

GALLANT VENTURE LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No: 200303179Z)

FINANCIAL STATEMENTS FOR FY2014 & FY2015

Further to the announcement by Gallant Venture Ltd. (the "**Company**" or "**GV**") on 4 August 2016, ACRA has on 10 October 2016 issued the Board with an advisory letter ("**Advisory Letter**") which, amongst others, requires the Company to re-state and re-audit the GV Group's consolidated financial statements for the financial years ended 31 December 2014 and 2015 ("**FY2014**" and "**FY2015**", respectively). ACRA has also issued warning letters in relation to non-compliance with certain accounting standards referred to below to the Company's directors, Mr Eugene Cho Park and Mr Gianto Gunara (who had signed the FY2014 financial statements on behalf of the Directors of the Company).

The Advisory Letter, *inter alia*, deals with the following Singapore Financial Reporting Standards ("**FRS**"):

- (i) Paragraphs 20(b) and 28 of FRS 7 *Statement of Cash Flow* – currency translation differences from converting the GV Group's outstanding borrowings in the subsidiaries' functional currency (Indonesian Rupiah) to the GV Group's presentation currency (Singapore Dollar) should not have been classified as an adjustment to profit before tax in the Consolidated Statement of Cash Flows in the financial statements for FY2014. As a result, the net cash flows generated from operating activities and financing activities in FY2014 were understated by S\$19.3 million and overstated by S\$18.4 million, respectively;
- (ii) Paragraph 37 of FRS 103 *Business Combinations* and paragraph 43 of FRS 39 *Financial Instruments* – in respect of unsecured non-convertible bonds issued by the Company in 2012 (the "**Bonds**") in connection with the acquisition by the GV Group of PT Indomobil Sukses Internasional Tbk, the Company should have recognised the purchase consideration for such business acquisition based on the fair value of the Bonds (S\$81.7 million) instead of their principal amount (S\$104.7 million) and the GV Group's profit before tax for FY2013 would be reduced by S\$23.0 million. For information, the Bonds are presently no longer an outstanding liability as they were fully redeemed in FY2015 by the Company; and
- (iii) Paragraph 7 of FRS 110 *Consolidated Financial Statements* – the GV Group's investment in Market Strength Limited ("**MSL**") by way of its holding of US\$202.5 million principal amount of notes and 202.5 million detachable warrants issued by MSL in 2010, should have been accounted for by way of consolidating MSL as a subsidiary pursuant to FRS 110 (which was introduced in 2014). For information, as announced on 25 April 2016, the GV Group has agreed to divest its investment in MSL for an aggregate consideration of US\$330 million, an amount which is significantly higher than the Company's initial investment of US\$202.5 million.

The issues identified in the Advisory Letter and the warning letters are specific to the FRS and arise mainly out of the application of the relevant FRS, which application requires judgment. In the interest of achieving closure of the matter, the Company intends to voluntarily comply with the Advisory Letter and is currently discussing the same with its auditors, Foo Kon Tan LLP, and expects to have further discussions with ACRA on the matter. The Company wishes to highlight that compliance with ACRA's requirements relates to past events and arising from such compliance, it is expected that the re-stated and re-audited financial statements for FY2014 and FY2015 will reflect a loss in connection with the consolidation of MSL as a subsidiary. However, the loss will be reversed in the financial statements for the financial year ending 31 December 2016 following the divestment of MSL in 2016.

The Company will be convening a general meeting at the same time as its next annual general meeting to be held by 30 April 2017, for the re-stated and re-audited financial statements to be laid before the shareholders. The Company will be despatching a circular to shareholders for this purpose in due course, which will provide further information on this matter and address the issues raised by ACRA in the Advisory Letter. In the meantime, shareholders are advised to exercise caution when dealing with the Company's shares.

BY ORDER OF THE BOARD
Gallant Venture Ltd.

Choo Kok Kiong
Executive Director and Company Secretary

12 October 2016