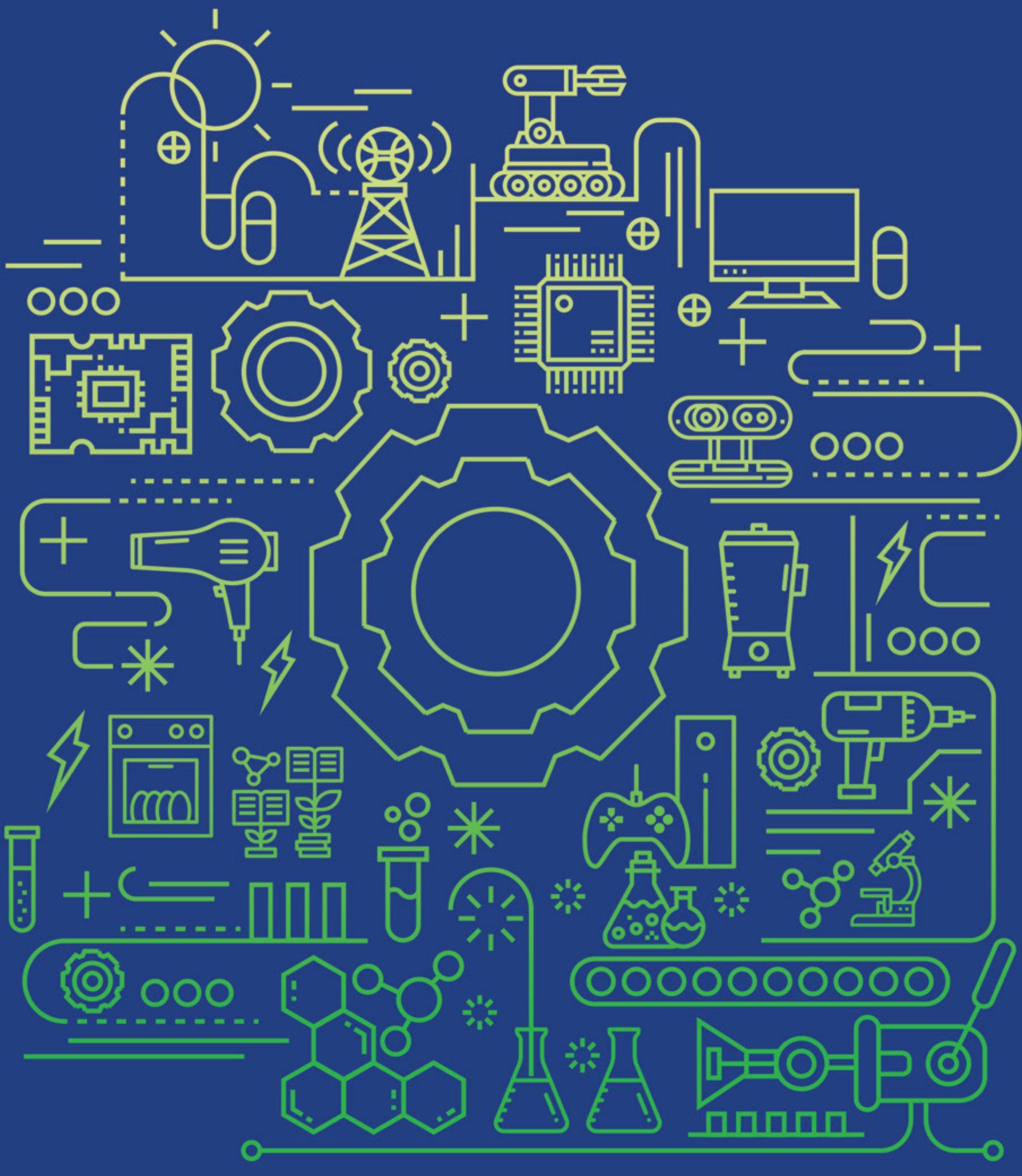

BUILDING CAPABILITIES
GOING BEYOND

ANNUAL REPORT 2019

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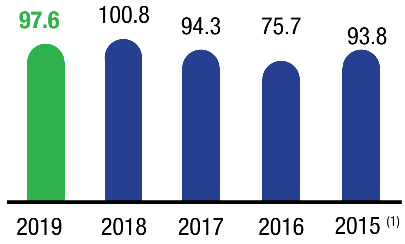
GROUP FINANCIAL SUMMARY

FINANCIAL PERFORMANCE

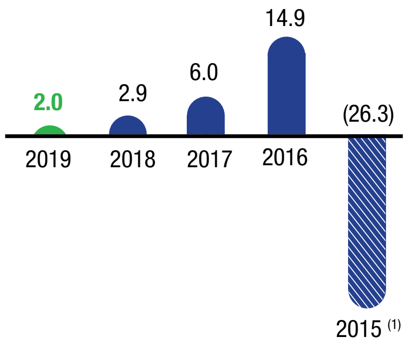
TURNOVER

S$ mil



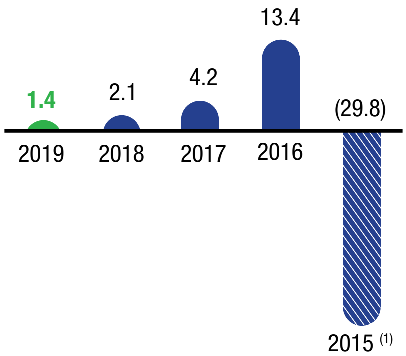
NET PROFIT/(LOSS) BEFORE TAX

S$ mil



NET PROFIT/(LOSS) AFTER TAX

S$ mil

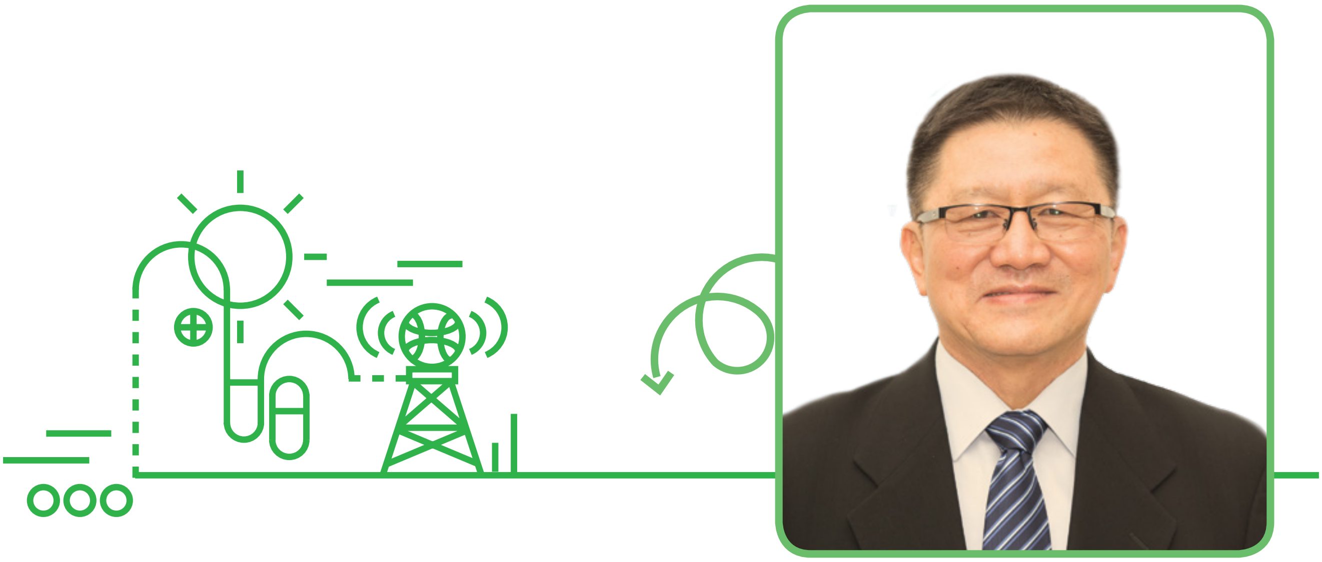


Note:

(1) "2015": Period from 1 September 2014 to 31 December 2015.

	2019 S$mil	2018 S$mil	2017 S$mil	2016 S$mil	2015 S$mil
FINANCIAL POSITION					
Property, Plant & Equipment	**11.2**	11.8	10.1	6.4	3.9
Other Non-Current Assets	**18.5**	15.9	14.2	5.9	4.4
Current Assets (excludes*)	**39.8**	43.1	45.9	30.3	19.6
*Cash and Bank Balances	**7.2**	6.1	4.7	14.9	10.2
Total Assets	**76.7**	76.9	74.9	57.5	38.1
Other Non-Current Liabilities	**1.9**	1.5	1.4	1.3	1.1
Long-Term Borrowings	**0.0**	0.0	0.0	0.0	0.0
Short-Term Borrowings	**5.5**	5.0	2.9	0.0	0.0
Other Current Liabilities	**21.4**	23.9	27.5	18.3	23.3
Total Liabilities	**28.8**	30.5	31.8	19.6	24.4
Capital Reserve	**0.0**	0.0	0.0	0.0	(22.8)
Translation Reserve	**(1.1)**	(0.2)	0.1	0.1	0.2
Statutory Reserve	**1.3**	1.2	1.0	0.9	0.7
Revenue Reserve	**(13.8)**	(15.5)	(17.5)	(21.5)	(31.7)
Equity Non-Controlling Interest	**0.1**	0.1	0.0	0.0	(6.6)
Share Capital	**58.5**	58.5	58.5	58.5	73.5
Total Capital & Reserve	**48.7**	46.9	43.2	38.0	13.3
Non-Controlling Interests	**(0.7)**	(0.4)	(0.1)	(0.1)	0.4
Total Capital, Reserve & Non-Controlling Interests	**47.9**	46.5	43.1	37.9	13.7
FINANCIAL RATIOS					
Net Tangible Assets Per Share S$ (Cents)	**9.2**	6.5	5.9	7.3	2.3
Earnings/(Loss) Per Share Before Tax S$ (Cents)	**0.4**	0.6	1.2	3.0	(3.4)
Earnings/(Loss) Per Share After Tax S$ (Cents)	**0.4**	0.4	0.9	2.7	(4.1)

CHAIRMAN'S MESSAGE



The unexpected 2019 US-China trade tensions and Brexit uncertainties further dampened prospects of global economic recovery and disrupted supply chains and business confidence. Nearer home, Indonesia's boisterous Presidential Elections had also delayed the finalization of several laws and regulations for oil and gas industry. This impacted directly on GSS Energy Group operations in Trembul Area.

Arising from interest shown by our contractor to participate in the Company's drilling program in Trembul, a successful "farm-out" arrangement was successfully concluded on revenue-sharing on the gas proceeds from the two completed wells and for our partner to takeover the drilling program under the Trembul Gas Agreement with Pertamina. With this arrangement, the Group abandoned its twin business model to refocus its efforts in the revenue generating precision engineering business. This is a strategic move to deploy the Group resources to the more promising engineering division. At the same time, the Group and the "farm-in" contractor will partake in the revenue sharing of the gas "off-take" and the cost recovery of eligible expenses under the Production Sharing Contract, PSC in Trembul Area.

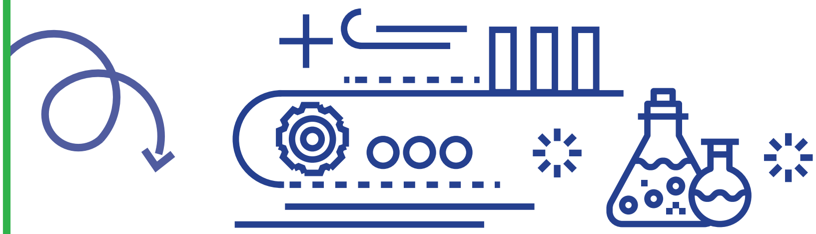
The Group's precision engineering business, previously under Giken Sakata (S) Limited, was by revitalized by fresh injection of capital from the Group. This motivated a group of committed long serving senior staff and employees to rebrand the PE business into a diversified and profitable division that had successfully been the profitable "backbone" of the Group's financial soundness in recent years. The additional capital enable the PE Team to pursue opportunities and to invest in another factory in Batam, new equipment and R&D facilities and corresponding investment in manpower upgrading skills and implement improved coordination in production sharing amongst the factories in Batam, Changzhou and Singapore.

The PE Division will be a major revenue generating business centre for the Group in the coming years. With their strategic emphasis on higher value added and diversified range of products and new product initiatives and effective cost-management, the Group can confidently look forward to continue PE Division's five year consecutive record in the coming years.

On this note, on behalf of my fellow Board of Directors, I like to express our appreciation to Management and staff of the Group for their dedication and steadfastness in navigating the challenging business environment in recent years. Their profitability record is a testament to their collective efforts. I would also like to appreciate our shareholders for your understanding and patience for your dividend expectation. On behalf of our Board and Management, I assure you that as soon as we are in a position to declare dividends on your shareholdings, we would act on promptly.

ANTHONY KUEK
Chairman
Independent Non-Executive Director

CEO'S MESSAGE



DEAR SHAREHOLDERS,

On behalf of the Board of **GSS Energy Limited** ("**GSS Energy**" together with its subsidiaries, the "Group"), it is my privilege to deliver our Annual Report 2019 for the financial year results ended 31 December 2019 ("FY 2019").

In FY 2019, the Group made a strategic change in its twin business model by "farming out" its oil and gas asset to an established business partner and re-focus its attention to the promising precision engineering business. As a result, we were able to deliver strong results and forge partnerships with our customers to jointly develop new products through collaboration in research and development for a more diversified and higher value range of products. Our factories in Batam, Changzhou and Singapore were able to respond to these changes with upskilling of staff to operate new machines.

For FY 2019, the Group's PE business made steady progress in a challenging environment of trade tensions between China and American and slow economic recovery in key markets of our major customers. The Group's overall revenue was S$97.6 million from PE, a marginal decrease of 3% from FY 2018. PE business was able to achieve gross profit of S$18.4 million was 10.8% lower from S$20.7 million in FY 2018 due to higher labour and material costs. The net profit after tax for PE was S$4.0 million for FY 2019 compared with S$9.4 million in FY 2018.

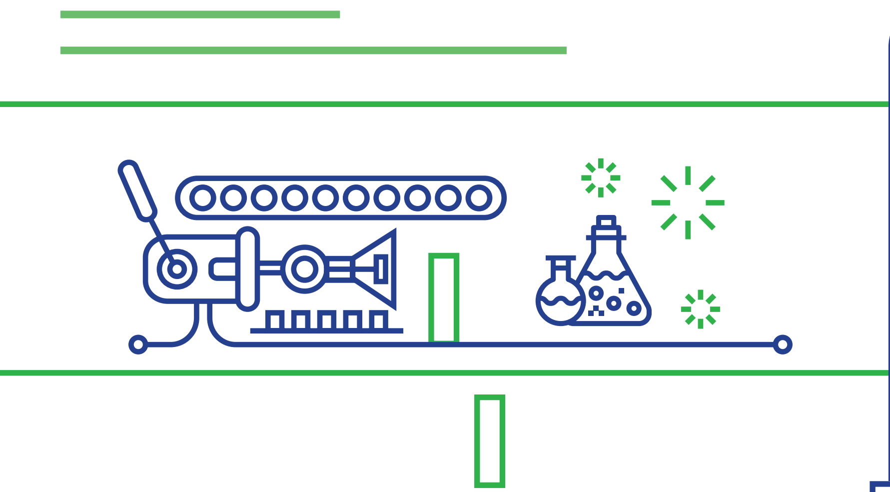
The Group net profit after tax for FY 2019 was S$1.4 million as compared with S$2.1 million in FY 2018. This was due mainly to setup expenses associated with new ventures and some losses in oil and gas business. Going forward, the Group expects corporate expenses to stabilize at the current level and no further expenses to be incurred for O&G.

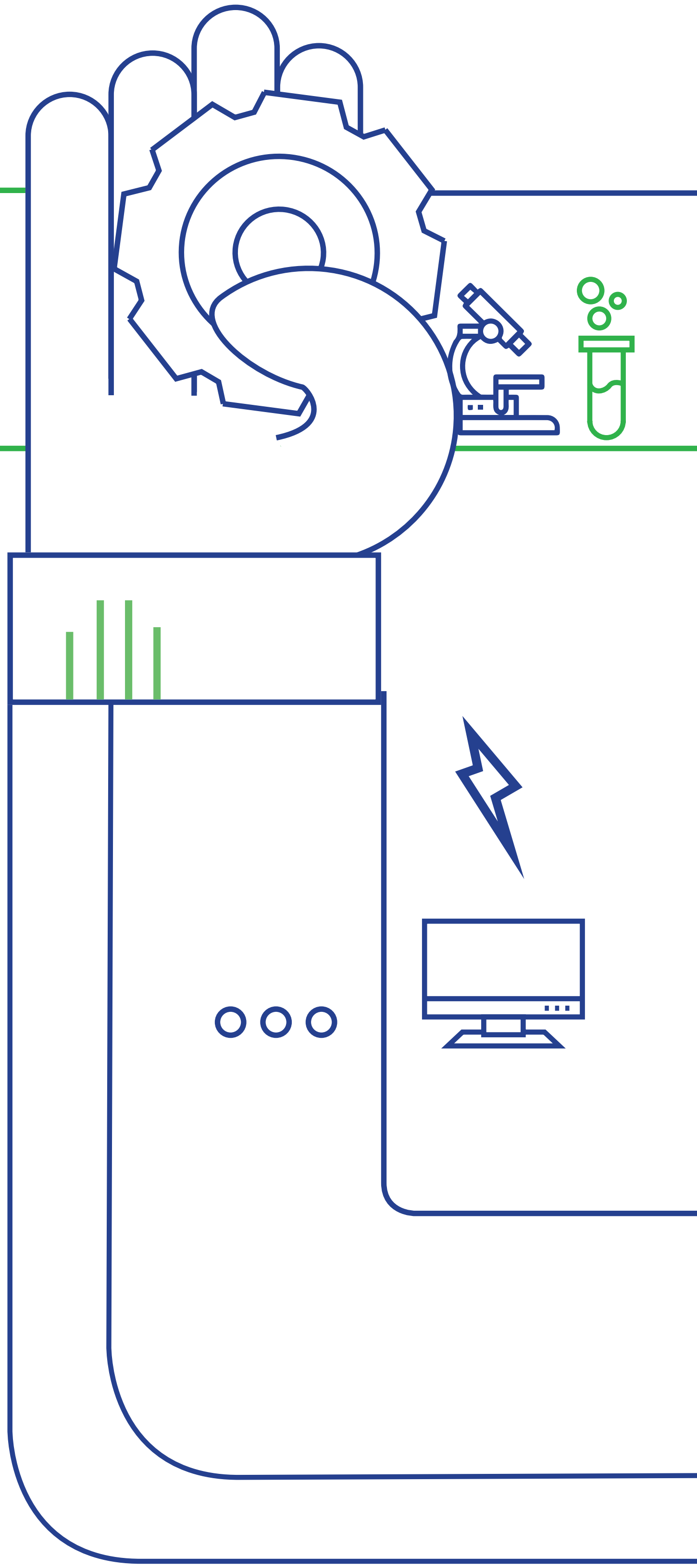
In late FY 2019, the Group entered into partnership with a South Korea company to build and distribute mobility vehicles in Thailand and Vietnam. The Group has benefited from the expertise transferred to Batam and Changzhou factories that will further expand on the capability to diversify customer base into new products and markets. The second factory in Batam is almost gear up and ready to go into phased production of such mobility vehicles. Advanced orders have been secured for exports to these countries. Regulatory compliance for use of these vehicles is progressing well with shipments expected in first quarter of 2020.

DIVIDENDS

The Group has deliberated on a modest dividend for our shareholders for this year. We considered the limited resources for this exercise and the use of funds to further support the company's further growth in the precision engineering sphere where the Group has built up a solid team of qualified staff, sound relationship with established customers who are partners in our drive towards higher value and diversified products and promising prospects of related engineering business in the field of electrified mobility vehicles. It is the view of the Board that at this point, the accumulated resources would be better deployed for further consolidation in productive PE activities and investment in new initiatives to propel the Group to a higher level of profitability that would over time, offer much improved returns than what the Group can offer at this moment. At the last Board meeting, the Board was also concerned with the emerging coronavirus that was already in parts of China and potential contagion to countries outside China. For these considerations, the Board regrettably concluded not to recommend a dividend payment for FY 2019.

CEO'S MESSAGE





OUR PARTNERS

On behalf of the Board, I would like to take this opportunity to extend our heartfelt appreciation to the Board of Directors, valued shareholders, business partners, customer and suppliers for their steadfast support through the years.

At the same time, I also want to recognize the contributions and hard work of management and staffs on the road towards next milestone under the guidance from the Board.

At this juncture, I warmly welcome Mr Lee Kok Beng to join the Board as executive director who brings in invaluable experience and expertise in manufacturing during the year.

Yours sincerely,

MR SYDNEY YEUNG
Group Chief Executive Officer
6 April 2020

BOARD OF DIRECTORS

MR KUEK ENG CHYE, ANTHONY

Chairman;
Non Executive and Independent Director

Anthony Kuek was appointed an Independent Director of the Company in November 2014 and Independent Non-Executive Chairman in November 2016.

Prior to his governance career, Anthony had extensive experience in economics policy advisory, program and project development and financing in several Asian countries as a senior officer and consultant for over thirty years in several development agencies. His expertise spans across public policy and economics, finance, regulatory, governance and sustainability.

He is knowledgeable across a range of sectors in infrastructure, energy, industries, social and environmental sectors and provided long term consulting to economic ministries and agencies in Indonesia. He had completed projects in public-private partnerships, participated in economic crisis management and formulated programs to mitigate disruptive impact on businesses in fast evolving global environment.

Anthony holds a Master in Business Administration with major in banking and finance and a Bachelor Degree (Honors) in Economics. He is also a qualified instructor for Adult Teaching and Learning. He was appointed non-Executive Chairman of Magnus Energy Group Pte Ltd in January 2020.

DATE OF FIRST APPOINTMENT AS A DIRECTOR
18 November 2014

DATE OF APPOINTMENT AS CHAIRMAN
15 November 2016

DATE OF LAST RE-ELECTION AS A DIRECTOR
24 April 2017

BOARD COMMITTEE MEMBERSHIP
- Chairman of Nominating and Remuneration Committees
- Member of Audit Committee

ACADEMIC & PROFESSIONAL QUALIFICATION
- Master in Business Administration degree, Ateneo de Manila University, Philippines;
- Bachelor of Social Sciences (Hons, Economics), University of Singapore;
- Diploma in Adult Teaching and Learning, University of Canterbury, New Zealand

PRESENT DIRECTORSHIP OTHER THAN THE COMPANY (SGX LISTED COMPANY)
Magnus Energy Group Ltd.

PRESENT DIRECTORSHIP OTHER THAN THE COMPANY (NON SGX-LISTED COMPANY)
Nil

MAJOR APPOINTMENT (OTHER THAN DIRECTORSHIP)
Magnus Energy Group Ltd. (Independent Non-Executive Chairman)

BOARD OF DIRECTORS

MR YEUNG KIN BOND, SYDNEY

Group Chief Executive Officer;
Executive Director

Mr Yeung has many years of experience in the financial industry, starting his career in the Institutional Equity Division at Morgan Stanley New York and as the Managing Director of International Trading at Van der Moolen, a US securities specialist firm.

Mr Yeung has been serving as the Group CEO at GSS energy since 2015 focusing on both the Precision Engineering and Oil and Gas business. Mr Yeung is an active member of the Rotary Club in Singapore.

DATE OF FIRST APPOINTMENT AS A DIRECTOR

31 November 2014

DATE OF LAST RE-ELECTION AS A DIRECTOR

26 April 2019

BOARD COMMITTEE MEMBERSHIP

Member of Nominating Committee

ACADEMIC & PROFESSIONAL QUALIFICATION

Fordham University

PRESENT DIRECTORSHIP OTHER THAN THE COMPANY (SGX LISTED COMPANY)

Nil

PRESENT DIRECTORSHIP OTHER THAN THE COMPANY (NON SGX-LISTED COMPANY)

- Giken Sakata (S) Limited
- Giken Precision Engineering (S) Pte. Ltd.
- Changzhou Giken Precision Co Ltd
- Changzhou Giken Technology Co Ltd
- Changzhou Giken Import & Export Co.,Ltd
- GSS Energy Investment Holdings Limited
- GSS Energy Oilfield Management Limited
- GSS Energy Sumatra Limited
- GSS Energy Trembul Limited
- Nusantara Resources Pte. Ltd.
- Turbo Charge Limited
- Turbo Charge (S) Pte. Ltd.
- Turbo Charge (M) Sdn. Bhd.
- Giken Trading (S) Pte. Ltd.
- Giken Mobility Pte. Ltd.
- I-Motor Asia Limited
- I Motor Korea Co., Ltd
- Roots Capital Asia Limited
- Ares Asia Limited

MAJOR APPOINTMENT (OTHER THAN DIRECTORSHIP)

- PT Giken Precision Indonesia (Commisioner)
- PT Sarana GSS Trembul (Commisioner)
- Rotary Club, Singapore (Member)

BOARD OF DIRECTORS

MR NG SAY TIONG
Executive Director;
Chief Financial Officer cum Company Secretary

Mr Ng currently serves as the Treasurer of the Rotary Club of Queenstown and as the Honorary Assistant Treasurer of the Singapore Buddhist Lodge.

Mr Ng was previously the Vice Chairman of the Marsiling Citizen Consultative Committee and Chairman of the Fuchun Community Club Management Committee. Mr Ng was awarded a Public Service Medal (PBM) by the President of Singapore in the 2012 National Day award.

DATE OF FIRST APPOINTMENT AS A DIRECTOR
31 October 2014

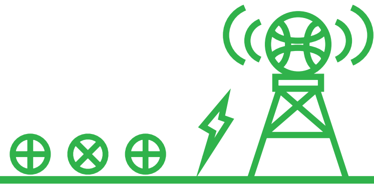
DATE OF LAST RE-ELECTION AS A DIRECTOR
26 April 2019

ACADEMIC & PROFESSIONAL QUALIFICATION
- Bachelor of Accountancy degree, National University of Singapore
- Master of Business (International Marketing), Curtin University of Technology in Australia

PRESENT DIRECTORSHIP OTHER THAN THE COMPANY (SGX LISTED COMPANY)
Nil

PRESENT DIRECTORSHIP OTHER THAN THE COMPANY (NON SGX-LISTED COMPANY)
- Giken Sakata (S) Limited
- Giken Precision Engineering (S) Pte. Ltd.
- Changzhou Giken Precision Co Ltd
- GSS Energy Investment Holdings Limited
- Nusantara Resources Pte. Ltd.

MAJOR APPOINTMENT (OTHER THAN DIRECTORSHIP)
Nil



MR LEE KOK BENG
Executive Director

Mr Lee has over 30 years of experience in electronic manufacturing services industry and currently serves as the Vice President of Group's Precision Engineering business segment.

DATE OF FIRST APPOINTMENT AS A DIRECTOR
3 July 2019

ACADEMIC & PROFESSIONAL QUALIFICATION
- Diploma in Mechanical Engineering, Singapore Polytechnic
- Diploma in Marketing Management, Ngee Ann Polytechnic, Singapore

PRESENT DIRECTORSHIP OTHER THAN THE COMPANY (NON SGX-LISTED COMPANY)
- Giken Sakata (S) Limited
- Giken Mobility Pte. Ltd.
- Changzhou Giken Technology Co Ltd
- PT Giken Precision Engineering
- PT Giken Technology Indonesia
- Turbo Charge Limited
- Turbo Charge (S) Pte. Ltd.
- Turbo Charge (M) Sdn. Bhd.

PRESENT DIRECTORSHIP OTHER THAN THE COMPANY (SGX LISTED COMPANY)
Nil

MAJOR APPOINTMENT (OTHER THAN DIRECTORSHIP)
Nil

BOARD OF DIRECTORS

MR CHEE SANFORD
Independent Director

Mr Chee was previously the Managing Director at Tiedemann Global Emerging Markets, responsible for equities investment across Asia. Before joining Tiedemann, Mr Chee was an Associate at York Capital Management Asia Advisors. Mr Chee had also worked as an investment banker at Lazard where he specialized in cross border M&A. Prior to that, he was a consultant at McKinsey and Bain and a portfolio manager at Koeneman Capital Management.

DATE OF FIRST APPOINTMENT AS A DIRECTOR
18 November 2014

DATE OF LAST RE-ELECTION AS A DIRECTOR
22 April 2016

BOARD COMMITTEE MEMBERSHIP
- Chairman of Audit Committee;
- Member of Nominating and Remuneration Committees

ACADEMIC & PROFESSIONAL QUALIFICATION
- Master of Business Administration (Finance Major), Wharton School, University of Pennsylvania in USA
- Bachelor of Accountancy Degree (First Class Honours), Nanyang Technology University, Singapore

PRESENT DIRECTORSHIP OTHER THAN THE COMPANY (SGX LISTED COMPANY)
Nil

PRESENT DIRECTORSHIP OTHER THAN THE COMPANY (NON SGX-LISTED COMPANY)
Nil

MAJOR APPOINTMENT (OTHER THAN DIRECTORSHIP)
Nil

MR FUNG KAU LEE, GLENN
Non-Independent
Non-Executive Director

Mr. Fung has over 30 years of working experience in financial industry in Canada, New York, Korea and Hong Kong. Prior to relocating to Asia, he held management positions with major investment and securities firms including Merrill Lynch (Canada) and CIBC Wood Gundy. As Executive Vice President of HSBC Securities (Canada) and Vice President of HSBC Brokerage (USA), he managed HSBC's investment advisory business in western Canada and California. In Asia, he was co-founder and director of Verde Asia Fund, a corporate social responsibility themed equity long/short fund.

Currently, Mr. Fung serves as the Managing Director and CEO of N-Bridge Capital Group Limited, an infrastructure investment firm focused on Asia infrastructure investments.

DATE OF FIRST APPOINTMENT AS A DIRECTOR
25 November 2016

DATE OF LAST RE-ELECTION AS A DIRECTOR
26 April 2019

BOARD COMMITTEE MEMBERSHIP
Member of Audit and Remuneration Committees

ACADEMIC & PROFESSIONAL QUALIFICATION
- MBA and Bachelor of Applied Science (Civil Engineering), University of British Columbia in Canada
- Member of Chartered Financial Analyst Institute

PRESENT DIRECTORSHIP OTHER THAN THE COMPANY (SGX LISTED COMPANY)
Nil

PRESENT DIRECTORSHIP OTHER THAN THE COMPANY (NON SGX-LISTED COMPANY)
N-Bridge Capital Group Limited (CEO)

MAJOR APPOINTMENT (OTHER THAN DIRECTORSHIP)
Nil

CORPORATE DATA

Board of Directors

Kuek Eng Chye, Anthony (Independent Non-Executive Chairman)
Yeung Kin Bond, Sydney (Group Chief Executive Officer, Executive Director)
Lee Kok Beng (Executive Director)
Ng Say Tiong (Executive Director)
Chee Sanford (Independent Director)
Fung Kau Lee, Glenn (Non-Independent Non-Executive Director)

Audit Committee

Chee Sanford (Chairman)
Kuek Eng Chye, Anthony (Member)
Fung Kau Lee, Glenn (Member)

Nominating Committee

Kuek Eng Chye, Anthony (Chairman)
Yeung Kin Bond, Sydney (Member)
Chee Sanford (Member)

Remuneration Committee

Kuek Eng Chye, Anthony (Chairman)
Chee Sanford (Member)
Fung Kau Lee, Glenn (Member)

Company Secretaries

Ng Say Tiong
Wong Liong Khoon

Registered Office

50 Raffles Place #32-01 Singapore Land Tower,
Singapore 048623
Telephone: (65) 6536 5355
Fax: (65) 6536 1360

Principal Business Address

Blk 4012 Ang Mo Kio 10, #05-01 Techplace I,
Singapore 569628

Company Registration Number

201432529C

Company Web-site

www.gssenergy.com.sg

Auditors

BDO LLP, Public Accountants and Chartered Accountants, Singapore

Partner-in-charge :

Ng Kian Hui
(Appointed since financial period from 1 September 2014 to 31 December 2015)

Sponsor

Stamford Corporate Services Pte Ltd

Registrar, Transfer Office and Warrant Agent

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place, #32-01 Singapore Land Tower,
Singapore 048623

Principal Bankers

Standard Chartered Bank, Singapore Branch
Oversea-Chinese Banking Corporation, Limited
Maybank Singapore Limited
The Development Bank of Singapore Limited
Mizuho Corporate Bank, Limited, Singapore Branch

SUSTAINABILITY REPORT

GSS Energy Ltd ("**GSS Energy**") is honoured to present its third sustainability report. Sustainability has always been embedded as part of our operating fundamentals since we incorporated the Company. This report articulates GSS Energy's sustainability efforts across all our operations around the world.

The report covers our performance with respect to the identified Economic, Social and Governance ("**ESG**") factors which are material to our Group, that fall within our financial year of reporting – 1 January 2019 to 31 December 2019 ("**FY 2019**"). It has been prepared based on the 2016 Global Reporting Initiative ("**GRI standards**"): Core Option. The report is also issued pursuant to Rules 711A and 711B of the Listing Manual of the SGX-ST, Section B: Rules of Catalist ("**Catalist Rules**") and the SGX Sustainability Reporting Guide. The GRI standards are adopted as our reporting framework as we believe it provides guidance and is widely accepted as a global standard for sustainability control. The GRI standards will enable the Group to prepare a Sustainability Report that is focused on its material ESG factors based on the GRI Reporting Principles. The GRI Content Index is contained on pages 23 to 24, indicating the location of the applicable disclosures within the Report.

The Group recognises the importance of delivering long term value and sustainable returns to all our stakeholders. Sustainability is integral to our business operations. We identify and focus on areas of improvement. Our approach to sustainability is guided by several factors: listening to our stakeholders, identifying the key material ESG aspects of our business, and ensuring we have a sustainable framework in place to track our progress. The Group remains in the process of enhancing performance measurement mechanisms, commitments and working towards targets in relation to the material ESG factors.

BOARD STATEMENT

The Board is responsible for the long-term strategic direction of the Group and that it has considered sustainability issues as part of its strategic formulation. It is ultimately responsible for the Group's sustainability reporting. The Board has determined the key material ESG factors as set out in this report and has overseen the management and monitoring of the key material ESG factors. The Board is committed to the Group's efforts towards the employment of sustainable practices as our strategic approach to integrate sustainability in all aspects of our business and operations.

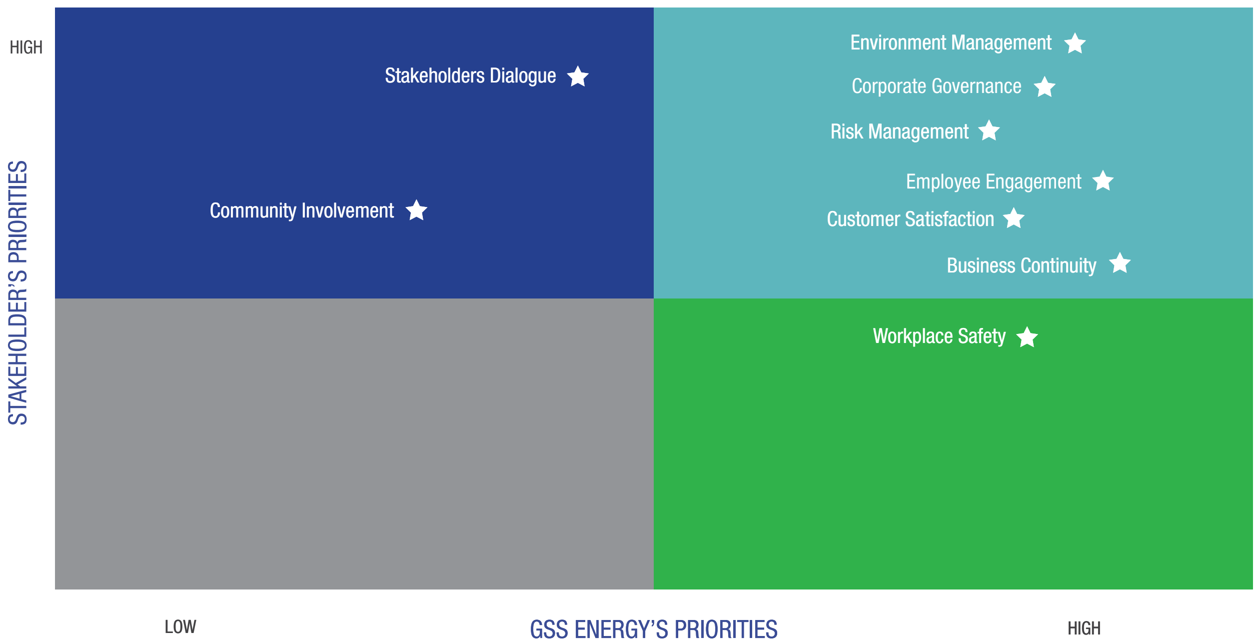
DEFINING MATERIAL ISSUES

Based on a Group-wide materiality assessment, we have outlined our strategic sustainability priorities through these steps:

1. Defining key issues which impact the execution of our business strategy;
2. Identifying the material ESG factors of the respective business areas, industry challenges, risks and impact on the Group's business;
3. Prioritising these critical factors and validate internally as pressing issues to address;
4. Carefully re-examine and analyse the significance of material issues and their outcomes on our business, stakeholders and the community at large;
5. Embedding best practices within our business operation processes where applicable; and
6. Seeking feedback from stakeholders through our day-to-day engagements and consultation with them to establish the direction for sustainability reporting.

We assess, treat and monitor each significant risk that the Group faces in achieving its business objectives. Such risks, including mitigating actions are reported to the Board through the Audit Committee on an annual basis and are followed-up by the in-house internal audit team as part of its annual audit plan.

The following are the material factors identified and prioritised:



SUSTAINABILITY REPORT

STAKEHOLDERS' DIALOGUE

We engage our stakeholders through various medium and channels to ensure that our business interests are aligned with those of our stakeholders, to understand and address their concerns and to enable us to improve our products standards, services, business operations and strategically align our resources for long term growth and sustainability.

Our stakeholders have been identified as those who are impacted by our business and operations and those similarly are able to impact our business and operations. We have identified six stakeholder groups through an assessment of their significance to our operations, namely, investors, employees, customers, suppliers, local communities and government institutions. We set out below the policies and practices for engagement with our stakeholders, and our targets under "GSS Energy's response".

Stakeholder Group	Objective / expectations of the stakeholder	Modes of engagement	Frequency of engagement	Key interests by stakeholder group	GSS Energy's response
Investors	Maximise profits and obtain information needed to make sound investment decisions	SGX announcements	Quarterly	Profitability and financial sustainability of GSS Energy	Maintain sustained growth with a view to increase sales and cost-effective processes
		Annual report	Annually		
		Annual General Meeting (AGM)	Annually	Timely and transparent disclosure of information and announcements	Periodic and transparent communciation of financial and non-financial information deemed material to the Company
		Meeting analysts and investors	As required	Accessibility to management / Investor Relations Team	Maintain prompt response to feedback and queries
Employees	Fair remuneration and career development and progression	Orientation for new employees	As appropriate	Employee engagement	To assimiliate new hires into the Company's culture
		Family day	Annually		
		Corporate Spcial Responsibility (CSR) activities	Annually	Increase team productivity through volunteerism	To create corporate conscience, corporate citizenship and responsibility
		Training	As appropriate	Work opportunities and career advancement	Yearly review of training needs, analysis and competency framework across all job levels / category
				Employee engagement	
		Ad hoc social events	As appropriate	Employee welfare and benefits	To foster teamwork and social interaction among employees

SUSTAINABILITY REPORT

Stakeholder Group	Objective / expectations of the stakeholder	Modes of engagement	Frequency of engagement	Key interests by stakeholder group	GSS Energy's response
Customers	Receive products that meet their specifications at a competitive price	Customer satisfaction survey	Annually	Quality of products	Maintain robust quality management systems in line with international standards such as ISO9001, ISO13845, ISO14001 and IATF16949 certifications.
					Period assessment by third-party certfication body to achieve certification
					Conduct quality audits on all its products
		Regular meetings and discussions with respective project managers	As required	Responsiveness to requests	Ensure that the project managers respond to their customers promptly and meet their needs
Suppliers	Maintain a good relationship with its customers	Regular meetings and discussions with respective procurement managers	As required	Receipt of prompt payments for goods and services rendered	Ensure that GSS Energy complies with contract terms for timely payment
Local communities	Ensure that organisations contribute positively to the community	Cash donations to charitable organisations	As appropriate	Sustained support for corporate social responsibility projects	Maintain good relationships with charitable organisations
		Corporate social responsibility events in collaboration with charitable organisations	As appropriate		
Government institutions and regulators (such as SGX, Central Provident Fund Board, Inland Revenue Authority of Singapore and National Environmental Agency)	Implement and enforce standards and regulatory requirements	Participate in meetings with government institutions and regulators	As appropriate	To ensure that organisations are in compliance with laws and regulations	Keep all relevant employees abreast with changes to statutory requirements
					To ensure compliance with all applicable laws and regulations

SUSTAINABILITY REPORT

OUR FOCUS, COMMITMENTS & TARGETS

Following the identification of our material factors and key stakeholders, we have mapped out our sustainability priorities and their boundaries, impact to stakeholders, current performance and commitments and targets in the table below.

Focus	Impact to stakeholders	FY 2019 Performance	Commitments & Targets
Environmental Management • Waste Management • Material Use Initiatives	Issues ranging from environmental management to efficiency, reuse and conservation are key issues to all our stakeholders.	• Reduced usage of grinding fluid by 85% using Year 2017 as a baseline • Zero ammonia leakage and oil spill • Zero cases of improper disposal of waste	• 5% of input materials for plastic injection • Zero ammonia leakage and oil spill across business operation • Zero cases of improper disposal of waste across business operation
Labour Practices and Conducive Workplace • Employee Engagement • Upholding Human Rights • Non-Discrimination • Workplace Safety	Fair and merit-based employment is important to our employees, investors, regulator, and community as they affect our ability to attract, retain, and develop talents under offices and operations in Singapore and overseas.	• 15,243 hours of training – which is average of 8 hours of training per employee per year • Balance gender in employment – Male 42% and Female 58% of total workforce • No incident of unfair employment during the reporting period • No incident of employee discrimination during the reporting period • Zero fatalities and workplace accidents reported • Organised healthy lifestyle activities such as jogging, badminton tournament and bowling	• Clear employees' rights set out in Staff Handbook to be distributed to all employees • Average of 5 hours of training per employee per year • Balance gender in workforce – Male 45% and Female 55% • No incident of unfair employment • No incident of employee discrimination • Conduct fire drills and evacuation exercise at least once per year • Zero fatalities and workplace accidents across business operations • Organise activities that favour active living and sports to promote healthy lifestyle
Governance • Corporate Governance • Risk Management • Code of Business Ethics and Conduct	Applies across GSS Energy's business operations in Singapore and overseas. Compliance with legislation as well as national and international standards of corporate governance, anti-corruption, risk management, environmental, safety, product, and special responsibility. These are issues of interest to all our stakeholders.	• Results released timely • No incident of legal non-compliance • Prompt reply to SGX queries • No SGX reprimands or notice of compliances • No incident of corruption and fraud	• Commitment to release financial results and disclose material information • No incident of legal non-compliance • No SGX reprimands or notice of compliances • No incident of corruption and fraud
Stakeholder Engagement • Stakeholders Dialogue • Community Involvement	An open, constant flow of communication using relevant platforms is important in all aspects of our operations, and applies to all our stakeholder groups. Building partnerships with our stakeholders and community contributes to GSS Energy's social license to operate and is also relevant to many stakeholders.	• All financial results, as well as price-sensitive and trade-sensitive information, were released in a timely manner through various platform, including media release disclosed via SGXNet and posted on the Company's website • 368 hours (2018: 312 hours) in community involvement by employees collectively	• Ensure all communications platforms are clearly set out and are available to stakeholders • At least 200 hours of community involvement by employees collectively

SUSTAINABILITY REPORT

GOVERNANCE

Corporate Values and Business Conduct

Unethical and unlawful behaviour can have material adverse impact for our Group, both in terms of financial and legal consequences as well as on the reputation we have established over the years. Consequently, we have requested our employees to strictly adhere to our Code of Conduct and Business Ethics and strict disciplinary action will be enforced in the event of violations of this code, including termination of employment in cases of serious breaches. Employees may also be subject to other legal action such as fines, penalties, imprisonment or claims for damages that may ensue as a result of any breach of prevailing laws and regulations.

Code of Conduct and Business Ethics

Our Code of Conduct and Business Ethics includes the following policies:

1. Zero-tolerance against corruption, fraud, insider trading, theft or bribery;
2. Compliance with the Company's internal policies, including relating to appropriate disclosures, and internal controls;
3. Maintaining the Company's safety policies around workplace health, safety measures that might endanger the life of safety of fellow employees and external parties;
4. Committed to fair respectful working conditions without discrimination; and
5. General code of conduct in terms of handling of Company property, assets and disclosure of information or trade secrets of the Company without permission.

All new hires are required to undergo an orientation program which briefs them on Code of Conduct and Business Ethics as well as the available whistle-blowing channels. The internal audit team conducts regular internal compliance audit at various business units to ensure proper controls are in place and are adhered.

There were no case of known corruption or whistle-blowing cases in both 2018 and 2019.

LABOUR PRACTICES AND CONDUCIVE WORKPLACE

Our Human Resource Philosophy

Employee Engagement

Employees are fundamental assets to GSS Energy's business and operations and the Company's integrated human capital strategy aims to recruit, develop and motivate employees to drive growth for the Group.

GSS Energy's remuneration framework, comprising the following components, is aimed at fulfilling two objectives:

1. To attract and retain talents critical to achieving our business objectives; and
2. To align the employees' compensation to shareholders' wealth creation, through the following:
    a. A base salary, which reflects the market worth of apposition, and benchmarked regularly to relevant industries to ensure competitiveness.
    b. A short term incentive, which rewards employees for achieving financial targets and operational objectives in short term and the medium term. This incentive is paid based on individual performance and contribution and consists of variable bonus and profit sharing.
    c. A long-term incentive, which rewards employees for achieving long-term growth and shareholders' wealth creation through share ownership. This incentive is our key mechanism to retain talent and to align employee's compensation to shareholders' wealth creation.

As part of our human rights policy, we treat all employees with respect and dignity and give fair treatment, irrespective of gender, nationality, race or religion.

SUSTAINABILITY REPORT

Demographics of employees

Demographics of employees	FY 2019		FY 2018	
Total employees as at financial year end	**1,793**		**2,201**	
Total employees, by gender	Number	Percentage	Number	Percentage
Male	761	42%	819	37%
Female	1,032	58%	1,382	63%
Total employees, by age group				
< 30 years old	1,265	71%	1,640	75%
31 – 50 years old	439	24%	490	22%
> 50 years old	89	5%	71	3%
Total employees, by Employment Contract (By gender)	Permanent	Temporary	Permanent	Temporary
Male	761	–	819	–
Female	1,032	–	1,382	–
Total employees, by Employment Contract (By location)	Permanent	Temporary	Permanent	Temporary
Singapore	108	–	102	–
Indonesia	1,515	–	1,943	–
China	160	–	156	–
Korea	10	–	–	–
Training				
Number of staff received training	1,580	–	1,641	–
Total hours of training	15,243	–	16,551	–

We have pledged to uphold the Fair Employment Practices governed by the Tripartite Alliance for Fair Employment Practices ("**TAFEP**"), formed by the Ministry of Manpower, Singapore National Employers Federation and National Trade Union Congress. Pursuant to the pledge, we are committed to fair and inclusive workplace for all, based solely on merit and ability and governed by progressive human resource practices. We believe in providing our employees with equal opportunities for progression within the organisation, training and development and other enrichment opportunities.

SUSTAINABILITY REPORT

GSS Energy takes a long-term view on growth. We recognise that business continuity is crucial in ensuring a sustainable future. We believe the quality of our people is essential to the success and sustainable growth of our Group. We work to maintain an effective and healthy organisation, resource talented people across the business, develop our people, grow and strengthen our leadership capabilities, and enhance employee performance through strong engagement. We emphasize recruiting right people for the job and provide training to develop them. Aside from on-the-job training and relevant skills upgrading which include training on the international standards required by ISO 9001;2015, ISO 14001, ISO 13485: 2016, ISO/TS16949 and value engineering program, we also provide opportunities for our employees to gain knowledge and skills beyond their job functions or requirements such as external courses on supervisory and problem-solving skills and language enhancement. All training processes are closely monitor and tracked by line managers and the human resource department to ensure that our employees' learning and development needs are adequately met. We do not engage in child labour and when we recruit our staff, we will abide by the requirements of the minimum legal age governed by relevant employment regulations.

WORKPLACE SAFETY

We recognise and place high emphasis on safety due to the potential crisis which may arise in the event where safety regulations are not adhered to, which may adversely affect the Group's business and operations. Our Group has set a policy that demands us to adhere to relevant legal and regulatory requirements and recognised industry standards. Our Group takes proactive effects to reduce any risk of occupational health and safety and believes strongly in maintaining zero occupational injuries, diseases, property and environmental damage over the course of our work. This is achieved by providing safe and healthy working conditions for prevention of work-related injuries and ill-health through hazards elimination and risk minimisation.

While we have taken strict precautions to reduce risk through mechanical and administrative controls, we recognise that all employees have an individual responsibility to ensure safety at the workplace. As such, we conduct extensive training programs for our staff to understand the role that they play in ensuring their safety. Our employees are trained on fire safety hazard processes at all our business units. Regular fire drills and evacuation exercises are conducted in accordance with ISO 14001:2015 standards. We track and report industrial accidents and injuries in accordance with the Ministry of Manpower guidelines and file work-related claims accordingly, with all our employees strictly adhering to reporting procedures concerning all work-related injuries. Our staff represent our Group's most important assets and we strive continuously to create a safe and healthy working environment for all our employees to thrive in.

The Group understands the importance of the well-being and work-life balance of our employees failing which, may affect our ability to attract, retain and develop talents for our business and operations. In appreciation of our employees, we organise family trips and staff dinners to celebrate the Group's achievements and to recognise the accomplishments of our staff. In 2019, the Group organised regular healthy lifestyle activities such as participate in charity run, jogging, badminton tournament, bowling and trekking to promote balance work-life. The Group will continue to organise activities that favour active living and sports to promote healthy lifestyle.

Since 2016, the Group has been presenting annual Rainbow Prize to recognise, reward and encourage the school-going children of our employees who excel in their academic results and to spur them to greater heights of excellence.

SUSTAINABILITY REPORT

ENVIRONMENTAL MANAGEMENT

We recognise the impact that our businesses may have on the enviroment and the climate and we aim to minimise such impact and believe in preservation of the environment. We are committed to environmental protection, reducing carbon emissions, preventing pollution, minimising wastage and utilising our resources efficiently. We have put in place ISO14001 Environmental Management System for all business units to manage our environment responsibilities in a systematic manner. We review our environmental management program ("**EMP**") implemented at various business units on a yearly basis. Aspects with the highest impacts on environment and safety are chosen for EMP. In order to ensure that the environmental policy bear fruit, we make sure that our employees are fully aware of it and provide retraining to ensure it is embedded in our culture.

Various environmental initiatives are introduced within the Group along the way. This include after oil separation and precipitation treatment, waste water is connected to urban underground sewage pipes and then treated by sewage treatment factory and discharge after reaching the standard. Garbage is classified before disposal. Hazardous wastes are stored in special place and treated by qualified agent in accordance with the requirements so as to prevent pollution. Suppliers are encouraged to recycle its packaging in order to reduce waste.

In China, we introduced grinding fluid filtration machine in 2018. The machine uses clean and dirty fluid tank to separate clean, dirty fluids and waste during the automatic regeneration cycle. The allows grinding fluid to be reused and at the same time extract fluid from the waste produced in our operations to form into dry sludge, thereby reducing the overall weight. The introduction of this system resulted in a significant decrease in the usage of grinding fluid by 85%, reducing the disposal of sludge and liquid waste. This initiative demonstrates our commitment to invest in technologies to reduce amount of waste we produce. At the same time, this also addresses costs involved in disposing the waste.

Annually, GSS Energy carries out ammonia leakage and oil spill drill refresher training as shown in the pictures below. Training is one of the critical aspects of a sound spill response plan. The aim of the drill is to allow the team to recap on the procedures of the containment of spillage so the team can respond swiftly and calmly should any spillage occur. The drill is conducted in the following sequence:

The drill is conducted in the following sequence:

1. Assess the risk: Any staff who witness the spillage should inform the area supervisor who will alert the emergency response team ("ERT"), while the rest of the employees should cordon off the spill area;
2. Spillage response: ERT follows the protocol on identifying and assess the spillage, donning of proper personal protective equipment, and take appropriate actions to stop, clean and decontaminate spill area and dispose the waste; and
3. Incident reporting/investigation: ERT will investigate the cause of spillage and report to the factory manager. The production manager should adopt the incident reporting, investigate procedures and take necessary corrective actions.

SUSTAINABILITY REPORT

OIL SPILLAGE DRILL


STEP 1


STEP 2


STEP 3


STEP 4

AMMONIA LEAKAGE DRILL


STEP 1


STEP 2


STEP 3


STEP 4

SUSTAINABILITY REPORT

MATERIAL USE INITIATIVES

Our plastic injection moulding operations at Indonesia and China work closely with our customers in selecting engineering pellets/resins to produce the parts. Some of our customers allow or specify the use of recycled engineering resins. The recycle materials could be purchased or generated internally. Tests are conducted, properly documented and approved by customer before it is used in production. Plastic scraps and runners that are generated can be grinded to use for manufacturing or sold to the recycling company for re-palletising which can be mixed with virgin materials for manufacturing of products based on defined ration approved by the customers. We strictly adhere to UL standards as a benchmark that enables consumers and businesses to feel confident about the products and services they purchase.

For FY 2019, the table below shows the amount of input materials recycled :

	Indonesia
Total weight or volume of recycled input material used (Kg)	99,000
Total weight of input materials (Kg)	1,320,000

COMMUNITY INVOLVEMENT

Our employees are encouraged to be involved in community activities. We aim to inculcate the right values in our employees and intelligently tap the passion, creativity and energy of employees to give back to the communities in which they operate. We encourage staff to bring their family members and friends to participate, aiming to raise their social awareness and help them appreciate their life and value what they have.

As part of the effort to do our part for the community, we collaborate with Rotary Club of Queenstown Singapore to bring variety of fun programmes and games to All Saints Home. This include performance and fun exercise that help the seniors to build physical strength and balance, and keep their minds sharp. In 2019, we organised an outing to the Jewel Changi Airport to bring a total different experience to the residents. This include bringing them to view the HSBC Rain Vortex, the world's tallest indoor waterfall, and the Canopy Park a recreational wonderland with attractions like the Sky Nets and creative gardens full of lush greenery all around.

Our China subsidiaries have also extended the community activities to children welfare centre and senior centre.

Since the new coronavirus was first reported in Wuhan, China, in December 2019, the infectious respiratory disease COVID-19 has spread rapidly within China and to neighbouring countries and beyond. Singapore healthcare workers and front-liners have been working tireless are working to keep the virus out and to keep patients safe. Despite the long hours and stress, they continue to carry out their duties with professionalism and rigour. As a gesture of support of appreciation of Singapore front-line healthcare warriors in battling against COVID-19, GSS Energy and Queenstown Rotary Club have chipped into the national effort to donate CROON angle puff, vitamins, crackers and sea salt candies to Tan Tock Seng Hospital.

Changi Airport outing for residents at All Saints Home in Singapore

Mural painting at All Saints Silver Lifestyle Club in Singapore

SUSTAINABILITY REPORT

Performance at All Saints Home in Singapore

Corporate giving in China

Support and appreciation to the front line healthcare workers in managing COVID-19.

SUSTAINABILITY REPORT

ASSURANCE

We did not obtain external assurance for this report. The statistical data disclosed in this report are derived from our own statistics. We have relied on our internal verification mechanisms for accuracy of this report. Our financial statements have been independently audited. We will adopt a phased approach to our reporting, making progressive improvements to our reporting process.

FEEDBACK

We welcome stakeholders' comments, views and suggestions on this report. These and other queries can be addressed to feedback@gssenergy.com.sg.

SUSTAINABILITY REPORT

GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure		Section of Report	Page No.
General Disclosures				
GRI 102: General Disclosures 2016	Organisational Profile			
	102-1	Name of the organisation	Corporate Data	10
	102-3	Location of headquarters	Corporate Data	10
	102-4	Location of operations	Corporate Data	10
	102-7	Scale of the organisation	Investment in Subsidiaries and Investment in an Associate Demographic of employees	93 to 99 16
	102-8	Information on employees and other workers	Labour Practices and Conducive Workplace	15 to 17
	102-10	Significant changes to the organisation and its supply chain	Board Statement	11
	102-12	External initiatives	Sustainability Report	11
	102-13	Membership of Industry Associations	GSS Energy's subsidiaries are a member of the following: Singapore Precision Engineering & Tooling Association (SPETA) Singapore Business Federation (SBF) Singapore National Employers Federation (SNEF)	
	Strategy			
	102-14	Statement from senior decision-maker	Board Statement	11
	Ethics and Integrity			
	102-16	Values, principles, standards and norms of behaviours	Governance	15
	102-17	Mechanisms for advice and concerns about ethics	Governance	15
	Governance			
	102-18	Governance structure	Corporate Governance	25 to 42
	Stakeholder Engagement			
	102-40	List of stakeholder groups	Engaging Stakeholders	12 to 13
	102-42	Identifying and selecting stakeholders	Engaging Stakeholders	12 to 13
	102-43	Approach to stakeholder engagement	Engaging Stakeholders	12 to 13
	102-44	Key topics and concerns raised	Engaging Stakeholders	12 to 13
	Reporting practice			
	102-45	Entities included in the consolidated financial statements	Financial Statements	94 to 99
	102-46	Defining report content and topic boundaries	Engaging Stakeholders	11
	102-47	List of material topics	Materiality Assessment Procedure	12 to 13
	102-50	Reporting period	Sustainability Report	11
	102-51	Date of most recent report	Sustainability Report 2018 in FY 2018 Annual Report	

SUSTAINABILITY REPORT

GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure		Section of Report	Page No.
GRI 102: General Disclosures 2016	Reporting practice			
	102-52	Report cycle	Sustainability Report	11
	102-53	Contact point for questions regarding the report	Feedback	22
	102-54	Accordance with the GRI Standards	Sustainability Report	11
	102-55	GRI content index	GRI Standards content index	23 to 24
	102-56	External assurance	Assurance	22
Material Topics				
Economic				
Anti-Corruption				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic	Defining Material Issues	11
	103-2	The management approach and its components	Governance	15
	103-3	Evaluation of the management approach	Governance	15
GRI 205: Anti-Corruption 2016	205-2	Communications and training about anti-corruption policies and procedures	Governance	15
	205-3	Confirmed incidents of corruption and actions taken	Governance	15
Environment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic	Defining Material Issues	11
	103-2	The management approach and its components	Environmental Management and Material use initiatives	18 to 20
	103-3	Evaluation of the management approach	Environmental Management and Material use initiatives	18 to 20
GRI 301: Energy 2016	301-2	Recycled input materials used	Material use initiatives	19
Effluents and Waste				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic	Defining Material Issues	11
	103-2	The management approach and its components	Environmental Management and Material use initiatives	18 to 20
	103-3	Evaluation of the management approach	Environmental Management and Material use initiatives	18 to 20
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	Environmental Management and Material use initiatives	18 to 20
Occupational Health and Safety				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic	Defining Material Issues	11
	103-2	The management approach and its components	Labour Practices and Conducive Workplace	15 to 17
	103-3	Evaluation of the management approach	Labour Practices and Conducive Workplace	15 to 17

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining the standard of corporate governance in order to protect the interest of its shareholders and enhance long-term shareholder value. The Board of Directors fully supports the principles and guidelines of the Code of Corporate Governance 2018 (the "**Code**") and has put in place various mechanisms to ensure that effective corporate governance is practiced. The Board is pleased to report on the Company's corporate governance processes and activities as required by the Code and the relevant sections of the Listing Manual of the SGX-ST ("**Listing Manual**"), Section B: Rules of Catalist ("**Catalist Rules**").

On 6 August 2018, the Monetary Authority of Singapore revised Code which will apply to annual reports of listed issuers covering financial years commencing from 1 January 2019. For the financial year ended 31 December 2019 ("**FY 2019**"), the Group has generally adhered to the principles and guidelines laid down by the Code, and where there is any material deviation, appropriate explanation has been provided within this Report. For easy reference, sections of the Code under discussion in this Report are specifically identified.

Board Matters

Principle 1: The Board's Conduct of Affairs

Principal roles of the Board

The primary function of the Board is to provide entrepreneurial leadership so as to protect and enhance long-term shareholder value and to ensure that is managed in the best interests of the Company.

During FY 2019, as was in the past years, apart from its statutory responsibilities, the principal roles of the Board include:

i. providing entrepreneurial leadership, setting strategic directions and objectives, and ensuring that the adequate financial and human resources are in place for the Group to achieve its objectives;

ii. ensuring the adequacy and effectiveness of internal controls (including financial, operational and compliance) and establish and maintain a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and Group performance;

iii. reviewing financial performance and necessary reporting compliance;

iv. approve matters as specified under SGX-ST's interested person transaction policy;

v. review and approve major funding proposals, investment and divestment proposals;

vi. setting Company's values and standards, reviewing management performance (including business ethics) and ensuring that obligations to shareholders and other stakeholders are understood and met;

vii. assuming responsibility for corporate governance; and

viii. considering sustainability issues such as environmental and social factors as part of its strategic formulation.

Directors' Orientation and Training

A formal letter of appointment is provided to a new Director upon his or her appointment, setting out the duties and obligations associated with their directorship. All new Directors are given an orientation of the Group's business, core values, corporate governance practices and its strategic directions as well as industry-specific knowledge.

CORPORATE GOVERNANCE REPORT

Directors are informed of and encouraged to attend relevant training programmes conducted by the Singapore Institute of Directors, Singapore Exchange Limited, business and financial institutions and consultants. They are also informed about matters such as the Code of Dealings in the Company's shares as they are privy to price sensitive information.

Directors are also updated regularly on changes in relevant laws and regulations; industry developments; business initiatives and challenges; and analyst and media commentaries on matters related to the Company and the media industry.

A new director with no prior experience as a director of an issuer listed on the SGX-ST must also undergo mandatory training in his roles and responsibilities as prescribed by the SGX-ST, unless the Nominating Committee ("**NC**") is of the view that training is not required because he has other relevant experience. Mr. Lee Kok Beng was appointed as Executive Director on 3 July 2019. The Company will arrange Mr. Lee to attend training in due course following his first appointment as director of listed company on SGX-ST within 1 year from his appointment to the Board.

Access to complete, adequate and timely information

The Directors receive updates on the business of the Group through regular scheduled meetings and ad-hoc Board meetings. Prior to the meetings, they are furnished with complete, accurate and adequate information in a timely manner to enable them to be fully cognisant of the decisions and actions of the Management. As a general rule, normally will circulate out materials to them a week in advance of each meeting.

Directors may, at any time, request for further explanation, briefings or informal discussions on any aspect of the Group's operations or business issues from Management.

Board Committees

To assist the Board in discharging its oversight functions and enhance the Company's corporate governance framework, the Board has formed three committees, namely Audit Committee ("**AC**"), Remuneration Committee ("**RC**") and NC. Each Board committee reviews the matters that fall within its respective terms of reference and reports its decisions to the Board which endorses and accepts ultimate responsibility on such matters. Minutes of the Board Committee meetings are available to all Board members. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

Board Approvals

The Group has adopted internal guidelines governing matters that require the Board's approval which has been clearly communicated this to the Management in writing. Where appropriate, decisions are also taken by way of Directors' Circulating Resolutions. The matters require the Board's approval for below matters:

i. appointment of Directors;

ii. annual report and accounts;

iii. issuance of shares, dividend pay-out and other returns to shareholders;

iv. interested person transactions;

v. material acquisition or disposal;

vi. corporate strategies and financial restructuring;

vii. approving matters as specified under SGX-ST's interested person transaction policy; and

viii. any other matters as prescribed under the relevant legislations and regulations, as well as the provisions of the Company's Constitution.

CORPORATE GOVERNANCE REPORT

Board Attendance

The Board meet every quarterly to coincide with the announcement of the Group's quarterly and full year financial results. Additional meetings may be convened on an ad-hoc basis as and when necessary. Directors may convene Board meetings by teleconferencing or videoconferencing. The Company's Constitution allows the Board meetings to be conducted in the form of telephone conferencing or other methods of simultaneous communication by electronic or telegraphic means without a member being in the physical presence of another member or members.

The Number of meetings held in the year and the attendance thereat are as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings		No. of meetings		No. of meetings		No. of meetings	
Name of Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Kuek Eng Chye, Anthony	4	4	4	4	4	4	4	4
Yeung Kin Bond, Sydney	4	4	–	–	4	4	–	–
Ng Say Tiong	4	4	–	–	–	–	–	–
Chee Sanford	4	4	4	4	4	4	4	4
Fung Kau Lee, Glenn	4	3(1)	4	3(1)	–	–	4	3(1)
Lee Kok Beng(2)	4	4	–	–	–	–	–	–

Notes:

(1) Director attended one session via video conferencing.

(2) Appointed as Executive Director on 3 July 2019, one session attended prior to appointment by invitation of the Board.

Principle 2: Strong and independent element on the Board

Board composition and size

The Board currently comprises six members of whom two are Non-Executive Independent Directors, one Non-Independent Non-Executive Directors and three Executive Directors.

The NC is responsible for examining the size and composition of the Board and Board Committees. For the FY 2019 under review, the Code suggests that Non-Executive Directors should make up of a majority of the Board. After having considered the scope and nature of the Group's businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the NC is of the view that the current board size and composition is appropriate notwithstanding that the Non-Executive Directors do not make up a majority of the Board. The Board also believes that the existing composition of the Board Committees effectively serves the Group. The Executive Directors had demonstrated strong independence character and judgement over the years in discharging their duties and upholding the interest of shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinised and challenged the Management. The key information regarding the Directors are set out on pages 6 to 9 of this Annual Report.

Board Independence

The Board recognizes that independence directors may over time develop significant insights in the Group's business and operations, and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the independent directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form; such as the number of years which they have served on the Board.

CORPORATE GOVERNANCE REPORT

The NC takes into consideration of relations or circumstances, identified in the Code and the Practice Guidance in its determination as to whether a Director is independent. Such relationships or circumstances include (i) a Director being on the Board for an aggregate period of more than nine years; (ii) the employment of a Director by the Company or any of its related companies in any of the previous three financial years or during the financial year under review; (iii) a Director providing to or receiving from the Company or any of its subsidiaries significant payments or material services during the financial year under review or the previous financial year, other than compensation for board service; and (iv) a Director being related to any organisation to which the Company or any of its subsidiaries, or from which the Company or any of its subsidiaries received, significant payments or material services during the financial year in question or the previous financial year.

Annually, the independent directors submit declarations on their independence to the NC for assessment. The NC, in its deliberation of the independence of a director, took into consideration the relevant provisions of the SGX-ST Listing Manual, the Code and where relevant, the recommendations set out in the Practice Guidance accompanying the Code.

For the financial year under review, the NC, having reviewed the independence of the relevant Directors, is satisfied that there are no relationships or circumstances which are likely to affect the following Independent Directors' objective and independent judgement:

i. Kuek Eng Chye, Anthony; and
ii. Chee Sanford.

Accordingly, the Board has, upon the NC's recommendation, affirmed that the above-named Directors, each of whom has served less than nine (9) years as an Independent Director since their date of appointment to the Board, remains independent as contemplated by the Listing Manual and Code.

Board diversity

The Board of Directors consists of members from diverse backgrounds and possess core competencies, qualifications and skills, all of whom, as a group, provides the Board with a good mix of the necessary experience and expertise to direct and lead the Group. Their combined wealth and diversity of experience enables them to contribute effectively to the strategic growth and governance of the Group.

Roles of Non-Executive Directors

The Independent Directors meet on a need-be basis without the presence of the Management to discuss matters such as Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and remuneration of the Executive Directors.

Principle 3: Clear division of responsibilities and balance of power and authority

Separation of the role of Chairman and Chief Executive Officer

The Chairman and the Group CEO are not related to each other. Both Directors are to maintain effective oversight and accountability at Board and Management levels. As Chairman of the Board, Mr Anthony Kuek bears responsibility for the workings of the Board. Mr Sydney Yeung as Group CEO, bears responsibility for the overall running of the Group's businesses. This is a clear division of responsibilities between Chairman and the Group CEO to ensure an appropriate balance of power, increased accountability and greater independence in decision-making.

The principal responsibilities of the Chairman include leading the Board to ensure it effectively discharges its role and responsibilities, approving agendas of Board Meetings, monitoring the quality and timeliness of the flow of information from Management to the Board and promoting effective communication with shareholders. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between Board and Management, and promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management.

CORPORATE GOVERNANCE REPORT

At the AGMs and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management.

The Group CEO manages the Company and oversees the Group's operations and implementation of the Group's strategies, plans and policies to achieve planned corporate performance and financial goals. His management of the Group's business, including implementing Board's decisions, is carried out with the assistance of the senior management executives of the Group. Collectively, they are responsible for the day-to-day operations and administration of the Company and the Group, ensuring, inter alia, operational and organizational efficiency, profitable performance of the operating units, regulatory compliance, good corporate governance and effective risk management.

The Board is of the view that the Company has an effective group of independent non-executive directors to provide balance within the workings of the Board and oversight for its non-controlling shareholders' interests.

Principle 4: Board Membership

Formal and transparent process for the appointment and re-appointment of the Directors to the Board

The NC currently comprises three directors, namely, Mr Anthony Kuek (Chairman of NC and an Independent Director), Mr Sydney Yeung (Executive Director) and Mr Chee Sanford (Independent Director) as members.

The Nominating Committee met and reviewed the following during the year under review:

i) the adherence to the Code of Corporate Governance;

ii) review of board succession plans including Chairman and CEO;

iii) nomination of candidates for the appointment or re-appointment of members of the Board and members of various committees;

iv) the recommendation of Directors seeking re-appointment at the Annual General Meeting; and

v) determine independence of the Directors annually.

Review of Directors' independence

The Nominating Committee is satisfied that the current size and composition of the Board has adequate ability to meet the Company's existing scope of needs and the nature of operations. From time to time, the Nominating Committee will review the appropriateness of the current Board size, taking into consideration the changes in the nature and scope of operations as well as the regulatory environment.

The independence of each director is assessed and reviewed annually by the Nominating Committee. In its deliberation as to the independence of a director, the Nominating Committee took into account examples of relationships as set out in the Code, considered whether a director had business relationships with the Group, and if so, whether such relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent judgements.

CORPORATE GOVERNANCE REPORT

Appointment of New Directors and Re-appointment of Directors

The roles of NC includes identifying candidate and reviewing all nominations for the appointments of new directors when there is a need arises for new director either to replace retiring director or to enhance Board's stretch. The NC, in consultation with the Board, evaluate and determine the selection criteria so as to identify candidates with the appropriate experience and expertise for the appointment as a new director. The selection criteria include attributes such as diversity of competencies, industry knowledge, financial literacy and integrity.

The NC seeks potential candidates widely and beyond directors or management recommendations and is empowered to engage external parties, such as professional search firms and institutions, to undertake research on or assessment of candidates as it deems necessary. The NC then meets with the shortlisted candidates to appraise their calibre and suitability, having regard to the attributes of the existing Board and the requirements of the Group and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for approval and appointment as a new Director.

New Directors are appointed by way of a Board resolution, upon their nomination by the Nominating Committee. In accordance with the Company's Constitution, these new directors are appointed by the Board are subject to re-election by shareholders at the first opportunity after their appointment. The Constitution also provides that at least one third of the remaining Directors are subject to re-election by rotation at each Annual General Meeting ("**AGM**"). This will enable all shareholders to exercise their rights in selecting all Board members.

Pursuant to Article 89 of the Company's Constitution, all Directors of the Board are required to submit themselves for re-nomination and re-election at regular intervals, at least once every three years. At each AGM of the Company, one-third of the Directors, being those who have served longest in office since their re-election, are required to retire by rotation. The NC makes recommendations to the Board on the annual re-election of Directors, taking into account the Board's succession plan, directors' independence mindedness, contribution, integrity and performance, and other factors that may be determined by the NC.

The Board has accepted the Nominating Committee's recommendation and has nominated the following Directors, who have their consents for re-elections, to be put forward for re-election at the forthcoming AGM:

Kuek Eng Chye Anthony	(Retiring pursuant to Article 89)
Lee Kok Beng	(Retiring pursuant to Article 88)

Pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST, the information set out in Appendix 7F relating to the above Directors to be put forward for re-election at the forthcoming AGM is disclosed below:

Name of Director	**Kuek Eng Chye, Anthony**	**Lee Kok Beng**
Date of Appointment	18 November 2014	3 July 2019
Date of last re-appointment (if applicable)	24 April 2017	Not applicable
Age	71	62
Country of principal residence	New Zealand	Singapore
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive, Mr Lee serve as Vice President of Precision Engineering Business ("PE"), he oversees PE overall operation and involved in business development.

CORPORATE GOVERNANCE REPORT

Name of Director	Kuek Eng Chye, Anthony	Lee Kok Beng
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Nominating and Remuneration Committees Chairman, and Audit Committee Member	Executive Director
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Anthony Kuek as the Non-Executive Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experience and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Lee as Executive Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, relevant experience and overall contribution.
Professional qualifications	• Master of Business Administration • Bachelor Social Science • Diploma in Adult Teaching and Learning	• Diploma in Marketing Management • Diploma in Mechanical Engineering
Working experience and occupation(s) during the past 10 years	2011-2017: Lead Advisor/ Consultant to Deputy Minister, Coordinating Ministry of Economic Affairs, Indonesia 2014-Current: Non-Executive Director of GSS Energy Limited 2016-Current: Non-executive Chairman of GSS Energy Limited 2018-2019: Senior Advisor (Consultant) to Vice-President Operations and Chief Investment Officer, Director-General, Investment Operations of Asian Infrastructure Investment Bank (AIIB), Beijing 2020-Current: Non-executive Director of Magnus Energy Group Ltd.	2016-Current: Vice President of Giken Sakata (S) Limited 2014-Current: President Director of PT Giken Precision Indonesia 2008-2016: General Manager of Mechanism Division of Giken Sakata (S) Limited
Shareholding interest in the listed issuer and its subsidiaries	None	Yes
Shareholding details	None	905,000 shares in the Company

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Name of Director	Kuek Eng Chye, Anthony	Lee Kok Beng
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships		
Past (for the last 5 years)	2018-2019: Senior Advisor (Consultant) to Vice-President Operations and Chief Investment Officer, Director-General, Investment Operations of Asian Infrastructure Investment Bank (AIIB), Beijing	None
Present	2014-Current: Non-Executive Director of GSS Energy Limited 2016-Current: Non-executive Chairman of GSS Energy Limited 2020-Current: Non-executive Director of Magnus Energy Group Ltd.	Director of • Giken Sakata (S) Limited • Changzhou Giken Technology Co., Ltd • PT Giken Precision Indonesia • PT Giken Technology Indonesia • Turbo Charge Limited • Turbo Charge (S) Pte Ltd • Turbo Charge (M) Sdn Bhd • I-Motor Korea Co., Ltd
Information required pursuant to Catalist Rules 704(6) and/or 704(7)		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	None	None
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	None	None

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Name of Director		Kuek Eng Chye, Anthony	Lee Kok Beng
(c)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	None	None
(d)	Whether there is any unsatisfied judgment against him?	None	None
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	None	None
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	None	None
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	None	None
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	None	None
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	None	None

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Name of Director	Kuek Eng Chye, Anthony	Lee Kok Beng
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	None	None
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	None	None
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	None	None
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	None	None
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	None	None
If Yes, Please provide full details		
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable	No Mr Lee will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST

Directors' Time Commitments

The roles of the NC also include assessing yearly if each director has any issue with competing time commitments, holds multiple directorships which may impact his or her ability to provide sufficient time and attention to his or her duties as a director of the Company. Also, the Board in its deliberation considers each individual director's contribution at meetings.

The Board has not set a maximum number of other company directorships which a director may concurrently hold, taking into consideration that multiple representations can benefit the Group as these directors bring to the Board greater depth and diversity of experience, knowledge and perspectives. The NC and the Board are satisfied that all the directors were able to and have been adequately carrying out their duties as directors of the Company in FY 2019.

The listed company directorships and profile of each director is provided in the "Board of Directors" section of the Annual Report.

Principle 5: Board performance

The Board has an annual performance evaluation process, carried out by the NC, to access the effectiveness of the Board, Board Committees and each director's contributions. This annual assessment process consists principally of evaluation by and feedback from each director. Each director evaluate the performance of the Board and Board Committees. The assessment of the contribution of individual directors to the effectiveness of the Board is also performed annually. Such assessments are made against established performance criteria consistent with those approved by the Board and used in the previous year.

Principle 6: Remuneration matters

Remuneration Committee Composition and role

The RC is chaired by Mr Anthony Kuek (Non-Executive Chairman and an Independent Director) and includes Mr Chee Sanford (Independent Director) and Mr Glenn Fung (Non-Executive Director) as members. RC members are well-versed in executive compensation matters, given their extensive experience in major appointments and senior corporate positions. The RC has explicit authority within its terms of reference to seek external professional advice on remuneration matters. During the FY 2019, the RC did not engage any remuneration consultant service with regards to the remuneration of Directors but had drawn reference to the current industry practices and norms in compensation to maintain market competitiveness.

The RC met and reviewed the following during the year under review:

i) ensuring remuneration policies are in line with Group's strategic objectives and corporate values, and do not give rise to conflicts between the objectives of the Company and interests of individual Directors and key executives;

ii) reviewing and make recommendation to the Board, the fees for the Non-Executive Directors;

iii) reviewing and make recommendation to the Board on Executive Directors and the Group CEO's remuneration packages; and

iv) oversee the share options scheme.

The RC is tasked for ensuring that a formal and transparent procedure is in place for developing policy and for determining the remuneration packages of individual directors and key management personnel ("KMP"). The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each director and KMPs. The RC also reviews the Company's obligations arising in the event of termination of the executive director's and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. No member of the RC is involved in deliberating and deciding in respect of any remuneration, compensation or any form of benefits to be granted to him.

Directors do not participate in decision making in determining their own remuneration. Directors' fees are subject to shareholders' approval at the AGM.

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Principle 7: Level and Mix of Remuneration

The Group recognises the importance of having a skilled and dedicated workforce to manage and grow the businesses in an increasingly competitive and challenging environment. The Group formulate remuneration policies to provide compensation packages at market rates which reward good performance and attract, retain and motivate the Directors and executive officers.

The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from the Executive Directors and KMP in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Remuneration of Executive Directors and KMPs

The Executive Directors do not receive any Directors' fee. The Company advocates a performance-based remuneration system for Executive Directors and KMP that is flexible and responsive to the market, comprising a base salary, as well as variable performance bonus which is based on the Group's performance and the individual's performance such as management skills, process skills, people skills and business planning skills. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

Remuneration of Non-Executive Directors

Non-Executive Directors have no service contracts with the Company and are paid with Directors' fees. In determining the quantum of such fees, factors such as effort and time spent, frequency of meetings, responsibilities of Non-Executive Directors, and the need to be competitive in order to attract, motivate and retain these Directors are taken into account. The Chairman of the Company receive higher fees to take into account the nature of his responsibilities. The aggregate fees of the non-executive Directors are subject to the approval of the shareholders at the AGM.

Yearly, the RC conduct review on the structure of Directors' fees and of the computation of the aggregate Directors' fees based on the earlier Board-approved fee structure. Therefore, recommending any proposed changes to the Board for endorsement.

The Board decided to use the same structure for FY 2019 Directors' fee after having considered last financial year overall quantum.

Share-based incentive

The Company had previously adopted the GSS Energy Limited Executives' Share Option Scheme (the "GEL Scheme") and GSS Energy Limited 2018 Executives' Option Scheme ("GEL 2018 Scheme"), to acknowledge the contributions made by key management and staff to the well-being and prosperity of the Group and to allow them to have a real and meaningful stake in the Company at a relatively low direct cost. The Executive Directors, Independent Directors, employees, controlling shareholders and their associates are eligible to participate in the Scheme in accordance with the Rules of the GEL Scheme and GEL 2018 Scheme.

Principle 8: Disclosure on Remuneration

The compensation packages for employees including the executive directors and the KMPs comprised a fixed component (basic salary), a variable component (performance bonus, allowance, employee share option) and benefits-in-kind, where applicable, taking into account amongst other factors, the individual's performance, Group's performance (financially and non-financially), industry practices, market condition and guidelines from National Wages Council.

The Code suggests full disclosure of the remuneration of each individual director as well as top five KMP in aggregate. The Board has not included a separate annual remuneration report to shareholders in the annual report on the remuneration of Directors and the top five KMP (who are not Directors or the CEO of the Company) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this report and in the financial statements of the Company. It would not be in the best interest of the Group to disclose the specific remuneration of each individual Director and KMP having regard to the highly competitive environment in which it operates. The RC has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

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Remuneration paid to the directors of the Company for the period under review are as follows:

Name of Director/ Key Management	Salary, Allowances & Benefits	Bonus	Directors' Fees	Total
Name of Director				
Below S$250,000				
Anthony Kuek	–	–	100%	100%
Chee Sanford	–	–	100%	100%
S$250,000 – S$499,999				
Ng Say Tiong	71%	29%	–	100%
Badung Tariono	83%	17%	–	100%
Sydney Yeung	100%	–	–	100%
Lee Kok Beng	77%	23%	–	100%
Name of Key Management				
Below S$250,000				
Goh Lai Hai	84%	16%	–	100%
Wong Liong Khoon	84%	16%	–	100%
Orr Bee Lay	85%	15%	–	100%

The remuneration of each of the KMP of the Group (excluding Directors and the CEO of the Company) does not exceed S$250,000 for FY 2019. The total remuneration paid to the KMP for FY 2019 is S$528,000.

The Company does not have any employee who is an immediate family member of a Director, the Chief Executive Officer or a substantial shareholder of the Company as at 31 December 2019.

Principle 9: Risks Management and Internal Controls

Risk management and internal control systems

The Board is committed to maintaining a sound system of internal controls, including financial, operational, information technology, compliance, and risk management systems to safeguard the interests of the shareholders and the Group's assets. Reviews are undertaken to ensure that the system of internal controls maintained by the Group is sufficient to provide reasonable assurance that the Group's assets are safeguarded against loss from unauthorised use or dispositions, that transactions are properly authorised, and proper financial records are maintained.

Assurance from the CEO, CFO and KMPs

The Group also periodically reviews operational and compliance control areas through the various heads of department, and has continuously made improvements with the assistance of regular internal reviews.

For the financial year under review, the Board has received assurance from :

i) the Group CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

ii) the Group CEO and the KMPs that the system of risk management and internal controls in place within the Group (including financial, operational and compliance) are sufficiently adequate and effective in addressing the material risks in the Group in its current business operations.

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Adequacy and effectiveness of risk management and internal control systems

The Company's internal auditors conduct annual review of the effectiveness of the Company's material internal control systems including financial, operational, compliance and information technology controls and risk assessment at least annually to ensure the adequacy thereof. In addition, an annual review is also conducted to ensure that safeguards, checks and balances are put in place to prevent any conflict of interest or any weakening of internal controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal auditor in this respect.

For the year under review, no material weaknesses in the systems of risk management and internal controls were identified by the Board. The Board with the concurrence of the RC, is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls and risk management systems) maintained by the Company's management were adequate and effective as at 31 December 2019 against material financial misstatements or loss, the reliability of financial information, the maintenance of proper accounting records, includes the safeguarding of shareholders' investments, the Company's assets, compliance with appropriate legislation, regulation and best practice, and the identification and management of business risks.

Principle 10: Audit Committee

AC Composition and Role

The Audit Committee is chaired by Mr Chee Sanford, an Independent Director and includes Mr Anthony Kuek (Non-Executive Chairman and an Independent Director) and Mr Glenn Fung (Non-Executive Director) as members.

The Board considers Mr Chee Sanford, who has extensive and practical financial management and experience, is well qualified to chair the Audit Committee.

The Board is satisfied that the Audit Committee members, collectively, have relevant accounting and related financial management expertise or experience and are appropriately qualified to discharge their responsibility. None of the Audit Committee members are former members or directors of the Company's existing auditing firm.

The AC convened four meetings during the period under review, attended by members of the AC and relevant management staff. The Audit Committee has also meet with the external auditors, without the presence of the Company's management staff, at least once a year.

The AC carries out its functions in accordance with Section 201B (5) of the Companies Act (Cap. 50) ("**Companies Act**") and the Code, including the following:

i) reviewing the audit plans and results of the Company's external audits;

ii) reviewing the scope and results of internal audits conducted by the Company;

iii) reviewing the Group's financial and operating results and accounting policies;

iv) reviewing the audited financial statements of the Company and the Group for the financial year before their submission to the Directors of the Company for consideration and approval thereafter;

v) reviewing the quarterly and full-year results announcements of the Company and the Group to the SGX-ST;

vi) ensuring the co-operation and assistance by management to external auditors;

vii) making recommendations to the Board of Directors on the re-appointment of the external auditors and approved the remuneration and term of engagement of the external auditor;

CORPORATE GOVERNANCE REPORT

viii) reviewing "interested person transactions" as defined in Chapter 9 of the Catalist Rules as is required by SGX-ST and ensuring that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company; and

ix) performing any other functions which may be agreed by the AC and the Board.

The AC has been given full access to the resources required along with the co-operation of, the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The AC is kept abreast by the management and the external auditors of change to accounting standards, the Listing Manual and other regulations that could have an impact on the Group's business and financial statements.

Through the quarterly and annual financial statements and timely announcements to shareholders, the Board aims to provide shareholders with adequate details that would allow a balanced and understandable assessment of the Group's financial performance, position and prospects. This responsibility extends to reports to regulators. The AC has been tasked to review the Company's financial information to ensure that the objective is met.

External auditors and internal auditors

The aggregate fees paid/payable to the external auditors of the Company for audit services amounted to $156,000. There was no non-audit fee paid to the Company's external and other auditors for the financial year ended 31 December 2019. The AC is satisfied with their independence and has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

The internal audit function of the Group is carried out by the Group internal auditors. Internal audit function staffed by suitably qualified and experienced professionals with the relevant experience to perform its function effectively. The internal auditors have unrestricted access to the documents, records, properties and personnel of the Company and of the Group and report primarily to the Chairman of the AC. Internal auditors adopt a risk based approach with focus on material internal control systems including financial, operational, information technology and compliance controls. The AC examines the internal audit plan, determines the scope of audit examination and review findings thereof. RC also oversight the implementation of the improvements on internal control weaknesses identified in earlier period.

The AC conducts annual review to assess the adequacy and appropriateness of the internal audit capabilities within the Group. The AC is satisfied that the internal audit function is independent, adequately resourced and effective.

Meeting Auditors without the Management

The AC meets with the external auditors and the internal auditors, at least once a year, without the presence of the Management, to review any matter that might be raised. These meetings enable the auditors to raise any issues in the course of their work directly to the AC.

In line with the Rule 705(5) of the Catalist Rules, the Board provides confirmation to the shareholders in its quarterly financial statements announcements, confirming that to the best of its knowledge, nothing has come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

In addition, the Company has, pursuant to Rule 720(1) of the Catalist Rules, received undertakings from all its Directors and executive officers that they shall each, in the exercise of their powers and duties as Directors and executives officers, comply with the provisions of SGX-ST's Catalist Rules, the Securities and Futures Act (Cap. 289), The Singapore Code on Takeovers & Mergers, and the Companies Act (Cap. 50) and will also procure the Company to do so.

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Based on the internal and financial controls established and maintained by the Group and reviews performed by the management and external auditors respectively, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational, information technology, compliance risks and the risk management systems, were adequate as at 31 December 2019.

Whistle blowing policy

The Company adopted a whistle-blowing framework whereby staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The framework includes arrangement for independent investigation and appropriate follow-up of such matters. No whistle-blowing report was received during the financial year under review.

Interested Person Transactions

The Company has established a procedure for recording and reporting interested person transactions. All interested person transactions are subject to review by the AC to ensure they were carried out on a normal commercial terms.

Pursuant to Rule 907 of the Catalist Rules, there were no interested person transactions involving the interests of any director or controlling shareholder entered into by the Company or any of its subsidiaries for the period under review.

Material Contracts

Pursuant to Rule 1204(8) of the Catalist Rules, no material contracts were entered into between the Company or any of its subsidiaries involving the interest of any director or controlling shareholders, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of previous financial year except for the related party transactions and directors' remunerations disclosed in the financial statement on pages 113 to 114.

Principle 11: Shareholders rights

The Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNet. This will allow shareholders to make informed decisions in respect of their investments in the Company. The Company does not practice selective disclosure. In line with continuous disclosure obligations of the Company pursuant to the Listing Manual and the Companies Act (Cap. 50), the Company's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

Information is communicated to all shareholders on a timely basis through:

i) annual reports that are prepared and issued to all shareholders. The Company makes every effort to ensure that all relevant information about the Group and other disclosures that are required by the SGX-ST, the Companies Act (Cap. 50) and Singapore Statements of Accounting Standard, are included in the Annual Report;

ii) periodic financial statements containing a summary of the financial information and affairs of the Group for the period that are reported through the SGXNet;

iii) notices and explanatory notes for annual general meetings and extraordinary general meetings;

iv) disclosures to the SGX-ST; and

v) the Group's website at www.gssenergy.com.sg, at which shareholders can access information on the Group. The website provides, inter alia, information on the Group's corporate disclosure, corporate data, corporate profile and annual reports.

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Conduct of General Meetings

Shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Group's strategy and objectives. If shareholders are unable to attend any meetings of the Company, the Constitution of the Company allows shareholders to appoint up to two (2) proxies to vote on their behalf through proxy forms sent in advance. Nominee agencies such as banks, securities custodians and the Central Provident Fund ("CPF") are allowed to appoint more than two proxies. Therefore, shareholders who hold shares through these nominees, including CPF investors, can attend and participate at the meetings as proxies of these agencies. Voting in absentia by mail, facsimile or email is currently not allowed.

The AGM serves as the principal forum for shareholders to obtain information and give feedback about the Group. The Board welcomes questions from shareholders, either formally at the AGM or informally, before and after the AGM.

The Board, Chairmen of the Board Committees, management and external auditors are available at general meetings to address any questions the shareholders may have concerning the Group. The proceeding of each of the general meetings are properly recorded, including substantial or relevant comments or queries from Shareholders relating to the agenda of the general meetings and responses from the Board and Management. All minutes of the general meetings will be available on the Company's corporate website. Save for Mr. Glenn Fung, member of the AC and RC, all Directors were present at the last AGM held on 26 April 2019. Although Mr. Glenn Fung could not attend the last AGM, Chairmen of the AC and RC were able to answer any queries raised by shareholders. All Directors will endeavour to be present at the Company's forthcoming AGM to address Shareholders' questions relating to work of these committee.

The Company also solicits the views of the shareholders through analyst briefings and meetings with investors and fund managers. The Company is open to meetings with investors and analysts, and conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

Separate resolutions at general meetings

Separate resolutions on each distinct issue are tabled at general meetings and voting on each resolution by poll is carried out systematically with proper recording of votes cast and the resolution passed. Shareholders are given the opportunity to raise questions on each of the motions. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications justifying the same, which will be explained in the notice of meeting.

Dividend Policy

The Company has adopted a dividend policy of paying dividends of not less than 20% of the Group's consolidated profit after tax, excluding non-controlling interests and non-recurring, one-off and exceptional items, in respect of the financial years ending 31 December 2018 ("**FY 2018**") and 31 December 2019 ("**FY 2019**"). The dividend policy for FY 2018 and FY 2019 was adopted to give clearer guidance to shareholders of the potential dividend payout, which will be pegged to the financial performance of the Group for the relevant financial years. The Board may review the dividend policy and reserves the right to amend, modify or cancel this dividend policy as and when it deems necessary.

The Board reviewed the Group's resources for ongoing operations and plans for expansion, and considered the consolidation of all available financial resources would enable the Group to use them more efficiently to support growth and enhance shareholder value. In this connection, a dividend was not recommended for this year.

Principle 12: Engagement with Shareholders

AGM has been an opportune forum for direct dialogue with shareholders, investor and analysts. They have the opportunity to raise questions to the Board and senior Management, and clarify with them any issues they may have. With the presence of CEO, CFO and Executive Directors to answer any questions raised. Such meetings allow the Company to gather views or inputs, and address shareholders' concerns. The CEO engage with local and foreign investors to garner feedback from the investor community on a range of strategic and topical issues, which provides the Board with valuable insights on investors' views. When opportunities arise, the Group CEO conducts media interviews to give shareholders and the investing public a profound perspective of the Group's business.

CORPORATE GOVERNANCE REPORT

The Company and its businesses information is also made available on the Company's website: www.gssenergy.com.sg. Shareholders and the public can access for the latest financial results, media releases, annual report and other corporate information on the Company. Investors can submit feedback and queries to the Company's investor relations team through contact provided in the Company website. Investor relations personnel will attend to their queries to keep the investing public apprised of the Company's corporate developments and financial performance.

Principle 13: Engagement with Stakeholders

The Company recognises the importance of maintaining positive relationships, engaging and balancing the needs and interests of material stakeholders as part of its overall responsibility to ensure that the best interests of the Company are served. The Company's stakeholders include employees, contractors and suppliers, government and regulators, community, shareholders and investors. The Sustainability Report on pages 11 to 24 of this Annual Report sets out the Company's approach to stakeholder engagement including key areas of focus and how it responds to stakeholder concerns.

The Company maintains a corporate website at www.gssenergy.com.sg to communicate and engage with stakeholders.

Code of Business Ethics

The Group has adopted a Code of Business Ethics to regulate the standards and ethical conduct of the Group's employees who are required to observe and maintain high standards of integrity.

Material Contracts

Pursuant to Rule 1207(8) of the Catalist Rules, no material contracts were entered into between the Company or any of its subsidiaries involving the interest of any director or controlling shareholders, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of previous financial year except for the related party transactions and directors' remunerations disclosed in the financial statement.

Dealing in Securities

Following the introduction of the Code, the Company has brought to the attention of its employees the implications of insider trading and recommendations of the Code.

In compliance with the Rule 1204(19) of the Catalist Rules, the Company has adopted and implemented an internal compliance code which prohibits securities dealings by Directors and employees while in possession of unpublished price-sensitive information. Officers are discouraged to deal in the Company's securities on short-term considerations.

Directors, executives and any other employees who have access to material price-sensitive information are prohibited from dealing in securities of the Company prior to the announcement of a matter that involves material unpublished price-sensitive information. They are required to report on all their dealings in the Company's securities to the Company. They are also prohibited from dealing in the Company's securities during the period commencing one month before the announcement of the Company's quarterly or full-year results and ending on the day after the announcement of the quarterly and full-year results.

Catalist Sponsor

In compliance with Rule 1204 (20) of the Catalist Rules, no non-sponsor fees was paid to the Sponsor, Stamford Corporate Services Pte. Ltd., for the year under review.

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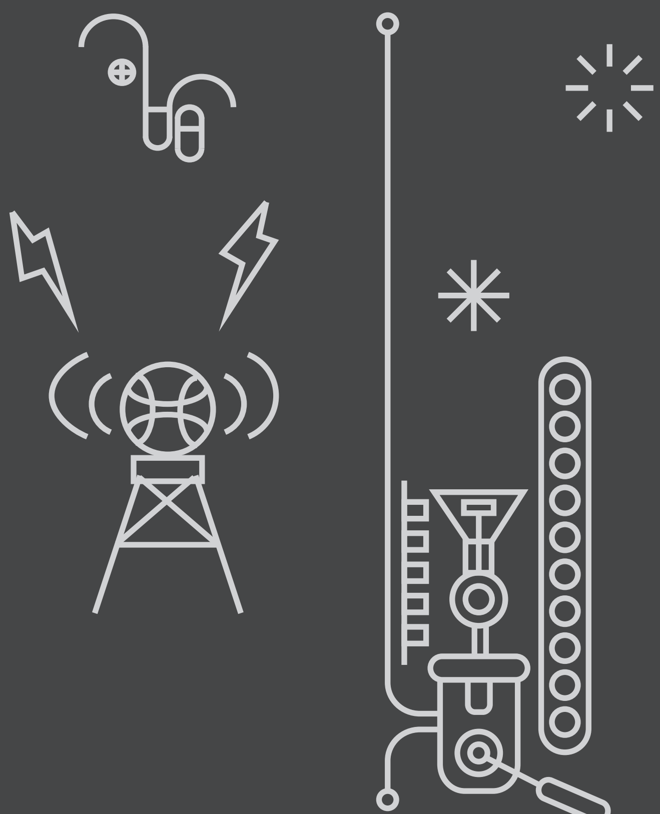

STATEMENT BY DIRECTORS

The Directors of GSS Energy Limited ("the Company") present their statement together with the audited financial statements of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2019, the statement of financial position of the Company as at 31 December 2019 and statement of changes in equity of the Company for the financial year ended 31 December 2019.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Mr Yeung Kin Bond, Sydney	
Mr Ng Say Tiong	
Mr Lee Kok Beng	(Appointed on 3 July 2019)
Mr Chee Sanford	
Mr Kuek Eng Chye, Anthony	
Mr Fung Kau Lee, Glenn	

3. Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures, of the Company or any other body corporate except as disclosed in paragraph 5 below.

STATEMENT BY DIRECTORS

4. Directors' interests in shares and debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the Directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations at the beginning, or date of appointment, if later, and end of the financial year, except as follow:

	Shareholdings registered in the name of Directors or their nominees			Shareholdings in which Directors are deemed to have an interest		
Name of Directors and company in which interests are held	**As at 1 January 2019**	**As at 31 December 2019**	**As at 21 January 2020**	**As at 1 January 2019**	**As at 31 December 2019**	**As at 21 January 2020**
	Number of ordinary shares					
Company						
Roots Capital Limited						
- Yeung Kin Bond, Sydney	–	–	–	92,675,000	92,675,000	92,675,000
Sundan Pacific Limited						
- Fung Kau Lee, Glenn	–	–	–	66,700,000	66,700,000	66,700,000
Lee Kok Beng	905,000	905,000	905,000	–	–	–
Chee Sanford	–	–	700,000	–	–	–
Options in respect of ordinary shares[(1)]						
Yeung Kin Bond, Sydney	7,400,000	7,400,000	7,400,000	–	–	–
Ng Say Tiong	13,000,000	13,000,000	13,000,000	–	–	–
Chee Sanford	1,150,000	1,150,000	450,000	–	–	–
Kuek Eng Chye, Anthony	1,400,000	1,400,000	1,400,000	–	–	–
Fung Kau Lee, Glenn	700,000	700,000	700,000	–	–	–
Lee Kok Beng	2,400,000	2,400,000	2,400,000	–	–	–

(1) Actual number of ordinary shares to be released subject to their share option exercises.

By virtue of section 7 of the Act, Mr Yeung Kin Bond, Sydney and Mr Fung Kau Lee, Glenn are deemed to have interest in all the subsidiary corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interest as at 21 January 2020 in the shares of the Company have not changed from those disclosed as at 31 December 2019 except for Mr Chee Sanford. On 6 January 2020, Mr Chee Sanford exercised his option to subscribe for 700,000 ordinary shares of the Company granted under GEL Executives' Share Option Scheme. After the exercise, the total ordinary shares registered in his name are 700,000 shares.

STATEMENT BY DIRECTORS

5. Share options

The GSS Energy Limited Executives' Share Option Scheme (the "GEL Scheme") for key management personnel and employees of the Group (collectively referred to as "Eligible Persons") was approved by members of the Company at the Annual General Meeting on 24 April 2017.

On 23 April 2018, the members of the Company approved GSS Energy Limited 2018 Executives' Option Scheme ("GEL 2018 Scheme").

The GEL Scheme and GEL 2018 Scheme are share incentive schemes (Collectively known as "GEL Schemes"). The objective of the GEL Schemes is to attract, retain and motivate key employees of the Company and its related companies by providing them the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts with the long-term interests of the Company's shareholders. The GEL Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the GEL Scheme is adopted by Shareholders.

Under the GEL Schemes, (a) full-time employees of the Company and its related Group companies; (b) Executive-Directors of the Company and its related Group companies; and (c) Non-executive Directors (including Independent Directors) of the Company and its related Group companies are eligible to participate in the GEL Schemes.

The number of shares to be offered to a grantee in accordance with the GEL Schemes shall be determined at the absolute discretion of the GSS Energy Limited Executives' Share Option Scheme Committee ("Committee") comprising four directors namely Mr. Anthony Kuek (Chairman), Mr. Sanford Chee (Member), Mr. Glenn Fung (Member) and Mr. Sydney Yeung (Member), which shall take into account criteria such as the rank and responsibilities, performance, years of service and the potential contributions of the grantee. The Committee shall exercise its discretion judiciously in deciding the number of shares under the GEL Schemes to grant to each grantee.

On 6 January 2020, the Company issued and allotted 700,000 new ordinary shares ("New Shares") in the capital of the Company, at the exercise price of $0.09856 for each New Share with a total consideration of $68,992 pursuant to the exercise of options granted under the GEL Scheme.

The aggregate number of shares in respect of which the Company may grant options, when added to the number of shares issued and issuable in respect of (i) all options granted under the GEL Schemes, and (ii) all options granted under any other incentive schemes or share plans, shall not exceed 15% of the total issued share capital of the Company (excluding treasury shares) on the day immediately preceding the grant date. This rule may be amended by the Committee from time to time, but only after all required approvals have been obtained from the Board of Directors and the shareholders of the Company.

The exercise price for each share in respect of which an option is exercisable shall be fixed by the Committee at a price deemed by the Committee to accurately reflect the fair market value per share on the offering date.

(i) **Options granted on 27 February 2017**

The Company granted a total of 39,800,000 options to subscribe for ordinary shares of the Company at market exercise price of $0.1232 per share for 10,000,000 shares and at discounted exercise price of $0.09856 per share for 29,800,000 shares. Letters of Offer for grant of options to selected employees were issued on 27 February 2017 ("grant date"). On 24 April 2017, the Company obtained shareholders' approval to grant 7,400,000 options to a Director of the Company at discounted price of $0.09856 per share. The vesting period for the options ranged from 12 months to 24 months from the grant date.

STATEMENT BY DIRECTORS

5. Share options (Continued)

(ii) Options granted on 23 February 2018

The Company granted a total of 27,223,000 options to subscribe for ordinary shares of the Company at exercise price of $0.12512 per share. Letters of Offer for grant of options to selected employees were issued on 23 February 2018 ("grant date"). The vesting period for the options is 24 months from the grant date.

(iii) Options granted details

(a) Options granted to Directors of the Company under the GEL Schemes are as follows:

Name	Aggregate options outstanding at 1 January 2019	Options granted during 2019	Aggregate options granted since commencement of the Scheme or date of appointment, if later, to 31 December 2019	Aggregate options exercised since commencement of the Scheme or date of appointment, if later, to 31 December 2019	Aggregate options lapsed since commencement of the Scheme or date of appointment, if later, to 31 December 2019	Aggregate options outstanding at 31 December 2019
	'000	'000	'000	'000	'000	'000
Yeung Kin Bond, Sydney	7,400	–	7,400	–	–	7,400
Suyulianto Badung Tariono	44,600	–	44,600	–	(44,600)	–
Ng Say Tiong	13,000	–	13,000	–	–	13,000
Chee Sanford	1,150	–	1,150	–	–	1,150
Kuek Eng Chye, Anthony	1,400	–	1,400	–	–	1,400
Fung Kau Lee, Glenn	700	–	700	–	–	700
Lee Kok Beng	2,400	–	2,400	–	–	2,400
	70,650	–	70,650	–	(44,600)	26,050

(b) The options granted to the controlling shareholder, Yeung Kin Bond, Sydney, are as described in paragraph (a) above. There were no options granted to associates of the controlling shareholder during the financial year.

(c) During the financial year, no director or employee has received 5% or more of the total number of options available under the GEL Schemes.

(d) 2,150,000 of the options have been granted to directors of subsidiaries and 1,623,000 of the options have been granted to employees of subsidiaries.

(e) 27,223,000 options were granted at a 20% discount to market price during the previous financial year. There were no option granted during the financial year.

STATEMENT BY DIRECTORS

5. Share options (Continued)

(iii) **Options granted details** (Continued)

(f) Under the GEL Schemes, share options granted, exercised and lapsed during the financial year and outstanding as at 31 December 2019 were as follows:

Date granted	Balance at 1 January 2019 '000	Lapsed/ Cancelled '000	Balance at 31 December 2019 '000	Exercise price $	Exercise period
27 February 2017	10,000	10,000	–	0.12320	27 Feb 2018 to 26 Feb 2022
27 February 2017	28,400	25,600	2,800	0.09856	27 Feb 2019 to 26 Feb 2022
27 February 2017	1,400	–	1,400	0.09856	27 Feb 2019 to 26 Feb 2020
24 April 2017	7,400	–	7,400	0.09856	25 Apr 2018 to 26 Feb 2022
23 February 2018	1,150	–	1,150	0.12512	23 Feb 2020 to 22 Feb 2021
23 February 2018	25,073	9,000	16,073	0.12512	23 Feb 2020 to 22 Feb 2023
	73,423	44,600	28,823		

6. Audit committee

The Audit Committee ("AC") is currently chaired by Mr Chee Sanford (independent Director) and includes Mr Kuek Eng Chye, Anthony (an independent Director) and Mr Fung Kau Lee, Glenn (Non-Independent Director) as members.

The AC convened four meetings during the financial year under review, attended by the members of the AC and relevant management staff. The AC also meets with the external and internal auditor without the presence of the Company's management, at least once a year.

The AC carries out its functions in accordance with Section 201B(5) of the Act and the Code of Corporate Governance 2018, including the following:

(i) Reviews the audit plans and results of the Company's external audits;

(ii) Reviews the scope and results of internal audits conducted by the Company;

(iii) Reviews the Group's financial and operating results and accounting policies;

(iv) Reviews the audited financial statements of the Company and the Group for the financial year before their submission to the Directors of the Company for consideration and approval thereafter;

(v) Reviews the quarterly and full-year results announcements of the Company and the Group to the SGX-ST;

STATEMENT BY DIRECTORS

6. Audit committee (Continued)

(vi) Ensures the co-operation and assistance by management to external auditors;

(vii) Makes recommendations to the Board of Directors on the re-appointment of the external auditors and approved the remuneration and term of engagement of the external auditor;

(viii) Reviews "interested person transactions" as defined in Chapter 9 of the Catalist Rules as is required by SGX-ST and ensures that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company; and

(ix) Performs any other functions which may be agreed by the AC and the Board.

The AC has full access to and co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external auditor has unrestricted access to the AC.

The AC has reviewed all non-audit services provided by the external auditor to the Group and is satisfied that the nature and extent of such services would not affect the independence and objectivity of the external auditor. There was no non-audit fee paid to the Company's external auditor for the financial year ended 31 December 2019.

The AC has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting.

Based on the internal and financial controls established and maintained by the Group and the reviews performed by the management and the external auditor's review of the accounting internal controls, the AC and the Board are of the opinion that the Group's internal controls addressing financial, operational and compliance risks, are adequate as at 31 December 2019.

7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

8. Additional disclosure requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited

The auditors of the subsidiaries of the Company are disclosed in Note 19 to the financial statements. In the opinion of the Board of Directors and AC, Rule 712 and Rule 715 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited have been complied with.

On behalf of the Board of Directors

Yeung Kin Bond, Sydney
Director

Ng Say Tiong
Director

Singapore
6 April 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of GSS Energy Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GSS Energy Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 54-126, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity for the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1	**Disposal of controlling interest in subsidiary and assessment of impairment of the remaining interest in an associate**

Key Audit Matter

Disposal of controlling interest in subsidiary

On 17 June 2019, the Company entered into a sale and purchase agreement (S&P) with Oakhurst Investment Pte. Ltd. to dispose of 80 Class A ordinary shares representing 80% of the issued and paid-up share capital in its wholly owned subsidiary, GSS Energy Trembul Limited ("GETL") and its subsidiary which constitutes a disposal of controlling interest as disclosed in Note 19(c) to these financial statements. The Group's remaining interest in GETL is accounted as investment in an associate as disclosed in Note 20 to these financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of GSS Energy Limited

1	**Disposal of controlling interest in subsidiary and assessment of impairment of the remaining interest in an associate** (Continued)

Assessment of impairment of the remaining interest in an associate

As at 31 December 2019, the Group's investment in an associate amounting to $2,791,000 and amount due from the associate amounting to $9,392,000 ("remaining interest") as disclosed in Note 20 to these financial statements. The associate continues to engage in the exploration of oil and gas in Indonesia. The assessment of impairment of the remaining interest in the associate depends on the validity of the exploration permits, financing arrangement and future plans for the evaluation and exploration projects. Management has made the assessment in relation to these factors and concluded that there is no impairment loss as at 31 December 2019.

The Group and the Company concluded there has been no significant increase in credit risk since the initial recognition of the amount due from the associate based on the ongoing status of the exploration project. Accordingly, no Expected Credit Loss ("ECL") provision has been made for the amount due from the associate.

We focused on this area as a key audit matter as significant management judgement is involved in (a) determining the appropriateness of accounting policy used and the control assessment in accordance with SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investment in Associate and Joint Ventures* and (b) the related impairment assessment of the underlying exploration assets of the associate, including whether the activities have reached a stage, which permits a reasonable assessment of the existence of oil reserves.

Related Disclosures

Refer to Notes 2.15, 3, 19(c) and 20 of the accompanying financial statements.

Audit Response

We performed the following procedures, amongst others:

- Obtained and read sales & purchase ("S&P") agreement, Shareholders' Agreement and other related documents on the disposal of interest in GETL;
- Evaluated the management's accounting on the disposal of GETL and assessment on control in accordance with SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investment in Associates and Joint Ventures;*
- Reviewed the requirements for renewal of relevant exploration permits in the area of interests, the financing arrangement and future plans for the oil and gas evaluation and exploration project and other relevant supporting documents to evaluate management's impairment assessment;
- Evaluated management's measurement of loss allowance for expected credit loss in accordance with SFRS(I) 9 *Financial Instruments* by reviewing management's assessment of the credit risk level in view of the ongoing status of the exploration project; and
- Assessed the adequacy of the relevant disclosures made by management in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of GSS Energy Limited

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

To the Members of GSS Energy Limited

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ng Kian Hui.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
6 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Revenue	4	**97,550**	100,832
Cost of sales		**(79,118)**	(80,168)
Gross profit		**18,432**	20,664
Other items of income			
Other income	5	**438**	911
Interest income	6	**126**	203
Other items of expense			
Distribution and selling expenses		**(10,156)**	(8,693)
Administrative expenses		**(6,118)**	(7,075)
Other expenses	8	**(414)**	(2,999)
Finance costs	9	**(302)**	(136)
Share of loss of associate, net of tax	20	**(23)**	–
Profit before income tax	10	**1,983**	2,875
Income tax expense	11	**(620)**	(748)
Profit for the financial year		**1,363**	2,127
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit pension scheme	33	**(178)**	(156)
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations		**(929)**	(274)
Other comprehensive income for the financial year, net of tax	12	**(1,107)**	(430)
Total comprehensive income for the financial year		**256**	1,697
Profit attributable to:			
Owners of the parent		**2,033**	2,311
Non-controlling interests		**(670)**	(184)
		1,363	2,127
Total comprehensive income attributable to:			
Owners of the parent		**921**	1,891
Non-controlling interests		**(665)**	(194)
		256	1,697
Earnings per share (cents)			
Basic	13	**0.41**	0.47
Diluted	13	**0.41**	0.46

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		Group		Company	
	Note	**2019**	2018	**2019**	2018
		$'000	$'000	**$'000**	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	**11,192**	11,819	**–**	–
Intangible assets	15	**30**	48	**–**	–
Right-of-use assets	16	**1,373**	–	**–**	–
Land use rights	17	**1,364**	1,455	**–**	–
Exploration and evaluation assets	18	**–**	12,973	**–**	–
Investment in subsidiaries	19	**–**	–	**28,683**	28,683
Investment in an associate	20	**2,768**	–	**2,791**	–
Due from an associate	20	**9,392**	–	**9,392**	–
Goodwill	21	**112**	112	**–**	–
Due from subsidiaries	22	**–**	–	**181**	15,311
Deposits	26	**3,446**	1,340	**–**	–
		29,677	27,747	**41,047**	43,994
Current assets					
Inventories	23	**11,450**	11,829	**–**	–
Trade receivables	25	**22,870**	24,356	**–**	–
Other receivables and deposits	26	**3,631**	2,283	**–**	–
Prepayments		**296**	192	**10**	13
Due from a subsidiary	22	**–**	–	**–**	109
Due from a related party	24	**223**	–	**–**	–
Short-term investments	27	**966**	2,819	**–**	–
Pledged deposits	28	**337**	1,596	**–**	–
Cash and bank balances	28	**7,251**	6,111	**21**	91
		47,024	49,186	**31**	213
Total assets		**76,701**	76,933	**41,078**	44,207

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	29	**14,557**	16,170	**–**	–
Other payables and accruals	30	**5,358**	7,341	**348**	413
Lease liabilities	31	**1,250**	–	**–**	–
Due to a subsidiary	22	**–**	–	**12,383**	19,403
Current income tax payable		**254**	402	**–**	–
Loan and borrowings	32	**5,494**	5,033	**–**	–
		26,913	28,946	**12,731**	19,816
Net current assets/(liabilities)		**20,111**	20,240	**(12,700)**	(19,603)
Non-current liabilities					
Lease liabilities	31	**151**	–	**–**	–
Retirement benefit obligations	33	**1,726**	1,530	**–**	–
		1,877	1,530	**–**	–
Total liabilities		**28,790**	30,476	**12,731**	19,816
Net assets		**47,911**	46,457	**28,347**	24,391
Equity attributable to owners of the parent					
Share capital	34	**58,522**	58,522	**58,522**	58,522
Accumulated losses		**(13,768)**	(15,497)	**(33,783)**	(36,878)
Other reserves	35	**3,896**	3,843	**3,608**	2,747
		48,650	46,868	**28,347**	24,391
Non-controlling interests		**(739)**	(411)	**–**	–
Total equity		**47,911**	46,457	**28,347**	24,391
Total equity and liabilities		**76,701**	76,933	**41,078**	44,207

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Share capital $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Statutory reserve $'000	Share options reserve $'000	Equity non-controlling interests $'000	Total equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Group									
Balance at 1 January 2019	58,522	(15,497)	(192)	1,156	2,747	132	46,868	(411)	46,457
Profit for the financial year	–	2,033	–	–	–	–	2,033	(670)	1,363
Other comprehensive income for the financial year									
Remeasurement of defined benefit scheme (Note 33)	–	(178)	–	–	–	–	(178)	–	(178)
Exchange differences arising from translation of foreign operations	–	–	(934)	–	–	–	(934)	5	(929)
Total other comprehensive income for the financial year	–	(178)	(934)	–	–	–	(1,112)	5	(1,107)
Total comprehensive income for the financial year	–	1,855	(934)	–	–	–	921	(665)	256
Others									
Transfer to statutory reserve	–	(126)	–	126	–	–	–	–	–
Disposal of ownership interest in subsidiary	–	–	–	–	–	–	–	337	337
Share option expenses (Note 35)	–	–	–	–	861	–	861	–	861
Balance at 31 December 2019	58,522	(13,768)	(1,126)	1,282	3,608	132	48,650	(739)	47,911

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Share capital $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Statutory reserve $'000	Share options reserve $'000	Equity non-controlling interests $'000	Total equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Group									
Balance at 1 January 2018	58,522	(17,502)	72	1,006	1,121	(3)	43,216	(82)	43,134
Profit for the financial year	–	2,311	–	–	–	–	2,311	(184)	2,127
Other comprehensive income for the financial year									
Remeasurement of defined benefit scheme (Note 33)	–	(156)	–	–	–	–	(156)	–	(156)
Exchange differences arising from translation of foreign operations	–	–	(264)	–	–	–	(264)	(10)	(274)
Total other comprehensive income for the financial year	–	(156)	(264)	–	–	–	(420)	(10)	(430)
Total comprehensive income for the financial year	–	2,155	(264)	–	–	–	1,891	(194)	1,697
Others									
Transfer to statutory reserve	–	(150)	–	150	–	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	–	–	135	135	(135)	–
Share option expenses (Note 35)	–	–	–	–	1,626	–	1,626	–	1,626
Balance at 31 December 2018	58,522	(15,497)	(192)	1,156	2,747	132	46,868	(411)	46,457

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Share capital $'000	Accumulated losses $'000	Share options reserve $'000	Total equity $'000
Company				
Contribution by owners				
Balance at 1 January 2019	58,522	(36,878)	2,747	24,391
Profit for the financial year, representing total comprehensive income for financial year	–	3,095	–	3,095
Share option expenses	–	–	861	861
Balance at 31 December 2019	58,522	(33,783)	3,608	28,347
Contribution by owners				
Balance at 1 January 2018	58,522	(30,650)	1,121	28,993
Loss for the financial year, representing total comprehensive income for financial year	–	(6,228)	–	(6,228)
Share option expenses	–	–	1,626	1,626
Balance at 31 December 2018	58,522	(36,878)	2,747	24,391

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Operating activities			
Profit before income tax		**1,983**	2,875
Adjustments for:			
Write-off on inventories	23	**18**	–
Allowance for inventory obsolescence written back	23	**–**	(4)
Amortisation of intangible assets	15	**23**	23
Amortisation of land use rights	17	**54**	56
Amortisation of right-of-use assets	16	**1,224**	–
Depreciation of property, plant and equipment	14	**2,251**	1,880
Finance costs	9	**302**	136
Gain on disposal of property, plant and equipment		**–**	(3)
Impairment allowances for exploration and evaluation assets	18	**–**	2,999
Interest income	6	**(126)**	(203)
Unrealised exchange difference		**58**	(40)
Share of loss of associate		**23**	–
Share option expenses	35	**861**	1,626
Operating profit before working capital changes		**6,671**	9,345
Working capital changes:			
Inventories		**(550)**	(1,864)
Trade receivables		**1,225**	495
Other receivables and deposits		**(2,586)**	(439)
Prepayments		**(135)**	(18)
Due from a related company		**(213)**	–
Trade payables		**(1,810)**	(220)
Other payables and accruals		**1,823**	(1,438)
Provisions settled		**107**	116
Cash generated from operations		**4,532**	5,977
Interest received		**126**	203
Interest paid		**(186)**	(136)
Tax refund		**45**	46
Income taxes paid		**(816)**	(2,730)
Net cash generated from operating activities		**3,701**	3,360

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	**2019 $'000**	2018 $'000
Investing activities			
Addition to short-term investments		**(199)**	(960)
Deposit paid to acquire property, plant and equipment		**(2,106)**	(1,340)
Proceeds from disposal of property, plant and equipment	14	**–**	3
Proceed from short-term investments		**2,022**	5,413
Disposal of controlling interest, net of cash disposed	19	**(287)**	–
Purchase of exploration and evaluation assets	18	**(389)**	(3,245)
Purchase of intangible assets	15	**(5)**	–
Purchase of property, plant and equipment	14	**(1,904)**	(3,958)
Net cash used in investing activities		**(2,868)**	(4,087)
Financing activities			
Proceeds from bank loans (Note A)		**34,466**	21,487
Repayment of bank loans (Note A)		**(33,960)**	(19,259)
Repayment of obligations under finance leases (Note A)		**–**	(49)
Repayments of principal and interest of lease liabilities (Note A)		**(1,310)**	–
Short-term deposits pledged	28	**1,259**	68
Net cash generated from financing activities		**455**	2,247
Net change in cash and cash equivalents		**1,288**	1,520
Effect of foreign exchange rate changes in cash and cash equivalents		**(148)**	(128)
Cash and cash equivalents at beginning of financial year	28	**6,111**	4,719
Cash and cash equivalents at end of financial year	28	**7,251**	6,111

Note A: Reconciliation of liabilities arising from financing activities

	1 January 2019, adoption of SFRS(I) 16 $'000	**Additions $'000**	**Cash flows $'000**	**Interest expense $'000**	**Foreign exchange differences $'000**	**31 December 2019 $'000**
Bank borrowings	5,033	34,466	(33,961)	–	(44)	5,494
Lease liabilities (Note 31)	2,254	352	(1,310)	115	(10)	1,401
	7,287	34,818	(35,271)	115	(54)	6,895

	1 January 2018 $'000	**Cash flows $'000**	**Foreign exchange differences $'000**	**31 December 2018 $'000**
Bank borrowings	2,848	2,228	(43)	5,033
Finance lease payables	49	(49)	–	–
	2,897	2,179	(43)	5,033

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. General corporate information

GSS Energy Limited (the "Company" or "GSS") is a public company limited by shares incorporated and domiciled in Singapore. The Company is listed since 12 February 2015 on the Catalist board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's registration number is 201432529C. Its registered office is at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 and its principal place of business is at Blk 4012 Ang Mo Kio Ave 10 #05-01 Techplace 1, Singapore 569628.

The principal activity of the Company is that of investment holding and provide management support strategic direction for its Group's companies. The principal activities of the subsidiaries and an associate are disclosed in Note 19 and Note 20, respectively, to the financial statements.

The ultimate controlling party is Yeung Kin Bond, Sydney. Related companies in these financial statements refer to members of the GSS Energy Limited group.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)") including related Interpretations of SFRS(I) ("SFRS(I) INT") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in S$ which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("S$'000") as indicated.

The preparation of financial statements in compliance with SFRS(I)s requires the management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3 to the financial statements.

New standards, amendments and interpretations effective from 1 January 2019

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore ("ASC") that will apply for the first time by the Company are not expected to impact the Company as they are either not relevant to the Company's business activities or require accounting which is consistent with the Company's current accounting policies, except as detailed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 *Leases*

SFRS(I) 16 superseded SFRS(I) 1-17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the statement of financial position by recognising a "right-of-use" asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently the right-of-use assets will be amortised and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

The Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as an adjustment to the opening retained earnings as at 1 January 2019 (the "date of initial application"). The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1–17 and were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- Leases with a remaining term of twelve months from the date of initial application have been accounted for as short-term leases (i.e. not recognised on statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months;

- For the purpose of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

As a lessee, the Group previously classified leases as finance or operating lease based on its assessment whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases. For those low-value assets based on the value of the underlying asset when new and leases with a lease term of 12 months or less, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SFRS(I) 16; the Group recognised right-of-use assets and lease liabilities in relation to the factory, office and residential premises and office equipment which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of SFRS(I) 1–17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied to lease liabilities of the Group on 1 January 2019 was 3.5%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

The effect of adoption SFRS(I) 16 as at 1 January 2019 was as follows:

	Group Increase $'000
Assets	
Right-of-use assets	2,254
Liabilities	
Lease liabilities	2,254

The aggregate lease liabilities recognised in the statement of financial position as at 1 January 2019 and the Group's operating lease commitment as at 31 December 2018 can be reconciled as follows:

	Group $'000
Operating lease commitment as at 31 December 2018 (Note 37)	2,583
Add : Effect of extension options reasonably certain to be exercised	18
	2,601
Effect of discounting using the incremental borrowing rate as at date of initial application	(347)
Lease liabilities as at 1 January 2019 (Note 31)	2,254

SFRS(I) and SFRS(I) INT issues but not yet effective

As at the date of authorisation of these financial statements, the Group and the Company have not adopted the following SFRS(I) and SFRS(I) INT that have been issued but are not yet effective:

		Effective date (annual periods beginning on or after)
SFRS(I) 3	: *Definition of a Business*	1 January 2020
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	: *Definition of Material*	1 January 2020
SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7	: *Interest Rate Benchmark Reform*	1 January 2020
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
SFRS(I) 17	: *Insurance contracts*	1 January 2021
Various	: *Amendments to References to the Conceptual Framework in SFRS(I) Standards*	1 January 2020

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I) and SFRS(I) INT issues but not yet effective (Continued)

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group and the Company expect that the adoption of the above SFRS(I) in future periods, if applicable, will have no material impact on the financial statements of the Group and the Company in the period of initial adoption.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate.

In the separate financial statements of the Company, investments in subsidiaries and associate are carried at cost less any impairment loss that has been recognised in profit or loss.

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group’s previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net fair value of the acquiree’s identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2.4 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers may include fixed amounts, variable amounts or both.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Sale of mechanism and microshaft products

The Group is involved in the supply of mechanism, microshaft and other related precision engineering products. The revenue is recognised at a point in time when control of the goods is transferred to the customers. This is generally when the goods are delivered to the customers. For overseas sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract. Revenue is measured at transaction price agreed under contract with credit term of 30 to 95 days.

Rendering of services – Product assembly

The product assembly services involved assembling of parts and material, packaging and labelling. There is only one distinct performance obligation identified under the contracts with customers which is to provide assembly services to the customers. Revenue is recognised at a point in time when the significant acts have been completed and when transfer of control occurs.

The revenue is measured at the transaction price agreed under the contract with a credit term of 30 to 90 days.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income

Rental income under operating lease (net of any incentive given to lessees) is recognised on a straight-line basis over the term of the lease.

Compensation for acquisition of land and building by government

Compensation from government for items of property, plant and equipment that were impaired, lost or given up is included in profit or loss when the compensation becomes unconditionally receivable.

2.5 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2.6 Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as expenses as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.6 Employee benefits (Continued)

Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for annual leave is recognised for services rendered by employees up to the end of the financial year.

Retirement gratuity

Retirement benefits payable to certain categories of employees upon their retirement are provided for in the financial statements based on their entitlement under the staff benefit plan.

The Group's net obligation in respect of retirement benefits is the amount of future benefits that employees have earned in return for their service in current and prior periods. The obligation is calculated using projected salary increases and is discounted to its present value, and the fair value of any related assets is deducted.

Employee service entitlement benefits

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Defined benefit plan surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on government bonds that have maturity dates approximating to the terms of the liabilities.

Remeasurements of the net defined benefit obligation are recognised directly within equity. The remeasurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the year.

Gains or losses arising from changes to plan benefits or plan curtailment are recognised immediately in profit or loss.

Settlements of defined benefit plan are recognised in the period in which the settlement occurs.

2. Summary of significant accounting policies (Continued)

2.7 Equity-settled share-based payment

The Group operates GSS Energy Limited Executives' Share Option Scheme which allows it to issue equity-settled share-based payments to selected key management personnel and employees of the Group. For equity-settled share-based payment, the fair value of the services received is recognised as an employee expense, with a corresponding increase in equity, over the vesting period during which the executives become unconditionally entitled to the equity instrument. The fair value of the services is determined by reference to the fair value of the equity instrument granted at the grant date.

The cumulative expense recognised for equity-settled transactions at each reporting date reflects the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for the financial year represents the movement in cumulative expense recognised as at the beginning and end of that financial year.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of equity instrument, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

2.8 Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

<u>Current income tax</u>

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

<u>Deferred tax</u>

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.8 Income tax expense (Continued)

Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

Unrecognised deferred tax assets are reassessed at the end of each financial year and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- When the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.9 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currency") are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are re-translated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

2. Summary of significant accounting policies (Continued)

2.9 Foreign currency transactions and translation (Continued)

Exchange differences arising on the settlements of monetary items and on re-translation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), are taken to the foreign currency translation reserve.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.10 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.10 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives as follows:

Leasehold buildings	20 years
Leasehold improvements	10 years
Machinery, furniture and equipment	3 to 6 years
Motor vehicles	4 years

Construction-in-progress, which represents direct cost incurred for construction of factory and office premises. No depreciation is charged on construction-in-progress as they are not yet in use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, estimated useful life and depreciation method are reviewed at the end of each reporting period to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

2.11 Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred (see Note 2.3), the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill on acquisition of subsidiaries prior to 1 January 2010 represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill of subsidiaries is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.11 Intangible assets (Continued)

Computer software

Acquired computer software are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 years.

2.12 Land use rights

Land use rights are initially recognised at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment loss. Land use rights are amortised over a lease term of 50 years.

2.13 Exploration, evaluation and development assets ("EE&D")

Exploration and evaluation assets

Exploration and evaluation activity involves the search for oil and gas resources, the determination of technical feasibility and the assessment of the commercial viability of an identified resource. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in profit or loss. Exploration and evaluation costs are capitalised in respect of each area of interest for which the rights to tenure are current and where:

(i) the exploration and evaluation costs are expected to be recouped through successful development and exploitation of the area of interest; or alternatively, by its sale; or

(ii) exploration and evaluation activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation assets comprise costs that are directly attributable to: researching and analysing existing exploration data, gathering exploration data through topographical, geochemical and geophysical studies, exploratory drilling, trenching and sampling, determining and examining the volume and grade of the resource, examining and testing extraction and treatment methods, surveying transportation and infrastructure requirements, compiling pre-feasibility and feasibility studies and/or gaining access to areas of interest including occupancy and relocation compensation.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to operational activities in the area of interest to which the exploration and evaluation asset relates. In all other cases, these costs are expensed as incurred.

Exploration and evaluation assets are transferred to development assets or oil and gas properties, when the technical feasibility and commercial viability of extracting the resource are demonstrable and sanctioned by management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.13 Exploration, evaluation and development assets ("EE&D") (Continued)

Exploration and evaluation assets (Continued)

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. If no potentially commercial oil and gas reserves are discovered, the exploration asset is written off as dry hole in profit or loss. If extractable oil and gas reserves are found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an exploration and evaluation asset while sufficient/continued progress is made in assessing the commerciality of the oil and gas reserves.

Development assets

Development assets are incurred within an area of interest as a component of a commercial development phase only upon commitment to a commercial development.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development on delineation wells, is capitalised within Development assets.

Depletion is not charged on costs carried in respect of areas of interest in the development phase until production commences. When production commences, carried forward development expenditure are transferred to oil and gas properties (Note 2.14).

Development assets are reviewed for impairment in accordance with the Group's accounting policy on impairment of non-financial assets as set out in Note 2.16 to these financial statements.

2.14 Oil and gas properties

Oil and gas properties are initially recorded at cost. Subsequent to initial recognition, oil and gas properties are stated at cost less accumulated depletion and impairment losses, if any.

Subsequent expenditure relating to the asset that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Oil and gas properties are depleted on a unit-of-production method by reference to the ratio of production in the period and the related commercial reserve of the field.

2.15 Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Associates are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is included in the carrying amount of the investment in associate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.15 Associates (Continued)

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of associates and distributions received are adjusted against the carrying amount of the investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate.

Where the Group transacts with an associate, unrealised profits are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

2.16 Impairment of non-financial assets excluding goodwill and exploration and evaluation assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised immediately in profit or loss.

2.17 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group and the Company becomes a party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets into one category, at amortised cost, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group's accounting policy for financial assets at amortised cost is as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the provision matrix to determine the lifetime expected credit losses. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables and deposits, short-term investments, pledged deposits, cash and bank balances, due from a subsidiary, an associate and a related company, are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade receivables, other receivables (excluding advance payment) and deposits, short-term investments, pledged deposits, cash and bank balances, due from a subsidiary, an associate and a related company in the consolidated statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classified ordinary shares as equity instruments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities (trade payables, other payables and accruals, due to subsidiaries and loan and borrowings) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out method. Costs include all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work-in-progress and manufactured products, costs include materials, direct labour and an appropriate proportion of production overhead expenditure.

Net realisable value is the estimated selling price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation. Allowance is made for obsolete, slow moving and defective inventories.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.19 Cash and bank balances

Cash and bank balances consist of cash on hand, cash and deposits with banks and financial institutions. Cash and bank balances are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the statements of cash flows, cash and cash equivalents excludes pledged deposits.

2.20 Leases

Accounting policy after 1 January 2019

As lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's and the Company's incremental borrowing rate on commencement of the lease is used.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group and the Company if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group and the Company is contractually required to dismantle, remove or restore the leased asset.

The Group and the Company presents the right-of-use and lease liabilities separately from other assets and other liabilities in the statement of financial position.

2. Summary of significant accounting policies (Continued)

2.20 Leases (Continued)

As lessee (Continued)

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group and the Company will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset.

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.16 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group and the Company revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

When the Group and the Company renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.20 Leases (Continued)

As lessee (Continued)

Subsequent measurement (Continued)

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group and the Company has elected to account for the entire contract as a lease. The Group and the Company does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

Accounting policy prior to 1 January 2019

Finance leases

When the Group and the Company as the lessee of finance leases

Leases are classified as finance leases whether the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payment. The corresponding liabilities to the lessor is include in the statement of financial position as a lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liabilities. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (Note 2.5).

Operating leases

When the Group and the Company as the lessee of operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

2. Summary of significant accounting policies (Continued)

2.22 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment. Government grants relating to expenses are shown separately as other income.

2.23 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and the Company's accounting policies, which are described in Note 2 in the financial statements, the management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the Group's and the Company's accounting policies

In the process of applying the Group's and the Company's accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(i) Deconsolidation of GSS Energy Trembul Limited ("GETL") and its subsidiary

The Group has disposed of 80 Class A ordinary shares representing 80% of the issued and paid-up share capital in its wholly owned subsidiary, GSS Energy Trembul Limited ("GETL") and its subsidiary which constitutes a disposal of controlling interest. As at 30 June 2019, the investment in GETL is accounted as investment in an associate company since the Group still has significant influence on GETL.

(ii) Impairment assessment of an associate

The principal activities of the Group's investment in an associate is in the exploration of oil and gas as per disclosed in Note 20 to the financial statements. The impairment assessment of the investment in the associate and amount due from the associate depends on the validity of the exploration permits, financing arrangement and future plans for the evaluation and exploration projects. During the financial year, management carried out an impairment assessment on investment in an associate as there were indicators that the investment may be impaired. No impairment loss is recorded subsequent to the impairment assessment. This determination requires significant judgement. The Group and the Company evaluate among other factors, the facts and circumstances surrounding the exploration and evaluation asset to determine whether there are any indicators of impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

(a) Critical judgements in applying the Group's and the Company's accounting policies (Continued)

(iii) Loss allowance for amount due from an associate

The Group is required to assess and recognise a loss allowance for expected credit losses on amount due from an associate in accordance with three-stage impairment model. Management has made the assessment based on whether there has been a significant increase in the credit risk of the amount due from an associate since its initial recognition. Subsequently, determine the amount of allowance to be recognised either based on 12-month expected credit loss to be recognised in future periods.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below.

(i) Net realisable value of inventories

The management reviews the inventory aging analysis at the end of each reporting period, and writes down the value of the inventories to its net realisable value, where applicable. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market condition. The carrying amount of the Group's inventories at the end of the financial year was $11,450,000 (2018: $11,829,000).

(ii) Defined benefit plan

The costs, assets and liabilities of the defined benefit plan operating by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in Note 33 to the financial statements. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the consolidated statement of comprehensive income and the consolidated statement of financial position. The carrying amounts of the Group's defined benefit plan at the end of the financial year was $1,499,000 (2018: $1,324,000) in Indonesia.

(iii) Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation assets requires judgement to determine whether future economic benefits are likely, from either exploitation or sale in future, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The estimation process to determine the reserves and resources requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available. The exploration and evaluation assets of West Jambi has been fully impaired. Information about the impairment has been disclosed in Note 18 and Note 19 to the financial statements in addition, the exploration and evaluation assets of Trembul has been disposed of during the financial year which has been disclosed in Note 3(a)(i).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

(b) *Key sources of estimation uncertainty* (Continued)

(iv) Measurement of lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group has determined the discount rate by reference to the respective lessee's incremental borrowing rate when the rate inherent in the lease is not readily determinable. The Group obtains the relevant market interest rate after considering the applicable geographical location where the lessee operates as well as the term of the lease. Management considers its own credit spread information from its recent borrowings, industry data available as well as any security available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

The average incremental borrowing rate applied to lease liabilities as at 31 December 2019 was 3.5%. The carrying amount of lease liabilities as at 31 December 2019 was $1,401,000. If the incremental borrowing rate had been 3% higher or lower than management's estimates, the Group's lease liabilities would have increase or decrease by approximately $42,000.

4. Revenue

Disaggregation of revenue

The Group has disaggregated revenue into various categorical in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date; and

- enable users to understand the relationship with revenue segment information provided in Note 38 to the financial statements.

Segments	**Mechanisms**		**Microshafts**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Primary geographical markets						
Singapore	**14,364**	14,826	**1,112**	1,614	**15,476**	16,440
Indonesia	**47,308**	54,440	**647**	658	**47,955**	55,098
Germany	**–**	–	**2,189**	2,693	**2,189**	2,693
China	**6,141**	5,175	**9,758**	9,899	**15,899**	15,074
Thailand	**–**	–	**1,968**	2,028	**1,968**	2,028
Malaysia	**470**	772	**950**	1,309	**1,420**	2,081
Others	**6,995**	2,307	**5,648**	5,111	**12,643**	7,418
	75,278	77,520	**22,272**	23,312	**97,550**	100,832
Type of good or services						
Sale of goods	**64,807**	68,827	**22,272**	23,312	**87,079**	92,139
Services rendered	**10,471**	8,693	**–**	–	**10,471**	8,693
	75,278	77,520	**22,272**	23,312	**97,550**	100,832
Timing of transfer of goods and services						
Point in time	**75,278**	77,520	**22,272**	23,312	**97,550**	100,832

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. Other income

	Group	
	2019	2018
	$'000	$'000
Gain on disposal of property, plant and equipment	**–**	3
Government grants	**221**	483
Foreign exchange gain, net	**–**	203
Income from disposal of scrap materials	**195**	204
Others	**22**	18
	438	911

6. Interest income

	Group	
	2019	2018
	$'000	$'000
Financial assets measured at amortised cost		
- Cash and short-term deposits	**67**	39
- Short term investment	**59**	164
	126	203

7. Employee benefit expenses

	Group	
	2019	2018
	$'000	$'000
Short-term employee benefits	**22,723**	20,311
Defined contribution plans	**1,732**	1,607
Defined benefit plan	**201**	207
Employee share options expenses	**861**	1,626
Other personnel expenses	**1,165**	1,261
	26,682	25,012

The above includes remuneration of Directors and key management as disclosed in Note 36 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Employee benefit expenses (Continued)

The employee benefit expenses are recognised in the following line items in the consolidated statement of comprehensive income:

	Group	
	2019	2018
	$'000	$'000
Cost of sales	**15,728**	14,270
Distribution and selling expenses	**7,085**	5,859
Administrative expenses	**3,869**	4,883
	26,682	25,012

8. Other expenses

	Group	
	2019	2018
	$'000	$'000
Foreign exchange loss, net	**411**	–
Impairment of exploration and evaluation assets (Note 18)	**–**	2,999
Others	**3**	–
	414	2,999

9. Finance costs

	Group	
	2019	2018
	$'000	$'000
Interest expense		
- bank loans	**187**	133
- lease liabilities (Note 31)	**115**	–
- finance leases	**–**	3
	302	136

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Group	
	2019	2018
	$'000	$'000
Cost of sales		
Cost of inventories recognised as expenses	**77,157**	77,711
Depreciation of property, plant and equipment	**1,820**	1,493
Amortisation of land use rights	**54**	56
Amortisation of right-of-use assets	**1,001**	–
Lease expenses on:		
- short-term leases	**141**	–
- low value assets	**–**	–
Operating lease expenses	**–**	963
Professional fees	**–**	3
Distribution and selling expenses		
Amortisation of right-of-use assets	**141**	–
Depreciation of property, plant and equipment	**68**	37
Lease expenses on:		
- short-term leases	**35**	–
- low value assets	**14**	–
Operating lease expenses	**–**	162
Professional fees	**78**	18
Administrative expenses		
Amortisation of intangible assets	**23**	23
Amortisation of right-of-use assets	**82**	–
Audit fees		
- Auditor of the Company	**156**	148
- Other auditors	**52**	58
Non-audit fees		
- Auditor of the Company	**–**	–
Depreciation of property, plant and equipment	**363**	350
Lease expenses on:		
- short-term leases	**1**	–
- low value assets	**7**	–
Operating lease expenses	**–**	74
Professional fees	**351**	359
Share of loss of associate	**23**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. Income tax expense

Major components of income tax expense for the financial year are:

	Group	
	2019	2018
	$'000	$'000
Current income tax		
- current year	**620**	957
- overprovision in prior year	**–**	(209)
	620	748

Reconciliation of effective tax rate

Domestic income tax is calculated at 17% (2018: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expenses varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% to profit before income tax as a result of the following differences:

	Group	
	2019	2018
	$'000	$'000
Profit before income tax	**1,983**	2,875
Income tax at the applicable tax rate of 17% (2018: 17%)	**337**	488
Tax effect of:		
- Income not taxable for income tax purposes	**(153)**	(155)
- Expenses not deductible for income tax purposes	**272**	208
Effect of different tax rates of overseas operations	**(108)**	259
Utilisation of deferred tax assets previously not recognised	**–**	(17)
Overprovision for income tax in prior year	**–**	(209)
Deferred tax assets not recognised in the current year	**262**	68
Foreign tax on dividend income	**10**	105
Others	**–**	1
	620	748

Unrecognised deferred tax assets

	Group	
	2019	2018
	$'000	$'000
At beginning of financial year	**350**	534
Utilisation of deferred tax assets previously not recognised	**–**	(17)
Addition of unrecognised deferred tax assets	**262**	68
Overprovision of unrecognised deferred tax assets in prior year	**(137)**	(235)
At end of financial year	**475**	350

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. Income tax expense (Continued)

Unrecognised deferred tax assets are attributable to:

	Group	
	2019	2018
	$'000	$'000
Unabsorbed capital allowances on plant and equipment	**47**	27
Provisions	**–**	64
Unutilised tax losses	**428**	259
	475	350

At the end of the financial year, the Group had unutilised tax losses of approximately $2,735,000 (2018: $1,519,000) which is available for set-off against future taxable profits. These deferred tax assets have not been recognised as there is no certainty that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.8 to the financial statements.

The realisation of the future income tax benefits from unutilised tax loss and temporary differences from unabsorbed capital allowances is available for an unlimited future period and subject to the conditions imposed by law including the retention of majority shareholders as defined.

At the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised amounted to $2,717,000 (2018: $1,176,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

12. Other comprehensive income for the financial year, net of tax

	Group					
		2019			2018	
	Before-tax amount	**Tax expense**	**Net-of-tax amount**	Before-tax amount	Tax expense	Net-of-tax amount
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Remeasurement of defined benefit pension scheme	**(178)**	**–**	**(178)**	(156)	–	(156)
Exchange differences on translation of foreign operations	**(929)**	**–**	**(929)**	(274)	–	(274)
Other comprehensive income	**(1,107)**	**–**	**(1,107)**	(430)	–	(430)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. Earnings per share (cents)

Basic earnings per share is calculated by dividing net profit for the financial year attributable to the owners of the parent by the weighted average number of ordinary shares in issue during the financial year. For the calculation of diluted earnings per share, the profit for the year attributable to the owners of the parent and the weighted average number of ordinary shares are adjusted for the effects of dilutive potential ordinary shares assuming all options have been converted or exercised.

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2019	2018
	$'000	$'000
Earnings		
Profit attributable to owners of the parent (for the purpose of basic and diluted earning per share)	**2,033**	2,311
	Number of shares '000	**Number of shares '000**
Number of shares		
Number of shares	496,159	496,159
Weighted average number of ordinary shares		
- Basic	496,159	496,159
Basic earnings per share (cents)	0.41	0.47

The calculation of the diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2019	2018
	$'000	$'000
Number of shares		
Weighted average number of shares used in basis EPS	**496,159**	496,159
Effect of employee share options	**–**	11,446
Weighted average number of shares used in diluted EPS	**496,159**	507,605
Diluted earnings per share (cents)	**0.41**	0.46

The diluted earnings per share for the financial year ended 31 December 2019 is same as the basic earnings per share as the potential ordinary shares are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Property, plant and equipment

Group	Leasehold buildings $'000	Leasehold improvements $'000	Machinery, furniture and equipment $'000	Motor vehicles $'000	Total $'000
Cost					
At 1 January 2019	4,510	6,333	43,571	681	55,095
Additions	–	97	1,787	20	1,904
Disposal of controlling interest in a subsidiary (Note 19)	–	–	(31)	–	(31)
Currency realignment	(119)	(103)	(709)	(10)	(941)
At 31 December 2019	4,391	6,327	44,618	691	56,027
Accumulated depreciation					
At 1 January 2019	453	4,804	37,402	617	43,276
Depreciation charge for the year	218	307	1,684	42	2,251
Disposal of controlling interest in a subsidiary (Note 19)	–	–	(4)	–	(4)
Currency realignment	(17)	(79)	(582)	(10)	(688)
At 31 December 2019	654	5,032	38,500	649	44,835
Net carrying amount					
At 31 December 2019	3,737	1,295	6,118	42	11,192

Group	Leasehold buildings $'000	Leasehold improvements $'000	Machinery, furniture and equipment $'000	Motor vehicles $'000	Total $'000
Cost					
At 1 January 2018	4,833	6,248	40,361	736	52,178
Additions	12	97	3,849	–	3,958
Disposal	–	–	–	(52)	(52)
Written off	–	(9)	(326)	–	(335)
Currency realignment	(335)	(3)	(313)	(3)	(654)
At 31 December 2018	4,510	6,333	43,571	681	55,095
Accumulated depreciation					
At 1 January 2018	242	4,540	36,612	605	41,999
Disposal	–	–	–	(52)	(52)
Depreciation charge for the year	225	274	1,314	67	1,880
Written off	–	(9)	(326)	–	(335)
Currency realignment	(14)	(1)	(198)	(3)	(216)
At 31 December 2018	453	4,804	37,402	617	43,276
Net carrying amount					
At 31 December 2018	4,057	1,529	6,169	64	11,819

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Property, plant and equipment (Continued)

Assets held under finance lease

As at 31 December 2018, the Group has motor vehicles acquired under finance lease with net carrying amount of approximately $63,272.

In the previous financial year, leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the lease are recognised as the carrying amount of the right-of-use assets and lease liabilities as at 1 January 2019.

15. Intangible assets

	Group	
	2019	2018
	$'000	$'000
Computer software		
Cost		
At 1 January	**245**	246
Addition	**5**	–
Currency realignment	**(2)**	(1)
At 31 December	**248**	245
Accumulated amortisation		
At 1 January	**197**	175
Amortisation	**23**	23
Currency realignment	**(2)**	(1)
At 31 December	**218**	197
Carrying amount		
At 31 December	**30**	48

The amortisation of intangible assets is included in "administrative expense" line item in profit or loss.

16. Right-of-use assets

	Group	
	2019	2018
	$'000	$'000
Cost		
Balance at beginning of financial year		
- Adoption of SFRS(I) 16 (Note 2.1)	**2,254**	–
	2,254	–
Additions	**352**	–
Amortisation charge (Note 10)	**(1,224)**	–
Currency realignment	**(9)**	–
Balance at end of financial year	**1,373**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. Land use rights

	Group	
	2019	2018
	$'000	$'000
Cost		
At 1 January	**1,637**	1,691
Currency realignment	**(43)**	(54)
At 31 December	**1,594**	1,637
Accumulated amortisation		
At 1 January	**182**	131
Amortisation	**54**	56
Currency realignment	**(6)**	(5)
At 31 December	**230**	182
Carrying amount		
At 31 December	**1,364**	1,455

At 31 December 2019, the Group has land use rights over 1 plot (2018: 1 plot) of state-owned land in China where the Group's operations reside. The land use rights are non-transferable and have remaining tenure of 45 years (2018: 46 years).

18. Exploration and evaluation assets

	West Jambi[(1)]	**Trembul**[(2)]	**Total**
	$'000	**$'000**	**$'000**
Group			
Cost			
As at 1 January 2019	2,999	12,973	15,972
Additions	–	389	389
Disposal of controlling interest in a subsidiary (Note 19)	–	(13,433)	(13,433)
Currency realignment	–	71	71
As at 31 December 2019	2,999	–	2,999
Impairment loss			
As at 1 January 2019	2,999	–	2,999
Currency realignment	–	–	–
As at 31 December 2019	2,999	–	2,999
Carrying amount			
As at 31 December 2019	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. Exploration and evaluation assets (Continued)

	West Jambi[(1)] $'000	Trembul[(2)] $'000	Total $'000
Group			
Cost			
As at 1 January 2018	2,973	9,471	12,444
Additions	–	3,245	3,245
Currency realignment	26	257	283
As at 31 December 2018	2,999	12,973	15,972
Impairment loss			
Impairment made during the financial year, representing accumulated impairment loss as at 31 December 2018	2,999	–	2,999
Carrying amount			
As at 31 December 2018	–	12,973	12,973

(1) The Group through its wholly-owned subsidiary, GSS Energy Sumatra Limited ("GESL"), entered into an Investment Agreement between Ramba Energy West Jambi Limited ("REWJ") and Ramba Energy Exploration Limited ("REEL") to fund drilling cost for exploration of 2 wells in West Jambi, Sumatra, Indonesia up to US$6.0 million for a period up to 30 September 2018.

During the financial year, the Group carried out an impairment assessment of the recoverable amount of West Jambi project in the oil and gas segment. The exploration and drilling right expired on 30 September 2018 and has not been formally extended. The Group has not been provided with budget or future plan of the project. In view of the uncertainty surrounding the project, the Group has fully impaired the investment cost and recognised impairment loss of $2,999,000 in other expenses. The recoverable amount of the investment has been determined to be $Nil, on the basis of fair value less cost of disposal. The impairment loss is based on the fair value hierarchy of Level 3.

(2) As of 31 December 2019, the Group entered into a sale and purchase agreement with Oakhurst Investment Pte. Ltd. to dispose of 80 Class A ordinary shares representing 80% of the issued and paid-up share capital in its wholly owned subsidiary, GSS Energy Trembul Limited ("GETL") and its subsidiary which constitutes a disposal of controlling interest and subsequently accounted it as investment in an associate. The Group's exploration and evaluation assets were derecognised as a result of the disposal.

19. Investment in subsidiaries

	Company 2019 $'000	2018 $'000
Unquoted equity shares, at cost	**44,340**	44,340
Allowance for impairment losses	**(15,657)**	(15,657)
	28,683	28,683

Allowance for impairment losses in subsidiary was due to the termination of the Cooperation Agreement in the financial year ended 2015 ("CA 2015"), GSS Energy Investment Holdings Limited ("GEIHL") has discontinued its entire operation since the termination. Management has assessed the recoverable amount of the investment in GEIHL, which represent the oil extraction segment in the Group. This review led to the recognition of impairment loss of $15,657,000 in profit or loss of the Company. The recoverable amount of the investment has been determined to be $Nil, on the basis of fair value less cost of disposal. The impairment loss is based on the fair value hierarchy of Level 3.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. Investment in subsidiaries (Continued)

Details of subsidiaries:

Name of company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interest	
		2019	2018	**2019**	2018
		%	%	**%**	%
Giken Sakata (S) Limited[1] (Singapore)	Manufacture and sale of microshafts and other precision parts and assembly of mechanisms used in computers and a range of electronic products	**100**	100	**–**	–
Giken Precision Engineering (S) Pte Ltd[1] (Singapore)	Manufacture of basic precious and non–ferrous metal products	**100**	100	**–**	–
P.T. Giken Precision Indonesia[2] (Indonesia)	Assembly of mechanisms and manufacture of precision parts used in computers and a range of electronic products	**100**	100	**–**	–
Changzhou Giken Precision Co., Ltd.[3] (People's Republic of China)	Manufacture and sale of microshafts and other precision parts	**100**	100	**–**	–
Changzhou Giken Technology Co., Ltd.[3] (People's Republic of China)	Manufacture and sale of moulding parts and assembly of mechanisms used in computers and a range of electronic products	**100**	100	**–**	–
Changzhou Giken Import & Export Co., Ltd[4][a] (People's Republic of China)	Manufacture and sale of microshafts and other precision parts	**100**	100	**–**	–
GSS Energy Investment Holdings Limited[4] (British Virgin Island)	Investment holding	**100**	100	**–**	–
GSS Energy Oilfield Management Limited[4] (British Virgin Island)	Dormant	**100**	100	**–**	–
GSS Energy Trembul Limited[4][5][c] (British Virgin Island)	Investment holding	**–**	100	**–**	–
GSS Energy Sumatra Limited[4] (British Virgin Island)	Investment holding	**100**	100	**–**	–
P.T. Giken Technology Indonesia[4] (Indonesia)	Dormant	**100**	100	**–**	–

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19. Investment in subsidiaries (Continued)

Details of subsidiaries: (Continued)

Name of company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interest	
		2019	2018	**2019**	2018
		%	%	**%**	%
P.T. Sarana GSS Trembul[(2)(5)(c)] (Indonesia)	Operate in oil and gas exploration	**–**	49	**–**	51
Turbo Charge Limited[(4)] (British Virgin Island)	Investment holding	**80**	80	**20**	20
Turbo Charge (S) Pte. Ltd.[(1)] (Singapore)	Sale and distribution of consumer electronics	**80**	80	**20**	20
Turbo Charge (M) Sdn. Bhd.[(4)] (Malaysia)	Sale and distribution of consumer electronics	**80**	80	**20**	20
Giken Trading (S) Pte. Ltd.[(1)] (Singapore)	Sale and distribution of consumer electronics and other products	**100**	100	**–**	–
Nusantara Resources Pte. Ltd. *(f.k.a GSS-AFCO Pte. Ltd.)*[(4)] (Singapore)	Dormant	**100**	100	**–**	–
I-Motor Asia Limited[(4)] (British Virgin Island)	Manufacture and distribution of motor bike	**51**	51	**49**	49
I-Motor Korea Co., Ltd[(4)(b)] (Republic of Korea)	Manufacture and distribution of motor bike	**100**	–	**–**	–
Eastern Giken International Co. Limited[(d)] (Hong Kong)	Manufacture and sale of consumer electronic products	**–**	70	**–**	30
PT Gading Prima Indo[(4)] (Indonesia)	Sale and distribution of consumer electronics	**100**	100	**–**	–

(1) Audited by BDO LLP, Singapore.

(2) Audited by Tanubrata Sutanto Fahmi & Rekan, Indonesia, a member firm of BDO International Limited, for consolidation purposes.

(3) Audited by BDO China Shu Lun Pan CPA, PRC, a member firm of BDO International Limited, for consolidation purposes.

(4) Insignificant components and reviewed by BDO LLP, Singapore for consolidation purpose.

(5) As of 17 June 2019, arising from the disposal of controlling interest in GSS Energy Trembul Limited ("GETL") and its subsidiary resulted in an indirect disposal of controlling interest in P.T. Sarana GSS Trembul ("PTSGT").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. Investment in subsidiaries (Continued)

Incorporation of new subsidiaries

(a) On 12 November 2018, the Company's subsidiary, Changzhou Giken Precision Co., Ltd ("CGP"), incorporated Changzhou Giken Import & Export Co., Ltd ("CGIE"), a subsidiary in People's Republic of China with initial issued and paid-up share capital of RMB 500,000.

(b) On 20 March 2019, the Company's subsidiary, I-Motor Asia Limited ("IMA"), incorporated I-Motor Korea Co., Ltd ("IMK") wholly-owned subsidiary in the South Korea with initial issued and paid-up share capital of KRW 156,000,000.

Disposal of controlling interest in a subsidiary

(c) On 17 June 2019, the Company entered into a sale and purchase agreement with Oakhurst Investment Pte. Ltd. to dispose of 80 Class A ordinary shares representing 80% of the issued and paid up share capital in its wholly owned subsidiary, GSS Energy Trembul Limited ("GETL") and its subsidiary, P.T. Sarana GSS Trembul ("PTSGT") for a consideration of US$1. As at 31 December 2019, the investment in GETL and its subsidiary is accounted as investment in an associate company.

Following the disposal of shareholding in GETL, the remaining interest in GETL and its subsidiary is accounted as investment in an associate and amount due from an associate as at 31 December 2019.

The effect of disposal as at the date of disposal were:

	Carrying amount $'000
Plant and equipment	27
Exploration and evaluation assets (Note 18)	13,433
Inventories	756
Other receivables	1,236
Cash and cash equivalent	287
Total assets	15,739
Other payable and accruals	3,666
Amount owing to immediate holding company	9,619
Total liabilities	13,285
Retained earnings as at date of disposal	2,454
Non-controlling interest as at date of disposal	337
Net identified assets disposed of	2,791

NOTES TO THE FINANCIAL STATEMENTS

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19. Investment in subsidiaries (Continued)

Disposal of controlling interest in a subsidiary (Continued)

(c) The effect of disposal as at the date of disposal were: (Continued)

The effect of disposal on cash flows are as follows:

	Carrying amount $'000
Net identified assets disposed of (as above)	2,791
Fair value of interest retained (Note 20)	(2,791)
Gain on disposal	–
Less: Cash and cash equivalents disposal	(287)
Net cash flow on disposal	(287)

(d) On 17 April 2019, the Group disposed of its entire shareholding interest in Eastern Giken International Co. Limited ("EGI"), a subsidiary for Giken Sakata (S) Limited ("GSS"), for HK$7,000 cash consideration. No summarised financial information of EGI is shown as the disposal effect on cash flows is not material.

Non-controlling interests in financial year ended 31 December 2018

Summarised financial information in relation to P.T. Sarana GSS Trembul that has non-controlling interest ("NCI") that were material to the Group, before intra-group eliminations and together with amounts attributed to NCI, was presented below:

	2018 $'000
Revenue	–
Loss after tax	(874)
Loss allocated to NCI	(96)
Other comprehensive income allocated to NCI	(9)
Total comprehensive income allocated to NCI	(105)
Cash flows from operating activities	3,099
Cash flows used in investing activities	(3,274)
Cash flows from financing activities	–
Net cash outflows	(175)
Assets:	
Current assets	2,164
Non-current assets	13,001
Liabilities:	
Current liabilities	(17,805)
Net assets	(2,640)
Accumulated non-controlling interest	(320)

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For the financial year ended 31 December 2019

20. Investment in an associate

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Equity shares, at cost	**2,791**	–	**2,791**	–
Share of loss of associate, net of tax	**(23)**	–	**–**	–
	2,768	–	**2,791**	–
Non-current				
Due from an associate (non-trade)	**9,392**	–	**9,392**	–

The Company capitalised the amount due from GSS Energy Trembul Limited ("GETL") and its subsidiary, P.T. Sarana GSS Trembul ("PTSGT") amounting to $6,692,000 (Note 36), representing 20 Class B ordinary shares of GETL, prior to the disposal of controlling interest in GETL. On 17 June 2019, the Company entered into a sale and purchase agreement with Oakhurst Investment Pte. Ltd. ("Oakhurst") to dispose of 80 Class A ordinary shares representing 80% of the issued and paid-up share capital in its wholly owned subsidiary, GETL and its subsidiary, PTSGT which constitutes a disposal of controlling interest. 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 associate continues to engage in exploration of oil & gas in Indonesia.

The remaining balance is non-trade in nature, unsecured and non-interest bearing. The amount due from an associate form part of the Group's net investment in an associate. The settlement of such balances is not planned or likely to occur in the short term and is dependent upon the generation of revenue from the evaluation and exploration asset.

Subsequent to the financial year end, the associate has submitted the required banker's guarantee on 27 February 2020, amongst others, to fulfill the relevant requirements, agreed between the associate and an Indonesian state-owned entity, to secure an extension of the exploration period till February 2022. The formal approval for the extension of exploration period has not been received as at date of these financial statements.

Based on the Group's assessment on the ongoing status of exploration project including but not limited to the renewal of the exploration permit, financing arrangement and future plans, the Group has concluded no impairment loss is recorded in relation to its remaining interest in the associate during the current financial year.

The Group and the Company have reviewed estimates on the expected credit loss in accordance with SFRS(I) 9 to measure the loss allowance for amount due from the associate using 12-month Expected Credit Loss ("ECL"). The Group and the Company concluded there has been no significant increase in credit risk since the initial recognition of the amount due from the associate based on the ongoing status of the exploration project. Accordingly, no ECL provision has been made for the amount due from the associate.

The details of the associate is as follows:

Name of associate (Country of incorporation and principal place of business)	**Principal activities**	**Portion of ownership interest held by the Group 2019 %**
GSS Energy Trembul Limited [(1)] (British Virgin Island)	Investment holding	20

(1) Reviewed by BDO LLP, Singapore for consolidation purpose.

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For the financial year ended 31 December 2019

20. Investment in an associate (Continued)

GETL and its subsidiary's primary business is in alignment with the Group's oil and gas segments.

Set out below are the summarised financial information of the Group's significant associates for the financial year ended 31 December 2019:

Summarised statement of financial position as at 31 December	2019 $'000
GETL	
Current assets	3,733
Non-current assets	13,810
Current liabilities	(3,595)
Non-current liabilities	(11,671)

Summarised statement of comprehensive income for the financial year ended 31 December	2019 $'000
Revenue	–
Loss	(675)
Other comprehensive income	(189)
Total comprehensive income	(864)

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts), adjusted for fair value adjustments and differences in accounting policies between the Group and the associate.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in the associate, is as follows:

	2019 $'000	2018 $'000
Equity shares, at cost	2,791	–
Share of loss of associate, net of tax	(23)	–
Carrying value of the Group's investment in an associate	2,768	–

21. Goodwill

	Group	
	2019 $'000	2018 $'000
Cost		
At beginning and end of the financial year	112	112

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. Goodwill (Continued)

Goodwill acquired in a business combination is allocated to the cash-generating units ("CGU") that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to the following segments:

	2019 $'000	2018 $'000
Microshafts		
China	**112**	112

22. Due from/(to) subsidiaries

Due from subsidiaries

	Company	
	2019 $'000	2018 $'000
Non-current		
Due from subsidiaries (non-trade)	**3,313**	18,443
Allowance for impairment loss	**(3,132)**	(3,132)
	181	15,311
Current		
Due from a subsidiary (non-trade)	**–**	109

The non-current balances due from subsidiaries are non-trade in nature, unsecured and non-interest bearing. As the amount was, in substance, a part of the Company's net investment in subsidiaries, it was stated at cost less impairment.

In the previous financial year, the Group carried out a review of the recoverable amount due from a subsidiary that has investment in West Jambi project in the oil and gas segment. As a result of the expiry of the exploration and drilling right and it has not been formally extended, and the Group has not been provided with budget or future plan for the project, this has led to the recognition of an impairment loss of $3,132,000 that has been recognised in profit or loss. The recoverable amount of the amount due from the subsidiary has been determined to be $Nil. No movement in the current financial year.

The current balance due from a subsidiary is non-trade in nature, unsecured, non-interest bearing, repayable on demand and settle in cash. It is considered to be a low credit risk and subject to immaterial credit loss. The amounts due from subsidiaries are denominated in United States dollar.

Due to a subsidiary

The amounts due to a subsidiary which denominated in Singapore dollar is non-trade in nature, non-interest bearing, repayable on demand and settled in cash.

23. Inventories

	Group	
	2019	2018
	$'000	$'000
Finished goods	**2,393**	2,011
Work-in-progress	**1,117**	1,260
Raw materials	**7,940**	7,806
Consumable stock	**–**	752
	11,450	11,829

The Group's cost of inventories recognised as expense under "cost of sales" to the Group's profit or loss during the financial year amounted to $77,157,000 (2018: $77,711,000).

During the financial year, the Group has written off approximately $18,000 of its inventories. The written off is recognised in the Group's profit or loss under "cost of sales".

In the previous financial year, the Group recognised a reversal of $4,000, being part of an inventory write-down made in the previous financial years, as the inventories were sold above the carrying value during the financial year. The reversal is recognised in the Group's profit or loss under "cost of sales".

24. Due from a related party

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Due from a related party (non trade)	**223**	–	**–**	–

The non-current balances due from a related company is non-trade in nature, unsecured and non-interest bearing. The amount due from a related company is denominated in United States dollar.

25. Trade receivables

	Group	
	2019	2018
	$'000	$'000
Trade receivables – third parties	**22,589**	24,016
Notes receivables	**281**	340
	22,870	24,356

Trade receivables from third parties are non-interest bearing and are generally on 30 to 95 (2018: 30 to 95) days credit terms.

The Group does not hold any collateral as security.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

25. Trade receivables (Continued)

The exposure to credit risk for trade receivables at each reporting is as follows:

	2019 $'000	2018 $'000
Group		
Not past due	**16,262**	16,833
Past due less than 30 days	**5,761**	6,105
Past due 30 to 60 days	**450**	824
Past due 61 to 90 days	**259**	193
Past due over 90 days	**138**	401
	22,870	24,356

The Group applies simplified approach and uses provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In determining the expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The Group considers the historical customers' payment profile of respective countries, past due status of the receivables, historical loss rate and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers of respective countries to settle the receivables. The Group has identified the country risk in which it sells goods and services to be the most relevant factor and the historical loss rates is adjusted accordingly based on the expected changes in this factors.

Trade receivables are in default if the debtor fail to make contractual payment when they fall due. Trade receivables are written off when there is no reasonable expectation of recovery, such as the debtor is in severe financial difficulty. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Based on the above assessment, the Group has concluded that the trade receivables are subject to immaterial expected credit loss and as such no lifetime expected credit loss has been recognised for these receivables. Accordingly, the loss allowance is not adjusted to the trade receivables.

Trade receivables are denominated in the following currencies:

	Group	
	2019 $'000	2018 $'000
Singapore dollar	**1,465**	1,774
United States dollar	**16,947**	19,673
Japanese yen	**23**	62
Chinese renminbi	**4,086**	2,435
Others	**349**	412
	22,870	24,356

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For the financial year ended 31 December 2019

26. Other receivables and deposits

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Non current				
Deposits	**3,446**	1,340	**–**	–
Current				
Other receivables due from third parties	**146**	1,373	**–**	–
Advance payment	**591**	315	**–**	–
Deposits	**2,894**	595	**–**	–
	3,631	2,283	**–**	–
	7,077	3,623	**–**	–

The Group's non current deposits is attributable to a deposit for purchase of land and construction of new factory building in Batam, Indonesia.

Other receivables due from third parties are considered to be a low credit risk and subject to immaterial credit loss. Credit loss for these assets has not increased significantly since their initial recognition, consequently they are measured at the 12 month expected credit losses.

Other receivables and deposits are denominated in the following currencies:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Singapore dollar	**95**	1,712	**–**	–
Chinese renminbi	**211**	342	**–**	–
United States dollar	**1,105**	465	**–**	–
Indonesia rupiah	**5,433**	1,100	**–**	–
Malaysia ringgit	**4**	4	**–**	–
Korean won	**229**	–	**–**	–
	7,077	3,623	**–**	–

27. Short-term investments

	Group	
	2019	2018
	$'000	$'000
Unquoted short term investment		
- At amortised cost	**966**	2,819

Unquoted short term investment relates to interest bearing short term deposits placed with financial institutions with credit rating of AA to A for average period of 3 months.

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For the financial year ended 31 December 2019

27. Short-term investments (Continued)

The average effective interest rate of the short term investment range from 2.95% to 3.40% (2018: 3.30% to 4.70%) per annum.

At 31 December 2019, the unquoted short-term investments have nominal values amounting to $966,000 (2018: $2,819,000), with average coupon rates of 3.03% (2018: 3.44%) per annum and maturity dates before 1 May 2020 (2018: 1 April 2019).

Short-term investments placed with financial institutions have low risk of default as the issuers have strong capacity to meet the contractual cash flows obligation in the near term. Credit loss for these assets has not increased significantly since their initial recognition, consequently they are measure at the 12 month expected credit losses.

There is no disposal or allowance for impairment for these unquoted short-term investments due to immaterial credit loss.

Short-term investments is denominated in Chinese renminbi.

28. Cash and bank balances

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**6,757**	7,167	**21**	91
Short-term deposits	**831**	540	**–**	–
	7,588	7,707	**21**	91
Less: Bank deposits pledged	**(337)**	(1,596)	**–**	–
Cash and cash equivalents for purpose of consolidated cash flows statement	**7,251**	6,111	**21**	91

Short-term deposits

Short-term deposits are made for varying periods of between 1 month to 1 year (2018: 1 month to 1 year) depending on the immediate cash requirement of the Group and earns effective interest rates ranging from 3% to 3.35% (2018: 0.5% to 3%) per annum. Those deposits (excluding pledged deposits) are freely convertible to cash as and when such funds are required and will mature within the next 3 months (2018: within the next 3 months).

Bank deposits of the Group amounting to $337,000 (2018: $1,340,000) are pledged to banks to secure short-term bank loans granted to a subsidiary (Note 32).

28. Cash and bank balances (Continued)

Cash and cash balances are denominated in the following currencies:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Singapore dollar	**1,898**	1,630	**15**	85
Chinese renminbi	**2,876**	1,393	**–**	–
Indonesian rupiah	**687**	1,499	**–**	–
United States dollar	**2,068**	2,974	**6**	6
Others	**59**	211	**–**	–
	7,588	7,707	**21**	91

Chinese renminbi is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Chinese renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

29. Trade payables

Trade payables are non-interest bearing and are normally settled in 30 to 90 (2018: 30 to 90) days credit terms.

Trade payables are denominated in the following currencies:

	Group	
	2019	2018
	$'000	$'000
Singapore dollar	**2,449**	3,686
United States dollar	**5,959**	7,924
Japanese yen	**26**	29
Korean won	**1,006**	–
Chinese renminbi	**2,738**	3,542
Indonesian rupiah	**2,379**	989
	14,557	16,170

30. Other payables and accruals

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Other payables	**1,179**	3,506	**51**	61
Accrued operating expenses	**3,752**	3,712	**297**	352
Deposits and advances received from customers	**427**	123	**–**	–
	5,358	7,341	**348**	413

The other payables are non-trade in nature, unsecured, interest-free and repayable on demand.

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30. Other payables and accruals (Continued)

Other payables and accruals are denominated in the following currencies:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Singapore dollar	**1,700**	2,182	**348**	413
United States dollar	**1,083**	–	**–**	–
Chinese renminbi	**1,020**	759	**–**	–
Indonesia rupiah	**988**	4,394	**–**	–
Korean won	**566**	–	**–**	–
Malaysia ringgit	**1**	6	**–**	–
	5,358	7,341	**348**	413

31. Lease liabilities

	2019	2018
	$'000	$'000
Balance at beginning of financial year		
- Adoption of SFRS(I) 16 (Note 2.1)	**2,254**	–
	2,254	–
Additions	**352**	
Interest expense (Note 9)	**115**	–
Lease payments		
- Principal portion	**(1,195)**	–
- Interest portion	**(115)**	–
Currency realignment	**(10)**	–
Balance at end of financial year	**1,401**	–

The maturity analysis of lease liabilities at each reporting date are as follows:

	2019	2018
	$'000	$'000
Contractual undiscounted cash flows		
- Not later than a year	**1,285**	–
- Between two to five years	**123**	–
	1,408	–
Less: Future interest expense	**(7)**	–
Present value of lease liabilities	**1,401**	–
Presented in the statement of financial position		
- Current	**1,250**	–
- Non-current	**151**	–
	1,401	–

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For the financial year ended 31 December 2019

32. Loan and borrowings

	Group	
	2019	2018
	$'000	$'000
Short-term bank loans	**5,494**	5,033

The short-term secured loans of $1,675,000 (2018: $1,136,000) are repayable on demand with average effective interest rate range of 1% and 3% per annum (2018: 1% and 3% per annum). At the end of the financial year, the loans are secured by a subsidiary's bank deposits as disclosed in Note 28 to the financial statements. The remaining short-term bank loans of $5,494,000 (2018: $ 3,897,000) with average effective interest rate of 3.67% (2018: 3.45% per annum) are secured by trade receivable invoices of US$3,127,000 (equivalent to $4,208,000) and corporate guarantee provided by the Company (Note 42) and repayable on demand.

Short-term bank loans are denominated in the following currencies:

	Group	
	2019	2018
	$'000	$'000
Singapore dollar	**1,000**	1,000
United States dollar	**4,494**	2,897
Indonesian rupiah	**–**	1,136
	5,494	5,033

33. Retirement benefit obligations

	Group	
	2019	2018
	$'000	$'000
Retirement gratuities	**227**	206
Employee service entitlement benefits	**1,499**	1,324
	1,726	1,530

Retirement gratuities

Retirement gratuities is calculated based on employment scheme according to Japanese Expatriates Termination Handbook:

	Group	
	2019	2018
	$'000	$'000
At beginning of the financial year	**206**	206
Currency realignment	**21**	–
At end of the financial year	**227**	206

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. Retirement benefit obligations (Continued)

Employee service entitlement benefits

The Group has defined benefit plan (the "Plan") and made provision for employee benefits for all its permanent employees of subsidiaries as required under the Labour Law No. 13/2003, Indonesia. The number of employees entitled to the benefits as at 31 December 2019 is 253 (2018: 251).

The Plan is funded by P.T. Giken Precision Indonesia ("GPI") contribute a certain percentage of employee salaries to P.T. Asuransi Jiwa Manulife Indonesia ("Manulife"). The fund is administered by Manulife.

The Plan is exposed to a number of risks:

(i) Investment risk : movement of discount rate used for defined benefit obligation;

(ii) Salary risk : increase in future salaries increasing the gross defined benefit obligation;

(iii) Interest rate risk : decrease/increase in the discount rate used will increase/decrease the defined benefits obligation; and

(iv) Longevity risk : changes in the estimation of mortality rates of current and former employee.

The provision for employee benefits is calculated by an external independent actuary, PT Tama Aktuaria (2018: PT Tama Aktuaria) using the "Projected Unit Credit Method".

The principal actuarial assumptions used in determining the present value of the defined employee benefits include:

	Group	
	2019	2018
	$'000	$'000
Annual discount rate	**7.51%**	8.25%
Annual salary growth rate	**1.5%**	2%
Table of mortality	**Indonesia III-2011**	Indonesia III-2011
Turnover rate	**2.5%**	2.5%
Normal retirement age	**55 years**	55 years

The amount recognised in the statement of financial position is determined as follow:

	Group	
	2019	2018
	$'000	$'000
Defined benefit plan		
Present value of defined benefit obligation	**1,781**	1,506
Fair value of the Plan assets	**(282)**	(182)
Net defined benefit liabilities	**1,499**	1,324

33. Retirement benefit obligations (Continued)

Employee service entitlement benefits (Continued)

Reconciliation of defined benefit obligation:

	Group	
	2019	2018
	$'000	$'000
At beginning of financial year	**1,506**	1,373
Discharge of obligation due to resignation	**(88)**	–
Included in profit or loss		
Current service costs	**96**	125
Interest costs	**105**	117
Expectations of return on program	**(4)**	(39)
Amount recognised as expenses	**197**	203
Included in other comprehensive income		
Remeasurement of post-employment benefits from:		
- Demographic assumptions	**133**	122
- Financial assumptions	**60**	36
Net actuarial losses recognised	**193**	158
Others		
Effects of movements in exchange rates	**65**	(40)
Benefits paid	**(92)**	(188)
At end of the financial year	**1,781**	1,506

Reconciliation of fair value of the Plan assets:

	2019	2018
	$'000	$'000
At beginning of financial year	**(182)**	(165)
Included in profit or loss		
Interest costs	**4**	4
Included in other comprehensive income		
Return on plan assets (excluding interest)	**(15)**	(2)
Others		
Effects of movements in exchange rates	**(3)**	71
Employer contributions	**(89)**	(93)
Benefits paid	**3**	3
	(89)	(19)
At end of the financial year	**(282)**	(182)

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33. Retirement benefit obligations (Continued)

Employee service entitlement benefits (Continued)

Reconciliation of fair value of the Plan assets: (Continued)

The fair value of the premium invested by Manulife is analysed as follow:

	Group	
	2019	2018
	$'000	$'000
Fixed income	**147**	92
Syariah fund	**135**	90
	282	182

Sensitivity analysis

The impact to the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumptions constant, is presented in the table below:

		Defined benefit obligation	
Actuarial assumption	**Reasonably possible change**	**Increase**	**Decrease**
		$'000	**$'000**
2019			
Discount rate	7.52% (+/- 1%)	1,632	1,879
Wages and salary growth rate	1.5% (+/- 1%)	1,893	1,619
Mortality rate	0.1% (+/- 1%)	1,812	1,682
Turnover rate	2.5% (+/- 1%)	1,811	1,682
Retirement age	55 (+/- 1%)	1,733	1,882
2018			
Discount rate	8.25% (+/- 1%)	1,318	1,530
Wages and salary growth rate	2% (+/- 1%)	1,545	1,304
Mortality rate	0.1% (+/- 1%)	1,482	1,350
Turnover rate	2.5% (+/- 1%)	1,483	1,349
Retirement age	55 (+/- 1%)	981	2,223

The average duration of the post-employment benefits at the end of the financial year is 14 years (2018: 13 years).

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34. Share capital

	Group and Company			
	2019	2018	**2019**	2018
	Number of ordinary shares		**$'000**	$'000
Issued and paid up:				
At beginning and end of the financial year	**496,158,657**	496,158,657	**58,522**	58,522

The Group and the Company has one class of ordinary shares which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends when declared by the Company. All ordinary shares have no par value and carry one vote per share without restrictions.

35. Other reserves

Other reserves comprise the following:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Equity non-controlling interest	**132**	132	**–**	–
Foreign currency translation reserve	**(1,126)**	(192)	**–**	–
Share options reserve	**3,608**	2,747	**3,608**	2,747
Statutory reserve	**1,282**	1,156	**–**	–
	3,896	3,843	**3,608**	2,747

Equity non-controlling interest

The equity non-controlling interest is the effect of transaction with non-controlling interest where there is no change in control.

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2019	2018
	$'000	$'000
At 1 January	**(192)**	72
Exchange differences arising from translation of foreign operations	**(934)**	(264)
At 31 December	**(1,126)**	(192)

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35. Other reserves (Continued)

Share options reserve

The share options reserve represents the value of service received from employees of the Group and the Company relating to equity settled share-based payment transactions.

As disclosed in Directors' Statement Note 5, the Board of Directors and GSS Energy Limited Executives' Share Option Scheme Committee approved and granted two equity-settled share-based payment option to Directors of the Company, Directors of subsidiaries and certain senior management to subscribe for ordinary shares of the Company. Options are exercisable at a price based on the average of the last done prices for the shares of the company on the Singapore Exchange Securities Trading Limited on the grant date; or may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. If the options, after the vesting period, remain unexercised before the expiry date, the options expire. The options will lapse or forfeited if the individual leaves before the options vest.

Detail of the share options outstanding at the end of the financial year are as follows:

Date granted	Balance at 1 January '000	Number of share options at date of grant '000	Cancelled/ Lapsed '000	Balance at 31 December '000	Vesting period (month)	Option expiry date	Weighted average exercise price $
2019							
27 February 2017	10,000	–	(10,000)	–	48	26 Feb 2022	0.12320
27 February 2017	28,400	–	(25,600)	2,800	36	26 Feb 2022	0.09856
27 February 2017	1,400	–	–	1,400	12	26 Feb 2020	0.09856
24 April 2017	7,400	–	–	7,400	48	26 Feb 2022	0.09856
23 February 2018	1,150	–	–	1,150	12	22 Feb 2021	0.12512
23 February 2018	25,073	–	(9,000)	16,073	36	22 Feb 2023	0.12512
	73,423	–	(44,600)	28,823			0.11443
2018							
27 February 2017	10,000	–	–	10,000	48	26 Feb 2022	0.12320
27 February 2017	28,400	–	–	28,400	36	26 Feb 2022	0.09856
27 February 2017	1,400	–	–	1,400	12	26 Feb 2020	0.09856
24 April 2017	7,400	–	–	7,400	48	26 Feb 2022	0.09856
23 February 2018	–	1,150	–	1,150	12	22 Feb 2021	0.12512
23 February 2018	–	26,073	(1,000)	25,073	36	22 Feb 2023	0.12512
	47,200	27,223	(1,000)	73,423			0.11152

11,600,000 (2018: 10,000,000) shares had vested and are exercisable at the end of the financial year.

The exercise price of options outstanding at 31 December 2019 ranged between $0.09856 and $0.12512 (2018: $0.09856 and $0.12512) and their weighted average contractual life was 4.3 years (2018: 4.3 years).

The weighted average fair value of each options granted during 2018 was $0.0533. No options were granted during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Other reserves (Continued)

Share options reserve (Continued)

The following information is relevant in the determination of the fair value of options granted during 2018 under the equity-settled share based payment.

	GEL Share Option Scheme granted in 2018
Option pricing model used	The Black-Scholes
The weighted average share price at grant date	$0.1564
Expected volatility	48.23%
Expected dividend growth rate	–
Expected life of option	1 to 4 years
Risk-free interest rate	2.39%

The expected volatility is based on the standard deviation of the Company's historical closing price over the 12 months in previous year.

The Group and the Company recognised total expenses of $861,000 (2018: $1,626,000) related to equity-settled share-based payment transactions during the financial year.

The Group did not enter into any share-based transactions with parties other than employees during the financial year.

Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiary in People's Republic of China (PRC), the subsidiary is required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

36. Significant related party transactions

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group's and Company's transactions and arrangements are based on the rates and terms agreed between the parties and the effect of this basis is reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. Significant related party transactions (Continued)

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
With a related company				
Payment on behalf of related company	**–**	–	**223**	–
With an associate				
Capitalisation of amount owing to the Company (Note 20)	**6,692**	–	**6,692**	–
With subsidiaries				
Advance to a subsidiary	**–**	–	**3,000**	4,975
Dividends received from a subsidiary	**–**	–	**9,000**	–
Payment on behalf by a subsidiary	**–**	–	**221**	258
Payment made on behalf of subsidiaries	**–**	–	**86**	183
Management fee income	**–**	–	**496**	567
Management expense	**–**	–	**164**	125
Interest charged by a subsidiary	**–**	–	**160**	62
Interest charged to a subsidiary	**–**	–	**87**	–
Loan from a subsidiary	**–**	–	**2,210**	6,509
Loan to a subsidiary	**–**	–	**87**	–

Compensation of key management personnel

Key management personnel compensation included in employee benefit expenses is as follows:

	Group	
	2019	2018
	$'000	$'000
Directors' fees	**72**	72
Salaries, bonuses and allowances	**2,061**	1,869
Provident fund and pension contributions	**108**	67
Employee share options expenses	**861**	1,575
Total compensation paid to key management personnel	**3,102**	3,583
Comprise amounts paid to:		
- Directors of the Company	**1,998**	2,773
- Other key management personnel	**1,104**	810
	3,102	3,583

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. Operating lease commitments

The Group as lessee

As of 31 December 2018, the Group has various lease commitments in respect of the factory, office and residential premises and office equipment in subsequent accounting periods as follows:

	Group
	2018
	$'000
Future minimum lease payments payable:	
Within one year	1,114
After one year but within five years	1,469
	2,583

Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Leases are negotiated for an average term of 1 to 5 years, with no provision for contingent lease or upward revision of lease based on market price indices.

In the previous financial year, payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

38. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed by the management of respective entities within the Group.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including interest income and interest expenses and share of results of equity accounted joint venture.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. Segment information (Continued)

The Group's reportable segments are organised on a regional basis into three main operating businesses, namely:

- Mechanisms division
- Microshafts division
- Oil extraction

Mechanisms division provides advanced production technology to multi-national manufacturers in the field of home and car audio entertainment, communication, computer and office automation industries and medical industries.

Microshafts division concentrates on the manufacturing of high precision shafts.

Oil extraction represent the operation of drilling and distribution of oil in Indonesia.

Other operations include marketing and provision of sales support services.

(a) Analysis by business activities

	Mechanisms $'000	Microshafts $'000	Oil extraction $'000	Unallocated segment $'000	Eliminations $'000	Group $'000
31 December 2019						
Revenue						
External customers	75,278	22,272	–	–	–	97,550
Intersegment revenues	16,699	1,953	–	–	(18,652)	–
	91,977	24,225	–	–	(18,652)	97,550
Results:						
Operating profit/(loss)	3,141	1,883	(670)	(2,172)	–	2,182
Interest income						126
Interest expense						(302)
Income tax expense						(620)
Non-controlling interests						670
Share of loss of associate						(23)
Net profit to owners of the parent						2,033
Segment assets and liabilities						
Segment assets	43,370	21,139	12,160	32	–	76,701
Total assets						76,701
Segment liabilities	23,559	4,883	–	348	–	28,790
Total liabilities						28,790
Other segment information						
Capital expenditure	(1,859)	(50)	(389)	–	–	(2,298)
Depreciation and amortisation	(2,027)	(1,525)	–	–	–	(3,552)
Write-off on inventories	(18)	–	–	–	–	(18)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. Segment information (Continued)

(a) Analysis by business activities (Continued)

	Mechanisms $'000	Microshafts $'000	Oil extraction $'000	Unallocated segment $'000	Eliminations $'000	Group $'000
31 December 2018						
Revenue						
External customers	77,520	23,312	–	–	–	100,832
Intersegment revenues	17,893	1,921	–	–	(19,814)	–
	95,413	25,233	–	–	(19,814)	100,832
Results:						
Operating profit/(loss)	6,713	3,617	(4,418)	(3,104)	–	2,808
Interest income						203
Interest expense						(136)
Income tax expense						(748)
Non-controlling interests						184
Net profit to owners of the parent						2,311
Segment assets and liabilities						
Segment assets	38,237	23,297	15,167	232	–	76,933
Total assets						76,933
Segment liabilities	20,609	5,267	3,537	1,063	–	30,476
Total liabilities						30,476
Other segment information						
Allowance for inventories obsolescence written back	4	–	–	–	–	4
Capital expenditure	(1,711)	(2,221)	(3,271)	–	–	(7,203)
Depreciation and amortisation	(1,111)	(844)	(4)	–	–	(1,959)
Government incentive	–	449	–	–	–	449
Impairment of exploration and evaluation asset	–	–	(2,999)	–	–	(2,999)

(b) Analysis by geographical activities

Revenues from external customers

Revenue is analysed by the location of the customers and by products and service are disclosed in Note 4 to the financial statements. The revenues from the top three customers of the Group's Mechanisms segment represent approximately $57,739,000 (2018: $59,459,000) of the Group's total revenues.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. Segment information (Continued)

(b) Analysis by geographical activities (Continued)

Locations of non-current assets

Segment assets and capital expenditure are analysed by location of the assets. Non-current assets consist of property, plant and equipment, intangible assets, land use rights, goodwill and exploration and evaluation assets.

	Non-current assets		Capital expenditure	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Singapore	**12,592**	164	**23**	50
Indonesia	**8,123**	16,751	**1,593**	4,685
China	**8,324**	9,492	**212**	2,468
Other countries	**638**	–	**470**	–
	29,677	26,407	**2,298**	7,203

39. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk and liquidity risk. The Board of Directors reviews and approves policies and procedures for the management of these risks, which are executed by the Chief Executive Officer, Executive Director and Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous reporting period, the Group's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

39.1 Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit risk is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Chief Financial Officer.

As at 31 December 2019, the Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for 16 (2018: 16) customers altogether accounted for 82% (2018: 84%) of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. Financial risk management objectives and policies (Continued)

39.1 Credit risk (Continued)

The Group's major classes of financial assets are bank deposits, trade receivables and short-term investments.

Impairment of cash and bank balance, pledged deposits and short-term investments are measured based on 12-month expected credit loss model. As the reporting date, the Group and the Company did not expect any credit losses from non-performance by the counterparties.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the financial statements, except for the following:

	Company	
	2019	2018
	$'000	$'000
Corporate guarantees provided to banking facilities of a subsidiary (Note 42)	**5,494**	3,897

These corporate guarantees are subject to the impairment requirement of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

For amount due from subsidiaries (Note 22), Board of Directors has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. Board of Directors monitors and assess at each reporting date on any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their performance ratio and any default in external debts. The risk of default is considered to be minimal as these subsidiaries have sufficient liquid assets and cash to repay their debts. Therefore, amount due from subsidiaries has been measured based on 12-month expected credit loss model and subject to immaterial credit loss.

Bank deposits are mainly deposits with reputable banks with minimum risk of default.

Cash and bank balances

A significant amount of cash and bank balances are held with the financial institutions with the following credit ratings:

	Rating	**Bank balance**
		$'000
2019		
International banks	AAA/AA/A	7,588
2018		
International banks	AAA/AA/A	7,707

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. Financial risk management objectives and policies (Continued)

39.2 Market risk

Foreign currency risk

The Group are exposed to foreign currency risk on transactions and balances that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Singapore dollar (SGD), United States dollar (USD), Indonesian rupiah (IDR), Euro (Euro), Korean won (KRW), Malaysia ringgit (MYR) and Japanese yen (YEN).

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Group	
	2019	2018
	$'000	$'000
Financial assets		
SGD	**3,556**	432
IDR	**2,877**	4,189
USD	**1,076**	21,970
KRW	**223**	–
Euro	**172**	247
YEN	**71**	141
MYR	**4**	–
Financial liabilities		
SGD	**4,122**	1
USD	**1**	10,800
Euro	**–**	–
IDR	**4,171**	6,519
YEN	**26**	31

Foreign currency sensitivity analysis

The following table details the sensitivity to a percentage increase and decrease in the respective functional currencies against the relevant foreign currencies. It indicates the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for the percentage change in foreign currency rates.

39. Financial risk management objectives and policies (Continued)

39.2 Market risk (Continued)

Foreign currency risk (Continued)

Foreign currency sensitivity analysis (Continued)

If the functional currency changes against the following foreign currencies by 5% (2018: 5%) each respectively at the end of the reporting period, assuming that all other variables held constant, the effects arising from the net financial asset position for the Group and of the Company will be as follows:

	Increase/(Decrease) Profit or loss	
	2019	2018
	$'000	$'000
Group		
Singapore dollar		
Strengthen against Chinese renminbi	**9**	21
Weaken against Chinese renminbi	**(9)**	(21)
Singapore dollar		
Strengthen against United States dollar	**(37)**	–
Weaken against United States dollar	**37**	–
United States dollar		
Strengthen against Chinese renminbi	**54**	63
Weaken against Chinese renminbi	**(54)**	(63)
Japanese yen		
Strengthen against Chinese renminbi	**4**	7
Weaken against Chinese renminbi	**(4)**	(7)
United States dollar		
Strengthen against Singapore dollar	**–**	496
Weaken against Singapore dollar	**–**	(496)
Euro		
Strengthen against Singapore dollar	**20**	12
Weaken against Singapore dollar	**(20)**	(12)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. Financial risk management objectives and policies (Continued)

39.2 Market risk (Continued)

Foreign currency risk (Continued)

Foreign currency sensitivity analysis (Continued)

	Increase/(Decrease) Profit or loss	
	2019	2018
	$'000	$'000
Group		
Indonesian rupiah		
Strengthen against Singapore dollar	**–**	(1)
Weaken against Singapore dollar	**–**	1
Japanese yen		
Strengthen against Singapore dollar	**–**	1
Weaken against Singapore dollar	**–**	(1)
Japanese yen		
Strengthen against United States dollar	**(1)**	–
Weaken against United States dollar	**1**	–
Indonesian rupiah		
Strengthen against United States dollar	**(65)**	(115)
Weaken against United States dollar	**65**	115
Korean won		
Strengthen against United States dollar	**11**	–
Weaken against United States dollar	**(11)**	–
Euro		
Strengthen against United States dollar	**9**	–
Weaken against United States dollar	**(9)**	–

39.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. Financial risk management objectives and policies (Continued)

39.3 Liquidity risk (Continued)

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

	Group					
	2019			2018		
	1 year or less $'000	2 to 5 years $'000	Total $'000	1 year or less $'000	2 to 5 years $'000	Total $'000
Trade payables	14,557	–	14,557	16,170	–	16,170
Other payables and accruals	5,268	–	5,268	7,218	–	7,218
Lease liabilities	1,285	123	1,408	–	–	–
Loan and borrowings	5,494	–	5,494	5,033	–	5,033
	26,604	123	26,727	28,421	–	28,421

	Company					
	2019			2018		
	1 year or less $'000	2 to 5 years $'000	Total $'000	1 year or less $'000	2 to 5 years $'000	Total $'000
Other payables and accruals	348	–	348	413	–	413
Due to a subsidiary	12,383	–	12,383	19,403	–	19,403
Financial guarantee	3,819	–	3,819	3,897	–	3,897
	16,550	–	16,550	23,713	–	23,713

39.4 Capital management policy

The Group and the Company manage their capital to ensure the Group and the Company maintain an optimal capital structure so as to support its business and maximise shareholder value. To achieve this objective, the Group and the Company may make adjustments to their capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning capital to shareholders or issuing new shares.

The Group and the Company manage their capital based on gearing ratio. The Group's and the Company's strategies were unchanged from 2018. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as loan and borrowings plus trade and other payables less cash and bank balances. Total capital is calculated as equity plus net debt.

As disclosed in Note 35 to the financial statements, a subsidiary of the Group is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. Financial risk management objectives and policies (Continued)

39.4 Capital management policy (Continued)

The Group and the Company are in compliance with the above externally imposed capital requirements at the end of each reporting period.

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Trade and other payables	**19,825**	23,511	**348**	413
Loan and borrowings	**5,494**	5,033	**–**	–
Less: cash and cash equivalents	**(7,251)**	(6,111)	**(21)**	(91)
Net debt	**18,068**	22,433	**327**	322
Equity attributable to the equity holders of the Company	**48,650**	46,868	**28,347**	24,391
Total capital	**48,650**	46,868	**28,347**	24,391
Capital and total debt	**66,718**	69,301	**28,674**	24,713
Gearing ratio	**27.1%**	32.4%	**1.14%**	1.30%

39.5 Fair values of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other current receivables and payables approximate their respective fair values due to the relative short term maturity of these financial instruments.

The carrying amounts of financial assets and financial liabilities recorded at amortised costs, which approximate their fair value, are detailed in the following table.

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Financial assets				
Trade receivables	**22,870**	24,356	**–**	–
Other receivables and deposits	**6,200**	1,968	**–**	–
Due from a subsidiary	**–**	–	**181**	15,420
Due from an associated company	**9,392**	–	**9,392**	–
Due from a related party	**223**	–	**–**	–
Short-term investments	**966**	2,819	**–**	–
Cash and bank balances and pledged deposits	**7,588**	7,707	**21**	91
Total financial assets at amortised cost	**47,239**	36,850	**9,594**	15,511

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. Financial risk management objectives and policies (Continued)

39.5 Fair values of financial assets and financial liabilities (Continued)

Fair value hierarchy

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Financial liabilities				
Trade payables	**14,557**	16,170	**–**	–
Other payables and accruals	**5,268**	7,218	**348**	413
Due to a subsidiary	**–**	–	**12,383**	19,403
Lease liabilities	**1,401**	–	**–**	–
Loan and borrowings	**5,494**	5,033	**–**	–
Total financial liabilities at amortised cost	**26,720**	28,421	**12,731**	19,816

The Group and the Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – the fair values of financial assets and financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices;

- Level 2 – in the absence of quoted market prices, the fair values of the other financial assets and financial liabilities (excluding derivative instruments) are determined using the other observable inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability; and

- Level 3 – in the absence of observable inputs, the fair values of the remaining financial assets and financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models.

40. Dividends

The Company did not recommend any dividend in respect of the financial year ended 31 December 2019.

41. Capital commitments

Capital commitments contracted for at the end of the financial year but not recognised in the financial statements were as follows:

	Group	
	2019	2018
	$'000	$'000
Property, plant and equipment	**7,789**	8,036

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

42. Financial guarantees, unsecured

At each reporting date, the total amount of loans outstanding due from a subsidiary covered by the guarantees provided by the Company amounting to $5,494,000 (2018: $3,897,000). Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the subsidiary failed to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facility. Accordingly, the Company do not expect any net cash outflows resulting from the financial guarantee contracts. The Company issues guarantees only for their subsidiaries.

43. Events subsequent to the reporting date

On 6 January 2020, the Company announced that it has issued and allotted 700,000 new ordinary shares ("New Shares") in the capital of the Company, at the exercise price of S$0.09856 for each New Share with a total consideration of S$68,992 pursuant to the exercise of options granted under the GSS Energy Limited Executives' Share Option Scheme on 8 January 2020.

On 31 January 2020, the World Health Organisation ("WHO") has announced that the novel Coronavirus ("nCov") Outbreak as a global health emergency. The Group had taken precautionary measures and implemented operational protocols in its operations globally since January 2020 in response to the growing concerns over the 2019 nCov outbreak to ensure the safety and well being all of the Group's employees. The Group expects that unless the current situation deteriorate over time, it will not likely to have significant impact on the Group's business operation and the customers' ability to make repayment.

The declining oil prices since end of February 2020, arising from ongoing oil price war between Russia and Saudi Arabia, if continue to persist, may have adverse impact on the exploration and evaluation project undertaken by an associate of the Group.

As the situation is still evolving, the impact to the financial statements of the Group arising from nCov outbreak and the declining oil prices cannot be reliably determined at the date of the financial statements.

On 15 February 2020, the Company announced that it has received an excess capital of S$12,339,871 which is used to set off against the amount due to a wholly-owned subsidiary of the Company, Giken Sakata (S) Limited ("GSL"), arising from the completion of Capital Reduction Exercise ("CRE") on 14 February 2020.

44. Authorisation of financial statements

The consolidated financial statements of the Group for the financial year ended 31 December 2019, the statement of financial position of the Company as at 31 December 2019 and the statement of changes in equity of the Company for the financial year ended 31 December 2019 were authorised for issue by the Board of Directors on 6 April 2020.

STATISTICS OF SHAREHOLDINGS

As at 24 March 2020

DISTRIBUTION OF SHAREHOLDINGS

SHARE CAPITAL

Paid Up Capital	S$58,521,779
Class of Shares	Ordinary Shares with equal voting rights
Treasury shares	Nil (there are no shares held in treasury)

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	5	0.17	87	0.00
100 - 1,000	331	11.09	309,948	0.06
1,001 - 10,000	1,098	36.81	5,886,650	1.19
10,001 - 1,000,000	1,509	50.59	167,461,057	33.70
1,000,001 AND ABOVE	40	1.34	323,200,915	65.05
TOTAL	2,983	100.00	496,858,657	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RHB SECURITIES SINGAPORE PTE. LTD.	93,140,000	18.75
2	KGI SECURITIES (SINGAPORE) PTE. LTD.	53,546,799	10.78
3	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	28,158,500	5.67
4	RAFFLES NOMINEES (PTE.) LIMITED	25,107,800	5.05
5	OCBC SECURITIES PRIVATE LIMITED	15,671,700	3.15
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	15,256,133	3.07
7	DBS NOMINEES (PRIVATE) LIMITED	13,780,400	2.77
8	UOB KAY HIAN PRIVATE LIMITED	9,253,500	1.86
9	BPSS NOMINEES SINGAPORE (PTE.) LTD.	6,250,000	1.26
10	PHILLIP SECURITIES PTE LTD	6,089,600	1.23
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,722,200	1.15
12	CITIBANK NOMINEES SINGAPORE PTE LTD	3,798,724	0.76
13	LIN GUODONG	3,260,600	0.66
14	NG CHENG LYE	3,005,800	0.60
15	SEAH SEOW CHER	2,400,000	0.48
16	CHUA GEK NOI	2,310,000	0.46
17	LIM & TAN SECURITIES PTE LTD	2,300,500	0.46
18	CHRISTOPH OLIVER SEIBOLD-GRAF	2,300,000	0.46
19	HSBC (SINGAPORE) NOMINEES PTE LTD	2,054,500	0.41
20	FOO SIEW JIUAN	2,000,000	0.40
	TOTAL	295,406,756	59.43

67.61% of the company's share are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the listing manual of SGX-ST.

STATISTICS OF SHAREHOLDINGS

As at 24 March 2020

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest	Deemed Interest	Total No. of shares	%
SUNDAN PACIFIC LIMITED	66,700,000	–	66,700,000	13.42%
GLENN FUNG KAU LEE	–	66,700,000	66,700,000	13.42%
ROOTS CAPTIAL ASIA LIMITED	92,675,000	–	92,675,000	18.65%
YEUNG KIN BOND, SYDNEY	–	92,675,000	92,675,000	18.65%

Notes:

1) Mr Glenn Fung Kau Lee is deemed to have an interest in the 66,700,000 shares held by Sundan Pacific Limited.

2) Mr Yeung Kin Bond Sydney is deemed to have an interest in the 92,675,000 shares held by Roots Capital Asia Limited.

GSS Energy Limited

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