



**Securities Investors Association (Singapore)**

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**Issuer:** Gallant Venture Ltd.

**Security:** Gallant Venture Ltd.

**Meeting details:**

Date: 30 April 2019

Time: 10.00 a.m.

Venue: Furama Riverfront Singapore, Venus Ballroom, 405 Havelock Road, Singapore 169633

**Company Description**

Gallant Venture Ltd. is an investment holding company. The Company's operational segments include Industrial parks segment, which is engaged in development, construction, operation and maintenance of industrial properties; Utilities segment, which is engaged in providing electricity and water supply, telecommunication services, waste management and sewage treatment services to the industrial parks, as well as resorts; the Resort operations segment is engaged in providing services to resort operators, including ferry terminal operations, workers accommodation, security, fire-fighting services and facilities; Property development segment, which is engaged in the activities of developing industrial and resort properties, and Automotive segment is engaged in activities of vehicle sales distribution, after sales services, vehicle ownership financing, spare part distribution, vehicle assembly, automotive parts manufacturing and other related supporting services.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=51G](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=51G))

**Q1.** As noted in the Corporate profile, the group is an Indonesia focused investment holding company with interests in automotive, utilities, industrial parks, resort operation and property development.

In the Letter to shareholders, the chairman and the CEO have shared that 2018 was a significant year as good progress was made in each of the businesses. EBITDA improved to S\$181.1 million in 2018 (up from S\$94.7 million in 2017) and debt has been reduced to S\$410 million.

- (i) With the benefit of hindsight, was the acquisition of PT Indomobil Sukses Internasional value accretive for the group? Has management optimised the operation since its acquisition?**

As set out in the Statement of Corporate Governance, under Principle 1: Board matters, the primary role of the board is to protect and enhance long-term shareholders' value.

- (ii) Has the nominating committee (NC) carried out a formal assessment of the effectiveness of the board, board committees and contribution by each director?**
- (iii) Would the NC disclose what key performance indicators (KPIs)/metrics were used to assess the effectiveness of the board and of the board committees?**
- (iv) In addition, three executive directors received 32% in bonus (one received 8%) for FY2018 in a year when the group reported a net loss of S\$(73.7) million. To improve the level of transparency on remuneration matters, would the board consider disclosing the remuneration received by the executive directors? It is currently disclosed as S\$500,000 to S\$1,499,999. Would the remuneration committee help shareholders understand how executive directors are assessed and what were the KPIs used to assess their performance?**

**Q2.** The board comprises nine members, of whom two are non-executive and non-independent and three are independent directors.

All the Independent Directors, namely Mr Lim Hock San, Mr Foo Ko Hing and Mr Rivaie Rachman, have served on the board for more than 9 years.

Mr Foo and Mr Rachman were appointed on 8 December 2004 while Mr Lim was appointed on 1 February 2006. Mr Lim has served for over 13 years and the other two long tenured independent directors have served for over 14 years. All three directors are also members of the audit and risk management committee (see Q3 below).

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

At the company’s annual general meeting scheduled to be held on 30 April 2019, two independent directors, namely Mr Lim Hock San and Mr Rivaie Rachman, are retiring under Regulation 111 of the Constitution of the Company and are seeking their re-election.

- (i) Can the independent directors help shareholders understand their contributions to the board?**
- (ii) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

In its Corporate Governance Report, the company has stated that it will source for candidates through a network of contacts, institutions such as the Singapore Institute of Directors (“SID”), professional organisations or business federations or external search consultants.

- (iii) Would the nominating committee (NC) be using a professional search firm to search for independent directors so as to enable the board to cast its net wider and further improve the diversity and possibly the quality of the candidate pool?**
- (iv) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (v) Given that all the independent directors have served on the board for over 9 years, what are the company’s near term plans to refresh the membership of the board progressively to comply with the new 2018 Code in good time? Doing so would avoid undue disruption and maintain institutional knowledge and continuity in the board.**

**Q3.** On 11 April 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 28 February 2019) and the audited financial statements for FY2018 after the finalisation of audit.

The audit adjustments and reclassifications included:

- Reclassification of other inventories to property, plant and equipment.

- Adjustment in fair value revaluation gain on the investment properties
- Reclassification of financing receivables to borrowings
- Cash decreased due to the payment of borrowings
- Reclassification between current and non-current
- Adjustment of dilution from associates to unquoted equity investments and the reclassification of financing receivables to borrowings
- Adjustment of dilution from associates to unquoted equity investments
- Reclassification of financing receivables to borrowings and the changes in interest in subsidiaries and effect of transactions with non-controlling interests

The variance was as large as \$61.2 million.

In fact, the company announced discrepancies between its audited and unaudited results for at least the last four financial years ended 31 December 2018, 31 December 2017, 31 December 2016 and 31 December 2015.

The audit and risk management committee (ARMC) comprises Lim Hock San (as chairman), Foo Ko Hing and Rivaie Rachman.

- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (ii) Has the audit and risk management committee (ARMC) evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iii) Would the members of the ARMC help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?**
- (iv) Would the ARMC help shareholders understand how it allowed the unaudited financial statements to contain material variances for FY2018, FY2017, FY2016 and FY2015?**
- (v) Can the ARMC update shareholders on the improvement made/to be made to the group's financial reporting systems and processes?**