

Issuer: GSS Energy Limited

Security: GSS Energy Limited

Meeting details:

Date: 24 April 2017

Time: 10:00H

Venue: Block 4012 Ang Mo Kio Avenue 10, #05-01 Techplace I, Singapore 569628

Company Description

GSS Energy Limited, through its subsidiaries, operates in the precision engineering business in Singapore, Indonesia, Germany, China, and internationally. The company's Mechanisms segment provides advanced production technology to multi-national manufacturers in the field of home and car audio entertainment, communication, computer, office automation, and medical industries. Its Microshafts segment manufactures and sells high precision shafts. The company also engages in the manufacture of other precision parts; and assembly of mechanisms used in computers and a range of electronic products, as well as the provision of sales support services. GSS Energy Limited was founded in 1979 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=41F)

Q1. The group's turnover of S\$75.7 million is attributable to the Mechanisms division and Microshafts division (which collectively is referred to as the Precision engineering(PE) business).

- a) **Of the \$75.7 million, can management provide the breakdown of the revenue generated from Changzhou and from Batam?**
- b) **What is the impact on the group's operations, if any, of the move to the new Changzhou factory? What is the additional capital expenditure required for the new factory?**
- c) **What is management's target for the segment's profit margins (on a normalised basis, less compensation of the Changzhou land)?**

Q2. Following the termination of the Cooperation Agreement, the group fully impaired the assets related to Cepu Sakti Energy Pte Ltd and PT Cepu Sakti Energy that were acquired at a total consideration of \$48 million. As noted in the Chairman's Message (page 2 of the annual report), the group has subsequently "formalised our joint venture arrangements with Central Java Provincial Authorities and PT Pertamina EP and expect to commence exploratory and production of oil from the Trembul Operation Area, Indonesia, in the second half of 2017".

The group has total equity attributable to owners of \$38 million which is needed to support both the group's precision engineering business and the capital intensive oil and gas business.

- a) **How is the group going to fund the exploration and production costs for the Trembul asset under the Operations Cooperation Agreement (Kerja Sama Operasi or "KSO") Agreement with PT Pertamina?**
- b) **What is the projected exploration and production costs for Trembul in 2017 and in 2018?**
- c) **How soon can the group start production in Trembul if everything goes smoothly?**

Also, the group had entered into an investment agreement to fund drilling cost for an oil and gas exploration project in West Jambi in Indonesia up to \$8.7 million (equivalent to US\$6.0 million) in the previous financial year.

- d) **Can shareholders get an update on the findings of the first well in Jambi?**
- e) **Will the partner be proceeding with the second well to be drilled in Jambi?**

Q3. Principle 5 of the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore states that:

- 5 *There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.*

In addition, guideline 5.3 explains what is required in the assessment of individual director:

Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and board committees, and any other duties).

In the company's Corporate Governance Report (page 13), it was disclosed that:

The Board of Directors will assess the performance and effectiveness of the Board as a whole. The executive directors are assessed on the performance of the division for which they are responsible.

- a) **Would the nominating committee and the board like to explain why the company has deviated from the Code and only assess the performance and effectiveness of the board as a whole, and not on an individual basis?**

A director of the company has duties over and above his/her executive functions, including key fiduciary duties and obligations.

- b) **If executive directors are only assessed on the performance of the division for which they are responsible, are the directors objectively discharging their duties and responsibilities at all times as fiduciaries in the interests of the company?**