

GALLANT VENTURE LTD

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RESPONSE TO SGX-ST'S QUERY REGARDING THE COMPANY'S UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

The Board of Directors of Gallant Venture Ltd. (the “**Company**”) refers to the query raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in its email dated 14 August 2019 regarding the Company’s unaudited results for the second quarter ended 30 June 2019 and wishes to respond to the query as follows:-

SGX-ST's Query

Please clarify whether IMAS refers to PT IMAS (i.e. PT Indomobil Sukes Internasional Tbk). If not, please state what IMAS refers to.

Company's Response

The “IMAS” in the Company’s unaudited results announcement refers to PT Indomobil Sukses Internasional Tbk (“PT IMAS”).

SGX-ST's Query

Please provide details of the Company’s policy for provision for doubtful debts.

Company's Response

The provision for doubtful debts or expected credit losses (ECL) is based on assumptions on risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and select inputs to compute the provision with considerations such as Group’s past collection history, existing market conditions as well as forward looking estimates at each reporting date.

For trade receivables, the Group and the Company apply the simplified approach and uses a provision matrix to compute the provision. The provision rates are based on days past due by grouping debtors into segments that have similar loss patterns / profiles. The provision matrix is initially based on the Group and Company’s historical observed default rates. The Group and the Company will calibrate the matrix to adjust historical credit loss experience with current market conditions and forward-looking information.

For financing receivables and non-trade receivables, the Group and Company apply the general approach to determine the provision. Provision is measured as an allowance equal to 12-month provision for stage 1 (low credit risk) receivables or lifetime provision for stage 2 (deterioration in credit risk) receivables or stage 3 (credit impaired) receivables. In assessing whether credit risk has

significantly increased, the Group and the Company consider qualitative and quantitative reasonable and supportable forward looking information.

SGX-ST's Query

Please provide a breakdown of Other non-current assets for the current period and comparative period and provide an explanation for the material variances in each of the line items included in the breakdown of Other non-current assets.

Company's Response

The breakdown of Other non-current assets and explanation for the material variances is as follows:-

	30.06.19	31.12.2018	Variance	Notes
	S\$'000	S\$'000	S\$'000	
Equity investments in FVOCI	131,381	251,167	(119,786)	1
Derivative assets	7,639	23,337	(15,698)	2
Estimated claims for tax refund	29,282	28,859	423	
Restricted cash in banks and time deposits	21,875	316	21,559	3
Other receivables	37,191	40,313	(3,122)	
Prepayment	661	793	(132)	
Deposits	487	603	(116)	
	228,516	345,388	(116,872)	

Notes:

1. Due to divestment of the Group's 19.42% quoted equity investments at fair value through other comprehensive income ("FVOCI"), PT Multistrada Arah Sarana Tbk ("MASA").
2. Due to change in the fair value of derivative instruments.
3. Included part of the sale proceeds, amounted to S\$20.6 million, from the divestment of MASA used as collateral for the Group's external borrowings.

SGX-ST's Query

Please provide a breakdown of Trade and other receivables and provide an aging of the Trade Receivables.

Company's Response

The breakdown of the Group's Trade and other receivables is as follows:-

	30.06.19
	S\$'000
Trade and other receivables	378,002
Due from Related Parties ⁽¹⁾	314,921
Prepayment and Other Current Assets	83,367
	776,290

- (1) The non-trade amount owing by related parties are mainly advanced payment of expenses, that are non-interest bearing, unsecured and repayable on demand.

The aging of the Group's Trade and other receivables is as follows:-

	31.06.19
	S\$'000
Under 30 days	158,868
31 - 60 days past due	53,223
61 - 90 days past due	22,164
>90 days past due	143,747
	<u>378,002</u>

SGX-ST's Query

Please provide the Board's assessment of the recoverability of the Trade receivables and the bases of such an assessment.

Company's Response

The Group took various considerations such as analysis of the customers' current financial position, past default history, current market condition of the industry and securities provided by the debtors when assessing the recoverability of the trade and other receivables. The Group impairs its trade and other receivables when there is indication that the receivable is not recoverable or the security provided is lower than receivable.

The management has assessed the recoverability of the Group's trade and other receivables and the Board is of the opinion that the current impairment provision is adequate.

BY ORDER OF THE BOARD
GALLANT VENTURE LTD.

Choo Kok Kiong
Executive Director and Company Secretary
15 August 2019