Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: GSS Energy Limited

Stock code: 41F

Meeting details:
Date: 22 June 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. On 23 January 2020, the company announced an unsolicited, non-binding offer from Mr. Yeung Kin Bond, Sydney ("Mr. Yeung"), an executive director and group chief executive officer of the company, to acquire Giken Sakata (S) Limited ("GSL"), a wholly-owned subsidiary of the company.

On 7 February 2020, the company announced that it had decided to proceed to negotiate with Mr. Yeung.

Approximately three weeks later, on 27 February 2020, the company announced that Mr. Yeung has withdrawn the offer and he will focus his efforts to manage the two sectors of the group's business in view of the challenging macro environment arising from the COVID19 virus.

(i) **Given that the board followed up on the offer from Mr. Yeung to buy GSL, can the board help shareholders understand its view of the long-term prospect of GSL?**

(ii) **What is the strategic value of GSL in the group's long-term growth plans?**

(iii) **Was the capital reduction carried out by GSL meant to facilitate the potential sale?**

(iv) **Given that Mr. Yeung withdrew the offer citing the challenges arising from the COVID-19 outbreak, can management help shareholders understand the impact due to the pandemic?**

(v) As noted in the CEO's message, the group entered into a partnership with a South Korea company to build and distribute mobility vehicles in Thailand and Vietnam in late FY2019. **Can management provide shareholders with greater clarity on the "partnership"? What is the group's contribution, involvement and risk in the manufacturing and distribution of mobility vehicles in Thailand and Vietnam in this partnership?**

Q2. In Note 43 (page 126 – Events subsequent to reporting date), the group reported that the declining oil prices since the end of February 2020, if continue to persist, may have an adverse impact on the exploration and evaluation project undertaken by an associate of the group.

This refers to the 20% stake in GSS Energy Trembul Limited ("GETL") following the disposal of 80% of the issued and paid-up share capital in June 2019.

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Following the disposal of shareholding in GETL, the investment in GETL is accounted as investment in an associate company with cost amounting to $2,791,000 and $9,392,000 in amount due from an associate ("remaining interest").

The "assessment of impairment of the remaining interest in an associate" is also a key audit matter in the independent auditor's report in their Report on the audit of the financial statements.

(i) **Can management elaborate further on the key assumptions used to justify the collectability of the $9.39 million due from an associate?**

(ii) **In addition, in the base-case scenario, when does management expect GETL to be able to generate sufficient cash flow to start paying the amount due to the company?**

(iii) **Given the significant drop in oil price, has management revised its estimations and projections?**

Q3. On 21 May 2020, the company provided an update on its disclosure of the internal audit function. It clarified that:

> The Company has disclosed at page 39 of the AR2019 that the internal audit function of the Group is carried out by the Group internal auditors, and that the internal audit function is independent, adequately resourced and effective. The Board wishes to add that the internal audit is carried out by a team of staff from ***finance department***, [emphasis added] who are qualified and experienced ex-auditors, handling audit and tax-matters for companies of different sizes and industries. The team maintains its independence as the members do not handle direct operational matters or maintain the accounts for the business units that they are auditing within the Group.

(i) **Do the finance department staff who are tasked with the internal audit function have dual reporting lines, one for their finance function and one for their internal audit function (which should be the audit committee ("AC"))?**

(ii) **Did the AC ensure that the internal auditors comply with the standards set by nationally or internationally recognised professional bodies for internal audit?**

(iii) **Would the AC be reviewing the current arrangement and re-evaluate if changes can be made to further improve the independence and the standing of the internal audit team?**

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^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)