



RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) IN RELATION TO THE ANNUAL GENERAL MEETING TO BE HELD ON 29 APRIL 2022

The Board of Directors of Gallant Venture Ltd. (“**Company**”) sets out its responses to SIAS’ questions on the Company’s Annual Report for the financial year ended 31 December 2021 (“**FY2021**”) before the Company’s annual general meeting to be held by electronic means on 29 April 2022 at 10.00 a.m. For the avoidance of doubt, the Company does not respond to the commentaries made by SIAS since they merely set out the context of the questions raised.

QUESTION 1

At the AGM on 29 April 2022, Mr. Lim Hock San will be retiring under regulation 111 of the company’s constitution. Mr. Lim Hock San is the non-executive chairman and independent director. Mr. Lim Hock San was first appointed on 1 February 2006.

- (i) **Can the retiring director help shareholders understand his contribution and effectiveness as director and chairman of the board? How has he protected and enhanced long-term shareholders’ value (Provision 1.1: Board’s role; page 67)?**

Company’s response

As Chairman of the Board, Mr. Lim Hock San has the following responsibilities, amongst others:

- Leading the Board in his role as Chairman of the Board;
- Ensuring regular meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group’s operations;
- Preparing meeting plan (in consultation with the CEO and CFO);
- Reviewing board papers that are presented to the Board;
- Ensuring effective communication with shareholders; and
- Promoting good corporate governance.

As Chairman of the Board, he ensures that the Company and the Board adhere to high standards of corporate governance. Under his leadership, the Board establishes a framework of prudent and effective controls that enables risks to be assessed and managed, including safeguarding shareholders' interests and the Company's assets, supervising the Management, and monitoring the performance of these goals to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Group and considers sustainability issues when guiding policies and procedures. Good stewardship and good governance are part of value creation so as to ensure accountability to shareholders and other stakeholders and the long-term sustainability of the Group.

As an independent director, Mr. Lim contributes to the Board by exercising professionalism, integrity, objectivity, and independence of judgment in his deliberation of matters before the Board and gives his candor views in the interest of the Company.

- (ii) As a long-tenured independent director and chairman of the board, how has he provided leadership and set strategic objectives, including focusing on value creation (Provision 1.2: Directors' duties and responsibilities; page 67)?**

Company's response

Please refer to the response in (i).

The Board wishes to add that the Board collectively sets the strategic objectives of the Group. As the Chairman, Mr. Lim oversees the Company's overall management and strategic development. Mr. Lim has many years of business, financial, and accounting experiences. He has extensive experience in corporate and business matters. He previously sat on the boards of some other listed companies, such as United Industrial Corporation Ltd and Keppel Corporation Limited. The Board benefits from his wealth of experience and expertise in board discussions and decision-making.

As a long-tenured independent director, Mr. Lim has developed significant insights into the Group's business and operations and accumulated a wealth of institutional knowledge that would provide input to the Board in understanding and drawing upon the Board's experience in past Board decisions and actions to enhance the process in setting the strategies of the Group for the longer term. Sustainability, governance, and value creation are considerations in the strategic objectives set by the Board under the leadership of Mr. Lim as chairman.

- (iii) **How has the chairman shaped the desired organisation culture, reviewed management's performance, and ensured proper accountability within the group?**

Company's response

As mentioned earlier, the Chairman ensures the Company and the Board adhere to a high standard of governance. Management provides the Board with regular reports of the Company's and management's performance at Board meetings. The Board has access to senior management and executives of the Company and the Group. The Chairman ensures that the Board receives a report from the Audit and Risk Management Committee relating to their review of the integrity of the financial statements, assessment of internal controls and risk management systems with the management and the internal and external auditors as part of the monitoring of management's performance and accountability.

- (iv) **On 30 November 2021, Mr. Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning¹.**

Given the guidance from SGX RegCo, would Mr. Lim Hock San reconsider his proposed re-election at the AGM to facilitate the progressive renewal and succession planning of the board?

Company's response

The NC deemed that the length of service should not determine the effectiveness of independence of an Independent Director and the continuing contributions from the director in benefitting the Board and the Company. In recommending Mr. Lim's re-election, the NC has considered his experience and performance. Mr. Lim has abstained from the NC's and the Board's deliberations on his re-election. Mr. Lim has consented to re-election.

QUESTION 2

Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

- (i) **Covid-19: What is the sentiment on the ground in Batam and Bintan following the removal of quarantine requirements between Singapore and the Indonesian islands?**

Company's response

With the removal of quarantine requirements between Singapore and Batam / Bintan Island, Indonesia, the Group has reinstated regular ferry operations between Singapore and Bintan to cater to leisure travel. Other ferry operators have reinstated their ferry schedule between Singapore and Batam. While the number of tourists remains small, the Group is hopeful that the tourist arrival will

pick up gradually in the next few months with more relaxed travel requirements and similar quarantine-free travel arrangements being extended to the regional countries.

- (ii) Nusantara: How is the group adjusting its capital allocation due to the shift of the capital city to Kalimantan? Has the board/management assessed the risks and impact on the group's existing investments?**

Company's response

As the Group's main core businesses are primarily in Batam and Bintan, Indonesia's Riau Islands, leveraging on proximity to Singapore's gold standard logistic and financial hub, our operations have a minimum impact from Indonesia's plan to move its capital from Jakarta to a new capital city, Nusantara in East Kalimantan on the island of Borneo.

- (iii) Utilities: What is the impact of higher oil and gas prices on the group's power generation business? In addition, what are the sustainability efforts by the group to reduce its GHG emissions? What is the capital expenditure on the 670MWp solar farm, and what is the progress made?**

Company's response

The Group expects a reduced profit margin from higher oil and gas prices in its power generation business. This will be significantly mitigated by increased utilization in our Industrial Parks due to an increased occupancy rate.

To reduce GHG emissions, the Group has been working on:-

- Implementing solar cell projects in our industrial parks to reduce the usage of non-renewable fuels sources. Our first solar project was in partnership with our agrotech tenant to provide green energy to their high-tech agriculture farms.
- Plan to develop a solar farm in our industrial park in Batam to supply up to 20% of green energy to our tenants.
- Plan to develop solar farms in Bintan by 2024 to supply green energy to our industrial estate and resorts.

The Company is currently working with the joint venture partners on the capital requirement and the terms of the joint venture for the 670 MWp solar farm. The Company will update the shareholders in due course on any material progress.

- (iv) **PT IMAS: What is the level of management oversight and influence on PT IMAS? The group's equity interest in PT IMAS was diluted from 71.49% to 49.49% due to the group's decision not to participate in PT IMAS's right issue in 2020. Has the level of consumer confidence returned to the pre-COVID levels? What are the main factors contributing to PT IMAS' continued losses? What is the basis of management's belief that PT IMAS will attain "long-term profitability and sustainable growth"?**

Company's response

On 30 April 2020, PT IMAS announced a proposed issuance of new shares to raise proceeds for, amongst others, business expansion. The Board, after careful consideration had decided not to subscribe for its rights issue entitlement. The ongoing US-China trade dispute has resulted in many large companies in Asia diversifying their manufacturing out of China to avoid or mitigate punitive tariff imposed by the USA. As a result, we saw some of the upstream suppliers relocating their facilities to our industrial park in Batam and existing tenants seeking to expand their production. To capitalise on this, the Company decided to conserve its cash resources for further development of our industrial park and utility business. If the Company was to subscribe for the rights issue in PT IMAS, the amount required was approximately S\$57.7 million and the Company might not have additional resources to expand its industrial park business.

With the cash resource conserved and used for the expansion of the industrial park business, the Group has increased factory spaces in Batamindo Industrial Park from 549,507 sqm in 2020 to 561,187 sqm in 2021 with new factories built. Factory occupancy rate has increased from 95% in 2020 to 99% in 2021. Further 50,500 sqm of additional factory space is due for completion in Year 2022 / 23. Total power and water production has increased 6.5% and 1.1% respectively as compared to 2020 as a result of increased occupancy.

Mr. Eugene Cho Park, CEO of the Company, sits on the Board of Commissioners of PT IMAS. As the commissioner, Mr. Eugene has the responsibilities to supervise the management, monitor the effectiveness of the company's policies, the board of directors' performance in their decision-making process, and implement strategies. As such, the Group can exercise significant influence on the policy decision in PT IMAS.

Consumer confidence has gradually returned towards pre-COVID levels for PT IMAS as its' revenue for FY2021 was approximately S\$1.8 billion, which was comparable to FY2019's pre-COVID level. PT IMAS has been generating profit from its operation but has reported losses mainly due to its share of losses from its associated companies and high financing costs from increased borrowing to finance the expansion of its automotive-related businesses. The Group also adjusts to PT IMAS's results due to the differences in accounting policies and accounting standards between the Group and PT IMAS.

The management is confident that PT IMAS will attain long term profitability and sustainable growth as:-

- PT IMAS is one of the largest automotive groups in Indonesia. Its underlying businesses remain strong, and its integrated business model maximises value throughout the supply chain from vehicle distribution to after-sales service, financing, and other related businesses.
- It holds well-known brands of international reputation, namely Audi, Bandit, Datsun, HIAB, Hino, John Deere, Kalmar, KIA, Manitou, Nissan, Renault Trucks, SDLG, Suzuki, Volkswagen, Volvo Bus, Volvo Construction Equipment, and Volvo Trucks. The company has added a KIA dealership into its portfolio during the COVID-19 pandemic.
- It is one of Indonesia's largest multi-finance companies and a leading car leasing player in Indonesia.

Over the years, PT IMAS has expanded and diversified into more sustainable and higher-margin automotive-related businesses to cushion fluctuation in the passenger vehicle segment by:-

- Entering into logistics business in partnership with Seino Holdings Co Ltd and has more than 7,000 trucks in its fleet servicing major FMCG clients.
- Partnering with ExxonMobil in setting up micro filling stations across Indonesia for the 2W market selling motorcycle spare parts, petrol, diesel, and oil lubricants. It has added over 1,000 kiosks during the year and now operates over 3,000 locations focused on the two-wheeled market, generating revenue of IDR 2.1 trillion in 2021 (about SGD 200 million).

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. The losses from the operation has reduced from S\$18.1 million in 2020 to S\$6.9 million in 2021 notwithstanding that the Group's resort segment business was adversely affected by the COVID-19 pandemic. If the resort segment business is excluded, the Group would have reported operating profit of S\$9.9 million in 2021.

QUESTION 3

On 13 April 2022, the Company announced discrepancies between its unaudited and audited accounts. In the past seven years, from 2016 to 2022, the company has reported differences in the financial statements following the finalization of the audit.

- (i) Is the group (including its officers) familiar with the Singapore Financial Reporting Standards (International) (SFRS(I))?**

Company's response

The Group (including its officers) is familiar with the requirements of Singapore Financial Reporting Standards (International) (SFRS(I)).

- (ii) **Has the company been the subject of ACRA’s Financial Reporting Surveillance Programme?**

Company’s response

The Company was the subject of ACRA’s Financial Reporting Surveillance Programme in 2015 to review its financial statements for 31 December 2014 (“FY2014”). The Company has resolved the issues identified.

- (iii) **Can the ARMC help shareholders understand if it has discharged its duties objectively (Principle 10 of the Code of corporate governance 2018)? If so, how so?**

Company’s response

As disclosed in the Corporate Governance Report, the ARMC members collectively have sufficient accounting and financial management expertise and experience to discharge the ARMC’s functions.

- (iv) **What were the deliberations by the ARMC in its review of the significant financial reporting issues and judgments to ensure the integrity of the financial statements?**

Company’s response

The ARMC was informed by the management and the external auditors of significant financial reporting issues and judgments used in applying the accounting policies for reporting the Company’s financial results. The external auditors will also highlight to the ARMC during the meeting without the presence of management of any non-compliance or inconsistency with the relevant regulation or financial reporting standards. ARMC will ensure the Company’s financial statements are prepared using the applicable regulation and financial reporting standards.

The ARMC has also reviewed the adequacy of the Group’s financial and management reporting system and the effectiveness of the Group’s critical internal financial controls and risk management policies and received assurance from the CEO, CFO, and CRO.

- (v) **Can the ARMC members help shareholders understand their recent and relevant accounting or related financial management expertise or experience?**

Company’s response

The current ARMC comprises individuals who have accounting qualifications and experience in financial, banking, and accounting, as set out below. ARMC members are kept up to date with changes in accounting standards and issues through updates from external auditors. A detailed description of their background and experience are disclosed under the “Board of Directors” section of the Annual Report.

ARMC	Background & Experience
Mr Lim Hock San (Chairman)	<p>Mr. Lim has a Bachelor of Accountancy from the University of Singapore. He is a Fellow of The Chartered Institute of Management Accountants (UK) and a Fellow and past President of the Institute of Singapore Chartered Accountants.</p> <p>Mr. Lim started his career in 1966 with the then Inland Revenue Department of Singapore. He became an Accountant at Mobil Oil Malaya Sdn Bhd in 1967 before joining the Port of Singapore Authority in 1968, where he served in various management positions.</p> <p>Mr Lim was the President and Chief Executive Officer of United Industrial Corporation Limited before he retired in September 2020.</p>
Mr. Foo Ko Hing	<p>Mr. Foo holds a BA Honours Degree in Economics and Accounting from the University of Newcastle Upon Tyne, United Kingdom.</p> <p>Mr. Foo has extensive business, banking, investment, and finance experience, having held positions in PricewaterhouseCoopers LLC and the banking industry.</p>
Mr. Lim Chee San	<p>Mr. Lim Chee San joined the Board on 1 November 2021 and is a member of the Board's ARMC, NC, and RC.</p> <p>Mr. Lim Chee San is a Fellow of the Association of Chartered Certified Accountants, UK, and a member of the Singapore Institute of Chartered Accountants.</p> <p>Mr. Lim has been an accountant, a banker, and a lawyer for the last 38 years. He also has many years of experience as an auditor in large international accounting firms.</p>

(vi) Would the board be reconstituting or strengthening the ARMC?

Company's response

The board believes that the current ARMC size is adequate, and the members have the skills, experience, and attributes to effectively perform the functions of

the ARMC. The Board will continue to review the ARMC composition to enhance the ARMC's effectiveness.

- (vii) How did the ARMC evaluate if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**

Company's response

ARMC received feedback from the management regarding the finance team's performance and also during the meeting with external auditors without the presence of management. The ARMC is satisfied that the finance team in the Group is experienced and has the necessary skills and knowledge to perform the jobs. The Company ensures that its finance team remains abreast with the relevant changes in the new accounting standards by providing the necessary training to upgrade their skill sets.

- (viii) What changes have been made/will be made to the group's financial reporting systems and processes?**

Company's response

Due to the nature of its businesses, PT IMAS has a large number of Subsidiaries, Joint Ventures and investments in Associated Companies. As it is a material investment of the Group, the Group adopted the view that extensive review is required to account for PT IMAS' results. Due to its size and time-consuming audit closure, there will be accounting discrepancies after audit finalization, and the Group prefers to adjust any differences on the ground of prudent. The discrepancies reported by the Group between its unaudited and audited accounts for the FY2021 and the past years are mainly due to the subsequent adjustments made by PT IMAS upon finalisation of their audit under their regulatory reporting requirement, which is later from the Group's reporting requirement to announce the financial results. In Indonesia, listed company is only required to announce audited financial statement not later than 90 days after the financial year end except in the last 2 years where the Indonesia Stock Exchange ("IDX") has granted extension to announce audited financial statement due to the COVID-19 situation. Furthermore, there are differences in accounting standards practised in Singapore and Indonesia, and consequentially adjustments are required to align with the Group's accounting policies. The Group works closely with PT IMAS and its auditors to improve the reporting process to finalize PT IMAS' audit as per the Group's reporting requirement to minimize discrepancies between its unaudited and audited accounts.

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

Choo Kok Kiong
Executive Director and Company Secretary
25 April 2022