

GALLANT VENTURE LTD

Registration Number: 200303179Z

3 HarbourFront Place
#16-01 HarbourFront Tower Two
Singapore 099254

Tel +65 63893535

Fax +65 63967758

www.gallantventure.com



RESPONSE TO SGX-ST'S QUERY REGARDING THE COMPANY'S UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

The Board of Directors of Gallant Venture Ltd. (the "**Company**") refers to the query raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 23 August 2020 regarding the Company's unaudited results for the half year ended 30 June 2020 ("**1H 2020**") and wishes to respond to the query as follows:-

SGX-ST's Query

Our Regulator's Column of 27 July 2020 titled "What SGX RegCo expects of financial reports amid COVID-19" dated 27 July 2020 provides amongst others that:- "Boards and management should carefully assess if asset values are appropriately reported in the interim financial statements. They should review whether the effects of COVID-19 present any indication that the asset values as at the previous financial yearend have changed significantly. The assessment of the impact and its associated uncertainties should be clearly explained.

Where adjustments to the inputs of the valuation models are made to reflect material changes in business conditions, issuers should disclose the key assumptions used, such as forward-looking information on earnings growth rates, as well as management's basis for selecting those assumptions. Material uncertainties on the asset valuations should also be disclosed.

Disclosures are expected to be entity-specific, relevant and useful to investors. Issuers must eschew boilerplate disclosures, such as broad or generic statements that COVID19 have negatively impacted the valuation measurements, without elaborating on the effects on each business segment. Disclosures must also be balanced and fair and avoid omission of important unfavourable facts.

Financial statements should provide comparable and relevant information that adequately reflects the impact of COVID-19 on the issuer. Timely disclosure of any changed circumstances will enable investors to make an informed investment decision."

- (a) Given the significant change in the economic, operating and business conditions caused by the COVID-19 pandemic which would be prevailing as at 30 June 2020, please state whether and how Gallant Venture would have disclosed all material information relating to the assessment of the value of its investment properties to enable investors to make informed investment decisions;

Company's Response

- (a) In the Company's announcement for 1H 2020 dated 11 August 2020, the Company has provided a commentary and review of the Group's industrial parks segment which includes the Group's investment properties and provided information to the investors so to make informed investment decisions.

The Company would like to highlight that its accounting policies for investment properties are measured on a cost method (historical cost less accumulated depreciation and accumulated impairment losses) and it is the Company's practice to carry out an independent valuation exercise on an annual basis at the end of each financial year so to determine any impact on the carrying value of the Group's investment properties.

SGX-ST's Query

- (b) Please clarify whether Gallant Venture has revalued its investment properties and the results of the revaluation and if not, reasons why the investment properties were not revalued.

Company's Response

- (b) The Group does not revalue its investment properties as the Group's accounting policies for investment properties are measured on a cost method (historical cost less accumulated depreciation and accumulated impairment losses).

SGX-ST's Query

- (c) Please explain whether the Board of Directors has addressed its mind to the carrying amounts of Gallant Venture's investment properties for the period ended 30 June 2020 and decided if any material change is required, in view of the current COVID-19 situation;

Company's Response

- (c) The Board of Directors has considered the carrying amounts of Group's investment properties as at 1H 2020 and was of the view that there are no material change on the carrying amounts of the Group's investment properties taking into consideration that:-
- (i) The Group's industrial parks (i.e. investment properties) are situated in Batam and Bintan, Indonesia, have performed relatively well notwithstanding the deteriorating economic impact caused by the COVID-19. This is mainly due to relocation or co-location of tenants' manufacturing activities out of North Asia. The occupancy in Batamindo Industrial Park is near full occupancy while Bintan Industrial Estate has recovered well with introduction of offshore marine center. The Group's industrial space pipelines remains strong and expect to see moderate growth in this segment.
 - (ii) The fair value of the Group's investment properties in Batam and Bintan of S\$514,072,000 as disclosed in the Company's audited financial statements for the year ended 31 December 2019, as assessed by independent professional valuers, was significantly higher than the current carrying amounts of the Group's investment properties.

The Group will continue to assess the recoverable amount of its investment properties and will engage an independent professional valuer to determine the fair value of its investment properties by the end of the financial year 2020.

SGX-ST's Query

- (d) Please provide the assessment by the Board of Directors as to whether it is possible and if so, please quantify any impact on the carrying amounts of Gallant Venture's investment properties for the period ended 30 June 2020. If no, please provide us with the bases for your view(s);

Company's Response

- (d) Please see the Company's responses to question (c) above.

SGX-ST's Query

- (e) Taking into consideration the responses of Gallant Venture to the above queries (a) to (d), please clarify whether the Board of Directors have considered if the interim financial statements provide a balanced and fair view of any material factors that have affected the issuer's business conditions and financial position, including the impact of COVID-19.

Company's Response

- (e) The Board of Directors has considered and of a view that the Group's interim financial statements for 1H 2020 provide a balanced and fair view of any material factors that have affected the Group's business conditions and financial position, including the impact of COVID-19.

SGX-ST's Query

- (f) It was explained that the difference in total assets and total liabilities was due to the Deconsolidation Event. In this regard, (i) please provide the detailed balance sheet as at 30 June 2020 and 31 December 2019, assuming the Deconsolidation Event had happened by 31 December 2019 and (ii) Please also elaborate on the material variances on a line item basis.

Company's Response

- (f) The following shows the detailed balance sheet (extract) as at 30 Jun 2020 and 31 December 2019 assuming the Deconsolidation Event had happened by 31 December 2019:-

	30.06.20	31.12.19	Variance
	S\$'000	S\$'000	S\$'000
<u>Assets</u>			
Non-current			
Intangible assets	198	230	(32)
Property, plant and equipment	146,044	154,770	(8,726)
Investment properties	108,736	116,358	(7,622)
Right-of-use assets	2,694	3,366	(672)
Associates	398,634	1,045 ⁽¹⁾	397,589
Deferred tax assets	1,994	1,921	73
Other non-current assets	1,790	5,999	(4,209)
	660,090	283,689	376,401
Current			
Land inventories	595,745	595,241	504
Other inventories	8,358	8,993	(635)
Trade and other receivables	77,116	70,353	6,763
Cash and cash equivalents	108,632	95,860	12,772
	789,851	770,447	19,404
Total assets	1,449,941	1,054,136	395,805

- ⁽¹⁾ Exclude the Group's investment in PT Indomobil Sukses Internasional Tbk ("PT IMAS") for 49.49% after the deconsolidation

The Group's property, plant and equipment and investment properties were lower than as at previous year end mainly due to depreciation. Increase in associates in the current period was mainly due to the equity accounting of PT IMAS after the Group's shareholding in PT IMAS was diluted from 71.49% to 49.49% and the Group's investment in BOMC Pte Ltd for 26% as per the

Company' announcement date 18 March 2020. The increase in current assets was mainly due to higher trade and other receivables and cash and cash equivalents.

	30.06.20	31.12.19	Variance
<u>Liabilities</u>	S\$'000	S\$'000	S\$'000
Non-current			
Deferred tax liabilities	2,751	2,738	13
Borrowings	323,012	326,095	(3,083)
Employee benefits liabilities	16,748	16,376	372
Other non-current liabilities	28,996	29,001	(5)
Lease liabilities	1,922	2,380	(458)
Contract liabilities	13,684	10,246	3,438
	<u>387,113</u>	<u>386,836</u>	<u>277</u>
Current			
Borrowings	41,974	40,210	1,764
Lease liabilities	827	1,014	(187)
Trade and other payables	127,122	97,578	29,544
Contract liabilities	3,296	4,176	(880)
Current tax payable	5,320	4,645	675
	<u>178,539</u>	<u>147,623</u>	<u>30,916</u>
Total liabilities	<u>565,652</u>	<u>534,459</u>	<u>31,193</u>

The Group' total liabilities of S\$565.7 million were S\$31.2 million higher than the previous year-end's and was mainly due to deposits / advance payments received for expansion of factory building, development of high tech agriculture projects, among others, in the Group's industrial parks.

SGX-ST's Query

- (g) The Company disclosed that the impact of the prolonged COVID-19 pandemic will have significant impact to its resort and tourism related performance. Please provide quantification of this significant impact.

Company's Response

- (g) The Group's Resort Operations was severely impacted by the regional COVID-19 lockdown resulting in cancellation of ferry services between Singapore and Bintan and lost revenue due to collapse in tourist arrival into Bintan. In 1H 2020, the Group's Resort Operations reported revenue of S\$4.77 million with after tax net loss of S\$7.44 million. If the regional lockdown continues into Year 2021 and tourism activities are not restored, the Group expects similar after tax net loss in 2H 2020.

As the COVID-19 pandemic is an unprecedented event and given the rapidly evolving situation, the actual impact for the Group's Resort Operations segment for FY2020 may be different from the quantification above.

BY ORDER OF THE BOARD
GALLANT VENTURE LTD.

Choo Kok Kiong
Executive Director and Company Secretary
24 August 2020