors, one Non-Executive Director and one Executive Director. The two Independent Directors comprise fifty per cent of the Board of Directors. The Board has reviewed its composition and is satisfied that such composition is appropriate, given the background, qualifications and experience of each Director. In view of any change to the scope of the business activities, the Board will 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 page 5 to 6 of the Annual Report 2019.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executive responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Wong Siu Hong Alfred 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 and 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 the Management will conform to such practices.

CORPORATE GOVERNANCE REPORT

In maintaining good corporate governance, Mr Aric Loh Siang Khee has been appointed as the Lead Independent Non-Executive Director of the Company pursuant to the recommendation in Guideline 3.3 of the 2012 Code. The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of the Chairman and Managing Director, Executive Director, General Manager or Senior Finance Manager has failed to resolve or for which such contact is inappropriate.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment or re-appointment of directors to the Board.

The Board established the Nominating Committee (“NC”) which consists of 3 directors, two of whom, including the Chairman of the NC are independent as at the date of this report. The NC Chairman is also a Director who has no relationship with the Company, its related corporations, its 10% shareholders or its officer and is not directly associated with 10% shareholders:–

Chairman	:	Mr Foo Der Rong (Independent Director)
Member	:	Mr Aric Loh Siang Khee (Lead Independent Director)
Member	:	Mr Wong Siu Hong Alfred (Managing Director)

The NC is established for the purpose of ensuring that there is a formal and transparent process for all Board appointments. It has adopted written terms of reference defining its composition, procedures governing meetings, duties and functions, reporting procedure, disclosure in the annual report in compliance with the Code of Corporate Governance and procedures relating to changes in the NC’s Terms of Reference.

The NC is regulated by its terms of reference and its principal functions include:

- (a) making recommendations to the Board on all board appointments;
- (b) developing a process to assess the effectiveness of the Board and contribution by each Director;
- (c) on an annual basis, determining whether a Director is independent;
- (d) formulating guidelines to ensure a Director having multiple board representations has sufficient time and attention devoted to the affairs of each Company; and
- (e) recommending the re-nomination and re-election of Director.

The NC reviews annually the independence declarations made by the Company’s Independent Non-executive Directors based on the criterion of independence under the guidelines provided in the Code. Based on the assessments and with the concurrence of the NC, the Board is of the view that both Mr Foo Der Rong and Mr Aric Loh Siang Khee are Independent Directors.

CORPORATE GOVERNANCE REPORT

The NC has assessed that each Director of the Company will be able to carry out his duties as a Director of the Company, taking into consideration the Director's listed company board directorships and other principal commitments. The NC also take into consideration the Company's existing regime of Directors as an additional check and balance on the performance of each individual Director and that the Director should have the responsibility to determine whether he or she will be able to discharge his or her duties properly and effectively as a Director when taking on additional listed company board directorship. The NC, with concurrence from the Board, has determined that no Director may serve on the Board with more than 6 public listed companies' directorships. The Board views that having multiple companies' representations of the Directors do not hinder their ability to carry out their roles and duties and will benefit the Company, given that the Directors will be able to bring the relevant experience and knowledge obtained from the board representations in other companies.

The key information regarding the date of first appointment of the Directors and the date of last re-election as the Director, their present and past directorships over the last preceding three (3) years in other listed companies are set out below:

Name of Director	Academic & professional qualification	Board committee as Chairman or member	Appointment	Date of first appointment	Date of last re-election	Present Directorships in other listed companies	Past Directorships in other listed companies
Mr Wong Siu Hong Alfred	Master of Business Administration with Distinction	Chairman/Member of Remuneration & Nominating Committees	Executive	17 Aug 1983	30 Oct 2018	n/a	n/a
Ms Wong Phui Hong	Master of Business Administration with Distinction	Member of Audit Committee	Non-Executive	17 Aug 1983	27 Oct 2017	n/a	n/a
Mr Foo Der Rong	Bachelor of Commerce	Chairman of Remuneration & Nominating Committees/Member of Audit Committee	Non-Executive/ Independent	1 Aug 2017	30 Oct 2018	– Pavillon Holdings Ltd – Matex International Ltd – SLB Development Ltd	n/a
Mr Aric Loh Siang Khoo	Bachelor of Accountancy (Hons)	Chairman of Audit Committee/ Member of Remuneration & Nominating Committees	Non-Executive/ Lead Independent	1 Aug 2017	27 Oct 2017	– Tee International Ltd	– Koda Ltd

CORPORATE GOVERNANCE REPORT

Currently, the Company does not have any Alternate Director on the Board and all independent directors have not served on the Board for more than 9 years.

The Board, through the delegation of its authority to the NC, has used its best efforts to assess that each Director appointed to the Board possess the necessary background, experience and knowledge in technology, business, finance and management skills critical to the Group's businesses and that each Director, through his unique contributions, brings to the Board to a more independent and objective perspective to enable that more balanced and well-considered decisions are made. The search and nomination process for the new Directors, if any, will be made through the search companies, contacts and recommendations that will go through the normal selection process, so as to find the right candidates. New Directors will be appointed by the Board after the NC has reviewed and recommended their appointments to the Board.

The Company's Constitution requires one-third of the Directors to retire and subject themselves to re-election by the 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 Aric Loh Siang Khoo and Ms Wong Phui Hong be nominated for re-election at the forthcoming AGM and the Board had accepted the NC's recommendation. The details of the directors seeking re-election are found in Table A set out on page pages 105 to 109 of this Annual Report.

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC is responsible for recommending and implementing a process to evaluate the effectiveness of the Board and the Board Committees as well as to assess the contribution by each individual director to the overall effectiveness of the Board.

On the recommendation of the NC, the Board has adopted a formal system of evaluating Board performance which included the evaluation of the performance of the Board Committee as a whole with the use of evaluation forms to assess the effectiveness of the Board, Board Committee and the individual Director.

For FY2019, each Director has completed the Board Member Self-Evaluation Form and also the Board and Board Committee Performance Evaluation as a whole. The completed forms are returned to the Company Secretary for compilation of the average scores. The compiled results are then tabulated and presented at the NC Meeting for the NC's review. The Chairman of the NC will then present the deliberations of the NC to the Board. Any recommendation and suggestion arising from the evaluation exercise are circulated to the Board for consideration of the appropriate measures to be taken.

CORPORATE GOVERNANCE REPORT

The criteria taken into consideration by the NC and the Chairman include contribution and performance based on factors such as attendance, preparedness and participation. Such assessments by the Directors are useful and constructive and this collective process has provided opportunities to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board and has helped Directors to be more focused on their duties, responsibilities and contributions to the effectiveness of the Board.

The evaluation of Board and Board Committee performance as a whole is conducted annually to identify areas of improvement and as a form of good Board management practice. The last Board of Directors' evaluation was conducted in August 2019 and the results have been presented to the NC for discussion. The NC is satisfied that the Board has been effective as a whole and that each and every Director has contributed to the effective functioning of the Board. In addition, the NC is also satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations.

No external facilitators were used in the assessment of the Board as a whole and the individual directors.

Principle 6: Access to Information

In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to the Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board has independent and full access to the key management team and the Company Secretary, who provides the directors with regular updates on the requirements of the Companies Act and all the rules and regulations of the SGX-ST. The Company Secretary or her representatives attend all Board and Board Committees meetings, and assist the Chairman of the Board and Board Committees in ensuring that the relevant procedures are followed and reviewed such that the Board and Board Committees function effectively. The decision to appoint and remove the Company Secretary is made by the Board as a whole. In order to ensure that the Board is able to fulfill its responsibilities prior to the Board meetings, the Management provides the Board with information containing relevant background or explanatory information required to support the decision-making process. The Directors are entitled, either individually or as a group, to seek independent professional advices at the expense of the Company, in order to facilitate their duties.

The Board exercises its discretion to seek independent professional advice, where necessary, in the furtherance of their duties and at the Company's expense.

CORPORATE GOVERNANCE REPORT

Remuneration Matters

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee (the “RC”) comprises the following three directors, two of whom, including the Chairman, are Independent Directors as at the date of this report:

Chairman : Mr Foo Der Rong (Independent Director)
 Member : Mr Aric Loh Siang Khee (Lead Independent Director)
 Member : Mr Wong Siu Hong Alfred (Managing 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 will be helpful to the RC’s deliberation and decision making purposes.

The RC is established for the purpose of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual directors. The overriding principle is that no director should be involved in deciding his own remuneration.

The principal functions of the RC are to review and make recommendations:

- (a) a framework of remuneration for the Board and key management personnel; and
- (b) the specific remuneration packages for each director as well as for the key management personnel.

No member of the RC shall be involved in any deliberation or decision making in respect of any compensation to be offered or granted to him or in respect of his effectiveness as a Director. The RC has access to expert advice inside and outside the Group, if necessary, on matters of executive compensation.

In setting the remuneration packages, the RC would take into consideration the performance of the Group, as well as each Director and the key management personnel, aligning their interests with the shareholders, and linking rewards to the corporate and individual performance. Non-Executive Directors will receive their fees in accordance with a framework comprising a basic fee and an additional fee for serving on each and every sub-committee of the Company. The Board recommends the payment of Directors’ fees to be approved at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

The Independent Directors have executed another 2 years' appointment agreement effective from 1 August 2019 with the Company. The Executive Director, Mr Wong Siu Hong Alfred, has a 3 years' service agreement with the Company since FY2019. The service agreement can be terminated by either party by giving not less than three months' written notice in accordance with the terms of the service agreement.

The RC will also review the Company's obligation under the service agreement entered into with the Executive Director and key management personnel that would arise in the event of termination of these service agreements. This is to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC will always aim to be fair and avoid rewarding poor performance.

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide a good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than necessary for this purpose.

One of the responsibilities of the RC is to review the remuneration framework of the Board and key management personnel in the Group, and to consider and review the remuneration package and/or service contract terms for each of the Directors and key management personnel.

Company does not use contractual provisions to allow the Company to reclaim incentive components of remunerations from Executive Director and key management personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company. The Executive Director owes a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure on Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should also provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

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

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

The summary of the remuneration table for the Directors and the key management personnel of the Company and the Group for the financial year ended 30 June 2019 is set out below.

Name of Director	Fee	Salary inclusive of Employer's CPF	Bonus inclusive of Employer's CPF	Other Benefits	Total
	%	%	%	%	%
S\$250,000 to S\$500,000					
Wong Siu Hong Alfred	–	81%	11%	8%	100%
Below S\$100,000					
Aric Loh Siang Khee	100%	–	–	–	100%
Foo Der Rong	100%	–	–	–	100%
Wong Phui Hong	100%	–	–	–	100%

CORPORATE GOVERNANCE REPORT

Key Management Personnel	Salary and benefit (inclusive of Employer's CPF)	Bonus inclusive of Employer's CPF	Other Benefits	Total
Below S\$250,000				
Bernadette Kwan	86%	14%	0%	100%
Jason Tan	88%	12%	0%	100%
Michelle Chong	86%	14%	0%	100%
Kim Wong	86%	14%	0%	100%
Audrey Allyson Pavanaris	89%	9%	3%	100%
Edbert Koh Choon Joo ^{*1}	100%	0%	0%	100%
Toh Wei Hong ^{*2}	100%	0%	0%	100%

*1 Resigned on 30 Jun 2019

*2 Resigned on 31 May 2019

The total remuneration in aggregate paid to the top five key management personnel (who are not Directors or the CEO of the Company) in the Company and its subsidiaries for the financial year ended 30 June 2019 was \$816,000. In the interest of maintaining confidentiality, good morale and a strong team spirit within the Group, the Company is not disclosing the remuneration of the top five key management personnel of the Group as the Company believed that such disclosure may results in prejudices to its business interest given the highly competitive environment the Company is operating in.

Key information on the key management personnel is set out on page 7 of the Annual Report 2019.

CORPORATE GOVERNANCE REPORT

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 2019 are as follows:

Employee	Family relationship	Salary and benefit (inclusive of Employer's CPF)	Bonus inclusive of Employer's CPF	Total
S\$100,000 to below S\$150,000				
Kim Wong	Daughter of Alfred Wong (Managing Director)	87%	13%	100%
S\$50,000 to below S\$100,000				
Kenneth Wong	Son of Alfred Wong (Managing Director)	85%	15%	100%

In discharging their duties, the RC members have access to advice from the internal human resources personnel, and if required, advice from external experts.

Accountability and Audit

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the shareholders while the Management is accountable to the Board. The Board strives to maintain a high standard of transparency and is mindful of its obligation to provide the shareholders with a balanced and understandable assessment of the Company's performance, position and prospects including all information on the major developments that will affect the Group.

The Board reviews and approves the half-yearly and full year financial results announcements as well as any announcements before their release on the SGXNET. Shareholders are provided with the half-yearly and full year results on a timely manner.

In line with the requirements of SGX-ST, negative assurance confirmations on unaudited half year financial results were issued by the Board confirming that to the best of its knowledge, nothing had come to the attention of the Board which may render the unaudited half year financial results to be false or misleading in any material aspect.

CORPORATE GOVERNANCE REPORT

All the directors and executive officers of the Group also signed a letter of undertaking pursuant to Rule 720(1) of the SGX-ST Listing Manual.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls, and for reviewing the adequacy and effectiveness of those systems on an annual basis.

The Board, with assistance from the Management, ensures a sound system of internal controls to safeguard shareholders' interest and the Group's assets is in place, and determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The external auditors, during the conduct of their annual audit procedures on the statutory financial statements, may also report on matters relating to internal controls relevant to the Group's preparation of financial statements as specified by their scope of work as stated in their audit plan. Any material non-compliance and internal control weaknesses noted by the external auditors and recommendation for improvement will be reported to the Audit Committee. The Management will then take corrective measures to strengthen the internal controls.

Based on the system of internal controls established and maintained by the Group, work performed by the external auditors, and reviews performed by Management, the Board Committees and the Board, with the concurrence of the Audit Committee are of the opinion that the Group's internal controls and effectiveness of controls addressing financial, operational, compliance and information technology controls were adequate and effective as at 30 June 2019.

For FY2019, the Board has received assurances from the Management 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; and
- (b) the Company's risk management and internal control systems are operating effectively.

CORPORATE GOVERNANCE REPORT

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee (“AC”) comprises the following three directors, two of whom, including the Chairman, are Independent Directors as at the date of this report:

Chairman : Mr Aric Loh Siang Khee (Lead Independent Director)
 Member : Ms Wong Phui Hong (Non-Executive Director)
 Member : Mr Foo Der Rong (Independent Director)

Mr Aric Loh Siang Khee was a former audit partner of the Company’s existing auditing firm, Deloitte & Touche LLP. He has ceased as an audit partner of the aforesaid auditing firm since 2013 and has no financial interest in the firm. The appointment of Mr Loh as a member of the AC is in compliance with the Code.

The Board is of the view that AC members 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 judgment.

The principal functions of the AC are assisting the Board in discharging its statutory responsibilities on financing and accounting matters as follows:

- (a) reviews significant financial reporting issues and judgments to ensure the integrity of the financial statements and any formal announcements relating to the financial performance;
- (b) recommends to the Board the appointment and re-appointment of auditors and their fees for the 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 any interested person transactions as defined in the Listing Manual.

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 or executive officer to attend their meetings. The AC has the power to investigate any matters brought to their attention, within its terms of reference, with the power to seek any professional advice at the Company’s expense.

To keep abreast with the changes in the financial reporting standards and the related issues which may have a direct impact on the financial statements, discussions will be held with the external auditors as and when applicable, when they are attending the AC meetings.

CORPORATE GOVERNANCE REPORT

All AC members attended the two meetings held during the financial year ended 30 June 2019 and have also met up with the external auditors in the absence of the management team in August 2019.

The AC will review the scope and value of any non-audit services, which may be provided to the Group by the external auditors and should be satisfied that the nature and extent of any such services will not prejudice the independence and objectivity of the external auditors. Having undertaken a review of the non-audit services provided during the year, the AC is of the view that the objective and independence of the external auditors are not in any way impaired by reason of their provision of non-audit services to the Group. The AC is satisfied with the independence and objectivity of Deloitte & Touche LLP and has recommended to the Board the nomination of Deloitte & Touche LLP for re-appointment as auditors of the Company at the forthcoming AGM.

For the financial year ended 30 June 2019, 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 77 of the Annual Report.

Having assessed the external auditors based on its own interactions with the external auditors, Management's evaluation and on factors such as performance and quality of their audit partners and auditing team, their overall qualification and their independence status, the AC is satisfied that Rules 712, 715, and 716 of the SGX-ST Listing Manual in relation to its auditors have been complied with.

The Group has a whistle-blowing policy for all employees of the Group. This policy aims to provide an avenue for employees to raise concerns and provide reassurance that they will be protected from reprisals or victimisation for raising any concerns about fraud and for whistle-blowing in good faith.

The Board noted that no incidents in relation to whistle-blowing matters have been raised during the year by any staff to indicate possible improprieties in matters of financial reporting, financial control, or any other matters.

Shareholder Rights and Responsibilities

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company's external auditors, carry out, in the course of their statutory audit, a review of the effectiveness of the 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 any matters relating to the internal controls. Any non-compliance and recommendation for improvement will be reported to the AC. The Management will follow up on the auditors' recommendations as part of its role in the review of the Company's internal control systems.

The Management reviews the Company's business and its 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.

CORPORATE GOVERNANCE REPORT

In FY2019, based on the reports submitted by the external auditor and the various controls put in place by the Management, the AC is satisfied that there are adequate internal controls to meet the needs of the Group in its current business environment.

In line with the changes to the listing rules, the Company has subsequent to the financial year ended 30 June 2019 appointed Yang Lee & Associates (the “IA”), a professional service firm, to provide internal audit services within the Group.

The IA will report directly to the Chairman of the AC and submit a report on their findings to the AC for review and approval yearly. The IA, when established, will be guided by the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors in carrying out their internal audit assignments.

On the adequacy of the internal audit function, the AC has reviewed the recommended scope of internal audit, IA’s qualifications, experience, activities, resources and standing in the Company and taking into consideration that the Company will provide unrestricted access to all the Company’s documents, including access to the AC, the AC is satisfied that the internal audit function of the Group can be adequately and effectively carried out.

Communication with Shareholders

Principle 14: Shareholders’ Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders’ rights, and continually review and update such governance arrangements.

The Company believes in treating all shareholders fairly and equitably. It aims to keep all shareholders and other stakeholders informed of its corporate activities, including changes which are likely to materially affect the price or value of its shares, on a timely and consistent manner.

Shareholders are also given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing such meetings are clearly communicated.

Any notice of a general meeting of shareholders is issued at least 14 days or 21 days, as the case may be, before the scheduled date of such meeting. The Company’s Constitution also allows any shareholder to appoint proxies during his absence, to attend and vote on his behalf at the general meetings. In addition, shareholders who hold shares through custodial institutions may attend the general meetings as observers.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts.

CORPORATE GOVERNANCE REPORT

All shareholders of the Company will receive the Annual Report with notice of AGM by post and published in a newspaper within the mandatory period, which is held within four months after the close of the financial year. Together with the Annual Report, the Company also attaches a copy of the proxy form to shareholders in order that shareholders can appoint up to two proxies to attend, vote and voice any questions relating to the resolutions tabled in a general meeting and/or company affairs, for and on behalf of those shareholders, in the event that such shareholders are not able to attend the said general meeting personally. Shareholders who are relevant intermediaries (as defined under Section 181(6) of the Companies Act) are allowed to appoint more than 2 proxies to attend, speak and vote at general meetings.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with the shareholders.

The Company recognises the importance of actively engaging with stakeholders to promote effective and fair communication.

The Company adopts the practice of providing adequate and timely disclosure of material information to its shareholders. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication is made through:

- (a) Disclosures to SGXNET; and
- (b) Annual reports which are prepared and issued to all 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.

Principle 16: Conduct of Shareholders' Meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. Our shareholders are encouraged to attend the general meetings of shareholders to ensure a high level of accountability and to be updated on the Company's strategies and goals. Notices of general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 clear calendar days before the meeting for ordinary resolutions and/or 21 clear calendar days before the meeting for special resolutions. The Board welcomes the views of the shareholders who wish to raise issues concerning the Company, either

CORPORATE GOVERNANCE REPORT

informally or formally before or during these general meetings. The Chairmen of the respective Board Committees and key management personnel are invited to attend the AGM and are present and available to address questions at general meetings. In addition, the external auditors of the Company are also present to address shareholders' queries about the conduct of the audit and the preparation and content of the auditors' report.

The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A Relevant Intermediary¹ may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the general meeting in person. CPF and SRS Investor who are unable to attend the general meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the general meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the general meeting.

Each item of special business included in the notice of the meeting will be accompanied by an explanation of the effects of a proposed resolution. Unless the resolutions proposed at a meeting are interdependent and linked so as to form one significant proposal, separate resolutions shall be proposed for substantially separate issues at the meeting.

Resolutions are, as far as possible, structured separately and may be voted on independently. All polls are conducted in the presence of independent scrutineers.

For greater transparency and fairness in the voting process, voting at shareholders' meetings will be conducted by poll. This allows all shareholders present or represented at the meetings to vote on a one-share-one vote basis. Results are announced in detail, showing the number of votes cast for and against each resolution and the respective percentages. The Company conducted an electronic polling since FY2015.

¹ A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CORPORATE GOVERNANCE REPORT

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 Transactions

The Group does not have any interested person transaction (excluding transaction less than \$100,000) in the financial year ended 30 June 2019 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 Managing Director/Chief Executive Officer or any Director or any controlling shareholders subsisted at the end of the financial period or have been entered into since the end of the previous financial year.

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 any dealings in the Company's securities. The Directors and the 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 or full year results and after on the date of the announcement of the results.

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

Risk management policies

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.

CORPORATE GOVERNANCE REPORT

TABLE A

The Directors named below are retiring and being eligible, offer themselves for re-election at the upcoming AGM:–

Name of Director	Ms Wong Phui Hong	Mr Aric Loh Siang Khee
Date of appointment	17 August 1983	1 August 2017
Date of last election	27 October 2017	27 October 2017
Age	64	55
Country of principal residence	Singapore	Singapore
The Board's comments on the NC's recommendation for re-election	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Ms Wong's performance as Non-Executive Director of the Company.	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Loh's performance as an Independent Director of the Company. The Board considers Mr Loh to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title	Non-Executive and Non-Independent Director	Lead Independent Director
Professional qualifications	Master of Business Administration with Distinction	Bachelor of Accountancy (Hons)
Working experience and occupation(s) during the past 10 years	1983 to 2007 Deputy Managing Director of Noel Gifts International Ltd 2007 to 2014 Executive Pastor of Bethesda (Bedok-Tampines) Church	Since 2016 Running own accounting practice 2013 and earlier – Partner at Deloitte & Touche LLP

CORPORATE GOVERNANCE REPORT

Name of Director	Ms Wong Phui Hong	Mr Aric Loh Siang Khee
Shareholding interest in the listed issuer and its subsidiaries	The Company 6,831,372 shares (as set out on page 111 of the Annual Report 2019) Subsidiaries of the Group 1,000 shares of Noel Hampers & Gifts (Johore) Sdn Bhd	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Sister of Mr Wong Siu Hong, the Managing Director & Substantial Shareholder of the Company.	None
Conflict of interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

CORPORATE GOVERNANCE REPORT

The general statutory disclosures of the Directors are as follows:–

	Question	Ms Wong Phui Hong	Mr Aric Loh Siang Khee
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

CORPORATE GOVERNANCE REPORT

	Question	Ms Wong Phui Hong	Mr Aric Loh Siang Khee
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:—	No	No
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No

CORPORATE GOVERNANCE REPORT

	Question	Ms Wong Phui Hong	Mr Aric Loh Siang Khee
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
	Disclosure applicable to the appointment of Director only.		
	Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes
	If yes, please provide details of prior experience.	Ms Wong has been an Executive Director of Noel Gifts International Ltd since its incorporation till 2007	Mr Loh is an Independent Director of Tee International Limited
	If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.a	N.a

STATISTICS OF SHAREHOLDINGS

AS AT 20 SEPTEMBER 2019

SHARE CAPITAL

Issued and fully paid-up capital	–	S\$102,476,024
Number of Ordinary shares (excluding treasury shares and subsidiary holdings)	–	102,476,024
Number of Treasury Shares	–	NIL
Number of Subsidiary holdings	–	NIL
Class of shares	–	Ordinary shares
Voting rights	–	1 vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	10	1.00	260	0.00
100 – 1,000	109	10.86	72,245	0.07
1,001 – 10,000	571	56.87	2,430,730	2.37
10,001 – 1,000,000	298	29.68	15,048,638	14.69
1,000,001 AND ABOVE	16	1.59	84,924,151	82.87
TOTAL	1,004	100.00	102,476,024	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	WONG SIU HONG ALFRED	23,480,327	22.91
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	TAN BIAN KIAN	4,500,000	4.39
9	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,700,002	3.61
10	WONG KOON HONG	3,179,700	3.10
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 PRIVATE LIMITED	1,467,500	1.43
16	DBS NOMINEES (PRIVATE) LIMITED	1,037,500	1.01
17	WANG TONG PENG @WANG TONG PANG	908,300	0.89
18	YAP BOH SIM	800,000	0.78
19	PHILLIP SECURITIES PTE LTD	732,950	0.72
20	TEO JOO KIM	600,000	0.59
TOTAL		87,965,401	85.84

STATISTICS OF SHAREHOLDINGS

AS AT 20 SEPTEMBER 2019

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Alfred Wong Siu Hong	28,547,127	27.86	18,000,000 ¹	17.57
Lim Julian	8,000,000	7.81	28,547,127 ²	27.86
Wong Phui Hong	6,831,372	6.67	8,500,000 ³	8.29
Tan Bian Kian	4,500,000	4.39	6,831,372 ⁴	6.67
Wong Koon Hong	3,179,700	3.10	1,705,250 ⁵	1.66
Lim Yew Lian	1,705,250	1.66	3,179,700 ⁶	3.10
Royal Institute Of Construction	9,956,000	9.72	—	—

Notes:

- (1) Mr Alfred Wong Siu Hong 's deemed interest comprises 18,000,000 Shares held by following persons:
 - (i) 8,000,000 held by his wife, Ms Lim Julian;
 - (ii) 5,000,000 held by his daughter Miss Wong Lai Kuan Kim; and
 - (iii) 5,000,000 held by his son Mr Wong Ho Hon Keith.
- (2) Ms 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, Ms Wong Phui Hong.
- (5) Mr Wong Koon Hong is deemed to be interested in the shares held by his wife, Ms Lim Yew Lian.
- (6) Ms Lim Yew Lian is deemed to be interested in the shares held by her husband, Mr. Wong Koon Hong.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 20 September 2019, approximately 25.13% of the Company's total number of issued shares is held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST which requires at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed at all times held in the hands of the public.

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		
				<u>23,391</u>		
Noel Gifts International Ltd	Residential	33 Rochester Drive Singapore 138638	#28-04	1,216	Leasehold	86

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 21 Ubi Road 1, #04-02 Singapore 408724, on Wednesday, 30 October 2019 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 and the Group for the financial year ended 30 June 2019 together with the Auditor’s Report thereon. **(Resolution 1)**
2. To declare a first and final dividend of S\$0.001 per ordinary share (one-tier tax exempt) and a special dividend of S\$0.019 per ordinary share (one-tier tax exempt) for the financial year ended 30 June 2019. **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Regulation 87 of the Constitution of the Company:

Mr Aric Loh Siang Khee **(Resolution 3)**
 Ms Wong Phui Hong **(Resolution 4)**

[See Explanatory Note (i)]
4. To re-appoint Deloitte & Touche LLP, as the Auditors of the Company and to authorise the Directors of the Company 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\$85,000.00 for the financial year ending 30 June 2020, to be paid quarterly in arrears. **(Resolution 6)**

NOTICE OF ANNUAL GENERAL MEETING

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

7. Authority to 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:

- (a) (i) issue shares or convertible securities in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instruments made or granted by the Directors of the Company while this Resolution was in force,

(the "**Share Issue Mandate**")

provided that:

- (1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, 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 of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the Share Issue Mandate 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 of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting (“AGM”) of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments. **(Resolution 7)**

[See Explanatory Note (ii)]

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;

NOTICE OF ANNUAL GENERAL MEETING

(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

“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.” **(Resolution 8)**

[See Explanatory Note (iii)]

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that, subject to the approval of the shareholders of Noel Gifts International Ltd. (the “**Company**”) to the dividend being obtained at the Annual General Meeting to be held on 30 October 2019 (“**AGM**”), the Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 4 November 2019 for the purpose of determining shareholders’ entitlements to the final dividend of S\$0.001 per ordinary share (one-tier tax exempt) and a special dividend of S\$0.019 per ordinary share (one-tier tax exempt) (the “**Dividends**”).

Duly completed and stamped registrable transfers in respect of ordinary shares not registered in the name of The Central Depository (Pte) Ltd (“**CDP**”), together with all relevant documents of title thereto, received by the Company’s Share Registrar, RHT Corporate Advisory Pte. Ltd., at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 up to 5.00 p.m. on 4 November 2019 will be registered to determine shareholders’ entitlements to the Dividends.

Members whose securities accounts with CDP are credited with ordinary shares as at 5.00 p.m. on 4 November 2019 will be entitled to the Dividends. In respect of shares in securities accounts with CDP, the Dividends will be paid by the Company to CDP which will, in turn, distribute the Dividend entitlements to such holders in accordance with its normal practice.

Payment of the Dividends, if approved at the forthcoming AGM, will be made on 11 November 2019.

By Order of the Board

Siau Kuei Lian
Secretary
Singapore, 14 October 2019

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the “**Meeting**”) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)
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 appointed for holding the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) 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 or service providers), 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 or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) The Board of Directors, in consultation with the Nominating Committee, recommends to members the re-election of Mr Aric Loh Siang Khoo and Ms Wong Phui Hong as Directors of the Company.

Mr Aric Loh Siang Khoo will, upon re-election as a Director of the Company, remain as the Chairman of Audit Committee and a member of Nominating and Remuneration Committees and will not be considered independent for the purpose of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited. Please refer to Table A of the Corporate Governance Report on page 105 to page 109 of the Annual Report for the detailed information required pursuant to 720(6) of the Listing Manual of the SGX-ST.

Ms Wong Phui Hong will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will not be considered independent for the purpose of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited. Please refer to Table A of the Corporate Governance Report on page 105 to page 109 of the Annual Report for the detailed information required pursuant to 720(6) of the Listing Manual of the SGX-ST.

- (ii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company 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.
- (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 2019 are set out in Appendix A and are for illustration only.

NOEL GIFTS INTERNATIONAL LTD.

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

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF Investors and SRS Investors (collectively "CPF and SRS Investors") who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees (as may be applicable) to appoint the Chairman of the Meeting to act as their proxy, in which case, the relevant CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____ (Name) _____ (NRIC/Passport No.)
of _____ (Address)
being a member/members of **NOEL GIFTS INTERNATIONAL LTD.** (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting (the "Meeting"), as my/our proxy/proxies to attend and vote for me/us and on my/our behalf at the Meeting of the Company to be held at 21 Ubi Road 1, #04-02 Singapore 408724, on Wednesday, 30 October 2019 at 9:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	No. of votes 'For'*	No. of votes 'Against'*
	Ordinary Business		
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2019		
2	Declaration of first and final dividend and a special dividend		
3	Re-election of Mr Aric Loh Siang Khee as a Director		
4	Re-election of Ms Wong Phui Hong as a Director		
5	Re-appointment of Deloitte & Touche LLP as Auditors and fixing their remuneration		
	Special Business		
6	Approval of Directors' fees amounting to S\$85,000.00 for the financial year ending 30 June 2020, to be paid quarterly in arrears		
7	Authority to issue shares pursuant to Section 161 of the Companies Act, Cap 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited		
8	Renewal of Share Buy-Back Mandate		

*If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

Total Number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

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

*Delete where inapplicable

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 81SF of the Securities and Futures Act, Chapter 289 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 (other than 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 in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. 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 (48) hours before the time appointed for the Meeting.
7. 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 seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme (“**CPF Investor**”) and/or the Supplementary Retirement Scheme (“**SRS Investor**”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF Investors and SRS Investors (collectively “**CPF and SRS Investors**”) who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees (as may be applicable) to appoint the Chairman of the Meeting to act as their proxy, in which case, the relevant CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 October 2019.

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 Shares 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 seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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NOEL GIFTS INTERNATIONAL LTD
Company Registration No. 198303940Z

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