



RESPONSES TO ADVANCE QUESTIONS FROM SHAREHOLDERS IN RELATION TO THE ANNUAL GENERAL MEETING TO BE HELD ON 28 APRIL 2023

The Board of Directors of Gallant Venture Ltd. (“**Company**”) would like to thank shareholders who had submitted questions in advance of the Company’s Annual General Meeting (“**AGM**”) to be convened and held by way of electronic means on Friday, 28 April 2023 at 10.00 a.m. The Company refers to the questions raised by the shareholders and appends the responses as follows:

Question 1

As noted in the Corporate Governance Statement that there were only two Board and ARMC meetings held given that the company is facing great financial uncertainty in its business. The company has announced three (3) consecutive years of losses and has huge outstanding loans of S\$490 million. As at 31 December 2022, the Company’s current liabilities exceeded its current assets by S\$526,943,000 (31 December 2021 – S\$499,732,000).

The Board and ARMC's ability to fulfill their fiduciary responsibilities with only two meetings per year would be questioned by most analysts and possibly the regulatory bodies. Most reputable and sizable companies would schedule five (5) meetings each for the Board and ARMC.

Are the Boards active in dealing with the various challenges and driving the business performance of Gallant? Please explain how the Board and ARMC would ensure that they are fulfilling their fiduciary duties effectively to protect the interest of the minority shareholders.

Company’s response

In addition to formal meetings, and as permitted by the Company’s constitution, the Board and Board committees (which includes the ARMC) may also make decisions through circular resolutions. This is set out on page 82 of the Annual Report as follows:

“The Company’s Constitution permits Board and Committee meetings by teleconferencing or videoconferencing. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Board and Board Committees may also make decisions through circular resolutions.”

For circular resolutions, relevant papers are circulated to the Board or Board committee members, as the case may be, and there would be discussions via email, phone calls and telephone/video conferencing (hereinafter referred as “Communication Channels”)

among the members of the Board or Board committees with involvement of management staff as deemed appropriate, to thoroughly consider the matters, and where applicable to request for revision and resubmission of papers, submission of additional information and revision of resolutions before the Board or Board committee members come to a decision and sign off on the resolutions.

Formal ARMC and Board meetings are held twice a year to review and consider the half-year and full-year results and related matters. It is more expeditious and efficient to quickly organize a discussion via any or several of the aforesaid Communication Channels to come to a decision to be recorded in a circular resolution which will, in most cases, require quite an amount of time commitment of the Board or Board committee members in addition to the formal meetings conducted. The Board and Board committees will avail themselves and are committed to whatever time is needed to consider the issues before decision-making thoroughly.

The Company wishes to inform that as at 31 December 2022, the Group and the Company’s outstanding loans and lease liabilities are as follows:

	The Group S\$'000	The Company S\$'000
<u>Non-Current</u>		
Bank loans	328,726	247,465
Lease liabilities	9,288	1,428
	338,014	248,893
<u>Current</u>		
Bank loans	47,052	21,297
Loans from subsidiaries	-	416,830
Lease liabilities	5,130	487
	52,182	438,614
Total	390,196	687,507

The Company level net current liabilities was solely due to intercompany balances between the Company and its subsidiaries. The Company’s current liabilities include loans and amounts due to subsidiaries of S\$ 505.65 million (31 December 2021 – S\$485.21 million). If the loans and amount from subsidiaries are excluded, the Company’s current liabilities would be S\$22.55 million (31 December 2021 – S\$14.52 million).

Question 2

The company has three highly-paid key management executives employed for many years. They had been paid bonuses of 39% of their total remuneration in spite of heavy losses incurred by the company for several years.

The company has not achieved any significant results for shareholders. Instead, the share price fell to its lowest level (10 – 12 cents) in 2022.

Would the company consider engaging a top management consultant (Accenture or McKinsey) to help resolve the serious financial and business issues affecting the company and bring the company towards achieving profitability and enhancing return to shareholders in future?

Company's response

The Company wishes to highlight that while the Group has reported losses for the past three years, the Group's operating performance has improved steadily with the execution of various strategies to reposition the Group's Industrial Parks and Resorts business as well as to weather through financial impacts during the COVID-19 pandemic. Notwithstanding that the Group's resort segment business was adversely affected by the COVID-19 pandemic in the past years, the losses from the operation have reduced from pre-pandemic S\$18.1 million in 2020 to S\$6.9 million in 2021, and the Group reported an operating profit of S\$11.0 million in 2022. To better align the key management executives' compensation to the Company's results, the bulk of their compensation has been structured as variable components benchmarked against key performance indicators.

The management has carried out its strategies to drive profitability and grow the Group's core businesses in Batam and Bintan and is hopeful that it will achieve profitability in the near term as:

- Demand for the Group's factory spaces remains robust after repositioning the Group's industrial parks as key co-location facilities in South Asia. Factory rental-related income and utilities revenue from the industrial parks expects to increase in tandem with increased occupancy and completion of new factory units.
- Tourism-related income and utilities revenue in Bintan Resorts to improve with the global re-opening of the tourism industry.
- The Group is hopeful of concluding some land sales or joint ventures in 2023.
- With PT IMAS returning to profitability and securing more dealership agreements, the Group expects PT IMAS to continue contributing positively to the Group.

The Management has plans to drive profitability and create a long-term sustainable growth for the Group and the stakeholders and will consider engaging relevant professional consultants if it considers the Group would benefit from such engagement.

Question 3

It is stated under Provision 9.2 that the Board has received the following assurances as at 31 December 2022: (a) from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) from the CEO and Chief Risk Officer ("CRO") that the Group's risk management and internal control systems were adequate and effective in addressing key financial, operational, compliance, and information technology risks.

It is necessary for the Board to obtain assurances from its employees? Can the Board absolve itself from its fiduciary duties based on the assurances and the employees being sued if there are financial irregularities, etc discovered by the internal or external auditors?

What is the view of the auditors and legal counsel on the value of the assurances from employees?

Company's response

Under the Listing Rules of the Singapore Exchange Securities Trading Limited, the Company must comply with the Code of Corporate Governance ("Code"). In compliance with Provision 9.2 of the Code, the Board has received assurances from the CEO and CFO and from the CEO and Chief Risk Officer as specified under the Code, and this is reported on page 94 of the Annual Report.

The Board's role and principal responsibilities are clearly set out on page 79 of the Annual Report. The Directors collectively and individually have fiduciary duties toward the Company and its shareholders, which cannot be delegated.

On page 79 of the Annual Report, it is stated that *"The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and works with the Management to take objective decisions as fiduciaries in the interest of the Group."*

While the Board cannot adjudicate its duties, including fiduciary duties, it can delegate authority to Board committees, such as the Audit and Risk Management Committee, the Nominating Committee, and the Remuneration Committee, to assist in carrying out and discharging its duties and responsibilities efficiently and effectively. It engages management to implement the strategies it set. Assurances given by the CEO, CFO, and Chief Risk Officer demonstrate their commitment to and affirmation of the performance of their duties. It does not lessen the Board's stewardship role or fiduciary duties toward the Company and its shareholders.

**BY ORDER OF THE BOARD
GALLANT VENTURE LTD.**

Choo Kok Kiong
Executive Director and Company Secretary
21 April 2023