GSS ENERGY LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 201432529C)

<u>SGX/MEDIA RELEASE – FOR IMMEDIATE RELEASE</u>

GSS Energy Delivers Growth of 24.6% in Revenue to S$94.3 million and 6.7% in Gross Profit to S$19.1 million for FY2017

- **The Group's profitability continues to be supported by its Precision Engineering ("PE") business which delivered net earnings of S$9.0 million in FY2017, from higher orders placed by its existing customers and new customers**

- **Group's net profit after tax would have registered a record S$8.6 million but for the costs associated with corporate expenses of S$2.3 million and net foreign exchange losses of S$1.9 million during the year, brought down Group's net profit after tax to S$4.4 million**

- **Group is committing resources into the Trembul Operating Area project to commence production and commercialization of the hydrocarbon found in Well SGT-01 and should contribute positively to the O&G business in FY2018**

- **Group is focused on capacity expansion across its plants in China and Indonesia while capturing more business from both existing and new customers for its PE business**

Singapore, 28 February 2018 – The Board of Directors (the "**Board**") of **GSS Energy Limited** ("**GSS Energy**", and together with its subsidiaries, the "**Group**") announced its financial results for the twelve months ended 31 December 2017 ("**FY2017**").

	4Q2017 3 months	4Q2016 3 months	Change	FY2017 12 months	FY2016 12 months	Change
	(S$'000)	(S$'000)	%	(S$'000)	(S$'000)	%
Revenue	24,147	20,413	18.3	94,327	75,709	24.6
Gross Profit	3,852	4,637	(16.9)	19,101	17,902	6.7
Gross Profit Margin	***16.0%***	***22.7%***	***(6.7) ppt***	***20.2%***	***23.6%***	***(3.4) ppt***
Other Income	1,417	457	NM	3,439	10,072	(65.9)
Total Expenses	(4, 604)	(3,454)	33.3	(16,724)	(13,229)	26.4
EBITDA	1,139	2,020	(43.6)%	7,455	16,298	(54.3)
Net Profit After Tax for PE Business (excluding net land compensation)	951	3,442	(72.4)	6,740	8,017	(15.9)
Net Loss After Tax for O&G Business (excluding net gain from disposal of a subsidiary)	(857)	(1,010)	(15.15)	(2,498)	(1,659)	50.6
Net profit attributable to shareholders of the company	454	2,190	(79.3)	4,355	13,461	(67.7)

Note: NM denotes not meaningful, ppt denotes percentage points

FINANCIAL REVIEW

The Group's gross profit increased by 6.7% from S$17.9 million in FY2016 to S$19.1 million in FY2017. However, gross profit margin declined from 23.6% in FY2016 to 20.2% in FY2017 because of changes in product mix, pricing challenges and exchange rates.

The Group received other income of S$3.4 million in FY2017 mainly attributed to the third and final tranche payment from the Changzhou Government State Land Office's land compensation totalling S$3.1 million. In comparison with FY2016, the Group's other income was S$10.1 million, mainly benefiting from an accounting gain from a disposal of its wholly-owned subsidiary for S$6.1 million.

The Group incurred higher overall expenses of S$16.7 million for FY2017, compared with S$13.2 million for FY2016. In FY2017, selling and administrative expenses for (i) PE business was S$10.3 million; and (ii) O&G business was S$1.8 million. The increase in total expenses was mainly due to corporate expenses of S$1.1 million for share option expenses. The Group also incurred other expenses of S$1.9 million in FY2017 because of net foreign exchange losses.

Overall, the Group maintained its profitability and registered a net profit after tax of S$4.4 million for FY2017. Excluding the net land compensation, the Group's PE business produced a net profit after tax of S$6.7 million in FY2017 versus S$8.0 million in FY2016. The PE business incurred a net exchange loss of S$1.2 million in FY2017. However, the Group's O&G business posted a net loss of S$2.5 million.

Financial positions	As At 31 December 2017	As At 31 December 2016	Change
	(S$'000)	(S$'000)	%
Cash and cash equivalents	4,719	14,942	(68.4)
Total assets	74,968	57,493	30.4
Loan and borrowings	2,897	114	NM
Total liabilities	31,834	19,602	62.4
Total equity	43,134	37,891	13.8
Net asset value per share (Singapore cents)*	8.71	7.65	13.9

*The net assets value per share for the period ended 31 December 2017 is calculated based on the share capital (excluding treasury shares) in issue at the end of the period of 496,158,657 ordinary shares (31 December 2016: 496,158,657 ordinary shares)

The Group continued to maintain a healthy balance sheet with S$4.7 million in cash and cash equivalents as of 31 December 2017. The Group's loan and borrowings rose to S$2.9 million to finance drilling cost in the Trembul Operating Area oil project.

The Group's net asset value per share stood at 8.71 Singapore cents per share as of 31 December 2017, representing a 13.9% improvement from 7.65 Singapore cents as of 31 December 2016.

BUSINESS UPDATES AND OUTLOOK

In the PE business, the Group has continued to receive strong orders from a diversified range of both new and existing customers. The Group has progressively added capacity to its plants in Indonesia and China to cater to growing orders. We are working with our established customers to move up their higher value product range and greater diversity. The Group will continue to explore suitable opportunities to expand the PE business through acquisitions, strategic and operational arrangements.

In the O&G business, the Group has channelled substantial resources to Trembul Operating Area. The Group has completed the first phase of its 1st well in the Trembul Operating Area in Central Java, Indonesia ("**Well SGT-01**") and discovered hydrocarbon deposits. The Group is preparing to commence production works to monetize the sweet gas found at Well SGT-01. In addition, the Group re-enter Well P1 with dedicated workover program to potentially commercialize suspected liquid hydrocarbon. Nonetheless, the Group will continue to source for new growth and value opportunities for the O&G business going forward.

Commenting on the financial results and outlook for the Group, Mr. Sydney Yeung, CEO of GSS Energy, commented, ***"The year FY2017 represents a critical milestone for GSS Energy Group. Our "twin business" model of PE and O&G has been an anchor to our Group's business sustainability and profitability through challenging times of the past years.***

With the global economic recovery, our new factory in Changzhou, expanded facility in Batam and improved coordination in the rationalisation production underpinned by our Singapore operation, we are well positioned to serve the needs of our established and new customers.

The overall positive global economic outlook has also kept us a higher level global oil price over the past years to ensure the continued viability of our relatively modest oil exploratory operations with readily accessible recoverable hydrocarbon resources in our wells that are ready to yield their commercial benefits.

I fully appreciate our valuable and supportive shareholders and together, we can look forward toward an exciting year ahead for our Group."

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ABOUT GSS ENERGY LIMITED (Bloomberg Ticker: GSSE SP EQUITY)

GSS Energy has two core operating businesses: O&G and PE. The O&G business is engaged in oil production in Indonesia, while the PE business is engaged in precision engineering, with a presence in Singapore, Indonesia and China.

GSS Energy officially started trading on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on February 12, 2015. Pursuant to a scheme of arrangement under Section 210 of the Companies Act, undertaken by Giken Sakata, Giken Sakata became a wholly-owned operating subsidiary of GSS Energy. Giken Sakata had been listed on SGX since 1993 and its listing status was transferred to GSS Energy with effect from February 12, 2015.

For more information, please visit www.gssenergy.com.sg

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This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the SGX-ST. The Company's Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by SGX-ST and the SGX-ST assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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