GSS ENERGY

Fuelled for GROWTH

Annual Report 2015

This annual report 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 Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's Sponsor has not independently verified the contents of this annual report.

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

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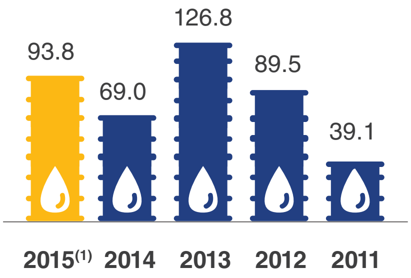
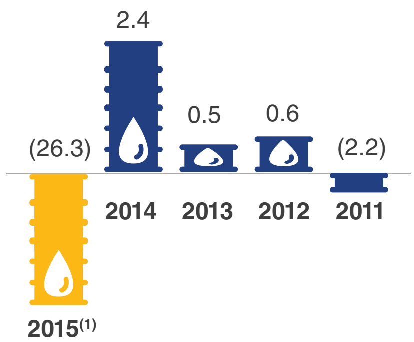
FINANCIAL PERFORMANCE

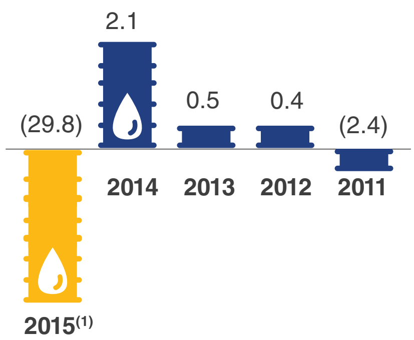
Turnover
S$ mil



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.

	2015 S$ mil	2014 S$ mil	2013 S$ mil	2012 S$ mil	2011 S$ mil
Financial Position					
Property, Plant & Equipment	**3.9**	4.2	4.9	5.5	6.1
Other Non-Current Assets	**4.4**	0.6	0.1	0.1	0.1
Current Assets (excludes*)	**19.6**	19.4	17.4	20.6	10.4
*Cash and Cash Equivalents	**10.2**	4.4	4.0	4.1	4.5
Total Assets	**38.1**	28.6	26.4	30.3	21.2
Other Non-Current Liabilities	**1.1**	0.4	0.5	0.5	0.5
Long-Term Borrowings	**0.0**	0.0	1.4	2.8	4.3
Short-Term Borrowings	**0.0**	0.0	0.5	0.5	0.5
Other Current Liabilities	**23.3**	12.6	15.3	18.5	8.6
Total Liabilities	**24.4**	13.0	17.7	22.3	13.8
Capital Reserve	**(22.8)**	0.0	0.0	0.0	0.0
Translation Reserve	**0.2**	0.1	0.2	0.0	(0.3)
Statutory Reserve	**0.7**	0.4	0.4	0.2	0.2
Revenue Reserve	**(31.7)**	(11.4)	(13.5)	(13.8)	(14.1)
Equity Non-Controlling Interest	**(6.6)**	0.0	0.0	0.0	0.0
Share Capital	**73.5**	26.2	21.3	21.3	21.3
Total Capital & Reserve	**13.3**	15.3	8.4	7.7	7.1
Non-Controlling Interests	**0.4**	0.3	0.3	0.3	0.3
Total Capital, Reserve & Non-Controlling Interests	**13.7**	15.6	8.7	8.0	7.4
Financial Ratios					
Net Tangible Assets Per Share S$ (Cents)	**2.3**	4.6	6.3	5.8	5.3
Earnings/(loss) Per Share Before Tax S$ (Cents)	**(3.4)**	0.9	0.4	0.4	(1.7)
Earnings/(loss) Per Share After Tax S$ (Cents)	**(4.1)**	0.8	0.3	0.3	(1.8)

Chairman's Message

DEAR SHAREHOLDERS,

The Board of Directors and the Management of the GSS Energy Group thank you very much for your support during this extended Financial Period 2015.

GSS Energy Limited was incorporated on 31 October 2014 and had, upon incorporation, adopted 31 December as its financial year-end. This Annual Report is for the period from 1 September 2014 to 31 December 2015.

GSS Energy Limited, had on 12 February 2015, acquired the entire share capital of Giken Sakata (S) Limited, pursuant to a restructuring exercise by way of a scheme of arrangement under Section 210 of the Companies Act (Cap. 50). Giken Sakata (S) Limited, thereafter, became a 100% owned subsidiary of GSS Energy Limited.

Giken Sakata (S) Limited was delisted from the Catalist Board of SGX-ST on 12 February 2015 and the shares of GSS Energy Limited were listed on the Catalist Board on the same date.

The Group operates in the precision engineering business and the oilfield operation services business.

The Group recorded a turnover of S$93.81 million and an operating profit of S$8.38 million for the period. However, the Group made an impairment of S$34.80 million during the period, following the termination of the cooperation agreement for the management of the old wells at the Dandangilo-Wonocolo and Ngrayong Field in Kedewan-Bojonegoro, East Java. The net loss after impairment and tax was S$29.80 million.

In the coming years, the Group will continue to operate in the precision engineering and oilfield operation services sector. We expect the operating environment to continue to be challenging, with the weak global economic outlook and the depressed oil pricing. However, we will actively source for new orders from existing and new customers as well as new growth opportunities.

Moving forward, the Group continues to support good corporate governance to enable it to be accountable to its investors, customers, suppliers, business associates, employees and the community.

I would like to welcome Mr Badung Tariono, who joined the Board on 1 July 2015 and thank Mr Lee Kok Wah and Mr Charles Madhavan, who resigned from the Board during the period.

Lastly, I sincerely thank all our shareholders, customers, suppliers, bankers and business associates for their continuing support throughout these years. We also thank all our fellow directors and all the staff within the Group for their dedication and contribution.

Chin Siew Gim
Chairman
GSS Energy Limited

CEO's Message

DEAR SHAREHOLDERS,

Following the acquisition of the entire share capital of Giken Sakata (S) Limited in February 2015, this is the 1st Annual Report for GSS Energy Limited.

Financial Period 2015 has been a mixed year for the Group, with a continuing strong performance from the precision engineering business and weathering of the depressed global oil prices and the termination of a cooperation agreement for the management old wells in East Java.

Strong Performance of the Precision Engineering Business

Thanks to the continuing support of our customers and the diligence of our colleagues, the precision engineering business achieved a turnover of S$81.70 million for the 16-month period.

With a favourable product mix and higher productivity from production automation and value engineering efforts, the precision engineering business recorded a higher gross margin of 25%, as compared to 17% for financial year 2014.

In June 2015, our China subsidiary, Changzhou Giken Precision Co Ltd (CGP), entered into a land acquisition agreement with the Changzhou Government whereby the Changzhou Government will acquire the land currently occupied by CGP for a compensation payment of about RMB43.68 million. The compensation will be paid in progressive instalments and the 1st instalment was received in August 2015.

At the same time, CGP also entered into an agreement with the Changzhou Government to acquire a new piece of land of approximately 19,000 square metres in Changzhou for a purchase price of RMB7.98 million. Construction of the factory on the new piece of land is expected to start in the 1st half of 2016 and CGP is expected to vacate the present site and move into the new factory by middle of 2017.

The precision engineering business achieved a net profit after tax of S$10.27 million, including the 1st instalment compensation received for the deregistration of CGP ownership of the leasehold building and land use rights.

Weathering the Energy Business

In September 2014, GSS Energy ventured into the energy business with the acquisition of a company with access to extraction of oil from "old wells" in Java, Indonesia.

However, in July 2015, the co-operation agreement with the village co-operatives to manage the old wells was terminated, following the termination of a similar agreement between the co-operatives and PT Pertamina EP. Subsequently, GSS Energy reached a settlement agreement with the vendor of the company acquired whereby the purchase consideration was substantially reduced. As a result of the above, we made an impairment of S$34.80 million for the investment.

During this period, GSS Energy entered into an agreement with Ramba Energy to drill two onshore oil wells in West Jambi, Sumatra, Indonesia. The drilling of the 1st well had commenced in December 2015.

CEO's Message

The Group will continue to selectively source for new growth opportunities in the energy business, bearing in mind the current depressed oil price.

Our Partners

I would like to take this opportunity to express my heartfelt appreciation to our Board of Directors, management team and all our staff for their dedication and valued contribution. I would also like to thank our customers, suppliers and business partners for their loyal and valuable support.

I would also like to confirm that the Group will continue to conduct our business with full attention to our corporate social responsibility.

Sydney Yeung
Group Chief Executive Officer
GSS Energy Limited

Board of Directors

Mr Chin Siew Gim
Non-Executive Chairman

Mr Yeung Kin Bond, Sydney
Executive Director and Group Chief Executive Director

Mr Tan Kay Guan
Executive Director

Mr Suyulianto Badung Tariono
Executive Director

Mr Ng Say Tiong
Executive Director

Mr Chee Sanford
Independent Director

Mr Kuek Eng Chye, Anthony
Independent Director

Board of Directors

MR CHIN SIEW GIM

Non-Executive Chairman

Mr Chin Siew Gim is the Non-Executive Chairman of the Company.

He was appointed to the Company's Board on 18 November 2014. He is also the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Mr Chin graduated with a Bachelor Degree of Science in Engineering (Architecture) from the National University of Yokohama in 1966 and a Bachelor Degree of Architecture from the University of Melbourne in 1969.

Mr Chin has more than 40 years of experience in Architectural Design, Space Planning & Project Management and he is currently the Principal of S G Chin & Associates Chartered Architects. He is a member of both the Singapore Institute of Architects and the Royal Institute of British Architects. In addition, he is also a Fellow of the Royal Australian Institute of Architects.

Mr Chin is actively involved in Lions Club International and had served as District Governor (1996-97) and Council Chairman (2001-02) of Multiple District 308, which covers 3 countries viz Brunei, Malaysia and Singapore. He was also the Chairman of the Management Board of the Lions Home for the Elders.

Mr Chin is the past Chairman of the North View Secondary School Advisory Committee. He was also the past President of the Japanese University Graduates Association of Singapore (1991-96) and a past committee member of the CHIJ School's Board of Management.

MR YEUNG KIN BOND, SYDNEY

Executive Director and Group Chief Executive Director

Mr Sydney Yeung Kin Bond is an Executive Director and Group Chief Executive Director of the Company.

He was appointed to the Board on 31 October 2014. Mr Yeung is also a member of the Nominating Committee.

Mr Yeung is also director of Giken Sakata (S) Limited, GSS Energy Investment Holdings Limited, GSS Energy Sumatra Limited, GSS Energy Trembul Limited, GSS Energy Oilfield Management Limited and Cepu Sakti Energy Pte Ltd and a commissioner of PT Cepu Sakti Energy, all subsidiaries of the Company. He is also currently a director of GSS-AFCO Pte Ltd, a 50% joint venture company of the Company.

Mr Yeung is the founder director and shareholder of Roots Capital Asia Limited, a substantial shareholder of the Company. Mr Yeung is also currently an Independent Director of Ares Asia Limited (Listed on the Hong Kong Stock Exchange).

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 is an active member of the Rotary Club in Singapore.

MR TAN KAY GUAN

Executive Director

Mr Tan Kay Guan is an Executive Director of the Company. He is also the Chief Executive Officer and a director of Giken Sakata (S) Limited, a 100% subsidiary of the Company. Giken Sakata (S) Limited is in the business of manufacturing and sales of precision engineering parts.

Kay Guan is also a member of the Company's Nominating Committee. Mr Tan was appointed to the Board on 18 November 2014.

Mr Tan is also the President Commissioner of PT Giken Precision Indonesia and President of Changzhou Giken Precision Co Ltd, both subsidiaries of Giken Sakata (S) Limited.

Mr Tan holds a Bachelor of Engineering (First Class Honours) degree from the Japan National Defence Academy.

Mr Tan was awarded the Public Administration Medal (Bronze) (Military), by the President of Singapore in the 2011 National Day award, for his contribution to the Singapore Armed Forces. Mr Tan had previously served in the Singapore Armed Forces and he last held the rank of Colonel.

Mr Tan is currently the President of the Japanese University Graduates Association of Singapore. He is also a director of the Asia Japan Alumni, International and a member of the ASEAN Council of Japan Alumni Board of Governors.

Board of Directors

MR SUYULIANTO BADUNG TARIONO

Executive Director

Mr Badung Tariono is an Executive Director of the Company. He is the Head of the oil and gas division within the Company.

Mr Tariono was appointed to the Board on 1 July 2015.

Mr Tariono is also a director of GSS-AFCO Pte Ltd, a 50% joint venture company of the Company.

Mr Tariono has a Master of Financial Management degree from the Rotterdam School of Management, Erasmus University, Rotterdam, The Netherlands and a Bachelor of Arts in Business Administration (Honours) degree from Coventry University, United Kingdom.

Mr Tariono had previously worked in various multinational companies including Shell International Exploration & Production, Rijswijk, The Netherlands, ABM AMRO Asset Management Limited, The Netherlands, UBS O'Connor Limited, London, United Kingdom and Trimegah Securities, Jakarta, Indonesia. Mr Tariono had also previously served as an independent non-executive director of Bumi plc, a FTSE listed company in London, United Kingdom.

MR NG SAY TIONG

Executive Director and Chief Financial Officer cum Company Secretary

Mr Ng Say Tiong is an Executive Director and Chief Financial Officer cum Company Secretary of the Company. He was appointed to the Board on 31 October 2014.

Mr Ng is also a director of Giken Sakata (S) Limited, GSS Energy Investment Holdings Limited and Cepu Sakti Energy Pte Ltd, all subsidiaries of the Company. Mr Ng is also a director of Changzhou Giken Precision Limited, a subsidiary of Giken Sakata (S) Limited. Mr Ng also sits in the board of GSS-AFCO, a 50% joint venture company of the Company.

Mr Ng holds a Bachelor of Accountancy degree from the National University of Singapore and a Master of Business (International Marketing) degree from Curtin University of Technology in Australia,

Mr Ng is currently the Vice Chairman of the Marsiling Citizen Consultative Committee and had previously served as the 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.

MR CHEE SANFORD

Independent Director

Mr Chee Sanford is an Independent Director of the Company.

He was appointed to the Board on 18 November 2014. He is also the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

Mr Chee holds a Master of Business Administration degree (Finance Major) from The Wharton School, University of Pennsylvania in USA where he was a Palmer Scholar and a Bachelor of Accountancy Degree (First Class Honours) from the Nanyang Technology University in Singapore

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.

MR KUEK ENG CHYE, ANTHONY

Independent Director

Mr Kuek Eng Chye, Anthony, was appointed to the Board as an Independent Director on 18 November 2014, and is the Chairman of the Remuneration Committee and a member of the Audit Committee.

Mr Kuek is currently leading an economic advisory team in a ministry in the region. He held several similar positions following his retirement in 2002 after a long career in a regional development bank where he led the bank's public policy engagements with several governments in the region. Prior to this, he held several positions in the Singapore public service.

Mr Kuek holds a Masters in Business Administration degree from Ateneo de Manila University, Philippines, a Bachelor of Social Sciences (Honours) from the former University of Singapore and a Diploma in Adult Teaching and Learning, University of Canterbury, New Zealand.

Corporate Data

Board of Directors

Chin Siew Gim
(Non-Executive Chairman, Independent Director)

Yeung Kin Bond, Sydney
(Group Chief Executive Officer, Executive Director)

Tan Kay Guan
(Chief Executive Officer, Executive Director)

Suyulianto Badung Tariono
(Executive Director)

Ng Say Tiong
(Executive Director)

Chee Sanford
(Independent Director)

Kuek Eng Chye, Anthony
(Independent Director)

Audit Committee

Chee Sanford (Chairman)
Chin Siew Gim (Member)
Kuek Eng Chye, Anthony (Member)

Nominating Committee

Chin Siew Gim (Chairman)
Yeung Kin Bond, Sydney (Member)
Tan Kay Guan (Member)
Chee Sanford (Member)

Remuneration Committee

Kuek Eng Chye, Anthony (Chairman)
Chin Siew Gim (Member)
Chee Sanford (Member)

Company Secretary

Ng Say Tiong

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 Avenue 10,
#05-01 Techplace 1, Singapore 569628

Company Registration Number

201432529C

Company Web-site

www.gssenergy.com.sg

Auditors

BDO LLP, 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

Mizuho Corporate Bank, Limited, Singapore Branch

The Development Bank of Singapore Limited

Corporate Governance Report

The Company is committed to raising the standard of corporate governance in order to protect the interest of its shareholders. The Board of Directors fully supports the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**") as recommended by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and has put in place various mechanisms to ensure that effective corporate governance is practiced. The Board of Directors 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, Section B: Rules of Catalist ("**Catalist Rules**").

For the financial period from 1 September 2014 to 31 December 2015 ("**FP2015**"), the Group has complied in all material respects with the principles 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 of Directors

Principle 1: Effective Board to lead and control the Company
Principle 2: Strong and independent element on the Board
Principle 3: Clear division of responsibilities and balance of power and authority

The Board of Directors consists of members from diverse backgrounds and possesses 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 enable them to contribute effectively to the strategic growth and governance of the Group. The Board currently comprises seven members, three of whom are independent directors.

The Board is chaired by Mr Chin Siew Gim, in his capacity as the Non-Executive Chairman. Mr Chin is also considered to be an independent director. The day-to-day operational activities of the Group are handled by the management team headed by the Group Chief Executive Officer, Mr Sydney Yeung. None of the directors are related to one another.

Apart from its statutory responsibilities, the Board reviews and approves the Group's strategic plans, key operational initiatives and major investment and funding decisions. It also identifies principal risks of the Group's business and implements appropriate systems to manage those risks, review the Group's financial performance and evaluate the performance and compensation of senior management personnel. These functions are carried out either directly or through Board Committees.

The number of meetings held in the period by the Board and the attendance thereat are as follows:

	Board Meetings	
	No. of meetings	**Attendance**
Mr Chin Siew Gim	4	4
Mr Sydney Yeung	4	4
Mr Tan Kay Guan	4	4
Mr Ng Say Tiong	4	4
Mr Chee Sanford	4	4
Mr Anthony Kuek (Appointed on 1 October 2014)	4	3
Mr Badung Tariono (Appointed on 1 July 2014)	2	2
Mr Lee Kok Wah (Resigned on 28 February 2015)	1	1
Mr Charles Madhavan (Appointed on 1 March 2015 and resigned on 17 August 2015)	2	2

Corporate Governance Report

Other matters requiring Board's approval include material acquisitions and disposal of assets, corporate and financial restructuring, share issuance, dividends and other returns to shareholders.

All new Directors are given an orientation of the Group's business, governance practices and its strategic directions. Directors who have no prior experience as a director in a listed company are required to attend appropriate SGX-SID Listing Company Director Programmes offered by the Singapore Institute of Directors. The Directors are provided with briefings from time to time and are kept updated on relevant laws and regulations, including directors' duties and responsibilities, corporate governance and developing trends and financial reporting standards and are encouraged to attend workshops and seminars to enhance their skills and knowledge, so as to enable them to properly discharge their duties as Board or Board committee members. The Directors also receive updates on the business of the Group through regular scheduled meetings and ad-hoc Board meetings.

Board Committees

The Group has set up the following Board Committees to help carry out the various functions of the Board

(1) Audit Committee

Principle 10: ***Presentation of a balanced and understandable assessment of the company's performance position and prospects***
Principle 11: ***Sound system of risk management and internal controls***
Principle 12: ***Establish an Audit Committee with written terms of reference which clearly sets out its authority and duties***
Principle 13: ***Effective and independent internal audit function***

The Audit Committee is chaired by Mr Chee Sanford, an independent director and includes Mr Chin Siew Gim and Mr Anthony Kuek (both Independent Directors) as members.

The Audit Committee convened four meetings during the period under review, attended by members of the Audit Committee 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 Audit Committee carries out its functions in accordance with Section 201B (5) of the Companies Act (Cap. 50) ("**Companies Act**") and the Code, including the following:

(a) reviews the audit plans and results of the external and internal audits;

(b) reviews the Group's financial and operating results and accounting policies;

(c) reviews the financial statements of the Company and the consolidated finance statements of the Group before their submission to the Directors of the Company and the external auditors' report on those financial statements;

(d) reviews the announcement of the quarterly and full-year results of the Company and the Group to the SGX-ST;

(e) ensures the co-operation and assistance given by the management to external auditors;

(f) makes recommendations to the Board of Directors on the appointment of the external auditors; and

(g) reviews the 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.

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

The Audit Committee has reviewed all non-audit services provided by the external auditors to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

In accordance with the requirements of Rule 716 of the Catalist Rules, the Audit Committee and the Board are satisfied that the appointment of different auditors for three of the subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

The aggregate amount fees paid/payable to the external auditors of the Company for audit services amounted to $120,000. There was no non-audit fee paid to the Company's external and other auditor for the financial period from 1 September 2014 to 31 December 2015.

The Audit Committee is kept abreast by the management and the external auditors of change to accounting standards, Listing Manual and other regulations could have an impact on the Groups business and financial statements.

Through the quarterly, half yearly 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 Audit Committee has been tasked to review the Company's financial information to ensure that the objective is met.

The Board is committed to maintaining a sound system of internal controls, including financial, operational, 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, transactions are properly authorised use or dispositions, transactions are properly authorised and proper financial records are being maintained.

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

The Audit Committee has full access to and co-operation by 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.

For FP2015, the Board has received assurance from the Group Chief Executive Officer and the Chief Financial Officer that:

a) 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

b) the system of risk management and internal control 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 environment.

The Audit Committee 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 number of meetings held in the year by the Audit Committee and the attendance thereat are as follows:

	Audit Committee Meetings	
	No. of meetings	**Attendance**
Mr Chee Sanford	4	4
Mr Chin Siew Gim	4	4
Mr Anthony Kuek (Appointed on 1 October 2014)	4	3

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 and compliance risks, were adequate and effective as at 31 December 2015.

(2) Nominating Committee

Principle 4: Formal and transparent process for the appointment and re-appointment of the Directors to the Board
Principle 5: Formal assessment of effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board
Principle 6: Board members should be provided with complete, adequate and timely information

The Nominating Committee is chaired by Mr Chin Siew Gim, the Non-Executive Chairman and an independent director and includes Mr Sydney Yeung (Executive Director), Mr Tan Kay Guan (Executive Officer) and Mr Chee Sanford (Independent Director) as members.

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

(a) the adherence to the Code of Corporate Governance;

(b) the appointment of new directors to the Board;

(c) the recommendation of directors seeking re-appointment at the Annual General Meeting; and

(d) the independence of the independent directors.

The number of meetings held in the period by the Nominating Committee and the attendance thereat are as follows:

	Nominating Committee Meetings	
	No. of meetings	**Attendance**
Mr Chin Siew Gim	2	2
Mr Sydney Yeung	2	1
Mr Tan Kay Guan	2	2
Mr Chee Sanford	2	2

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.

When reviewing directors for appointment and reappointment, the Nominating Committee appraises the candidates to ensure that they possess relevant experience and have the calibre to contribute to the Group and its businesses, having regard to the attributes of the existing Board and the requirements of the group. 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.

The Board of Directors will assess the performance and effectiveness of the Board as a whole. The performance criteria for the Board measures factors such as business performance of the Group, size and composition of the Board, the Board's access to information, accountability, Board performance in relation to discharging its principal responsibilities, communication with management and standard of conduct of the Directors. The executive directors are assessed on the performance of the division for which they are responsible.

The Nominating Committee considers that the multiple board representations held presently by some directors do not impede their performance in carrying out their duties to the Company and in fact enhances the performance of the Board as it broadens the experience and knowledge of the Board.

To enable the Board to function effectively and to fulfil its responsibilities, Management recognises its obligation to supply the Board and the Board Committees with complete, adequate information in a timely manner. In addition, all relevant information on the Group's annual budgets, financial statements, material events and transactions complete with background and explanations are circulated to Directors as and when they arise. A system of communication between the Management and the Board has been established and will improve over time.

(3) Remuneration Committee

The Remuneration Committee is chaired by Mr Anthony Kuek (Appointed on 1 October 2014) and includes Mr Chin Siew Gim and Mr Chee Sanford (both Independent Directors) as members.

The Remuneration Committee met and reviewed the following during the period under review:

(a) the remuneration package for executive directors; and

(b) the fees for the non-executive directors; and

The number of meetings held in the year by the Remuneration Committee and the attendance thereat are as follows:

	Remuneration Committee Meetings	
	No. of meetings	**Attendance**
Mr Anthony Kuek (Appointed on 1 October 2014)	1	1
Mr Chin Siew Gim	1	1
Mr Chee Sanford	1	1

Remuneration Matters

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors
Principle 8: Level of remuneration of Directors should be appropriate by not excessive
Principle 9: Clear disclosure of remuneration policy, level and mix of remunerations, and procedure for setting remuneration

The Group's remuneration policy is to provide compensation packages at market rates which reward good performance and attract, retain and motivate the directors and executives.

The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from the Executive Directors and key management personnel 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.

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 key management personnel (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 key management executive (who are not also directors of the Company) having regard to the highly competitive environment it is operating in. The Remuneration Committee has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

The Executive Directors do not receive any Directors' fee. The Company advocates a performance-based remuneration system for Executive Directors and key management personnel 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.

Remunerations paid to the directors of the Company for the period under review (16 months) are as follows:

Name of Director	Salary, Allowances & Benefits	Bonus	Directors' Fees	Total
Below S$250,000				
Chin Siew Gim	–	–	100%	100%
Badung Tariono (Appointed on 1 July 2015)	100%	–	–	100%
Chee Sanford	–	–	100%	100%
Anthony Kuek (Appointed on 1 October 2014)	–	–	–	Nil
Lee Kok Wah (Resigned on 28 July 2014)	85%	15%	–	100%
Charles Madhavan (Appointed on 1 March 2015 and resigned on 17 August 2015)	100%	–	–	100%

Name of Director	Salary, Allowances & Benefits	Bonus	Directors' Fees	Total
S$250,000 – S$499,999				
Ng Say Tiong	87%	13%	–	100%
Tan Kay Guan	90%	10%	–	100%
S$500,000 – S$749,999				
Sydney Yeung	100%	–	–	100%

The remuneration of each of the key management of the Group (excluding Directors of the Company) does not exceed S$250,000 for the financial period from 1 September 2014 to 31 December 2015.

None of the employees of the Group whose annual remuneration exceeds S$50,000 are immediate family members of the Chief Executive Officer or any other Director of the Company as at 31 December 2015.

Placement & Subscription of New Shares in the Company

On 10 September 2014, Giken Sakata (S) Limited issued and allotted 80,000,000 placement shares at issue price of S$0.30 per share pursuant to a resolution passed by members of the Giken Sakata (S) Limited on 22 August 2014. The net proceeds of about S$22,700,000 (after deducting expenses relating thereto) were used as follows :

Use of Proceeds	Amount Utilised
Payment of 1st tranche cash consideration for the acquisition of Cepu Sakti Energy Pte Ltd	S$15,000,000
Shareholder's Loan	S$6,250,000
General Working Capital of the Group	S$1,450,000

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 Audit Committee to ensure they were carried out on a normal commercial terms.

There were no interested person transactions for the period under review.

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 period 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.

Communications with Shareholders

Principle 14: Shareholders Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholders Meetings

The Company does not practice selective disclosure. In line with continuous disclosure obligations of the Company pursuant to the SGX-ST's Listing Rules and the Companies Act, 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:

(a) 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 and Singapore Statements of Accounting Standard, are included in the Annual Report;

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

(c) notices and explanatory notes for annual general meetings and extraordinary general meeting;

(d) disclosures to the SGX-ST; and

(e) 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.

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. The Board welcomes questions from shareholders, either formally at the AGM or informally, before and after the AGM.

The AGM serves as the principal forum for shareholders to obtain information and give feedback about the Group.

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. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdepended so as to form one significant proposal and only where there are reasons and material implications justifying the same.

The Board, Chairman 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 Company also solicits the views of the view 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.

The Company do not have a fixed dividend policy. The form, frequency and amount of dividends declared will take into account, inter alia, level of cash and reserves, results of operations, business prospects, capital requirements and surplus general financial condition, contractual restrictions, and other factors as the Board may deem appropriate.

The Group has incurred a loss during the financial period under review. Accordingly, there was no dividend proposed.

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 Rule 1207(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, a non-sponsor fee of $334,000 was paid to the Sponsor, Morgan Lewis Stamford LLC, for the period under review.

Financial Contents

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 period from 1 September 2014 to 31 December 2015, the statement of financial position of the Company as at 31 December 2015 and statement of changes in equity of the Company for the financial period from 31 October 2014 (date of incorporation) to 31 December 2015.

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 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial period from 1 September 2014 to 31 December 2015 and changes in equity of the Company from 31 October 2014 (date of incorporation) to 31 December 2015; 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 report are as follows:

Mr Yeung Kin Bond, Sydney	(Appointed on 31 October 2014)
Mr Ng Say Tiong	(Appointed on 31 October 2014)
Mr Chin Siew Gim	(Appointed on 18 November 2014)
Mr Tan Kay Guan	(Appointed on 18 November 2014)
Mr Chee Sanford	(Appointed on 18 November 2014)
Mr Kuek Eng Chye, Anthony	(Appointed on 18 November 2014)
Mr Suyulianto Badung Tariono	(Appointed on 1 July 2015)

3. Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial period 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 4 below.

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 period 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 period, except as follow:

Name of Directors and company in which interests are held	**Shareholdings registered in the name of Directors or their nominees**		**Shareholdings in which Directors are deemed to have an interest**	
	At the date of incorporation or date of appointment, if later	**As at 31 December 2015**	**At the date of incorporation or date of appointment, if later**	**As at 31 December 2015**
	Number of ordinary shares			
<u>Company</u>				
Roots Capital Limited				
- Yeung Kin Bond, Sydney	–	–	76,275,000	76,275,000
Tan Kay Guan	652,000	652,000	–	–

By virtue of section 7 of the Act, Yeung Kin Bond, Sydney and Tan Kay Guan 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 2016 in the shares of the Company have not changed from those disclosed as at 31 December 2015.

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial period.

There were no shares issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial period.

6. Audit committee

The Audit Committee (“AC”) is currently chaired by Mr Chee Sanford, an independent director and includes Mr Chin Siew Gim (Non-executive Chairman) and Mr Kuek Eng Chye, Anthony (an independent) director as members.

The AC convened four meetings during the financial period under review, attended by the members of the AC and relevant management staff. The AC also meets with the external 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, including the following:

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

(ii) Reviews the Group’s financial and operating results and accounting policies;

(iii) Reviews statements of financial position and changes in equity of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and the external auditor’s report on those financial statements;

(iv) Reviews the quarterly and full-year results announcements on the results of the Group and financial position of the Company and of the Group;

(v) Ensures that co-operation and assistance is given by the management to external auditor;

(vi) Makes recommendations to the Board of Directors on the appointment of external auditor; and

(vii) Reviews the Interested Person Transactions as defined in Chapter 9 of the Rules of Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) 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.

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 and other auditors for the financial period from 1 September 2014 to 31 December 2015.

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 2015.

Statement by Directors

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 18 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
29 March 2016

Independent Auditor's Report

TO THE MEMBERS OF GSS ENERGY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of GSS Energy Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows of the Group for the financial period from 1 September 2014 to 31 December 2015 and the statement of changes in equity of the Company for the financial period from 31 October 2014 (date of incorporation) to 31 December 2015, and a summary of significant accounting policies and other explanatory information as set out on pages 25 to 99.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent
Auditor's Report

TO THE MEMBERS OF GSS ENERGY LIMITED

Report on the Financial Statements (Continued)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the financial period from 1 September 2014 to 31 December 2015 and changes in equity of the Company from 31 October 2014 (date of incorporation) to 31 December 2015.

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 those subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
29 March 2016

Consolidated Statement Of Comprehensive Income

For the financial period from 1 September 2014 to 31 December 2015

	Note	Period from 1 September 2014 to 31 December 2015 $'000	Year ended 31 August 2014 $'000
Revenue	4	93,806	69,016
Cost of sales		(67,431)	(57,277)
Gross profit		26,375	11,739
Other items of income			
Other income	5	3,530	575
Interest income	6	149	47
Other items of expense			
Distribution and selling expenses		(8,115)	(5,716)
Administrative expenses		(12,408)	(3,785)
Other expenses	8	(35,799)	(374)
Finance costs	9	(1)	(62)
Share of results of equity accounted joint venture, net of tax		(8)	–
(Loss)/Profit before income tax	10	(26,277)	2,424
Income tax expense	11	(3,516)	(307)
(Loss)/Profit for the financial period/year		(29,793)	2,117
Other comprehensive income:			
Item that will not be reclassified subsequently to profit and loss			
Remeasurement of defined benefit pension scheme	31	(896)	28
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations		(125)	(96)
Other comprehensive income for the financial period/year, net of tax	12	(1,021)	(68)
Total comprehensive income for the financial period/year		(30,814)	2,049
(Loss)/Profit attributable to:			
Owners of the parent		(19,075)	2,104
Non-controlling interests		(10,718)	13
		(29,793)	2,117
Total comprehensive income attributable to:			
Owners of the parent		(19,852)	2,040
Non-controlling interests		(10,962)	9
		(30,814)	2,049
(Loss)/Earnings per share (cents)			
Basic and diluted	13	(4.06)	0.78

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

Statements Of Financial Position

As at 31 December 2015

	Note	Group 31 December 2015 $'000	Group 31 August 2014 $'000	Company 31 December 2015 $'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	3,936	4,175	–
Intangible assets	15	39	113	–
Land use rights	16	2,117	443	–
Oil and gas properties	17	–	–	–
Investment in subsidiaries	18	–	–	28,603
Investment in a joint venture	19	42	–	42
Goodwill	20	112	112	–
Other receivables and deposits	24	2,091	–	–
Due from subsidiaries	21	–	–	2,061
		8,337	4,843	30,706
Current assets				
Inventories	22	4,987	4,573	–
Trade receivables	23	13,585	14,277	–
Other receivables and deposits	24	410	351	–
Prepayments		135	106	6
Held-to-maturity financial assets	25	437	–	–
Cash and cash equivalents	26	10,230	4,444	–
		29,784	23,751	6
Total assets		38,121	28,594	30,712
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	27	9,689	9,489	–
Other payables and accruals	28	5,636	2,885	134
Due to a former non-controlling shareholder of a subsidiary	29	3,757	–	–
Due to a subsidiary	21	–	–	5,951
Current income tax payable		4,191	182	–
Finance lease payable	30	–	31	–
		23,273	12,587	6,085
Net current assets/(liabilities)		6,511	11,164	(6,079)

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

Statements Of Financial Position

As at 31 December 2015

	Note	Group 31 December 2015 $'000	Group 31 August 2014 $'000	Company 31 December 2015 $'000
Non-current liability				
Retirement benefit obligations	31	1,100	444	–
Total liabilities		24,373	13,031	6,085
Net assets		13,748	15,563	24,627
Equity attributable to owners of the parent				
Share capital	32	73,458	26,178	73,458
Accumulated losses		(31,720)	(11,427)	(26,031)
Other reserves	33	(28,446)	515	(22,800)
		13,292	15,266	24,627
Non-controlling interests		456	297	–
Total equity		13,748	15,563	24,627
Total equity and liabilities		38,121	28,594	30,712

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

Consolidated Statement Of Changes in Equity

For the financial period from 1 September 2014 to 31 December 2015

	Share capital $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Statutory Reserve $'000	Capital 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 September 2014	26,178	(11,427)	135	380	–	–	15,266	297	15,563
Loss for the financial period	–	(19,075)	–	–	–	–	(19,075)	(10,718)	(29,793)
Other comprehensive income for the financial period									
Remeasurement of defined benefit scheme (Note 31)	–	(896)	–	–	–	–	(896)	–	(896)
Exchange differences arising from translation of foreign operations	–	–	119	–	–	–	119	(244)	(125)
Total other comprehensive income for the financial period	–	(896)	119	–	–	–	(777)	(244)	(1,021)
Total comprehensive income for the financial period	–	(19,971)	119	–	–	–	(19,852)	(10,962)	(30,814)
Contributions by owners									
Issue of ordinary shares (Note 32)	24,480	–	–	–	–	–	24,480	–	24,480
Consideration shares issued (Note 18 and 32)	22,800	–	–	–	(22,800)	–	–	–	–
	47,280	–	–	–	(22,800)	–	24,480	–	24,480
Changes in ownership interests in subsidiary									
Acquisition of a subsidiary with non-controlling interests (Note 18)	–	–	–	–	–	–	–	4,519	4,519
Acquisition of non-controlling interests without a change in control (Note 18)	–	–	–	–	–	(6,602)	(6,602)	6,602	–
Others									
Transfer to statutory reserve	–	(322)	–	322	–	–	–	–	–
Balance at 31 December 2015	73,458	(31,720)	254	702	(22,800)	(6,602)	13,292	456	13,748

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

Consolidated Statement Of Changes in Equity

For the financial period from 1 September 2014 to 31 December 2015

	Share capital $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Statutory reserve $'000	Total equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Group							
Balance at 1 September 2013	21,332	(13,532)	227	353	8,380	288	8,668
Profit for the financial year	–	2,104	–	–	2,104	13	2,117
Other comprehensive income for the financial year							
Remeasurement of defined benefit scheme (Note 31)	–	28	–	–	28	–	28
Exchange differences arising from translation of foreign operations	–	–	(92)	–	(92)	(4)	(96)
Total other comprehensive income for the financial year	–	28	(92)	–	(64)	(4)	(68)
Total comprehensive income for the financial year	–	2,132	(92)	–	2,040	9	2,049
Contributions by owners							
Issue of ordinary shares (Note 32)	4,846	–	–	–	4,846	–	4,846
Others							
Transfer to statutory reserve	–	(27)	–	27	–	–	–
Balance at 31 August 2014	26,178	(11,427)	135	380	15,266	297	15,563

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

Statement Of
Changes in Equity

For the financial period from 31 October 2014 (date of incorporation) to 31 December 2015

	Share capital $'000	Accumulated losses $'000	Capital reserve $'000	Total equity $'000
Company				
Contribution by owners				
Issue of subscribers' share on 31 October 2014 (date of incorporation)	–	–	–	–
Issue of share capital in relation to restructuring exercise (Note 32)	73,458	–	–	73,458
Consideration shares issued (Note 32)	–	–	(22,800)	(22,800)
Loss for the financial period, representing total comprehensive income for financial period	–	(26,031)	–	(26,031)
Balance at 31 December 2015	73,458	(26,031)	(22,800)	24,627

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

Consolidated Statement Of Cash Flows

For the financial period from 1 September 2014 to 31 December 2015

	Note	Period from 1 September 2014 to 31 December 2015 $'000	Year ended 31 August 2014 $'000
Operating activities			
(Loss)/Profit before income tax		(26,277)	2,424
Adjustments for:			
Allowance for inventory obsolescence	22	–	113
Allowance for inventory obsolescence written back	22	(49)	(29)
Amortisation of intangible assets	15	444	55
Amortisation of land use rights	16	163	40
Compensation for acquisition of land and building by government	5	(2,833)	–
Depletion of oil and gas properties	17	470	–
Depreciation of property, plant and equipment	14	1,749	1,241
Finance costs	9	1	62
Gain on disposal of property, plant and equipment		(34)	(90)
Impairment losses and allowances relating to the termination of the Cooperation Agreement	8	34,797	–
Interest income	6	(149)	(47)
Introducer fees	32	480	–
Inventories written off	22	46	–
Property, plant and equipment written off	8	1,002	4
Share of results of joint venture		8	–
Unrealised exchange difference		(50)	59
Operating profit before working capital changes		9,768	3,832
Working capital changes:			
Inventories		(307)	496
Trade receivables		(3,743)	(2,771)
Other receivables and deposits		(445)	95
Prepayments		(28)	11
Due from a related company		–	3
Trade payables		(2,701)	(2,584)
Other payables and accruals		(1,506)	343
Provisions settled		(240)	(38)
Due to previous holding company		–	(123)
Due to previous related companies		–	(118)
Cash generated from/(used in) operations		798	(854)
Interest received		149	47
Interest paid		(1)	(62)
Income taxes paid		(510)	(105)
Net cash generated from/(used in) operating activities		436	(974)

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

Consolidated Statement Of Cash Flows

For the financial period from 1 September 2014 to 31 December 2015

	Note	Period from 1 September 2014 to 31 December 2015 $'000	Year ended 31 August 2014 $'000
Investing activities			
Deposit paid to a third party		(2,091)	–
Investment in joint venture		(50)	–
Proceeds from disposal of property, plant and equipment		34	91
Purchase of intangible assets	15	(2,466)	(168)
Purchase of oil and gas properties	17	(1,625)	–
Purchase of property, plant and equipment	14	(2,215)	(984)
Purchase of land use rights	16	(1,785)	–
Addition to held-to-maturity financial assets		(437)	–
Compensation for acquisition of land and building by government	5	2,833	–
Net cash used in acquisition of a subsidiary	18	(14,939)	–
Net cash used in investing activities		(22,741)	(1,061)
Financing activities			
Proceeds from bank loans		90	–
Proceeds from issue of share capital	32	24,000	4,846
Proceeds from loan from a former non-controlling shareholder of a subsidiary		3,757	–
Repayment of bank loans		(90)	(1,906)
Proceeds from finance lease		–	41
Repayment of obligations under finance leases		(31)	(518)
Net cash generated from financing activities		27,726	2,463
Net change in cash and cash equivalents		5,421	428
Effect of foreign exchange rate changes in cash and cash equivalents		365	(10)
Cash and cash equivalents at beginning of financial period/year	26	4,444	4,026
Cash and cash equivalents at end of financial period/year	26	10,230	4,444

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

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 Company, which was incorporated on 31 October 2014, changed its name from GSS Energy Pte. Ltd. to GSS Energy Limited upon its conversion to a public company limited by shares on 12 February 2015 through a restructuring exercise.

The Company was incorporated as part of the restructuring exercise ("Restructuring Exercise") to become the parent company of Giken Sakata (S) Limited ("Giken"), previously listed on the Catalist board of the SGX-ST.

On 10 November 2014, the Company entered into an Implementation Agreement with Giken, a company incorporated in Singapore, in relation to a proposed restructuring by way of a scheme of arrangement under section 210 of the Companies Act, Chapter 50 of Singapore. Pursuant to the terms of the Implementation Agreement, GSS will acquire all the existing issued ordinary shares in the capital of Giken ("Giken Share") held by shareholders of Giken, in consideration for the allotment and issuance of new ordinary shares in the capital of GSS ("GSS Share") on the basis of one new GSS Share for every one Giken Share. Upon completion of restructuring, Giken was delisted from the Catalist board of the Singapore Exchange Securities Trading Limited with the effect on 12 February 2015 and became a subsidiary of GSS.

The Restructuring Exercise, which merely effected a change of the listed Company with the same shareholders, does not meet the definition of a business under FRS 103 Business Combinations and as such the restructuring has not been accounted for as a business acquisition. Accordingly, the financial statements of the Company and its subsidiaries ("the Group") for the reporting period from 1 September 2014 to 31 December 2015 have been presented as a continuation of the amounts previously included in the consolidated financial statement of Giken Group. The comparative financial information of the GSS Group is that of the comparative financial information of Giken Group.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries and joint venture are disclosed in Note 18 and Note 19, respectively, to the financial statements.

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 ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each entity in the Group 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 and changes in equity of the Company are presented in Singapore dollar ("$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

The preparation of financial statements in conformity with FRS requires 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 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.

During the financial period, the Group and the Company have adopted all the new or revised FRS that are relevant to their operations and effective for the current financial period. The adoption of the new or revised FRS does not result in any substantial changes to the Company's accounting policies and have no material effect on the amounts reported for the current financial period and prior financial years.

FRS issued but not yet effective

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

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	: *Disclosure Initiative*	1 January 2016
FRS 7 (Amendments)	: *Disclosure Initiative*	1 January 2017
FRS 12 (Amendments)	: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 16 and FRS 38 (Amendments)	: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
FRS 109	: *Financial Instruments*	1 January 2018
FRS 110 and FRS 28 (Amendments)	: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
FRS 111 (Amendments)	: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
FRS 115	: *Revenue from Contracts with Customers*	1 January 2018
Improvements to FRSs (November 2014)		
-FRS 19 (Amendments)	: *Employee Benefits*	1 January 2016
-FRS 34 (Amendments)	: *Interim Financial Reporting*	1 January 2016
-FRS 105 (Amendments)	: *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
-FRS 107 (Amendments)	*: Financial Instruments: Disclosures*	1 January 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

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

Except as disclosed below, the Group and the Company expect that the adoption of the above FRS 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.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 *Financial Instruments*: *Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The Group is in the process of making a detailed assessment of the impact of this standard and the Group will be required to reassess the classification and measurement of financial assets, particularly those currently classified as held-to-maturity and the new impairment requirements may result in changes for impairment provisions on trade receivables and other financial assets not measured at fair value through profit or loss.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group is in the process of making a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

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.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Non-controlling interests in the acquiree that 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.

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 *FRS 39 Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

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

2.3 Business combinations

<u>Business combinations from 1 September 2010</u>

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 FRS 103 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.

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 September 2010 (Continued)

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.

Business combinations before 1 September 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates, other similar allowances and sales related taxes.

Sale of goods

Revenue from the sale of microshafts, precision parts and mechanisms is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Oil extraction

Revenue from oil extraction is recognised upon delivery and acceptance by customers.

Rendering of services

Revenue from rendering of services that are of short durations is recognised when the services are rendered.

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

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.

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 period.

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.

2. Summary of significant accounting policies (Continued)

2.6 Employee benefits (Continued)

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 high quality corporate 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 period.

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.

2.7 Income tax

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

Current income tax

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 subsidiaries operate by the end of the financial period.

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.

2. Summary of significant accounting policies (Continued)

2.7 Income tax (Continued)

Deferred tax

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 associates, and interests in joint ventures, 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.

The carrying amount of deferred tax assets is reviewed at the end of each financial period 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 period.

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, except for investment properties at fair value which are presumed to be recovered through sale.

Unrecognised deferred tax assets are reassessed at the end of each financial period 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.

2. Summary of significant accounting policies (Continued)

2.7 Income tax (Continued)

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.

2.8 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 period, monetary items denominated in foreign currencies are re-translated at the rates prevailing as of the end of the financial period. 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.

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 period. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the financial period 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 period. 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), and of borrowings and other currency instruments designated as hedges of such investments, 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. Summary of significant accounting policies (Continued)

2.9 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 period 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.

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

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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. Summary of significant accounting policies (Continued)

2.10 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 September 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.

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.

Oil concessionary rights

Oil concessionary rights which were acquired through a business combination, have finite lives are amortised on a straight-line basis over their estimated useful lives which is represented by the period of contractual rights of 5 years.

Non-compete agreement

Non-compete agreement which was acquired in a business combination has a strict non-competition clause in a 3 years employment contract, is identified and recognised separately from goodwill. The cost of non-compete agreement is the fair value as at the acquisition date.

Subsequent to initial recognition, the non-compete agreement with finite life is amortised on a straight-line basis over 3 years and reported at cost less accumulated amortisation and accumulated impairment losses.

2. Summary of significant accounting policies (Continued)

2.11 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.

2.12 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.

Exploration and evaluation expenditure (“E&E”)

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 comprises 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.

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

2. Summary of significant accounting policies (Continued)

2.12 Oil and gas properties (Continued)

Development expenditure

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 oil and gas properties.

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 and 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.

Development expenditure are reviewed for impairment in accordance with the Group's accounting policy on impairment of non-financial assets as set out in Note 2.14 to these financial statements.

2.13 Investment in a joint venture

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement

- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement

- The legal form of joint arrangements structured through a separate vehicle

- The contractual terms of the joint arrangement agreement

- Any other facts and circumstances (including any other contractual arrangements).

The Group's interest in joint venture is accounted for using the equity method. Under the equity method, the investment in joint venture is carried in the statements of financial position at cost plus post-acquisition changes in the Group's share in net assets of the joint venture. The share of results of the joint venture is recognised in profit or loss. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint venture.

The Group's share of results and reserves of joint venture acquired or disposed of are included in the financial statements from the date of acquisition up to the date of disposal or cessation of joint control over the relevant activities of the arrangements.

2. Summary of significant accounting policies (Continued)

2.14 Impairment of non-financial assets excluding goodwill and exploration and evaluation expenditure

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.

2.15 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.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss, which are initially measured at fair value.

2. Summary of significant accounting policies (Continued)

2.15 Financial instruments (Continued)

Financial assets

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group classifies its financial assets as loans and receivables and held-to-maturity financial assets. The classification depends on the nature and purpose of these financial assets and is determined at the time of initial recognition.

Loans and receivables

Non-derivatives financial assets (trade receivables, other receivables and deposits, amount due from a subsidiary and cash and cash equivalents that have fixed or determinable payments) that are not quoted in active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost, where applicable, using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Held-to-maturity financial assets

Short term investment with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method, less impairment, with revenue recognised on an effective yield basis.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment losses directly with the exception of trade receivables where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. Summary of significant accounting policies (Continued)

2.15 Financial instruments (Continued)

Financial assets (Continued)

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.

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 the 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 equity 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 and due to subsidiaries) 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. Summary of significant accounting policies (Continued)

2.16 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.

2.17 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash and deposits with banks and financial institutions. Cash and cash equivalents 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.

2.18 Leases

When the Group is the lessee of a finance lease

Leases are classified as finance leases whenever 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 recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance 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 liability. Finance charges are charged directly to profit or loss in accordance with the Group's accounting policy on finance costs.

When the Group is the lessee of an operating lease

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received or receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

When the Group is the lessor of an operating lease

Leases where the Group and the Company retain substantially all risks and rewards incidental to the ownership are classified as operating leases.

Assets leased out under operating leases are included in property, plant and equipment.

2.19 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)

2.20 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.

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, 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.

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) Impairment of investments in subsidiaries and financial assets

The Group and the Company follow the guidance of FRS 36 and FRS 39 in determining whether an investment or a financial asset is impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the recoverable amount of the investment in subsidiary or the fair value of a financial asset is less than its carrying amount and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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 period are discussed below.

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

Key sources of estimation uncertainty (Continued)

(i) Impairment of tangible and intangible assets

The management determines whether goodwill and other intangible assets have suffered impairment on an annual basis and as and when there is an indication of impairment. Property, plant and equipment are tested for impairment whenever there is any indication that these assets may be impaired. The recoverable amounts of these assets, where applicable, cash-generating unit ("CGU") are determined by the management based on the higher of fair value less costs to sell or value-in-use, which involves the use of estimates. In estimating the value-in-use, the management exercised judgement in estimating the expected future cash flows from the CGUs using suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the Group's property, plant and equipment, goodwill and intangible assets were $3,936,000, $112,000 and $39,000 (31 August 2014: $4,175,000, $112,000 and $113,000) respectively.

(ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The management estimates the useful lives of these assets to be within 3 to 20 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the end of the reporting period was $3,936,000 (31 August 2014: $4,175,000).

(iii) 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 reporting period was $4,987,000 (31 August 2014: $4,573,000).

(iv) Allowance for doubtful receivables

The management establishes allowance for doubtful receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to the financial position of the customers and subsidiaries. If the financial conditions were to deteriorate, resulting in impairment of their ability to make the required payments, allowances may be required. The carrying amounts of the Group's and Company's trade and other receivables at the end of the reporting period were $13,995,000 and $2,061,000 (31 August 2014: $14,628,000 and $Nil) respectively.

(v) 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 31 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 reporting period was $911,000 (31 August 2014: $290,000).

4. Revenue

	Group	
	Period from 1 September 2014 to 31 December 2015 $'000	Year ended 31 August 2014 $'000
Sale of goods	72,205	64,075
Services rendered	9,497	4,941
Oil extraction	12,104	–
	93,806	69,016

5. Other income

	Group	
	Period from 1 September 2014 to 31 December 2015 $'000	Year ended 31 August 2014 $'000
Compensation for acquisition of land and building by government (Note 14)	2,833	–
Compensation from customer	–	119
Gain on disposal of property, plant and equipment	34	90
Government grant	58	108
Foreign exchange gain, net	298	–
Income from disposal of scrap materials	166	78
Provision for gratuity written back (Note 31)	–	98
Rental income	104	82
Others	37	–
	3,530	575

6. Interest income

	Group	
	Period from 1 September 2014 to 31 December 2015 $'000	Year ended 31 August 2014 $'000
Cash and short-term deposits	134	47
Short term investment held-to-maturity	15	–
	149	47

7. Employee benefit expenses

	Group	
	Period from 1 September 2014 to 31 December 2015	Year ended 31 August 2014
	$'000	$'000
Short-term employee benefits	20,577	12,679
Defined contribution plans	1,066	741
Defined benefit plan	9	231
Other personnel expenses	1,778	887
	23,430	14,538

The above includes remuneration of Directors and key management as disclosed in Note 34 to the financial statements.

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

	Group	
	Period from 1 September 2014 to 31 December 2015	Year ended 31 August 2014
	$'000	$'000
Cost of sales	11,673	8,341
Distribution and selling expenses	5,934	4,362
Administrative expenses	5,823	1,835
	23,430	14,538

8. Other expenses

	Group	
	Period from 1 September 2014 to 31 December 2015 $'000	Year ended 31 August 2014 $'000
Acquisition expenses	–	244
Foreign exchange loss, net	–	126
Property, plant and equipment written off	1,002	4
Impairment losses and allowances relating to the termination of the Cooperation Agreement (Note 18)		
- Allowance for doubtful trade receivable arising from a third party, net (Note 23)	11,565	–
- Allowance for doubtful other receivables (Note 24)	116	–
- Impairment loss on property, plant and equipment (Note 14)	57	–
- Impairment loss on goodwill (Note 20)	9,759	–
- Impairment loss on intangible assets (Note 15)	6,229	–
- Impairment loss on oil and gas properties (Note 17)	7,071	–
	34,797	–
	35,799	374

9. Finance costs

	Group	
	Period from 1 September 2014 to 31 December 2015 $'000	Year ended 31 August 2014 $'000
Interest expense		
- bank loans	–	53
- finance leases	1	9
	1	62

10. (Loss)/Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above is arrived at after charging the following:

	Group	
	Period from 1 September 2014 to 31 December 2015	Year ended 31 August 2014
	$'000	$'000
Cost of sales		
Cost of inventories recognised as expenses	37,475	39,978
Service cost of oil production	5,934	–
Depletion of oil and gas properties	470	–
Amortisation of intangible assets	370	–
Depreciation of property, plant and equipment	1,351	1,053
Operating lease expenses	1,202	892
Distribution and selling expenses		
Depreciation of property, plant and equipment	39	8
Operating lease expenses	228	148
Professional fees	22	–
Administrative expenses		
Amortisation of intangible assets	74	55
Amortisation of land use rights	163	40
Audit fees		
- Auditor of the Company	120	77
- Other auditors	52	31
Non-audit fees		
- Auditor of the Company	–	–
Depreciation of property, plant and equipment	359	180
Operating lease expenses	219	39
Professional fees	4,273	240

11. Income tax expense

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

	Group	
	Period from 1 September 2014 to 31 December 2015	Year ended 31 August 2014
	$'000	$'000
Current income tax		
- current period/year	3,516	307

Reconciliation of effective tax rate

Domestic income tax is calculated at 17% (31 August 2014: 17%) of the estimated assessable profit for the financial period/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	
	Period from 1 September 2014 to 31 December 2015	Year ended 31 August 2014
	$'000	$'000
(Loss)/Profit before income tax	(26,277)	2,424
Income tax at the applicable tax rate of 17%	(4,467)	412
Tax effect of:		
- Income not taxable for income tax purposes	(642)	(165)
- Expenses not deductible for income tax purposes	7,939	340
Effect of different tax rates of overseas operations	1,182	305
Utilisation of deferred tax assets previously not recognised	(566)	(613)
Others	70	28
	3,516	307

11. Income tax expense (Continued)

Unrecognised deferred tax assets

	Group	
	Period from 1 September 2014 to 31 December 2015	Year ended 31 August 2014
	$'000	$'000
At beginning of financial period/year	583	1,196
Utilisation of deferred tax assets previously not recognised	(566)	(613)
Addition of unrecognised deferred tax assets	1,143	–
At end of financial period/year	1,160	583

Unrecognised deferred tax assets are attributable to:

	Group	
	Period from 1 September 2014 to 31 December 2015	Year ended 31 August 2014
	$'000	$'000
Unabsorbed capital allowances on plant and equipment	73	40
Provisions	30	34
Unutilised tax losses	1,057	509
	1,160	583

At the end of the reporting period, the Group had unutilised tax losses of approximately $6,189,000 (31 August 2014: $2,993,000) 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 2.7 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 period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $685,000 (31 August 2014: $145,000). 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 period/year, net of tax

	Group					
	Period from 1 September 2014 to 31 December 2015			Year ended 31 August 2014		
	Before-tax amount $'000	Tax expense $'000	Net-of-tax amount $'000	Before-tax amount $'000	Tax expense $'000	Net-of-tax amount $'000
Remeasurement of defined benefit pension scheme	(896)	–	(896)	28	–	28
Exchange differences on translation of foreign operations	(125)	–	(125)	(96)	–	(96)
Other comprehensive income	(1,021)	–	(1,021)	(68)	–	(68)

13. (Loss)/Earnings per share (cents)

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	
	Period from 1 September 2014 to 31 December 2015 $'000	Year ended 31 August 2014 $'000
(Loss)/Profit attributable to owners of the parent	(19,075)	2,104
	Number of Shares '000	Number of Shares '000
Weighted average number of ordinary shares		
- Basic	469,706	268,578
- Diluted	469,706	268,578

Basic earnings per share is calculated by dividing net profit for the financial period/year attributable to the owners of the parent by the weighted average number of ordinary shares in issue during the financial period/year. As the Group has no dilutive potential ordinary shares, the dilutive earnings per share is equivalent to basic earnings per share.

14. Property, plant and equipment

	Leasehold buildings $'000	Leasehold improvements $'000	Machinery, furniture and equipment $'000	Motor vehicles $'000	Total $'000
Group					
Cost					
At 1 September 2014	3,421	4,453	37,729	583	46,186
Additions	1	829	1,286	99	2,215
Acquisition of a subsidiary	–	–	227	–	227
Disposals	–	–	(94)	(98)	(192)
Written off	(3,506)	–	(598)	–	(4,104)
Currency realignment	222	–	482	7	711
At 31 December 2015	138	5,282	39,032	591	45,043
Accumulated depreciation					
At 1 September 2014	2,377	3,914	35,206	514	42,011
Depreciation charge for the period	233	164	1,290	62	1,749
Disposals	–	–	(93)	(99)	(192)
Written off	(2,647)	–	(455)	–	(3,102)
Currency realignment	155	–	422	7	584
At 31 December 2015	118	4,078	36,370	484	41,050
Impairment loss provided during the financial period (Note 8)	–	–	57	–	57
Net carrying amount					
At 31 December 2015	20	1,204	2,605	107	3,936

14. Property, plant and equipment (Continued)

	Leasehold buildings $'000	Leasehold improvements $'000	Machinery, furniture and equipment $'000	Motor vehicles $'000	Total $'000
Group					
Cost					
At 1 September 2013	3,480	4,477	37,415	676	46,048
Additions	–	162	783	80	1,025
Disposals	–	(175)	(2)	(171)	(348)
Written off	–	(11)	(363)	–	(374)
Currency realignment	(59)	–	(104)	(2)	(165)
At 31 August 2014	3,421	4,453	37,729	583	46,186
Accumulated depreciation					
At 1 September 2013	2,246	4,004	34,696	673	41,619
Depreciation charge for the year	170	92	965	14	1,241
Disposals	–	(175)	(1)	(171)	(347)
Written off	–	(7)	(363)	–	(370)
Currency realignment	(39)	–	(91)	(2)	(132)
At 31 August 2014	2,377	3,914	35,206	514	42,011
Net carrying amount					
At 31 August 2014	1,044	539	2,523	69	4,175

Assets held under finance lease

As at 31 December 2015, the Group has motor vehicle acquired under finance lease with net carrying value of approximately $Nil (31 August 2014: $46,000).

	Group	
	31 December 2015 $'000	31 August 2014 $'000
Addition of property, plant and equipment	2,215	1,025
Acquired under finance lease arrangements	–	(41)
Cash payments to purchase property, plant and equipment	2,215	984

During the financial period, the Group has entered into an agreement with the Changzhou Government State Land Office ("CGSLO"), which CGSLO shall pay compensation to the Group of RMB43.68 million (equivalent to $9.55 million) for the acquisition of land and building, currently occupied by the Group's China subsidiary. The China subsidiary is allowed to stay in the current location untill the new location is ready for use in June 2017. The compensation will be receivable in 4 separate tranches and each tranche is subject to the fulfilment of certain terms and conditions.

On 23 September 2015, the Group has received the first tranche of the compensation subsequent to the deregistration of the China subsidiary's ownership of the leasehold building and land use right as disclosed in Note 16 to the financial statements. The compensation received amounting to RMB13,100,000 (equivalent to $2,833,000) is recognised in the Group's profit or loss and included in "other income" as disclosed in Note 5 to the financial statements.

14. Property, plant and equipment (Continued)

Upon deregistration of the ownership, the Group was deemed to dispose the leasehold building as the significant risks and rewards of ownership was transferred to CGSLO. Consequently, the leasehold building with net carrying amount of $859,000 was derecognised to profit or loss.

Impairment loss of $57,000 represented write-down of plant and equipment in one of the reportable segment, oil extraction which is located in Indonesia, upon termination of the Cooperation Agreement (Note 18). Due to the termination, no recoverable amount is expected based on value in use of this segment. The impairment loss is recognised in the Group's profit or loss and included in "other expenses" in Note 8 to the financial statements.

15. Intangible assets

	Computer software $'000	Oil concessionary right $'000	Non-compete agreement $'000	Total $'000
Group				
Cost				
At 1 September 2014	168	–	–	168
Addition	–	2,466	–	2,466
Acquisition of a subsidiary (Note 18)	–	2,930	1,203	4,133
At 31 December 2015	168	5,396	1,203	6,767
Accumulated amortisation				
At 1 September 2014	55	–	–	55
Amortisation	74	262	108	444
At 31 December 2015	129	262	108	499
Impairment loss provided during the financial period (Note 8)	–	5,134	1,095	6,229
Carrying amount				
At 31 December 2015	39	–	–	39

	Computer software $'000
Group	
Cost	
At 1 September 2013	630
Addition	168
Written off	(630)
At 31 August 2014	168
Accumulated amortisation	
At 1 September 2013	630
Amortisation	55
Written off	(630)
At 31 August 2014	55
Carrying amount	
At 31 August 2014	113

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

16. Land use rights

	Group	
	31 December 2015	31 August 2014
	$'000	$'000
Cost		
At 1 September	1,176	1,196
Addition	1,785	–
Currency realignment	109	(20)
At 31 December/31 August	3,070	1,176
Accumulated amortisation		
At 1 September	733	705
Amortisation	163	40
Currency realignment	57	(12)
At 31 December/31 August	953	733
Carrying amount		
At 31 December/31 August	2,117	443

As disclosed in Note 14 to the financial statements, a subsidiary of the Group which is incorporated in China, received a formal notice from the local authority to acquire the leasehold land and building. The land use rights title was subsequently deregistered by the subsidiary. However, CGSLO has granted the subsidiary 2 years of lease term in the current location. As the result, effective from 1 July 2015, management have revised the estimated useful lives of the leasehold land from 30 years to 2 years. The change in estimate has resulted in an increase in the annual depreciation charge of $178,000, resulting in a corresponding decrease in profit after taxation for the financial period from 1 September 2014 to 31 December 2015 of $102,000.

On 30 June 2015, the subsidiary entered into an agreement with CGSLO to acquire a land use right of a new piece of land of approximately 19,000 square metres, located in Changzhou, PRC for a purchase price of RMB7,980,000 million (equivalent to $1,785,000). The land use right has lease term of 50 years.

At 31 December 2015, the Group has land use rights over 2 plots of state-owned land in China where the Group's operation reside. The land use rights are transferable and have remaining tenure of 2 and 49 years respectively (31 August 2014: 1 plot of state-owned land in China and remaining tenure of 30 years).

17. Oil and gas properties

	Total $'000
Group	
Cost	
At 1 September 2014	–
Additions	1,625
Acquisition of a subsidiary (Note 18)	6,282
Currency realignment	(402)
At 31 December 2015	7,505
Accumulated depletion	
At 1 September 2014	–
Depletion	470
Currency realignment	(36)
At 31 December 2015	434
Impairment loss provided during the financial period (Note 8)	7,071
Carrying amount	
As at 31 December 2015	–

The depletion of oil and gas properties are included in "cost of sales" line item in the profit or loss.

The Group's additions to oil and gas properties include capitalised development expenditure of $1.6 million and arising from new development wells.

Upon termination of the Cooperation Agreement (Note 18), management has reviewed the recoverable amount of the oil extraction reportable segment, which is located in Indonesia. No recoverable amount is expected based on value in use of this segment due to the termination. The review has led to the recognition of impairment loss amounting to $7,071,000 in the Group's profit or loss and included in "other expenses" in Note 8 to the financial statements.

18. Investment in subsidiaries

	Company 31 December 2015 $'000
Unquoted equity shares, at cost	44,260
Allowance for impairment losses	(15,657)
	28,603

18. Investment in subsidiaries (Continued)

Movements in allowance for impairment losses:

	Company
	31 December 2015
	$'000
At date of incorporation	–
Impairment loss recognised in the financial period	15,657
At end of financial period	15,657

The impairment loss is included in the "other expenses" in the Company's profit or loss for the financial period from 31 October 2014 (date of incorporation) to 31 December 2015.

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	
		31 December 2015	31 August 2014	31 December 2015	31 August 2014
		%	%	%	%
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	–	–
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	95	95	5	5

18. 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	
		31 December 2015	31 August 2014	31 December 2015	31 August 2014
		%	%	%	%
GSS Energy Investment Holdings Limited (formerly known as Giken Sakata Investment Holdings Limited)(5) (British Virgin Island)	Investment holding	100	100	–	–
Cepu Sakti Energy Pte Ltd(4) (Singapore)	Investment holding	100	–	–	–
P.T. Cepu Sakti Energy(2) (Indonesia)	Operate in oil and gas service	100	–	–	–
GSS Energy Oilfield Management Limited(5) (British Virgin Island)	Dormant	100	–	–	–
GSS Energy Trembul Limited(5) (British Virgin Island)	Dormant	100	–	–	–
GSS Energy Sumatra Limited(5) (British Virgin Island)	Dormant	100	–	–	–
P.T. Giken Technology Indonesia(5) (Indonesia)	Dormant	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) Audited by Singapore Assurance PAC.

(5) Statutory audit is not required and review by BDO LLP, Singapore for consolidation purpose.

At 31 December 2015, the non-controlling interest of Changzhou Giken Precision Co., Ltd. that is not 100% owned by the Group is considered to be insignificant.

18. Investment in subsidiaries (Continued)

Incorporation of new subsidiaries

(i) On 26 March 2015, the Company incorporated a wholly-owned subsidiary, GSS Energy Oilfield Management Limited., a company incorporated in British Virgin Island, with an issued and fully-paid up share capital of US$1.

(ii) On 26 March 2015, the Company incorporated a wholly-owned subsidiary, GSS Energy Trembul Limited., a company incorporated in British Virgin Island, with an issued and fully-paid up share capital of US$1.

(iii) On 27 March 2015, the Company incorporated a wholly-owned subsidiary, GSS Energy Sumatra Limited., a company incorporated in British Virgin Island, with an issued and fully-paid up share capital of US$1.

(iv) On 25 September 2015, the Company's subsidiary, Giken Sakata (S) Limited incorporated a wholly-owned subsidiary, P.T. Giken Technology Indonesia in Indonesia with a registered share capital of US$250,000. As at 31 December 2015, the share capital was not fully paid-up.

Acquisition of a subsidiary

On 10 September 2014 ("completion date"), GSS Energy Investment Holdings Limited ("GEIHL") (a wholly-owned subsidiary of the Group) completed the acquisition of 624,079 ordinary shares representing 53.68% of the issued share capital of Cepu Sakti Energy Pte Ltd ("Cepu") from Java Petral Energy Pte Ltd ("JPEL") for an aggregate consideration of up to $48,000,000 (the "Acquisition") to be satisfied by $25,200,000 in cash and $22,800,000 by the issuance of 76 million new ordinary shares.

As part of the acquisition agreement, the Group issued 76,000,000 new ordinary shares (the "Consideration Shares") at issue price of $0.30 per Consideration Share. On the completion date, the Consideration Shares were transferred to JPEL, but held in moratorium as the final number of shares to be transferred is subject to certain conditions as defined in the acquisition agreement. The remaining consideration of $10,200,000 was to be payable upon evidence of renewal of Production of Oil from Oil Wells Agreement in Cepu.

The fair value of the Consideration Shares as at the acquisition date was estimated to $22,800,000 based on the weighted average quoted market price of Giken Sakata (S) Limited as at 10 July 2014.

Cepu's wholly-owned subsidiary, PT Cepu Sakti Energy ("PT Cepu"), a company incorporated in Indonesia was party to a cooperation agreement with Village Cooperative (Koperasi Unit Desa) Sumber Pangan ("KUD SP"), under which it was granted exclusive rights to cooperate in conducting operations for extracting oil from Dandangilo-Wonocolo fields in Bojonegoro, East Java, Indonesia ("Cooperation Agreement"). The acquisition was intended to enable the Group to leverage into the oil and gas business as part of the diversification strategy.

18. Investment in subsidiaries (Continued)

Acquisition of a subsidiary (Continued)

The fair values of the identifiable assets and liabilities of Cepu as at the date of acquisition were:

	Fair value recognised on date of acquisition $'000
Property, plant and equipment	227
Intangible assets	4,133
Oil and gas properties	6,282
Trade and other receivables	7,357
Cash and cash equivalents	61
	18,060
Trade and other payables	(7,260)
Income tax payable	(1,040)
	(8,300)
Net identifiable assets at fair value	9,760
Non-controlling interests measured at the non-controlling interests' proportionate share of Cepu's net identifiable assets	(4,519)
Goodwill arising from acquisition	42,759
Total purchase consideration	48,000

	$'000
Consideration for acquisition of 53.68% equity interest represented by:	
(i) Cash paid	15,000
(ii) Consideration	
- 76,000,000 new ordinary shares in the capital of GSS Energy Limited issued at $0.30 each subject to certain conditions	22,800
- $10,200,000 payable upon evidence of renewal of Production of Oil from Oil Wells Agreement in Cepu	10,200
Total purchase consideration	48,000

The effects of the acquisition of the subsidiary on cash flows are as follows:

	$'000
Total purchase consideration for 53.68% equity interest acquired	48,000
Less: Non-cash consideration	(22,800)
Less: Consideration payable	(10,200)
Consideration settled in cash	15,000
Less: Cash and cash equivalents of a subsidiary acquired	(61)
Net cash outflow on acquisition	14,939

18. Investment in subsidiaries (Continued)

Acquisition of a subsidiary (Continued)

Trade and other receivables acquired comprise gross trade and other receivables amounting to approximately $7,357,000 which approximates fair value. It was expected that full contractual amount of the receivables could be collected.

Goodwill of $42,759,000 arising from the acquisition is attributable to the opportunity for the Group to diversify into the oil and gas service sector and to expand its earning base, and the expected synergies from combining the operations of the Group with Cepu.

None of goodwill is expected to be deductible for tax purposes.

Transaction costs related to the acquisition of $2,261,000 have been recognised in the "administrative expenses" line item in the Group's profit or loss.

From the date of acquisition, Cepu has contributed $21,743,000 and $12,104,000 to the Group's loss for the financial period and revenue respectively. If the combination has taken place at the beginning of the financial period, the Group's loss for the financial period would have been $29,551,000 and revenue would have been $94,373,000.

Acquisition of additional interest in a subsidiary

As announced on 24 July 2015, PT Cepu was informed that KUD SP would no longer require the services of PT Cepu and the Cooperation Agreement would be terminated. Due to the termination, the Group has entered into a Settlement Agreement with JPEL on 17 August 2015 to adjust the purchase consideration from $48 million to $15 million and to acquire remaining 46.32% equity in Cepu at consideration of $1, amongst others.

The terms of the Settlement Agreement are as follows:

a) the 76.0 million Consideration Shares ($22.8 million) shall be returned to the Company and cancelled via way of capital reduction (Note 39);

b) the remaining $10,200,000 cash consideration shall be waived in full;

c) acquire JPEL's remaining 46.32% equity interest in Cepu for a cash consideration of $1, thus increasing its total stake in Cepu to 100%; and

d) the loans extended by the Company of $6,503,000 and JPEL of $3,757,000 to Cepu shall be fully waived upon the completion of the cancellation of the Consideration Shares above.

As the result of the adjusted purchase consideration, the goodwill of $42,759,000 was adjusted to $9,759,000 (Note 20).

The effect of the adjusted purchase consideration is as follows:

	$'000
Net identifiable assets at fair value	9,760
Non-controlling interest	(4,519)
Goodwill arising from acquisition	9,759
Adjusted purchase consideration	15,000

18. Investment in subsidiaries (Continued)

Acquisition of additional interest in a subsidiary (Continued)

The carrying value of the net liabilities of Cepu as at 31 August 2015 was $14.25 million. As the result of the Settlement Agreement, the changes in the ownership interest of Cepu had the following effect on the equity attributable to owners of the parent during the financial period:

	$'000
Carrying amount of non-controlling interests acquired	(6,602)
Consideration paid to non-controlling interests	–*
Amount recognised in equity	(6,602)

* represent $1

Impairment of a subsidiary

Due to the termination, PT Cepu has discontinued its entire operation since the termination. Management has assessed the recoverable amount of the investment in Cepu and its subsidiary, PT Cepu, which represent the oil extraction segment in the Group. No recoverable amount is expected based on value in use of this segment. This review led to the recognition of impairment loss of $15,657,000 in profit or loss of the Company.

19. Investment in a joint venture

	Group and Company 31 December 2015 $'000
Unquoted shares, at cost	50
Share of results	(8)
	42

On 27 May 2015, the Company established a joint venture company through separate structure vehicles incorporated in Singapore and operating in Indonesia. The contractual arrangement provides the Company with only the rights to the net assets of the joint arrangement. Under FRS 111, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

19. Investment in a joint venture (Continued)

Details of the joint venture is as follows:

Name of joint ventures	Principal place of business	Principal activity	Proportion of ownership interest	
			31 December 2015	31 August 2014
			%	%
GSS-AFCO Pte Ltd ("GSS-AFCO")	Singapore	Dormant	50	–

The principal activities of GSS-AFCO is trading of oil and is in line with the Group's strategy to expand the oil and gas business segment. As at 31 December 2015, GSS-AFCO is dormant and has not commenced operation.

The joint venture has no contingent liabilities and capital commitment as at 31 December 2015.

Summarised financial information in relation to the immaterial joint venture is presented below:

	31 December 2015
	$'000
Loss from continuing operations	(16)

20. Goodwill

	Group	
	31 December 2015	31 August 2014
	$'000	$'000
Cost		
At beginning of financial period/year	112	112
Acquisition of subsidiary (Note 18)	42,759	–
Adjustment of the original purchase consideration (Note 18)	(33,000)	–
	9,759	–
At end of financial period/year	9,871	112
Impairment loss recognised in the financial period (Note 8)	9,759	–
Carrying amount		
At end of financial period/year	112	112

20. 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:

	Microshafts $'000
31 December 2015	
China	112
31 August 2014	
China	112

Oil extraction

As disclosed in Note 18, the oil extraction segment in Indonesia, PT Cepu was informed that KUD SP would no longer require the services of PT Cepu and the Cooperation Agreement would be terminated. Due to the termination, PT Cepu has discontinued its entire operation since the termination. Management has assessed the recoverable amount of the goodwill, which represent the oil extraction segment in the Group. No recoverable amount is expected based on value-in-use and fair value less cost to sell of this segment due to the termination of the Cooperation Agreement. This review led to the recognition of full impairment loss of $9,759,000 recognised in the Group's profit or loss.

The impairment loss is included in "other expenses" in the Group's profit or loss as disclosed in Note 8 to the financial statements.

21. Due from/(to) subsidiaries

Due from subsidiaries

	Company 31 December 2015 $'000
Non-current	
Due from subsidiaries (non-trade)	8,636
Allowance for doubtful receivables	(6,575)
	2,061

Movements in allowance for doubtful receivables:

	Company 31 December 2015 $'000
At date of incorporation	–
Addition of allowance for doubtful receivables	6,575
At end of financial period	6,575

21. Due from/(to) subsidiaries (Continued)

The non-current balances due from subsidiaries are non-trade in nature, unsecured and non-interest bearing. The settlement is neither planned nor likely to occur in the foreseeable future. As the amount was, in substance, a part of the Company's net investment in subsidiaries, it was stated at cost less impairment, if any, and it is not practicable to estimate the fair value for disclosure purpose.

Allowance for doubtful non-trade receivables of $6,575,000 is recognised in the Company's profit or loss subsequent to a debt recovery assessment performed during the financial period. The carrying amount of non-trade receivables individually determined to be impaired are past due for more than a year.

Due from subsidiaries are denominated in the Singapore 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 to be settled in cash.

22. Inventories

	Group	
	31 December 2015	**31 August 2014**
	$'000	**$'000**
Finished goods	1,045	1,097
Work-in-progress	661	602
Raw materials	3,281	2,874
	4,987	4,573

The Group's cost of inventories recognised as expense under "cost of sales" to the Group's profit or loss during the financial period amounted to $37,475,000 (31 August 2014: $39,978,000).

The Group recognised a reversal of $49,000 (31 August 2014: $29,000), being part of an inventory write-down made in 2014 as these inventories were sold during the financial period. The reversal is recognised in profit or loss under "cost of sales" to the Group's profit or loss.

During the financial period, the Group carried out a review of the realisable values of its inventories and the review led to the recognition of inventories written off of $46,000 (31 August 2014: $Nil) and recognition of allowance for inventory obsolescence of $Nil (31 August 2014: $113,000) in profit or loss under "cost of sales" to the Group's profit or loss.

23. Trade receivables

	Group	
	31 December 2015 $'000	31 August 2014 $'000
Trade receivables – third parties	31,873	14,187
Allowance for doubtful receivables	(18,288)	–
	13,585	14,187
Notes receivables – third parties	–	90
	13,585	14,277

Trade receivables from third parties are non-interest bearing and are generally on 30 to 90 (31 August 2014: 30 to 90) days credit terms.

Note receivables was trade in nature, unsecured, non-interest bearing and was fully settled during the financial period.

Subsequent to debt recovery assessment made by the management upon termination of the Cooperation Agreement (Note 18), an allowance for doubtful receivable of $18,288,000 is made in respect of estimated irrecoverable amounts from a third party customer in the oil extraction segment determined by reference to past default experience. The net allowance for doubtful trade receivable was $11,565,000 (Note 8) after net-off against a payable amount of $6,723,000 arising from the same third party.

Movements in allowance for trade receivables:

	Group	
	31 December 2015 $'000	31 August 2014 $'000
At beginning of financial period/year	–	–
Allowance made during the financial period/year	18,288	–
At end of financial period/year	18,288	–

Trade receivables are denominated in the following currencies:

	Group	
	31 December 2015 $'000	31 August 2014 $'000
Singapore dollar	1,021	1,747
United States dollar	10,144	10,223
Japanese Yen	50	39
Chinese Renminbi	2,293	1,807
Others	77	461
	13,585	14,277

24. Other receivables and deposits

	Group	
	31 December 2015 $'000	31 August 2014 $'000
Non-current		
Deposit	2,091	–
Current		
Other receivables	358	156
Deposits	168	195
	526	351
Less: Allowance for other receivables	(116)	–
	410	351

At the end of the reporting period, bankers' guarantees of $174,000 (31 August 2014: $162,000) were issued by a bank for factory rental and utilities deposits for a subsidiary of the Company.

At 31 December 2015, the non-current deposit, represent payment made to fund drilling cost for an oil and gas investment in Indonesia. The Group is required to advance up to US$6 million, inclusive of the $2,091,000 deposit paid during the financial period. The amount is non-interest bearing and non-refundable. The amount may be converted into equity shares in the investment entity in the future.

Subsequent to debt recovery assessment made by the management upon termination of the Cooperation Agreement (Note 18), an allowance for doubtful receivable of $116,000 is made in respect of estimated irrecoverable amounts determined by reference to past default experience.

Other receivables and deposits are denominated in the following currencies:

	Group	
	31 December 2015 $'000	31 August 2014 $'000
Singapore dollar	233	237
Chinese Renminbi	161	19
United States dollar	11	–
Indonesia Rupiah	5	–
Euro	–	95
	410	351

25. Held-to-maturity financial assets

	Group
	31 December 2015 $'000
Unquoted short term deposits	
- At amortised cost	437

25. Held-to-maturity financial assets (Continued)

The average effective interest rate of the short term investment range from 2.80% to 4.65% per annum.

At 31 December 2015, the unquoted short term investment have nominal values amounting to $437,000, with coupon rates of 3.9% per annum and maturity date of 13 April 2016.

There is no disposal or allowance for impairment for these unquoted short term investment.

The held-to-maturity financial assets is denominated in Chinese Renminbi.

26. Cash and cash equivalents

	Group	
	31 December 2015	31 August 2014
	$'000	$'000
Cash and bank balances	7,684	2,435
Short-term deposits	2,546	2,009
	10,230	4,444

Short-term deposits

Short-term deposits are made for varying periods of between 1 month and less than 1 year (31 August 2014: 1 month and less than 1 year) depending on the immediate cash requirement of the Group and earns effective interest rates ranging from 0.16% to 9.70% (31 August 2014: 0.16% to 9.70%) per annum. Those deposits are freely convertible to cash as and when such funds are required and will mature within the next 12 months (31 August 2014: within the next 12 months).

Cash and cash equivalents are denominated in the following currencies:

	Group	
	31 December 2015	31 August 2014
	$'000	$'000
Singapore dollar	2,699	1,673
Chinese Renminbi	4,126	2,420
Indonesian Rupiah	1,523	54
United States dollar	1,859	236
Others	23	61
	10,230	4,444

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.

27. Trade payables

Trade payables are non-interest bearing and are normally settled in 30 to 90 (31 August 2014: 30 to 90) days credit terms.

Trade payables are denominated in the following currencies:

	Group	
	31 December 2015	31 August 2014
	$'000	$'000
Singapore dollar	1,446	2,569
United States dollar	3,532	3,997
Japanese Yen	355	36
Chinese Renminbi	2,725	2,545
Indonesian Rupiah	1,630	113
Euro	1	229
	9,689	9,489

28. Other payables and accruals

	Group		Company
	31 December 2015	31 August 2014	31 December 2015
	$'000	$'000	$'000
Other payables	1,873	313	–
Accrued operating expenses	3,706	2,537	134
Deposits and advances received from customers	57	35	–
	5,636	2,885	134

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

Other payables and accruals are denominated in the following currencies:

	Group		Company
	31 December 2015	31 August 2014	31 December 2015
	$'000	$'000	$'000
Singapore dollar	2,216	1,558	134
Indonesia Rupiah	1,371	876	–
United States dollar	1,347	65	–
Chinese Renminbi	702	386	–
	5,636	2,885	134

29. Due to a former non-controlling shareholder of a subsidiary

The amount due to a former non-controlling shareholder of a subsidiary is related to loan extended by JPEL as disclosed in Note 18 to the financial statements. The amount is denominated in Singapore dollar, non-trade in nature, unsecured, non-interest bearing, and to be waived in full upon the cancellation of 76 million ordinary shares subsequent to the financial period (Note 39).

30. Finance lease payable

	Group	
	31 December 2015	31 August 2014
	$'000	$'000
Current:		
Obligations under finance lease	–	31

In the previous financial year, the Company's subsidiary entered into a finance lease with a carrying amount of $31,000 with a lease company. The finance lease bears effective interest rate of 7.37% per annum. Interest rate was fixed at the contract dates. However, the exposure to fair value of interest rate risk was not significant. At the end of the financial period, the fair value of the Group's finance lease obligations approximate its carrying amount.

The finance lease was on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The finance lease was fully repaid in the current financial period.

Obligation under finance leases

	Group			
	31 December 2015		31 August 2014	
	Minimum lease payment	Present value of payment	Minimum lease payment	Present value of payment
	$'000	$'000	$'000	$'000
Payable under finance leases:				
- within one year	–	–	32	31
Future finance charges	–	–	(1)	–
Present value of lease obligations	–	–	31	31

Finance lease was denominated in Singapore dollar.

31. Retirement benefit obligations

	Group	
	31 December 2015	31 August 2014
	$'000	$'000
Retirement gratuities	189	154
Employee service entitlement benefits	911	290
	1,100	444

Retirement gratuities

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

	Group	
	31 December 2015	31 August 2014
	$'000	$'000
At beginning of the financial period/year	154	252
Provision of gratuity	35	–
Provision of gratuity written back (Note 5)	–	(98)
At end of the financial period/year	189	154

Employee service entitlement benefits

The Group has defined benefit plan (the "Plan") and made provision for employee benefits for all its permanent employees of a subsidiary as required under the Labour Law No. 13/2003, Indonesia. The number of employees entitled to the benefits as at 31 December 2015 is 255 (31 August 2014: 255).

The Plan is funded by P.T. Giken Precision Indonesia ("GPI") and contribute a certain percentage of employee salaries to P.T. 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.

31. Retirement benefit obligations (Continued)

Employee service entitlement benefits (Continued)

In 2016, the Group expects to contribute $237,000 into the Plan.

The provision for employee benefits is calculated by an external independent actuary, PT Parama Aktuaria using the "Projected Unit Credit Method".

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

	Group	
	31 December 2015	**31 August 2014**
	$'000	**$'000**
Annual discount rate	8.8%	10%
Annual salary growth rate	5%	5%
Table of mortality	TMI III-2011	TMI II-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	
	31 December 2015	**31 August 2014**
	$'000	**$'000**
Defined benefit plan		
Present value of defined benefit obligation	1,148	789
Fair value of the Plan assets	(237)	(499)
Net defined benefit liabilities	911	290

31. Retirement benefit obligations (Continued)

Employee service entitlement benefits (Continued)

Reconciliation of defined benefit obligation:

	Group	
	31 December 2015 $'000	31 August 2014 $'000
At beginning of financial period/year	789	258
Included in profit or loss		
Current service costs	71	62
Interest costs	65	54
Past service cost	(125)	115
Amount recognised as expenses	11	231
Included in other comprehensive income		
Remeasurement of post-employment benefits from:		
- Demographic assumptions	(191)	(129)
- Financial assumptions	486	93
- Adjustment	605	8
Net actuarial losses/(gains) recognised	900	(28)
Others		
Effects of movements in exchange rates	(9)	–
Company contribution	–	345
Benefits paid	(543)	(17)
At end of the financial period/year	1,148	789

Reconciliation of fair value of the Plan assets:

	Group	
	31 December 2015 $'000	31 August 2014 $'000
At beginning of financial period/year	(499)	–
Included in profit or loss		
Interest costs	2	–
Included in other comprehensive income		
Return on plan assets (excluding interest)	(4)	–
Others		
Effect of movements in exchange rates	–	–
Employer contributions	(237)	(499)
Benefits paid	501	–
	264	(499)
At end of the financial period/year	(237)	(499)

31. Retirement benefit obligations (Continued)

Employee service entitlement benefits (Continued)

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

	Group	
	31 December 2015	**31 August 2014**
	$'000	**$'000**
Fixed income	116	249
Syariah fund	121	250
	237	499

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**
2015			
Discount rate	**8.8 % (+/- 1%)**	832	1,038
Wages and salary growth rate	**5.0% (+/- 1%)**	1,041	798
Mortality rate	**0.1% (+/- 1%)**	913	913
Turnover rate	**2.5% (+/- 10%)**	913	913
Retirement age	**55 (+/- 1%)**	923	996
2014			
Discount rate	**10.0% (+/- 1%)**	403	557
Wages and salary growth rate	**5.0% (+/- 1%)**	522	427
Mortality rate	**0.1% (+/- 1%)**	458	486
Turnover rate	**2.5% (+/- 10%)**	460	471
Retirement age	**55 (+/- 1%)**	442	536

The average duration of the post-employment benefits at the end of the financial period is 16 years (31 August 2014: 15 years).

32. Share capital

	Group			
	31 December 2015	31 August 2014	31 December 2015	31 August 2014
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
At beginning of period/year	315,018,657	131,509,657	26,178	21,332
Issued during the financial period/year	157,600,000	183,509,000	47,280	4,846
At end of period/year	472,618,657	315,018,657	73,458	26,178

On 22 October 2013, the Group's subsidiary, Giken Sakata (S) Limited ("Giken") issued 131,509,000 new ordinary shares at an issue price of $0.024 per share for a cash consideration of $3,156,216.

On 17 March 2014, Giken issued 52,000,000 new ordinary shares at an issue price of $0.0325 per share for a cash consideration of $1,690,000.

On 10 September 2014, Giken has completed the placement share and issuance of new ordinary shares as below:

(a) Issued and placed 80 million of Placement Shares at the placement price of $0.30 per Placement Share for a consideration of $24,000,000.

(b) Issued 76 million new ordinary shares at issued price of $0.30 per share as part of acquisition consideration of $22,800,000 in relation to an acquisition of a former subsidiary.

(c) Issued 1.6 million new ordinary shares at issued price of $0.30 per share for a consideration of $480,000 for the introducer's service to Giken in respect of the acquisition made by the Giken's former subsidiary.

The newly issued shares rank pari passu in all respects with the existing shares.

	Company	
	31 December 2015	31 December 2015
	Number of ordinary shares	$'000
Issued and fully paid:		
At date of incorporation	1	–
Issue of shares in relation to restructuring exercise (Note 1)	472,618,656	73,458
At 31 December	472,618,657	73,458

At date of incorporation on 31 October 2014, the Company issued 1 new ordinary share at an issue price of $1 per share for cash.

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.

33. Other reserves

Other reserves comprise the following:

	Group		Company
	31 December 2015	31 August 2014	31 December 2015
	$'000	$'000	$'000
Capital reserve	(22,800)	–	(22,800)
Equity non-controlling interest	(6,602)	–	–
Foreign currency translation reserve	254	135	–
Statutory reserve	702	380	–
	(28,446)	515	(22,800)

Capital reserve

Capital reserve comprised the Consideration Shares issued for the acquisition of Cepu (Note 18), which as a result of the Settlement Agreement are to be returned and cancelled by way of capital reduction (Note 39).

Equity non-controlling interest

The equity non-controlling interest is the effect of transaction with non-controlling interests if 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.

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.

34. 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.

34. Significant related party transactions (Continued)

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.

During the financial period/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
	Period from 1 September 2014 to 31 December 2015	Year ended 31 August 2014	Period from 31 October 2014 (date of incorporation) to 31 December 2015
	$'000	$'000	$'000
With subsidiaries			
Acquisition of equity interest of a subsidiary from another subsidiary	–	–	38,456
Loan novation	–	–	6,398
Advance from a subsidiary	–	–	2,060
Payment on behalf by a subsidiary	–	–	3,892
Advance to a subsidiary	–	–	(2,061)
Payment made on behalf of a subsidiary	–	–	(73)
Capital reduction of a subsidiary	–	–	(44,855)
Interest income	–	–	104

<u>*Compensation of key management personnel*</u>

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

	Group	
	Period from 1 September 2014 to 31 December 2015	Year ended 31 August 2014
	$'000	$'000
Directors' fees	195	19
Salaries, bonuses and allowances	1,987	823
Provident fund and pension contributions	78	40
Total compensation paid to key management personnel	2,260	882
Comprise amounts paid to:		
- Directors of the Company	1,676	587
- Other key management personnel	584	295
	2,260	882

34. Significant related party transactions (Continued)

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

35. Operating lease commitments

The Group as lessee

At the end of the reporting period, the Group has various lease commitments in respect of factory, office and residential premises and office equipment in subsequent accounting periods as follows:

	Group	
	31 December 2015 $'000	31 August 2014 $'000
Future minimum lease payments payable:		
Within one year	1,106	1,114
After one year but within five years	1,985	170
	3,091	1,284

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 (31 August 2014: 1 to 5 years), with no provision for contingent lease or upward revision of lease based on market price indices.

The Group as lessor

A subsidiary of the Group has entered into leases with third parties in respect of its office premises in People's Republic of China. This non-cancellable leases have remaining lease terms range from 1 to 2 years (31 August 2014: 1 to 2 years). The leases include a clause to enable upward revision of the annual rental charge of an annual based on prevailing market conditions with no provision for contingent lease.

At the end of the reporting period, the Group has contracted with tenant for the following future minimum lease payments:

	Group	
	31 December 2015 $'000	31 August 2014 $'000
Future minimum lease payments receivable:		
Within one year	50	64
After one year but within five years	21	12
	71	76

36. 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 non-recurring gains and losses and foreign exchange gains or losses.

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 transfer 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.

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.

Microsafts 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.

36. Segment information (Continued)

(a) Analysis by business activities

	Mechanisms $'000	Microshafts $'000	Oil extraction $'000	Eliminations $'000	Group $'000
31 December 2015					
Revenue					
External customers	55,346	26,356	12,104	-	93,806
Intersegment revenues	10,749	1,723	-	(12,472)	-
	66,095	28,079	12,104	(12,472)	93,806
Results:					
Operating profit/(loss)	7,346	4,706	(38,469)	-	(26,417)
Interest income					149
Interest expense					(1)
Share of results of equity accounted joint venture, net of tax					(8)
Income tax expense					(3,516)
Non-controlling interests					10,718
Net profit					(19,075)
Segment assets and liabilities					
Segment assets	18,121	15,236	2,154	(6,329)	29,182
Unallocated assets					8,939
Total assets					38,121
Segment liabilities	8,474	4,527	18,929	(8,570)	23,360
Unallocated liabilities					1,013
Total liabilities					24,373

36. Segment information (Continued)

(a) Analysis by business activities (Continued)

	Mechanisms $'000	Microshafts $'000	Oil extraction $'000	Eliminations $'000	Group $'000
31 December 2015					
Other segment information					
Allowance for Inventories obsolescence written back	49	–	–	–	49
Capital expenditure	(1,609)	(2,367)	(4,115)	–	(8,091)
Depletion, depreciation and amortisation	(975)	(964)	(887)	–	(2,826)
Impairment losses and allowances relating to the termination of the Cooperation Agreement					
- Property, plant and equipment	–	–	(57)	–	(57)
- Goodwill	–	–	(9,759)	–	(9,759)
- Intangible assets	–	–	(6,229)	–	(6,229)
- Oil and gas properties	–	–	(7,071)	–	(7,071)
- Trade receivables	–	–	(11,565)	–	(11,565)
- Other receivables	–	–	(116)	–	(116)
Property, plant and equipment written off	–	(859)	(143)	–	(1,002)
Inventory written off	–	(46)	–	–	(46)

36. Segment information (Continued)

(a) Analysis by business activities (Continued)

	Mechanisms $'000	Microshafts $'000	Eliminations $'000	Group $'000
31 August 2014				
Revenue				
External customers	51,683	17,333	–	69,016
Intersegment revenues	7,788	1,403	(9,191)	–
	59,471	18,736	(9,191)	69,016
Results:				
Operating profit	1,814	944	(319)	2,439
Interest income				47
Interest expense				(62)
Income tax expense				(307)
Non-controlling interests				(13)
Net profit				2,104
Segment assets and liabilities				
Segment assets	15,406	11,992	(559)	26,839
Unallocated assets				1,755
Total assets				28,594
Segment liabilities	16,829	3,791	(8,344)	12,276
Unallocated liabilities				755
Total liabilities				13,031
Other segment information				
Allowance for inventories written back	29	–	–	29
Inventories obsolescence	(113)	–	–	(113)
Capital expenditure	(563)	(630)	–	(1,193)
Depreciation and amortisation	(778)	(558)	–	(1,336)
Property, plant and equipment written off	(2)	(2)	–	(4)

36. Segment information (Continued)

(b) Analysis by geographical activities

Revenue is analysed by the location of the customers. 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, oil and gas properties, goodwill and a deposit.

	Turnover		Non-current assets		Capital expenditure	
	Period from 1 September 2014 to 31 December 2015	Year ended 31 August 2014	31 December 2015	31 August 2014	31 December 2015	31 August 2014
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	19,446	29,751	202	224	100	259
Indonesia	49,728	19,086	4,949	2,190	5,695	475
Germany	3,958	7,785	–	–	–	–
China	11,919	7,329	3,186	2,429	2,296	459
Others	8,755	5,065	–	–	–	–
	93,806	69,016	8,337	4,843	8,091	1,193

<u>**Major customers**</u>

The revenues from the top three customers of the Group's Mechanisms segment represent approximately $35,843,000 (31 August 2014: $36,938,000) of the Group's total revenues.

37. 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, interest rate 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.

37.1 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 cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

37. Financial risk management objectives and policies (Continued)

37.1 Credit risk (Continued)

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 2015, the Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for 14 (31 August 2014: 17) customers altogether accounted for 81% (31 August 2014: 85%) of trade receivables.

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the financial statements.

The Group's major classes of financial assets are bank deposits and trade receivables.

Bank deposits are mainly deposits with reputable banks.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

The age analysis of trade receivables not impaired is as follows:

	Gross receivables 31 December 2015 $'000	Impairment 31 December 2015 $'000	Gross receivables 31 August 2014 $'000	Impairment 31 August 2014 $'000
Group				
Not past due	10,841	–	10,403	–
Past due less than 30 days	1,937	–	3,265	–
Past due 30 to 60 days	767	–	449	–
Past due 61 to 90 days	9	–	109	–
Past due over 90 days	18,319	18,288	51	–
	31,873	18,288	14,277	–

37. Financial risk management objectives and policies (Continued)

37.2 Market risk

Foreign currency risk

The Group is 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 United States dollar (USD), Indonesian Rupiah (IDR), Euro (Euro) 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	
	31 December 2015	**31 August 2014**
	$'000	**$'000**
Monetary assets		
SGD	915	93
USD	12,014	10,459
Euro	40	565
IDR	1,575	57
YEN	61	86
Monetary liabilities		
USD	4,879	3,997
Euro	1	229
IDR	645	113
YEN	355	36

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.

37. Financial risk management objectives and policies (Continued)

37.2 Market risk (Continued)

Foreign currency risk (Continued)

If the functional currency changes against the following foreign currencies by 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	
	31 December 2015	31 August 2014
	$'000	$'000
Group		
Singapore dollar		
Strengthen against Chinese Renminbi	46	5
Weaken against Chinese Renminbi	(46)	(5)
United States dollar		
Strengthen against Chinese Renminbi	34	19
Weaken against Chinese Renminbi	(34)	(19)
Japanese Yen		
Strengthen against Chinese Renminbi	2	4
Weaken against Chinese Renminbi	(2)	(4)
United States dollar		
Strengthen against Singapore dollar	397	304
Weaken against Singapore dollar	(397)	(304)
Euro		
Strengthen against Singapore dollar	2	17
Weaken against Singapore dollar	(2)	(17)
United States dollar		
Strengthen against Indonesian Rupiah	(67)	–
Weaken against Indonesia Rupiah	67	–
Indonesian Rupiah		
Strengthen against Singapore dollar	47	(3)
Weaken against Singapore dollar	(47)	3
Japanese Yen		
Strengthen against Singapore dollar	(17)	(1)
Weaken against Singapore dollar	17	1

37. Financial risk management objectives and policies (Continued)

37.3 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.

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.

	31 December 2015			31 August 2014		
	1 year or less $'000	2 to 5 years $'000	Total $'000	1 year or less $'000	2 to 5 years $'000	Total $'000
Group						
Trade payables	9,689	–	9,689	9,489	–	9,489
Other payables and accruals	5,579	–	5,579	2,850	–	2,850
Due to a former non-controlling shareholder of a subsidiary	3,757	–	3,757	–	–	–
Finance lease payable	–	–	–	32	–	32
	19,025	–	19,025	12,371	–	12,371

37.4 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 2014. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As disclosed in Note 33 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.

37. Financial risk management objectives and policies (Continued)

37.4 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
	31 December 2015	31 August 2014	31 December 2015
	$'000	$'000	$'000
Finance lease payable	–	31	–
Trade and other payables	15,325	12,374	134
Due to a former non-controlling shareholder of a subsidiary	3,757	–	–
Due to a subsidiary	–	–	5,951
Less: cash and cash equivalents	(10,230)	(4,444)	–
Net debt	8,852	7,961	6,085
Equity attributable to the equity holders of the Company	13,292	15,266	24,627
Total capital	13,292	15,266	24,627
Capital and total debt	22,144	23,227	30,712
Gearing ratio	40.0%	34.3%	19.8%

37.5 Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of non-current liabilities in relation to finance lease payables and bank borrowings are disclosed in Notes 30 to the financial statements.

37. Financial risk management objectives and policies (Continued)

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

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
	31 December 2015	31 August 2014	31 December 2015
	$'000	$'000	$'000
Financial assets			
Trade receivables	13,585	14,277	–
Other receivables and deposits	410	351	–
Held-to-maturity financial assets	437	–	–
Cash and cash equivalents	10,230	4,444	–
Total loans and receivables	24,662	19,072	–
Financial liabilities			
Trade payables	9,689	9,489	–
Other payables and accruals	5,579	2,850	134
Due to a former non-controlling shareholder of a subsidiary	3,757	–	–
Due to a subsidiary	–	–	5,951
Finance lease payable	–	31	–
Total financial liabilities at amortised cost	19,025	12,370	6,085

Fair value hierarchy

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;
- 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; and
- the fair value of derivative instruments are calculated using quoted prices (Level 1 of fair value hierarchy). Where such prices are unavailable, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair value hierarchy).

38. Comparatives

The financial statements of the Company cover the period since incorporation on 31 October 2014 to 31 December 2015. These being the first set of accounts, there are no comparative figures.

As disclosed in Note 1 to the financial statements of the Group for the reporting period from 1 September 2014 to 31 December 2015 has been presented as a continuation of the amounts previously included in the consolidated financial statements of Giken Group. The comparative financial information of the GSS Group is that of the comparative financial information of Giken Group.

Reclassification

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current financial period's financial statements.

In the previous financial years, the management categorised land use right within property, plant and equipment. With the new acquisition of a land use right in the current financial period, the management is in view that it is more appropriate to present the land use rights as a separate line item in the statement of financial position.

The management has considered that the reclassification above does not have any impact as the beginning of the comparative period and therefore the third statement of financial position has not been presented.

The items were reclassified as follows:

	Group	
	As previously reported 31 August 2014 $'000	**As reclassified 31 August 2014 $'000**
Consolidated statement of financial position		
Assets		
Non-current assets		
Property, plant and equipment		
Cost	47,362	46,186
Accumulated depreciation	42,744	42,011
Net carrying amount	4,618	4,175
Land use rights		
Cost	–	1,176
Accumulated amortisation	–	733
Net carrying amount	–	443
Consolidated statement of cash flows		
Amortisation of land use rights	–	40
Depreciation of property, plant and equipment	1,281	1,241

39. Subsequent events

(i) Placement share

On 12 January 2016, the Company issued and placed 99,540,000 of Placement Shares at the placement price of $0.079 per Placement Share for a cash consideration of $7.8 million. Upon completion of the Placement Shares, the issued share capital of the Company increased from 472,618,657 to 572,158,657.

(ii) Capital reduction

On 27 November 2015, the Company obtained approval from the shareholders to carry out a selective capital reduction exercise pursuant to which the Company will be cancelling 76 million shares which had been issued and allocated to Java Petral Energy Pte Ltd (the "Proposed Selective Capital Reduction"). The Proposed Selective Capital Reduction has been completed on 20 January 2016, and the issued share capital of the Company decreased from 572,158,657 to 496,158,657.

(iii) Waiver of loan from JPEL

Upon the completion of the cancellation of 76 million shares issued via capital reduction as mentioned above, the loan extended by JPEL of $3,757,000 to Cepu has been fully waived in accordance to the term of the Settlement Agreement (Note 18).

The waiver is related to the subsequent acquisition of the non-controlling interest and accounted as equity. This has resulted in the increase of the net asset of the Group from $13,748,000 to $17,505,000 and a decrease in the reserve (Equity non-controlling interests) from $6,602,000 to $2,845,000.

40. Authorisation of financial statements

The consolidated financial statements of the Group for the financial period from 1 September 2014 to 31 December 2015, the statement of financial position of the Company as at 31 December 2015 and the statement of changes in equity of the Company for the financial period from 31 October 2014 (date of incorporation) to 31 December 2015 were authorised for issue by the Board of Directors on 29 March 2016.

Statistics Of Shareholdings

As at 28 March 2016

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDERS

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	% of Shareholders	No. of shares	% of Shareholdings
1 – 99	4	0.17	37	0.00
100 – 1,000	336	14.26	330,749	0.07
1,001 – 10,000	1,138	48.28	5,896,500	1.19
10,001 – 1,000,000	834	35.38	82,879,448	16.70
1,000,001 and above	45	1.91	407,051,923	82.04
Total	2,357	100.00	496,158,657	100.00

LIST OF TWENTY LARGEST SHAREHOLDERS

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1	RHB SECURITIES SINGAPORE PTE. LTD.	197,262,999	39.76
2	MAYBANK KIM ENG SECURITIES PTE. LTD.	35,484,933	7.15
3	RAFFLES NOMINEES (PTE) LIMITED	18,700,000	3.77
4	NG SEOW YUEN	12,596,700	2.54
5	DBS NOMINEES (PRIVATE) LIMITED	10,717,000	2.16
6	ALI NAEL	10,230,800	2.06
7	CHEN YAN FENG	9,160,000	1.85
8	TOH KEE SUNG	8,619,800	1.74
9	TAN KIM KWEE	8,493,900	1.71
10	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	6,250,000	1.26
11	HONG LEONG FINANCE NOMINEES PTE LTD	5,606,000	1.13
12	SNG LEE LENG	5,446,000	1.10
13	LIM SIAN HOCK	5,000,000	1.01
14	AUW SIEW AI SERENE	4,999,000	1.01
15	OCBC SECURITIES PRIVATE LIMITED	4,400,000	0.89
16	UOB KAY HIAN PRIVATE LIMITED	4,248,000	0.86
17	PHILLIP SECURITIES PTE LTD	4,071,390	0.82
18	NG CHENG LYE	3,660,000	0.74
19	CHEN YANJIE	3,300,000	0.67
20	FOO MOOH SHUNG	3,200,000	0.64
	Total:	**361,446,522**	**72.87**

53.09% 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.

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest	Deemed Interest	Total No. of Shares	%
SUNDAN PACIFIC LIMITED	85,700,000	–	85,700,000	17.27%
ROOTS CAPITAL ASIA LIMITED	76,275,000	–	76,275,000	15.37%
YEUNG KIN BOND, SYDNEY		76,275,000	76,275,000	15.37%

Notes:

1) Mr Yeung Kin Bond, Sydney is deemed to have an interest in the 76,275,000 shares held by Roots Capital Asia Limited.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the First Annual General Meeting of GSS Energy Limited will be held at Block 4012 Ang Mo Kio Avenue 10, #05-01 Techplace I, Singapore 569628 on the 22nd day of April 2016 at 10.00 a.m. for the following purposes:

1. To receive and adopt the Audited Accounts of the Company for the period ended 31 December 2015 together with the Reports of the Directors and Auditors of the Company. **(Resolution 1)**

2. To approve the payment of Directors' Fees of S$108,000 for the period ended 31 December 2015. **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Regulation 89 of the Constitution of the Company :-

   (i) Mr Yeung Kin Bond, Sydney **(Resolution 3a)**

   (ii) Mr Chee Sanford (See Explanatory Note 1) **(Resolution 3b)**

4. To re-elect Mr Suyulianto Badung Tariono, Director of the Company retiring pursuant to Regulation 88 of the Constitution of the Company. **(Resolution 4)**

5. To re-appoint BDO LLP as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Special Business

To consider and if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to allot and issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist (the "**SGX-ST**"), the Directors of the Company be authorised and empowered to allot and issue shares and convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of the shares to be allotted and issued pursuant to this Ordinary Resolution 6 shall not exceed hundred per centum (100%) of the total number of issued shares in the capital of the Company (excluding treasury shares) at the time of the passing of this Ordinary Resolution 6, of which the aggregate of shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (excluding treasury shares) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next annual general meeting or the date by which the next annual general meeting of the Company is required by the law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Ordinary Resolution 6, until the issuance of such shares in accordance with the terms of such convertible securities.
   (See Explanatory Note 2) **(Resolution 6)**

8. **Adoption of the Share Buy-Back Mandate**

That :

(a) pursuant to Section 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Act**"), and Part XI of Chapter 8 of the Catalist Rules, the Directors of the Company be authorized and empowered to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of :

(i) on-market purchases through the ready market of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"), through one or more duly licensed stockbrokers appointed by the Company for the purpose (the "**On-Market Share Buy-Back**"); and/or

(ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as defined in Section 76C of the Act as may be determined or formulated by the Directors as they may consider fit and in the best interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Catalist Rules (the "**Off-Market Share Buy-Back**");

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST or, as the case may be, Other Exchange, as may for the time being be applicable, be and is hereby authorized and approved generally and unconditionally ("**Share Buy-Back Mandate**");

(b) any Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share in accordance with the Act;

(c) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the proposed Share Buy-Back Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the passing of this resolution and expiring on the earliest of:

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which purchases and acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; and

(iii) the date on which the authority contained in the Share Buy-Back Mandate is varied or revoked by the Company in a general meeting;

(d) In this resolution:

"**Maximum Limit**" means the number of Shares representing ten percent (10%) of the total issued ordinary share capital of the Company ascertained as at the date of the passing of this resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act at any time during the Relevant Period (as defined hereinafter), in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date on which the last annual general meeting of the Company was held and expiring on the date the next annual general meeting of the Company is held or is required by law to be held, whichever is earlier, or until it is varied or revoked by the Company in a general meeting, after the date of the passing of this resolution; and

"**Maximum Price**" in relation to a Share to be purchased, means the purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) In the case of an On-Market Share Buy-Back, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Share Buy-Back, 120% of the Average Closing Price,

where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days on which the Shares were transacted on the SGX-ST or, as the case may be, Other Exchange, preceding the day of the On-Market Share Buy-Back or, as the case may be, the day of the making of the offer pursuant to an Off-Market Share Buy-Back, as deemed to be adjusted for any corporate action that occurs after the relevant five (5) market day period;

(e) The Directors of the Company be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this resolution.
(See Explanatory Note 3) **(Resolution 7)**

9. **Adoption of the GSS Energy Limited Executives' Share Option Scheme and Authority to offer and grant options and to allot and issue shares under the GSS Energy Limited Executives' Share Option Scheme**

That:

(a) the GSS Energy Limited Executives' Share Option Scheme (the "Scheme"), the rules and summary of which are set out in the Appendix, be and is hereby approved and adopted; and

(b) the Directors of the Company be and are hereby authorised:

(i) to establish and administer the Scheme;

(ii) to modify and/or amend the Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the rules of the Scheme and to do all such acts and to enter into all such transactions arrangements and agreements as may be necessary or expedient in order to give full effect to the Scheme; and

(iii) pursuant to Section 161 of the Companies Act, Cap. 50, to offer and grant options ("Options") in accordance with the Scheme and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of the options granted or to be granted under the Scheme and to do all such acts and things as may be necessary or expedient to carry the same into effect, provided always that:

(1) the aggregate number of shares over which Options may be granted on any date (when added to the number of shares issued and/or are issuable upon the exercise of the Options and the number of shares issued and/or issuable in respect of all Shares, options or awards granted under any other share option or share scheme of the Company then in force (if any)) shall not exceed fifteen per cent (15%) of the total number of the total issued share capital of the Company (excluding treasury shares) of the Company on the day preceding that Offering Date;

(2) the aggregate number of Shares to be offered to certain participants collectively and individually during the duration of the Scheme (subject to adjustments, if any, made under the Scheme) shall not exceed such limits or (as the case may be) sub-limits as may be prescribed in the Scheme; and

(c) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution 8.
(See Explanatory Note 4) **(Resolution 8)**

10. **Grant of Options at a Discounted Price**

That, subject to and contingent upon the passing of Resolution 8, the Directors of the Company be and are hereby authorised to offer and grant Options in accordance with the provisions of the Scheme to participants with exercise prices set at a discount to the Market Price provided that such discount does not exceed 20% (or such other relevant limits as may be set by the Singapore Exchange Securities Trading Limited from time to time) of the Market Price. **(Resolution 9)**

Dated this 6th day of April 2016

By Order of the Board

Ng Say Tiong
Company Secretary

Notice of Annual General Meeting

Explanatory Notes:

1. The Ordinary Resolution 3(b) in item 3 above, if passed Mr Chee Sanford will remain as the Chairman of the Audit Committee and a member of Nominating Committee and Remuneration Committee respectively, and will be considered independent for the purpose of Rule 704 (7) of the Catalist Rules.

2. The Ordinary Resolution 6 in item 7 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting or the date by which the next annual general meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under Ordinary Resolution 6 would not exceed hundred per centum (100%) of the total number of issued shares of the Company at the time of passing Ordinary Resolution 6. For issue of shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed fifty per centum (50%) of the total number of issued shares of the Company.

   For the purpose of Ordinary Resolution 6, the percentage of issued shares is based on the total number of issued shares at the time Ordinary Resolution 6 is passed after adjusting for (a) new shares arising from the conversion or exercise of convertible securities, (b) new shares arising from the exercise of share options or the vesting of share awards outstanding or subsisting at the time when Ordinary Resolution 6 is passed, provided the options and awards were granted in compliance with Part VIII of Chapter 8 of Listing Manual and (c) any subsequent bonus issue, consideration or subdivision of shares.

3. The Ordinary Resolution 7 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to purchase or otherwise acquire issued ordinary Shares of the Company by way of On-Market Share Buy-Backs or Off-Market Share Buy-Backs of up to the Maximum Limit at the Maximum Price in accordance with the terms and conditions set out in the Appendix to this Notice Annual General Meeting, the Act and Listing Manual of the SGX-ST. Please refer to the Appendix to this Notice of Annual General Meeting for more details.

4. The Ordinary Resolution 8 in item 9 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue shares upon the exercise of such options granted or to be granted in accordance with the Scheme provided that the number of shares which the Directors may allot and issue under this Resolution, together with any shares issued and issuable in respect of all options granted or to be granted under the Scheme as well as any shares, options or awards granted under any other share option or share scheme of the Company then in force (if any), shall not, in aggregate, exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares of the Company on the day preceding the Offering Date.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the “Meeting”) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The form of proxy in the case of an individual shall be signed by the appointer or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

3. If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.

4. If no name is inserted in the space for the name of your proxy in the form of proxy, the Chairman of the Meeting will act as your proxy.

5. The form of proxy or other instruments of appointment shall not be treated as valid unless deposited at the Company’s Registered Office at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623, not less than forty-eight (48) hours before the time appointed for holding the Meeting and at any adjournment thereof.

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (a) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”), (b) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

GSS ENERGY LIMITED

(Incorporated In The Republic Of Singapore with limited liability)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares of GSS Energy Limited, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________

of ______________________________

being a member/members of GSS ENERGY LIMITED hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 22nd day of April 2016 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	To receive and consider the Audited Accounts of the Company for the period ended 31 December 2015 together with the Reports of the Directors and Auditors of the Company. (Resolution 1)		
2	To approve the payment of Directors' Fees of S$108,000 for the period ended 31 December 2015. (Resolution 2)		
3	To re-elect the following Directors of the Company retiring pursuant to Regulation 89 of the Constitution of the Company : (i) Mr Yeung Kin Bond, Sydney (Resolution 3a) (ii) Mr Chee Sanford (Resolution 3b)		
4	To re-elect Mr Suyulianto Badung Tariono, Directors of the Company retiring pursuant to Regulation 88 of the Constitution of the Company. (Resolution 4)		
5	To re-appoint BDO LLP as the Auditors of the Company and to authorise the directors of the Company to fix their remuneration. (Resolution 5)		
6	Authority to allot and issue shares. (Resolution 6)		
7	Adoption of the Share Buy-Back Mandate. (Resolution 7)		
8	Adoption of the GSS Energy Limited Executives' Share Option Scheme and Authority to offer and grant options and to allot and issue shares under the GSS Energy Limited Executives' Share Option Scheme. (Resolution 8)		
9	Grant of Options at a Discounted price. (Resolution 9)		

Dated this ________ day of ____________________ 2016

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) A banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy must be deposited with the Secretary at the Registered Office at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

GSS Energy Limited

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