Securities Investors Association (Singapore)
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www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: GSS Energy Limited

Stock code: 41F

Meeting details:
Date: 28 July 2023
Time: 10.00 a.m.
Venue: Block 4012 Ang Mo Kio Avenue 10, #05-01 Techplace 1, Singapore 569628

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Q1. In the message to shareholders, the chairman and CEO announced, "*with great pleasure*" the 10.4% increase in precision engineering revenue to $129.7 million. The group experienced strong demand, collaborated with existing customers and acquired new customers in the electronics and consumer products sectors. The chairman and CEO had said that the precision engineering segment "*thrived*".

Consolidated Statement of Comprehensive Income

For the Financial Year Ended 31 December 2022

	Note	2022 $'000	2021 $'000
Revenue	4	**129,691**	117,488
Cost of sales		**(113,838)**	(99,204)
Gross profit		**15,853**	18,284
Other items of income			
Other income	5	**890**	1,774
Interest income	6	**92**	174
Other items of expense			
Selling and distribution expenses		**(11,694)**	(9,916)
Administrative expenses		**(5,091)**	(4,002)
Other expenses	8	**(500)**	(17)
Finance costs	9	**(1,412)**	(466)
Loss allowance on trade receivables and amount due from an associate	19, 24	**(10,042)**	–
Share of loss of an associate, net of tax	19	**(2,753)**	(10)
(Loss)/Profit before income tax	10	**(14,657)**	5,821
Income tax expense	11	**(436)**	(772)
(Loss)/Profit for the financial year		**(15,093)**	5,049

(Source: company annual report; emphasis added)

(i) **What were the main factors that contributed to the decrease in gross profit even though revenue increased by 10.4%?**

(ii) **Can management clarify whether the precision engineering (PE) segment was profitable after taking into account the selling and distribution, administrative, and finance expenses, or did it incur losses?**

(iii) **If the PE segment was indeed loss-making, can the chairman and CEO explain why they considered the business to be thriving despite the financial performance?**

(iv) **What are management's priorities to improve the profit margin in the PE segment in the next 12-18 months?**

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Q2. The group's associate company, PT Sarana GSS Trembul, failed in getting a renewal of the operating agreement for the Trembul Operating Area as it did not complete the work program amounting US$6.4 million required under the co-operative agreement with PT Pertamina.

The termination letter was dated 26 September 2022 but it was disclosed that the company was only notified on 22 December 2022.

(i) **Has the board re-assessed the adequacy of the group's internal controls, including financial, operational, information technology, compliance, and risk management systems to safeguard the interests of the shareholders and the group's assets, especially considering the delay in being notified of the termination?**

(ii) **What discussions did the board/management have with PT Sarana GSS Trembul and Oakhurst Investments Pte Ltd regarding the work program?**

(iii) **Has the group reviewed the circumstances leading to the non-fulfilment of the work program? Is Oakhurst responsibility for the funding the work program and have they met their obligations? Is the board considering its options to safeguard its interest in PT Sarana GSS Trembul?**

(iv) **When will PT Pertamina make a decision on the appeal?**

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Q3. The group has made strategic investments to develop UNO-X, an electric motorcycle; signed a memorandum of understanding (MOU) to develop electric vehicle (EV) business in Southeast Asia; and subsequently formed a joint venture (JV) for the EV collaboration with Hong Kong listed MECOM Power and Construction Limited.

(i) **What progress has the group made since obtaining the road-worthy certification for UNO-X in Thailand in November 2021?**

(ii) **How does the group plan to manufacture the electric motorcycles?**

(iii) **What are the expected contributions of the group to the JV with MECOM? What specific strengths and expertise does the group possess in the electric vehicle (EV) segment that are relevant to the business plan of the JV?**

On 30 March 2022, the group acquired 100% of the share capital of Edison Motors Co., Ltd for an aggregate consideration of $7.25 million. Edison had net identifiable assets at fair value totally just $855,000 at the point of its acquisition.

As of 31 December 2022, and following the purchase price allocation, the carrying amount of the goodwill and intellectual properties arising from acquisition of Edison Motors was approximately $6,395,000 and $1,065,000 respectively. Management has used an average revenue growth rate of 260% in the value-in-use calculations, with the launch of the electric motorcycle targeted in the financial year ending 31 December 2023.

(iv) **Has the audit committee assessed the reasonableness of the assumptions used in the value-in-use calculation for the EV cash-generating unit (CGU)?**

(v) **Is the launch of the electric motorcycle on schedule?**

(vi) **Regarding the payment of $6.4 million in goodwill for the acquisition of Edison Motors, what guidance has the board provided to management to exercise prudence in its acquisitions related to new business areas such as electric motorcycle development, EV charging infrastructure, and EV distribution?**

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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