RESPONSE TO SGX QUERIES::

Issuer & Securities

Issuer/ Manager

VIBRANT GROUP LIMITED

Securities

VIBRANTGRP S$29.5M 7.5%N201003 - SG7HH5000008 - 81JB
VIBRANT GROUP LIMITED - SG1BJ7000008 - BIP

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Announcement Details

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Response to SGX Queries

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Submitted By (Co./ Ind. Name)

Francis Lee

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CFO

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Description (Please provide a detailed description of the change in the box below)

Please refer to the attachment.

Attachments

Announcement.pdf

Total size =119K MB

VIBRANT GROUP LIMITED
Company Registration Number: 198600061G

RESPONSE TO SGX-ST QUERIES

The Board of Directors (the "**Board**") of Vibrant Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the queries from Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 21 August 2020 regarding the Announcement and sets out its response as follows:

Query (a)

With reference to the unaudited financial statements for the year ended 30 April 2020, it is disclosed that the Company has recognised fair value loss on investment properties of $7,942,000. Please elaborate the fair value loss on investment properties including how the Company quantified the fair value loss amount of $7,942,000.

Company's response:

The valuation of the investment properties is conducted on an annual basis for financial reporting purpose. The accounting standards requires investment properties to be measured at cost at initial recognition and subsequently at fair value with any changes therein recognised in the profit or loss. The carrying amounts of investment properties as at 30 April 2020 were assessed based on the market conditions as at 30 April 2020 by a qualified independent valuer. Significant market uncertainties and volatilities due to the evolving pandemic has impacted the valuation of the investment property, Palas Condominium located in Malaysia. Based on the valuation conducted by the valuer, the carrying value of the investment properties was higher vis-à-vis the valuation. As a result, the Company recognised a fair value loss on investment properties of $7,942,000.

Query (b)

It is disclosed on page 1 of the unaudited financial statements that the Company has recognised an impairment loss on trade and other receivables of $17,455,000. Please disclose:

(i) The Company’s plans to recover the trade and other receivables;
(ii) Whether the Company continues to transact with these customer(s);
(iii) How long are the debts outstanding and when were the sales reported;
(iv) What were the actions taken to recover the trade and other receivables;
(v) The reasons for the impairment on loan to third parties and finance lease receivables;
(vi) Whether there are any remaining receivables due from (a) China GSD Logistics Pte Ltd and (b) third parties which the Company has provided loans to, and the amount outstanding, where applicable. Please provide the background and rationale for extending loans to third parties and details, including the nature, of such loans;
(vii) The Board’s opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables; and
(viii) The Board’s assessment of the recoverability of the remaining trade and other receivables.

Company's response:

(i) The Group has engaged solicitors to take legal actions against the relevant parties for failing to repay the outstanding receivables. Concurrently, the Group will continue to be in constant contact with the relevant parties to further negotiate for possible repayment schedule.

(ii) The impairment loss of $17,455,000 consist of various receivables which include (i) the redeemable cumulative convertible preference shares ("RCCPS") in China GSD Logistics Pte Ltd ("China GSD"), (ii) amounts owing from third parties, (iii) finance lease receivables and (iv) other trade and other receivables. China GSD is still regarded as an associate of the Group as the Group has board representation on the board of directors and has significant influence over the financial and operating policies of China GSD. As disclosed in FY19 financial statements, the Company entered into a deed of settlement with China GSD on the RCCPS and the redemption of the RCCPS takes the form of a loan, to be repayable over 10 equal instalments. China GSD has defaulted on the 2nd instalment payment and accordingly, a full impairment loss was recognised in accordance with the accounting standards. For other amounts owing from third parties, finance lease receivables, and other trade and other receivables, the Group has ceased to transact with these customers.

(iii) Most of the debts have been outstanding for a period of 2 to 3 years. The relevant income generated from the debts are the income that occurred between 2 to 3 years ago.

(iv) As set out in the Company's response to SGX Query (b)(i) above, the Group has been regularly contacting the relevant parties to follow up on the payment of the receivables and negotiation for repayment schedule. In addition, the Group has also engaged solicitors to take legal actions in the hope to recover the outstanding receivables.

(v) The reasons for impairing the loan to third parties and finance lease receivables were based on the assessment of recoverability and collectability in accordance with the accounting standards. The loans and receivables have been outstanding for a period of 2 to 3 years. Despite various demand letters being sent, we have not received any reply and the relevant parties were also uncontactable.

(vi) As mentioned in SGX Query b(ii) above, the Group has made full impairment on the receivables from China GSD. For loan to third parties, after providing for impairment, the remaining outstanding amount due from third parties is approximately $2,444,000. The loan to third parties was mainly provided by the subsidiary of the Group in China which is in the business of financial services. The general manager of the said subsidiary that had previously approved the loan to third parties has been removed from his duties in early 2020.

(vii) Based on the actions and methodology undertaken by the management of the Company, the Board is of the opinion that the methodologies used to determine the value of the impairment of the trade and other receivables are reasonable. The Board also noted that its external auditors have also carried out a review of the methodologies and did not have any objection to this approach.

Company's response: (Cont'd)

(viii) The management has taken into consideration all reasonable and supportable information available that includes both qualitative and quantitative information such as payment history, financial conditions of each receivables and the age of the debts to assess the recoverability of the remaining trade and receivables. The management also uses an allowance matrix to measure the expected credit losses ("ECL") on trade receivables from individual customers which comprise a very large number of small balances. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. It is also noted that its external auditors have carried out a review on the assumptions and reasonableness on the recoverability of the remaining trade and other receivables. It is sufficed to state that the Board is satisfied with the methodologies adopted by management on the assessment of the recoverability of the remaining trade and receivables.

Query (c)

Please elaborate the nature of gain on disposal of subsidiaries and gain on disposal of property, plant and equipment of $16,750,000 and $41,378,000 respectively.

Company's response:

The gain on disposal of subsidiaries of $16,750,000 was derived mainly from the gain on disposal of 51% of the entire issued and paid-up share capital in Sabana Investment Partners Pte Ltd for a total consideration of $20,455,339.

The gain on disposal of property, plant and equipment of $41,378,000 was mainly derived from the sale and leaseback of property located at 121 Banyan Drive, Singapore 627570 and the mechanical and electrical equipment (the "Property") relating thereto for an aggregate consideration of $227,500,000. Management has assessed the transfer of the Property to the buyer/lessor and satisfied the requirements under the accounting standards to be accounted for a sale and accordingly, the Group, being the seller/lessee recognised the amount of gain relates to the rights transferred to the buyer/lessor for the remaining lease tenure of the Property in the profit or loss.

Following the completion of the sale and leaseback transaction, the Group also recognised a right-of-use asset amounting to $66.7 million based on the proportion of the previous carrying amount of the Property that relates to the right-of-use retained by the Group. The corresponding lease liabilities capitalised amounted to $118.5 million.

Query (d)

It is disclosed on page 7 of the unaudited financial statements that the Group has current trade and other receivables of $88,668,000 and $103,076,000 as at 30/04/2020 and 30/04/2019 respectively. Please provide a breakdown of the Group's current trade and other receivables for the year ended 30/04/2020 and 30/04/2019.

Company's response:

Breakdown of current trade and other receivables:-

	30 April 2020 ($'000)	30 April 2019 ($'000)
Trade receivables		
- third parties	35,592	37,075
Finance lease receivables	11,998	9,002
	47,590	46,077
Impairment losses	(20,232)	(16,080)
Net trade receivables	**27,358**	**29,997**
Loans to associate	33,013	7,884
Loans to non-controlling interests	6,211	30,469
Loan to a related party	800	-
Loans to third parties	10,603	10,709
Non-trade amounts due from associates	7,382	823
Non-trade amounts due from non-controlling interests	11,960	15,059
Non-trade amounts due from related parties	20	533
Deposits	767	923
Tax recoverable	319	255
Interest receivables	467	5,352
Other receivables	4,267	9,948
Impairment losses	(17,459)	(11,380)
Trade and other receivables	**85,709**	**100,572**
Prepayments and advances	2,959	2,504
	88,668	**103,076**

Query (e)

It is disclosed on page 8 of the unaudited financial statements that, "Investment in associates decreased significantly mainly due to impairment loss on investment in Figtree Holdings Limited, China Southwest and RCCPS in an associate, China GSD Logistics Pte Ltd. In addition, the decrease was also due to share of losses from China Southwest." Please explain how RCCPS in China GSD Logistics Pte Ltd has resulted in a decrease in the Company's investment in associates. Please also provide (i) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment; and (ii) the Board's assessment of the recoverability of the remaining investment in associates.

Company's response:

In respect of the impairment loss recognised on the RCCPS in China GSD, please see earlier explanation in SGX Query b(ii).

Company's response: (Cont'd)

The Board has had prior discussions with the management and the external auditors over the provision of impairment. The Board is satisfied with the reasonableness of the methodologies used to determine the amount of impairment in investment in associates.

The Company's investment in associate, namely China Southwest and RCCPS of China GSD have been fully impaired and written down to nil. Its remaining investment in associates are assessed for impairment at each reporting date. The Group evaluates, amongst other factors, the duration and extent to which the fair value of its investment in associates is less than its cost. Changes in the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, operational and financial cash flows, will impact the recoverable amount of its investment in associate. Based on the management representation, the Board believe there is no issue on the recoverability of the remaining investment in associates.

Query (f)

It is disclosed on page 8 of the unaudited financial statements that, "Decrease in other investments was mainly due to disposal of Sabana REIT units. The decrease was partially offset by a subsidiary's purchase of the Notes issued by the Company under the series 003 S$66,000,000 Notes due 2020." Please disclose the amount of subsidiary's purchase of the Notes issued by the Company and the relevant accounting treatment for the purchase at Group level.

Company's response:

The carrying amount of the Notes purchased by the subsidiary as at 30 April 2020 was $11,606,000, and it was a financial asset classified at fair value through profit or loss. The Notes classified as a financial asset held by the subsidiary and the Notes issued by the Company are presented separately from each other, is consistent with their characteristics as resources or obligations as each entity.

BY ORDER OF THE BOARD

Eric Khua Kian Keong
Executive Director & CEO
24 August 2020