

GALLANT VENTURE LTD

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ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE LISTING MANUAL IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors of Gallant Venture Ltd. (the “**Company**”) wishes to announce that the Company’s independent auditor, Foo Kon Tan LLP, in their Independent Auditor’s Report, has issued a “except for” qualified opinion on the audited financial statements of the Company and its subsidiaries for financial year ended 31 December 2017 (“FY2017 Audited Financial Statements”). The “except for” qualified opinion was related to the opening balances and prior year related disclosures in FY2017 Audited Financial Statements as a result of the disclaimer opinion issued by the auditor for the Company’s FY2016 Audited Financial Statements in relation to consolidation of Market Strength Limited (“MSL”) and the accuracy of the gain on the disposal of MSL. The above matter has been considered resolved for financial year ended 31 December 2017.

Extracts of the “except for” Qualified Opinion in the Independent Auditor’s Report to the Company’s 2017 Audited Financial Statements is annexed to this announcement.

Shareholders of the Company are advised to read this announcement in conjunction with the Independent Auditor’s Report and the Company’s annual report for FY2017 in their entirety.

BY ORDER OF THE BOARD
GALLANT VENTURE LTD.

Choo Kok Kiong
Executive Director and Company Secretary
12 April 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

Report on the audit of the financial statements

Qualified Opinion

We have audited the accompanying financial statements of Gallant Venture Ltd ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Company and its Group as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Qualified Opinion

We did not express an audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2016. It was highlighted in our audit report dated 6 April 2017 that due to limitations placed on the scope of our work which is beyond the control of the directors of the Company, we have been unable to obtain sufficient and appropriate audit evidence concerning the consolidation of Market Strength Limited ("MSL") for the year ended 31 December 2016. Accordingly we were unable to determine if the consolidated financial statements of the Group incorporating the consolidated results of MSL up to the date the Company ceased having control of MSL for the year ended 31 December 2016 are fairly stated. In addition, we were also unable to satisfy ourselves as to the accuracy of the gain on disposal of MSL amounting to S\$220.6 million as disclosed in Note 25 of the financial statements for the year ended 31 December 2016. Any adjustment to opening balances would have consequential effects on the current year's and/or prior year's figures and the related disclosures.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditors' 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 ("ACRA") 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.

Other Information

Management is responsible for the other information. The other information comprises the "Directors' Statement" section of the Annual Report, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the remaining sections of the annual report which are expected to be made available to us after that date.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

Report on the audit of the financial statements (Cont'd)

Other Information (Cont'd)

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. As described in the Basis for Qualified Opinion section above, we did not express an audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2016. Any adjustments to opening balances would have consequential effects on the current year's and/or prior year's figures and the related disclosures. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 period. 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 Matters

- (i) Impairment assessment of intangible assets, including goodwill

The Group has intangible assets of S\$732 million, including goodwill of S\$486 million, representing 30% of total non-current assets as at 31 December 2017. Intangible assets with finite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for goodwill which is tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired.

The Group is required to perform an impairment test on goodwill of the cash generating unit ("CGU") by comparing its carrying amount with the recoverable amount as at the end of reporting period. The recoverable amount is determined based on value-in-use calculations which includes discounted cash flow projections of the CGU to which the goodwill is allocated to. The impairment test involves significant judgement in determining the allocation of goodwill to the relevant CGU and in estimating the underlying assumptions to be applied in the discounted cash flow projections.

Our response and work performed

Our audit procedures included among others, evaluating the identification of CGUs within the Group against the accounting standards. We reviewed the basis and methodology adopted to arrive at the recoverable amounts of the CGUs. We obtained the valuation model and assumptions used, challenging management's assumptions and involving independent valuation experts to support us in our evaluation of the model.

We have engaged our auditor's expert to review the valuation model, inputs and assumptions made. In the computation of the discounted cash flow projections, the Group takes into account the indicative market prices of their goods, and uses inputs, such as market growth rate, weighted average cost of capital and other factors, typical of similar automotive companies. Senior management has applied its knowledge of the business in its regular review of these estimates.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

Report on the audit of financial statements (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matters

- (i) Impairment assessment of intangible assets, including goodwill (Cont'd)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is based on certain key assumptions, such as cash flow projections covering a five-year period and the perpetual growth rate and discount rate per cash generating unit. These assumptions which are determined by management are judgmental. A small change in the assumptions can have a significant impact to the estimation of the recoverable amount.

- (ii) Impairment assessment of financing receivables

As at 31 December 2017, total financing receivables of the Group amounted to S\$988,928,000, in which S\$453,284,000 is classified under current assets and S\$535,644,000 is classified under non-current assets. Assessing the allowance for impairment of financing receivables requires management to make subjective judgements over both the timing of recognition and estimation of the amount required of such impairment.

Our response and work performed

We found that cautious estimates were made in the determination of the recoverable amount, and based on our assessment, no impairment is required, since the recoverable amount is higher than the carrying amount of CGU.

We have evaluated the competence, capabilities and objectivity of management's expert and our auditor's expert, obtained an understanding of the work of our expert; and evaluated the appropriateness of our expert's work as audit evidence for the relevant assertion. We also focused on the adequacy of disclosures of key assumptions and sensitivity. The Group's disclosures on intangible assets is included in Note 3 to the financial statements.

We assessed and tested the design and operating effectiveness of the controls over the financing receivables' data, receivables' collection process, and the ageing of receivables' balances.

These controls included those over credit review and approval, and system access.

We reviewed the appropriateness of the provisioning methodology used by management in determining the impairment allowances, including assessing the reasonableness of the assumptions used in the provisioning methodology by comparing them with historical data adjusted for current market conditions. These included the estimates used in the probability of default and loss given default.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

Report on the audit of the financial statements (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matters

(ii) Impairment assessment of financing receivables (Cont'd)

Refer to Note 8 of the financial statements for the impairment indicators considered by management in its assessment.

(iii) Impairment assessment of trade receivables

As of 31 December 2017, trade receivables amounted to S\$247,396,000, representing 11.7% of total current assets.

Assessing the allowance for impairment of trade receivables requires management to make subjective judgements over both the timing of recognition and estimation of the amount required of such impairment. Collectability of trade receivables is a key element of the Group's working capital, which is managed on an ongoing basis by the Group.

Management will assess impairment for balances past due more than 90 days and those which are uncollectible.

Our response and work performed

We recomputed management's calculation for the impairment allowance and also tested the adequacy of prior year allowances by comparing them against actual loss incurred in the current year. We challenged management in its key areas of judgement, including the use of portfolio segmentation, loss data periods and estimated market value for collateral held.

As group auditors, we challenged management in the key areas of judgement, including the use of portfolio segmentation, loss data periods and estimated market value of collateral held. Based on our audit procedures, we found management's assessment of the provision for the impairment in the financing receivables to be reasonable.

We assessed the Group's processes and controls for monitoring and identifying trade receivables with collection risks. We performed audit procedures, amongst others, obtaining trade receivable confirmations, assessing the facts and circumstances surrounding the outstanding amount presented by management, and reviewed for evidence of collection by way of subsequent receipts from receivables after the year end.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

Report on the audit of the financial statements (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matters

(iii) Impairment assessment of trade receivables (Cont'd)

Our response and work performed

As group auditors, we challenged management's assessment of the adequacy of allowance made and assumptions used to calculate the receivables impairment amount, notably through analysis of their aging trends, specific risks and inquiry of management if there is any dispute by receivables.

Based on our audit procedures, we found management's assessment of the provision for the impairment in the trade receivables to be reasonable.

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 FRSs, 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 GALLANT VENTURE LTD.

Report on the audit of the financial statements (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

Report on the audit of the financial statements (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 6 April 2018