# Energy & Precision that Drives Progress

ANNUAL REPORT 2017

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.

The contact person for the Sponsor is Mr Bernard Lui, at telephone no. (65) 6389 3000;
email: bernardlui@morganlewis.com

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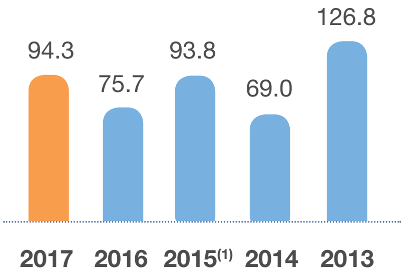
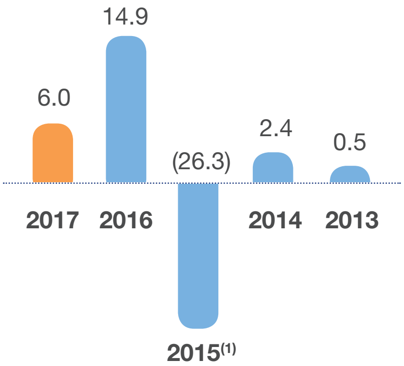
## FINANCIAL PERFORMANCE

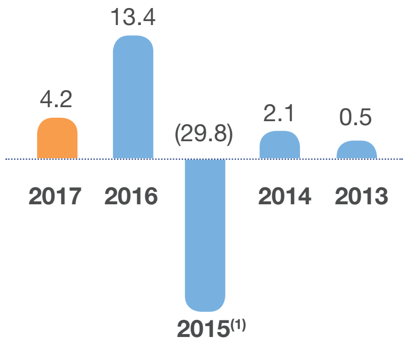
**Turnover**
S$ mil




**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.

| | 2017 S$ mil | 2016 S$ mil | 2015 S$ mil | 2014 S$ mil | 2013 S$ mil |
|---|---|---|---|---|---|
| **Financial Position** | | | | | |
| Property, Plant & Equipment | **10.1** | 6.4 | 3.9 | 4.2 | 4.9 |
| Other Non-Current Assets | **14.2** | 5.9 | 4.4 | 0.6 | 0.1 |
| Current Assets (excludes*) | **45.9** | 30.3 | 19.6 | 19.4 | 17.4 |
| *Cash and Cash Equivalents | **4.7** | 14.9 | 10.2 | 4.4 | 4.0 |
| Total Assets | **74.9** | 57.5 | 38.1 | 28.6 | 26.4 |
| | | | | | |
| Other Non-Current Liabilities | **1.4** | 1.3 | 1.1 | 0.4 | 0.5 |
| Long-Term Borrowings | **0.0** | 0.0 | 0.0 | 0.0 | 1.4 |
| Short-Term Borrowings | **2.9** | 0.0 | 0.0 | 0.0 | 0.5 |
| Other Current Liabilities | **27.5** | 18.3 | 23.3 | 12.6 | 15.3 |
| Total Liabilities | **31.8** | 19.6 | 24.4 | 13.0 | 17.7 |
| | | | | | |
| Capital Reserve | **0.0** | 0.0 | (22.8) | 0.0 | 0.0 |
| Translation Reserve | **0.1** | 0.1 | 0.2 | 0.1 | 0.2 |
| Statutory Reserve | **1.0** | 0.9 | 0.7 | 0.4 | 0.4 |
| Revenue Reserve | **(17.5)** | (21.5) | (31.7) | (11.4) | (13.5) |
| Equity Non-Controlling Interest | **0.0** | 0.0 | (6.6) | 0.0 | 0.0 |
| Share Capital | **58.5** | 58.5 | 73.5 | 26.2 | 21.3 |
| Total Capital & Reserve | **43.2** | 38.0 | 13.3 | 15.3 | 8.4 |
| Non-Controlling Interests | **(0.1)** | (0.1) | 0.4 | 0.3 | 0.3 |
| Total Capital, Reserve & Non-Controlling Interests | **43.1** | 37.9 | 13.7 | 15.6 | 8.7 |
| **Financial Ratios** | | | | | |
| Net Tangible Assets Per Share S$ (Cents) | **5.9** | 7.3 | 2.3 | 4.6 | 6.3 |
| Earnings/(loss) Per Share Before Tax S$ (Cents) | **1.2** | 3.0 | (3.4) | 0.9 | 0.4 |
| Earnings/(loss) Per Share After Tax S$ (Cents) | **0.9** | 2.7 | (4.1) | 0.8 | 0.3 |

**Dear Shareholders,**

It's my pleasure to report on a year that has seen the Group make considerable progress as it consolidated its energy and precision engineering business.

First, the completion of the first phase of the 1st well in the Tremble Operating Area marks a turning point for our energy business. Technical evaluations of the field has confirmed recoverable gas and work is underway to commercialize its production. In addition, preliminary work on a nearby well under the work-over program has begun. The well has a sound track record of recoverable hydrocarbons. With a secured arrangement with P.T. Pertamina under the Kerja Sama Operasi (KSO) Scheme, we are confident of revenue opportunities from these assets.

Second, the relocation of our precision engineering factory to a new location last August coincided with increased interest by our established clients to expand production, in output and range. With the enhanced capacity in Changzhou factory and rationalization of production lines with Batam and Singapore factories, we are confident to meet our growth target in this business segment.

With our Group's consolidation over the past year, we registered a reasonably strong performance with a record gross profit of $19.1 million compared to $17.9 million in 2016. However, net profit after tax of $4.4 million was lower due to higher corporate expenses and losses from foreign exchange volatility.

Our balance sheet remains strong with minimal borrowings and continued vigilance in managing our financial resources. With the monetization of the assets in the energy sector, complemented with steady performance in precision engineering, we are confident to sustain our profitable performance in the coming years and remain committed to effective and neutral management of our financial resources and to continually seek out new growth opportunities. We are confident with improving Group's performance and tabling our dividend policy for your approval.

In closing, I take this opportunity to thank management and staff of the GSS Group and JV partners for their dedication and efforts for the past year. A special thank you to our shareholders for your loyalty and patience in staying with us through the years. I assure your Board will continue to serve your interest with our vigilant attention to performance of the GSS team.

Thank You.

**Anthony Kuek**
*Chairman*

Dear Shareholders,

On behalf of the Board of **GSS Energy Limited** (**"GSS Energy"** together with its subsidiaries, the **"Group"**), it is my privilege to deliver our Annual Report 2017 for the financial year ended 31 December 2017 (**"FY2017"**).

I am pleased that our Group was able to maintain our profitability in FY2017 by reporting a net profit after tax of S$4.4 million.

GSS Energy recorded a growth in revenue for FY2017 of 24.6% at S$94.3 million and gross profit increased 6.7% to S$19.1 million. Our financial performance was supported by our precision engineering business, which delivered net earnings of S$9.0 million in FY2017 from higher orders placed by its new and existing customers.

## Oil Discovery and Plans for Commercialisation

Our Group is delighted to announce that our subsidiary PT Sarana GSS Trembul has completed the initial phase on the drilling of its first well in the Trembul Operating Area. The Group holds an 89% economic interest in PT SGT and serves as the operator for the Trembul Kerja Sama Operasi block, while the remaining 11% is held by the Central Java Provincial Government-owned enterprise.

The first well was spudded in September 2017 and concluded with the discovery on eight columns of hydrocarbon bearing sandstone reservoir with 37 metres of total net pay zone. Pertamina has agreed to commence commercialisation on two of the eight zones. An estimated 1.5 million standard cubic feet per day ("MMSCFD") of sweet gas plateau production is expected for 14 years. According to the preliminary well basis estimates, the 1P recoverable reserve for the two gas zones is 8.49 BCF ("billion cubic feet") of sweet gas, while the 1P recoverable reserve estimates for the other six oil zones stands at 2.83 MMBBLS ("million barrels"). Barring any unforeseen circumstances, the monetisation of the two gas zones is expected to take place in 2018. In addition, the Group is in working progress on the development planning of other pay zones according to the agreed work programme with Pertamina.

## Strength of the Precision Engineering Business

Our precision engineering business has continued its positive momentum through higher orders from new and existing customers.

This business has always stand on its principle of providing quality products to its customers, which are cost-competitive, and ensuring committed delivery schedules.

With continuing requirements from its existing and interested potential customers, the precision engineering business has increased its capability and capacity with the completion of its new factory in Changzhou, China and extra floor space in its production site in Batam, Indonesia. At this point, we are also evaluating on the possibility of acquiring a piece of land and building our own factory in Batam.

With the positive growth momentum from our existing projects, we are also actively exploring new technologies, new products and new business models to ensure our growth sustainability for the next decade.

### Dividends

We will reward our valued shareholders for their continuing support, with a dividend policy of a pay-out ratio of 20% of its consolidated after-tax operating profit for the next 2 year, subject to other operational requirements, cashflow positions and other necessary approvals.

### Our Partners

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

More importantly, the Group will continue to conduct its business with full attention in fulfilling its corporate social responsibility.

**Mr Sydney Yeung**

*Group Chief Executive Officer*

# BOARD OF DIRECTORS

## MR KUEK ENG CHYE, ANTHONY

Non-Executive Chairman

Mr Kuek Eng Chye, Anthony, was appointed Non-Executive Chairman of the Company on 15 November 2016. He was an Independent Director since 18 November 2014. He chairs the Nominating Committee and Remuneration Committee and is a member of the Audit Committee.

Mr Kuek worked for over twenty years as a senior Economist in strategic policy planning, reforms and implementation, budget and project formulation, management and institutional and regulatory reforms. He contributed to the successful appraisals and negotiated several large projects in finance and infrastructure sectors. He was also a senior consultant to senior government officials on economic policy, budget and planning, institutional restructuring, financial and banking sector reforms, governance, environment and in international relations and media communications. Mr Kuek holds a MBA, Bachelor of Social Sciences (Honors) in Economics and a Diploma for Adult Teaching and Learning.

## 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, Giken Precision Engineering Pte Ltd, Changzhou Giken Precision Co Ltd, Changzhou Giken Technology Co Ltd, GSS Energy Investment Holdings Limited, Nusantara Resources Pte Ltd, GSS Energy Sumatra Limited, GSS Energy Trembul Limited, GSS Energy Oilfield Management Limited, Turbo Charge Limited, Turbo Charge (S) Pte. Ltd., Turbo Charge (M) Sdn Bhd, Giken Trading (S) Pte Ltd and a commissioner of P.T. Giken Precision Indonesia and P.T. Sarana GSS Trembul, all subsidiaries 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 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 Energy Trembul Limited, Nusantara Resources Pte Ltd, GSS Energy Sumatra Limited, GSS Energy Oilfield Management Limited, and a commissioner of P.T. Sarana GSS Trembul, all subsidiaries 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, ABN AMRO Asset Management Limited, The Netherlands, UBS O'Connor Limited, London, United Kingdom. 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 is also the President of Giken Sakata (S) Limited, a subsidiary of the Company. He was appointed to the Board on 31 October 2014.

Mr Ng is also a director of Giken Sakata (S) Limited, Changzhou Giken Precision Co Limited, Giken Precision Engineering Pte Ltd, GSS Energy Investment Holdings Limited and Nusantara Resources Pte Ltd, all subsidiaries 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 was previously 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 GLENN FUNG KAU LEE

**Non-Independent Non-Executive Director**

Mr. Glenn Fung Kau Lee is the Non-Independent Non-Executive Director of the Company.

He was appointed to the Board on 25 November 2016. Mr. Fung is also a member of the Audit and Remuneration Committees.

Mr. Fung holds a Bachelor of Applied Science (Civil Engineering) and Master in Business Administration from University of British Columbia in Canada. He is also a member of Chartered Financial Analyst Institute.

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

Currently, Mr. Fung serves as the Managing Director and CEO of Cinda-Newbridge Investment Management Company Limited, an infrastructure investment firm focused on Asia infrastructure investments.

# CORPORATE DATA

## Board of Directors

Kuek Eng Chye, Anthony
(Independent Non-Executive Chairman)

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

Ng Say Tiong
(Executive Director)

Suyulianto Badung Tariono
(Executive Director)

Chee Sanford
(Independent Director)

Fung Kau Lee, Glenn
(Non-Independent Non-Executive Director)

## Audit Committee

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

## Nominating Committee

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

## Remuneration Committee

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

## Company Secretary

Ng Say Tiong
Wong Liong Khoon

## Registered Office

50 Raffles Place #32-01 Singapore Land Tower,
Singapore 048623

Telephone: (65) 6536 5355

Fax: (65) 6536 1360

## Principal Business Address

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

## Company Registration Number

201432529C

## Company Web-site

www.gssenergy.com.sg

## Auditors

BDO LLP, Public Accountants and Chartered
Accountants, Singapore

**Partner-in-charge :**
Ng Kian Hui
(Appointed since financial period
from 1 September 2014 to
31 December 2015)

## Sponsor

Stamford Corporate Services Pte Ltd

## Registrar, Transfer Office and Warrant Agent

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

## Principal Bankers

Mizuho Corporate Bank, Limited, Singapore Branch

The Development Bank of Singapore Limited

Standard Chartered Bank, Singapore Branch

# SUSTAINABILITY **REPORT**

**This is GSS Energy's first Sustainability Report, detailing our sustainability-related initiatives in relation to economic, environmental and social issues.**

Sustainability is integral to our business and as we embark on this journey of sustainability reporting, we also hope to identify and focus on areas of improvement. Our approach to sustainability is guided by several factors: listening to our stakeholders, identifying the key material Environmental, Social and Governance (ESG) aspects of our business, and ensuring we have a sustainable framework in place to track our progress.

## Defining Material Issues

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

1. Defining key issues which impact the execution of our business strategy;
2. Identifying critical areas that affect our businesses and stakeholders;
3. Prioritising these critical factors and validate internally as pressing issues to address; and
4. Embedding best practices within our business operation processes where applicable.

### Engaging Stakeholders

While we work on our sustainability efforts, we also aim to align our business interests with that of our stakeholders, which comprise those who are impacted by our businesses and operations. We believe that regular communication is the key to healthy stakeholder relations. Over the years, we have been engaging with our stakeholders regularly to ensure we address the material issues raised by providing continual information updates through various engagement platforms.

| Stakeholders | Key issues | Engagement Platforms |
|---|---|---|
| Suppliers | • Product/material quality assurance | • Supplier visits/meetings |
| Customers | • Customer satisfaction<br>• Quality products and services<br>• Sustainability efforts | • Customer visits/meeting |
| Employees | • Employment engagement<br>• Talent retention and attraction<br>• Employee safety and well-being<br>• Employee training | • Regular staff dialogue session<br>• Regular floor walks |
| Community | • Doing our part as a corporate citizen | • Employee community programmes |
| Investors | • Financial stability<br>• Long-term growth plans<br>• Business diversification<br>• Risk management<br>• Corporate governance<br>• Sustainability efforts | • Dedicated investors relations website<br>• Quarterly financial results announcements and media release<br>• Regular analyst and investors briefing<br>• Media interviews<br>• Annual general meeting |

### Our Human Resource Philosophy

GSS Energy's integrated human capital strategy aims to recruit, develop and motivate employees to drive growth for the Group.

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

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

As part of our human rights policy, we treat all employees with respect and dignity and give fair treatment, irrespective of nationality, race or religion. We abide by labour laws and appropriate guidelines that promote fair employment practices and we embrace the principles of fair employment.

The quality of our people is essential to the success of our Group. During 2017, we employed an average of 2,500 staff in 3 countries. We work to maintain an effective and healthy organisation, resource talented people across the business, develop our people, grow and strengthen our leadership capabilities, and enhance employee performance through strong engagement. We emphasize recruiting right people for the job and provide training to develop them. We do not engage in child labour and when we recruit our staff, we will take into consideration of the minimum legal age governed by relevant employment regulations.

Our Group has set a policy that demands us to adhere to relevant legal and regulatory requirements and recognised industry standards. Our Group places high emphasis on safety and believes strongly in maintaining zero occupational injuries, diseases, property and environmental damage over the course of our work. Our staff represent our Group's most important assets and we strive continuously to create a safe and healthy working environment for all our employees to thrive in.

The Group understands the importance of work-life balance. In appreciation of our diligent employees, we organised family trips and staff dinners to celebrate the Group's achievements and to recognise the accomplishments of our staff. The Group also organise regular healthy lifestyle activities to promote balance work-life. In 2017, our staff participated in Singapore Airlines Charity Run, to embrace a health work life at the same time to give back to the community through involvement in fund raising programme.

The Group launched the Rainbow Prize in 2016 to recognise, reward and encourage the school-going children of our employees for their good academic performance.


## Environmental initiatives

We are committed to environmental protection, reducing carbon emissions, preventing pollution, minimising wastage and utilising our resources efficiently. As part of our ongoing efforts to protect the environment, our Group implemented a waste recycling programme which involves the installation of separate bins to collect reusable waste for reuse. The flaring of natural gas wastes valuable resources and contributes to climate change. We are working hard to reduce flaring associated with oil and gas production.

When oil is extracted from a reservoir, gas is also produced as the oil is brought to the surface. This is known as associated gas. The gas can be captured and used alongside with the oil. When there are no facilities to gather the gas, or they have insufficient capacity, it is sometimes flared, or burned. Flaring is also carried out for safety reasons to relieve pressure in the production system. Flaring wastes valuable energy resources and releases greenhouse gas into the atmosphere.

GSS Energy's policy is to reduce any routine flaring or venting of associated gas at our operations to a level as low as technically feasible. We also aim to minimise operational flaring required for safety reasons such as during the start-up of a new facility.

The land clearance in Indonesia, conducted prior to the implementation of our oil and gas production programme, strictly adheres to Indonesian government and environmental regulations. There is no forestry area in the Trembul operating area, at Bloral Central Java Indonesia. This minimises any possible environmental impact and reduces the administrative start-up costs in relation to our operations in the area.

## Giving Back to our community

Since 2016, our employees have been encouraged to be involved in community activities. We aim to inculcate the right values in our employees and intelligently tap the passion, creativity and energy of employees to give back to the communities in which they operate. We encourage staff to bring their family members and friends to participate, aiming to raise their social awareness and help them appreciate their life and value what they have.

As part of the effort to do our part for the community, we started to conduct regular visits to the All Saints Home to share joy with the elderly residents. In 2017, we organised an outing to the National Museum for the residents. It was a great opportunity for them to reminisce old memories and discover more about Singapore's history.

# 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 is pleased to report on the Company's corporate governance processes and activities as required by the Code and the relevant sections of the Listing Manual of the SGX-ST ("**Listing Manual**"), Section B: Rules of Catalist ("**Catalist Rules**").

For the financial year ended 31 December 2017 ("**FY2017**"), 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 possess core competencies, qualifications and skills, all of whom, as a group, provides the Board with a good mix of the necessary experience and expertise to direct and lead the Group. Their combined wealth and diversity of experience enables them to contribute effectively to the strategic growth and governance of the Group. The Board currently comprises six members, two of whom are independent directors.

The Board is chaired by Mr Anthony Kuek, in his capacity as the Non-Executive Chairman. Mr Kuek is also 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 Anthony Kuek | 4 | 4 |
| Mr Sydney Yeung | 4 | 4 |
| Mr Ng Say Tiong | 4 | 4 |
| Mr Sanford Chee | 4 | 4 |
| Mr Suyulianto Badung Tariono | 4 | Nil* |
| Mr Glenn Fung | 4 | 4 |

* The Constitution of the Company allows Directors to conduct meetings by teleconferencing or video conferencing. When a physical meeting is not possible, timely communications with members of the Board can be achieved through electronic means. The Board and Board Committees may also make decisions via the circulating and passing of resolutions in writing.

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 as well as industry-specific knowledge. 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 Committees members. The Directors also receive updates on the business of the Group through regular scheduled meetings and ad-hoc Board meetings.

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

## Board Committees

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

(1) <u>Audit Committee</u>

***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 Anthony Kuek (Non-Executive Chairman and Independent Director) and Mr Glenn Fung (Non-Executive Director) 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) reviewing the audit plans and results of the Company's external audits;

(b) reviewing the results of internal audits conducted by the Company;

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

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

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

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

(g) making recommendations to the Board of Directors on the appointment of the external auditors; and

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

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

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 four of the subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

The aggregate fees paid/payable to the external auditors of the Company for audit services amounted to $150,000. There was no non-audit fee paid to the Company's external and other auditors for the financial year ended 31 December 2017.

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

Through the quarterly and annual financial statements and timely announcements to shareholders, the Board aims to provide shareholders with adequate details that would allow a balanced and understandable assessment of the Group's financial performance, position and prospects. This responsibility extends to reports to regulators. The 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, information technology, compliance, and risk management systems to safeguard the interests of the shareholders and the Group's assets. Reviews are undertaken to ensure that the system of internal controls maintained by the Group is sufficient to provide reasonable assurance that the Group's assets are safeguarded against loss from unauthorised use or dispositions, that transactions are properly authorised, and proper financial records are maintained.

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

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

For FY2017, 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 controls in place within the Group (including financial, operational and compliance) are sufficiently adequate and effective in addressing the material risks in the Group in its current business environment.

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

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

During FY2017, there was no non-audit related work carried-out by the external auditors; hence there was no fee paid in this respect. The Audit Committee is satisfied with their independence and has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

The 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 Anthony Kuek | 4 | 4 |
| Mr Glenn Fung | 4 | 4 |

Based on the internal and financial controls established and maintained by the Group and reviews performed by the management and external auditors respectively, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational, information technology, compliance risks and the risk management systems, were adequate as at 31 December 2017.

(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 Anthony Kuek, the Non-Executive Chairman and an Independent Director, and includes Mr Sydney Yeung (Executive Director) 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 Anthony Kuek | 2 | 2 |
| Mr Sydney Yeung | 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 executive directors are assessed on the performance of the division for which they are responsible. The evaluation exercise is carried out by reviewing the performance of the Group and its respective divisions.

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 recognizes 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, the Non-Executive Chairman and Independent Director, and includes Mr Chee Sanford (Independent Director) and Mr Glenn Fung (Non-Executive Director) as members.

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

(a) the remuneration package for Executive Directors;

(b) the fees for the Non-Executive Directors; and

(c) oversee the share options scheme.

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 | 2 | 2 |
| Mr Chee Sanford | 2 | 2 |
| Mr Glenn Fung | 2 | 2 |

## 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 and not excessive***
***Principle 9:*** ***Clear disclosure of remuneration policy, level and mix of remuneration, 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 officers.

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 except 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 personnel (who are not Directors or the CEO of the Company) having regard to the highly competitive environment in which it operates. The Remuneration Committee has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

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

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.

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

| Name of Director | Salary, Allowances & Benefits | Bonus | Directors' Fees | Total |
|---|---|---|---|---|
| Below S$250,000 | | | | |
| Anthony Kuek | – | – | 100% | 100% |
| Chee Sanford | – | – | 100% | 100% |
| S$250,000 – S$499,999 | | | | |
| Ng Say Tiong | 87% | 13% | – | 100% |
| Badung Tariono | 92% | 8% | – | 100% |
| Sydney Yeung | 75% | 25% | – | 100% |

The remuneration of each of the key management personnel of the Group (who are not Directors or the CEO of the Company) does not exceed S$250,000 for FY2017.

None of the employees of the Group whose annual remuneration exceeds S$50,000 are immediate family members of the CEO or any other Director of the Company as at 31 December 2017.

### 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 year or, if not then subsisting, entered into since the end of previous financial year except for the related party transactions and directors' remunerations disclosed in the financial statement.

### 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 Listing Manual and the Companies Act (Cap. 50), the Company's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

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

(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 (Cap. 50) 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 meetings;

(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 AGM to ensure a high level of accountability and to stay informed of the Group's strategy and objectives. If a shareholder is unable to attend any meetings of the Company, the Constitution of the Company allows the shareholder (who is not a relevant intermediary) to appoint up to two (2) proxies to vote on his/her behalf through a proxy form sent in advance. 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 interdependent so as to form one significant proposal and only where there are reasons and material implications justifying the same.

The Board, Chairmen of the Board Committees, management and external auditors are available at general meetings to address any questions the shareholders may have concerning the Group.

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

The Company has adopted a dividend policy of paying dividends of not less than 20% of the Group's consolidated profit after tax, excluding non-controlling interests and non-recurring, one-off and exceptional items, in respect of the financial years ending 31 December 2018 ("**FY2018**") and 31 December 2019 ("**FY2019**"). The dividend policy for FY2018 and FY2019 was adopted to give clearer guidance to shareholders of the potential dividend payout, which will be pegged to the financial performance of the Group for the relevant financial years. The Board may review the dividend policy and reserves the right to amend, modify or cancel this dividend policy as and when it deems necessary.

### Dealing in Securities

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

In compliance with the Rule 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, no non-sponsor fees was paid to the Sponsor, Stamford Corporate Services Pte. Ltd., for the year 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 year ended 31 December 2017, the statement of financial position of the Company as at 31 December 2017 and statement of changes in equity of the Company for the financial year ended 31 December 2017.

## 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 2017, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

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

## 2. Directors

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

Mr Yeung Kin Bond, Sydney
Mr Suyulianto Badung Tariono
Mr Ng Say Tiong
Mr Chee Sanford
Mr Kuek Eng Chye, Anthony
Mr Fung Kau Lee, Glenn

## 3. Arrangements to enable Directors to acquire shares and debentures

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

## 4. Directors' interests in shares and debentures

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

| | Shareholdings registered in the name of Directors or their nominees | | Shareholdings in which Directors are deemed to have an interest | | |
|---|---|---|---|---|---|
| Name of Directors and company in which interests are held | As at 1 January 2017 or date of appointment | As at 31 December 2017 | As at 1 January 2017 | As at 31 December 2017 | As at 21 January 2018 |
| | Number of ordinary shares | | | | |
| **Company** | | | | | |
| *Roots Capital Limited* | | | | | |
| - Yeung Kin Bond, Sydney | – | – | 76,275,000 | 90,675,000 | 90,675,000 |
| *Sundan Pacific Limited* | | | | | |
| - Fung Kau Lee, Glenn | – | – | 85,700,000 | 66,700,000 | 66,700,000 |

By virtue of section 7 of the Act, Yeung Kin Bond, Sydney and Fung Kau Lee, Glenn are deemed to have interest in all the subsidiary corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interest as at 21 January 2018 in the shares of the Company have not changed from those disclosed as at 31 December 2017.

## 5. Share options

The GSS Energy Limited Executives' Share Option Scheme (the "GEL Scheme") for key management personnel and employees of the Group (collectively referred to as "Eligible Persons") was approved by members of the Company at the Annual General Meeting on 22 April 2016.

The GEL Scheme is a share incentive scheme. The objective of the GEL Scheme is to attract, retain and motivate key employees of the Company and its related companies by providing them the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts with the long-term interests of the Company's shareholders.

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

## 5. Share options (Continued)

The number of shares to be offered to a grantee in accordance with the GEL Scheme shall be determined at the absolute discretion of the GSS Energy Limited Executives' Share Option Scheme Committee ("Committee") appointed by the Board of Directors, which shall take into account criteria such as the rank and responsibilities, performance, years of service and the potential contributions of the grantee. The Committee shall exercise its discretion judiciously in deciding the number of shares under the GEL Scheme to grant to each grantee.

No share options have been exercised and no ordinary shares of the Company have been issued as at the date of this statement.

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

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

On 27 February 2017, the Company granted a total of 39,800,000 options to subscribe for ordinary shares of the Company at market exercise price of $0.1232 per share for 10,000,000 shares and at discounted exercise price of $0.09856 per share for 29,800,000 shares. Letters of Offer for grant of options to selected employees were issues on 27 February 2017 ("grant date"). On 24 April 2017, the Company obtained shareholders' approval to grant 7,400,000 options to a Director of the Company at discounted price of $0.09856 per share. The vesting period for the options ranged from 12 months to 24 months from the grant date. The GEL Scheme will be in force for a period ranged from 3 years to 5 years from the grant date.

(a) Options granted to Directors of the Company under the Share Option Scheme are as follows:

| *Name* | *Options granted during 2017* | *Aggregate options granted since commencement of the Scheme or date of appointment, if later, to 31 December 2017* | *Aggregate options exercised since commencement of the Scheme or date of appointment, if later, to 31 December 2017* | *Aggregate options lapsed since commencement of the Scheme or date of appointment, if later, to 31 December 2017* | *Aggregate options outstanding at 31 December 2017* |
|---|---|---|---|---|---|
| | *'000* | *'000* | *'000* | *'000* | *'000* |
| *Yeung Kin Bond, Sydney* | 7,400 | 7,400 | – | – | 7,400 |
| *Suyulianto Badung Tariono* | 35,600 | 35,600 | – | – | 35,600 |
| *Ng Say Tiong* | 2,000 | 2,000 | – | – | 2,000 |
| *Chee Sanford* | 700 | 700 | – | – | 700 |
| *Kuek Eng Chye, Anthony* | 700 | 700 | – | – | 700 |
| | 46,400 | 46,400 | – | – | 46,400 |

### 5. Share options (Continued)

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

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

(d) Other than 800,000 of the options have been granted to a director of a subsidiary, no options have been granted to other directors and employees of the holding company and its subsidiary corporations.

(e) 37,200,000 options were granted at a discount to market price during the financial year.

(f) Under the GEL Share Option Scheme, share options granted, exercised and lapsed during the financial year and outstanding as at 31 December 2017 were as follows:

| Date granted | At date of grant | Lapsed | Exercised | Balance at 31 December 2017 | Exercise price | Exercise period |
|---|---|---|---|---|---|---|
| | ’000 | ’000 | ’000 | ’000 | $ | |
| 27 February 2017 | 10,000 | – | – | 10,000 | 0.12320 | 27 Feb 2018 to 26 Feb 2022 |
| 27 February 2017 | 28,400 | – | – | 28,400 | 0.09856 | 27 Feb 2019 to 26 Feb 2022 |
| 27 February 2017 | 1,400 | – | – | 1,400 | 0.09856 | 27 Feb 2019 to 26 Feb 2020 |
| 24 April 2017 | 7,400 | – | – | 7,400 | 0.09856 | 25 Apr 2018 to 26 Feb 2022 |
| | 47,200 | – | – | 47,200 | | |

### 6. Audit committee

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

The AC convened four meetings during the financial year under review, attended by the members of the AC and relevant management staff. The AC also meets with the external 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 audits;

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

## 6. Audit committee (Continued)

(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 auditors for the financial year ended 31 December 2017.

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 2017.

## 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
27 March 2018

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of GSS Energy Limited (the "Company") and its subsidiaries (the "Group") as set out on page 34 to 107 which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity for the Company for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

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

| 1 | Revenue Recognition |
| --- | --- |

**Key Audit Matter**

The Group's revenue is principally generated from manufacture and sale of microshafts and other precision parts and assembly of mechanism used in computers and a range of electronic products. The mechanisms and microshafts business segments contributed 88% and 12% of the Group's revenue for the financial year ended 31 December 2017 respectively.

Arising from changes to the unit selling prices of products sold to a key customer which resulted mainly from changes in certain direct raw material prices, the Group has put in place an additional manual reconciliation process to ensure that the Group's revenue from this key customer are recognised at the appropriate prices.

We focused on this area as key audit matter as we have undertaken additional effort to check the manual reconciliation and revenue earned is an important matter for the users of the financial statements to evaluate the financial performance of the Group.

**Related Disclosures**

Refer to Notes 4 and 35 of the accompanying financial statements.

**Audit Response**

We performed the following procedures, amongst others:

- Read and understood the terms of contract with the key customer and evaluated the revenue recognition policy;

- Tested the design and implementation of key controls within the revenue cycle, including a walkthrough of the manual reconciliation process, as well as operating effectiveness of the relevant key controls; and

- Performed work on selected samples from the sales listing of the key customer by vouching to sales invoices, checking to manual reconciliation and verifying to the latest agreed unit selling prices.

| 2 | Accounting for Exploration and Evaluation Assets |
|---|---|

**Key Audit Matter**

As at 31 December 2017, the Group's exploration and evaluation assets of $12.4 million comprise investment in West Jambi amounting to $2.97 million and exploration project in Trembul amounting to $9.47 million.

We focused on this area as a key audit matter as significant management judgement is involved (a) determining the appropriateness of cost capitalised as "Exploration and Evaluation Assets" in accordance with the Group's accounting policy and (b) the related impairment assessment for such assets, including whether the activities have reached a stage which permits a reasonable assessment of the existence of oil reserves.

**Related Disclosures**

Refer to Notes 2.13, 3 and 17 of the accompanying financial statements.

**Audit Response**

We performed the following procedures, amongst others:

- Checked that the cost capitalised as "Exploration and Evaluation Assets" in accordance with the Group's accounting policy, on a sample basis;
- Examined the validity of the relevant permits in the area of interest, the financing arrangement and the future plans for these oil and gas exploration and evaluation projects and other relevant supporting documents to evaluate management's impairment assessment; and
- Assessed the adequacy of the relevant disclosures made by management in the financial statements.

## Other Information

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

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

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

## Responsibilities of Management and Directors for the Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2018

# CONSOLIDATED STATEMENT OF
# COMPREHENSIVE INCOME

*For the financial year ended 31 December 2017*

| | Note | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|---|
| **Revenue** | 4 | 94,327 | 75,709 |
| Cost of sales | | (75,226) | (57,807) |
| **Gross profit** | | 19,101 | 17,902 |
| **Other items of income** | | | |
| Other income | 5 | 3,439 | 10,072 |
| Interest income | 6 | 198 | 213 |
| **Other items of expense** | | | |
| Distribution and selling expenses | | (7,708) | (7,877) |
| Administrative expenses | | (7,047) | (5,350) |
| Other expenses | 8 | (1,969) | (2) |
| Finance costs | 9 | (21) | (15) |
| Share of results of equity accounted joint venture, net of tax | 19 | – | (2) |
| **Profit before income tax** | 10 | 5,993 | 14,941 |
| Income tax expense | 11 | (1,779) | (1,559) |
| **Profit for the financial year** | | 4,214 | 13,382 |
| **Other comprehensive income:** | | | |
| *Item that will not be reclassified subsequently to profit or loss* | | | |
| Remeasurement of defined benefit pension scheme | 30 | (189) | (260) |
| *Item that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences arising from translation of foreign operations | | (38) | (364) |
| Reclassification relating to disposal of a subsidiary | | – | 221 |
| **Other comprehensive income for the financial year, net of tax** | 12 | (227) | (403) |
| **Total comprehensive income for the financial year** | | 3,987 | 12,979 |
| **Profit attributable to:** | | | |
| Owners of the parent | | 4,355 | 13,461 |
| Non-controlling interests | | (141) | (79) |
| | | 4,214 | 13,382 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | 4,119 | 13,066 |
| Non-controlling interests | | (132) | (87) |
| | | 3,987 | 12,979 |
| **Earnings per share (cents)** | | | |
| Basic | 13 | 0.88 | 2.71 |
| Diluted | 13 | 0.87 | 2.71 |

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

# STATEMENTS OF **FINANCIAL POSITION**

*As at 31 December 2017*

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | 10,179 | 6,370 | – | – |
| Intangible assets | 15 | 71 | 9 | – | – |
| Land use rights | 16 | 1,560 | 1,749 | – | – |
| Exploration and evaluation assets | 17 | 12,444 | 4,057 | – | – |
| Investment in subsidiaries | 18 | – | – | 28,683 | 28,603 |
| Investment in joint arrangements | 19 | – | 40 | – | 40 |
| Goodwill | 20 | 112 | 112 | – | – |
| Due from subsidiaries | 21 | – | – | 13,351 | 5,588 |
| | | 24,366 | 12,337 | 42,034 | 34,231 |
| **Current assets** | | | | | |
| Inventories | 22 | 10,003 | 6,490 | – | – |
| Trade receivables | 23 | 24,763 | 18,908 | – | – |
| Other receivables and deposits | 24 | 1,903 | 756 | 3 | – |
| Prepayments | | 174 | 129 | 10 | 9 |
| Short-term investments | 25 | 7,381 | 3,337 | – | – |
| Pledged deposits | 26 | 1,659 | 594 | – | – |
| Cash and bank balances | 26 | 4,719 | 14,942 | 11 | 527 |
| | | 50,602 | 45,156 | 24 | 536 |
| **Total assets** | | 74,968 | 57,493 | 42,058 | 34,767 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade payables | 27 | 16,162 | 11,807 | – | – |
| Other payables and accruals | 28 | 9,013 | 4,409 | 312 | 363 |
| Due to a subsidiary | 21 | – | – | 12,753 | 3,829 |
| Current income tax payable | | 2,348 | 1,946 | – | – |
| Loan and borrowings | 29 | 2,897 | 93 | – | – |
| | | 30,420 | 18,255 | 13,065 | 4,192 |
| **Net current assets/(liabilities)** | | 20,182 | 26,901 | (13,041) | (3,656) |

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

# STATEMENTS OF FINANCIAL POSITION

*As at 31 December 2017*

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | | $'000 | $'000 | $'000 | $'000 |
| **Non-current liabilities** | | | | | |
| Loan and borrowings | 29 | – | 21 | – | – |
| Retirement benefit obligations | 30 | 1,414 | 1,326 | – | – |
| | | 1,414 | 1,347 | – | – |
| **Total liabilities** | | 31,834 | 19,602 | 13,065 | 4,192 |
| **Net assets** | | 43,134 | 37,891 | 28,993 | 30,575 |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 31 | 58,522 | 58,522 | 58,522 | 58,522 |
| Accumulated losses | | (17,502) | (21,535) | (30,650) | (27,947) |
| Other reserves | 32 | 2,196 | 989 | 1,121 | – |
| | | 43,216 | 37,976 | 28,993 | 30,575 |
| **Non-controlling interests** | | (82) | (85) | – | – |
| **Total equity** | | 43,134 | 37,891 | 28,993 | 30,575 |
| **Total equity and liabilities** | | 74,968 | 57,493 | 42,058 | 34,767 |

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

# CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

*For the financial year ended 31 December 2017*

| | Share capital $'000 | Accumulated losses $'000 | Foreign currency translation reserve $'000 | Statutory reserve $'000 | Share options reserve $'000 | Equity non–controlling interests $'000 | Total equity attributable to owners of the parent $'000 | Non–controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **Balance at 1 January 2017** | 58,522 | (21,535) | 119 | 873 | – | (3) | 37,976 | (85) | 37,891 |
| **Profit for the financial year** | – | 4,355 | – | – | – | – | 4,355 | (141) | 4,214 |
| **Other comprehensive income for the financial year** | | | | | | | | | |
| Remeasurement of defined benefit scheme (Note 30) | – | (189) | – | – | – | – | (189) | – | (189) |
| Exchange differences arising from translation of foreign operations | – | – | (47) | – | – | – | (47) | 9 | (38) |
| **Total other comprehensive income for the financial year** | – | (189) | (47) | – | – | – | (236) | 9 | (227) |
| **Total comprehensive income for the financial year** | – | 4,166 | (47) | – | – | – | 4,119 | (132) | 3,987 |
| **Others** | | | | | | | | | |
| Transfer to statutory reserve | – | (133) | – | 133 | – | – | – | – | – |
| Capital contribution from a non-controlling interest of a subsidiary | – | – | – | – | – | – | – | 135 | 135 |
| Share option expenses (Note 32) | – | – | – | – | 1,121 | – | 1,121 | – | 1,121 |
| **Balance at 31 December 2017** | 58,522 | (17,502) | 72 | 1,006 | 1,121 | (3) | 43,216 | (82) | 43,134 |

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

# CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

*For the financial year ended 31 December 2017*

| | 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 January 2016** | 73,458 | (31,720) | 254 | 702 | (22,800) | (6,602) | 13,292 | 456 | 13,748 |
| **Profit for the financial year** | – | 13,461 | – | – | – | – | 13,461 | (79) | 13,382 |
| Other comprehensive income for the financial year | | | | | | | | | |
| Remeasurement of defined benefit scheme (Note 30) | – | (260) | – | – | – | – | (260) | – | (260) |
| Exchange differences arising from translation of foreign operations | – | – | (356) | – | – | – | (356) | (8) | (364) |
| Reclassification relating to disposal of a subsidiary | – | – | 221 | – | – | – | 221 | – | 221 |
| **Total other comprehensive income for the financial year** | – | (260) | (135) | – | – | – | (395) | (8) | (403) |
| **Total comprehensive income for the financial year** | – | 13,201 | (135) | – | – | – | 13,066 | (87) | 12,979 |
| **Contributions by owners** | | | | | | | | | |
| Issue of ordinary shares (Note 31) | 7,864 | – | – | – | – | – | 7,864 | – | 7,864 |
| Capital reduction (Note 31) | (22,800) | – | – | – | 22,800 | – | – | – | – |
| | (14,936) | – | – | – | 22,800 | – | 7,864 | – | 7,864 |
| **Changes in ownership interests in subsidiary** | | | | | | | | | |
| Acquisition of non-controlling interests without a change in control (Note 18) | – | – | – | – | – | (3) | (3) | (454) | (457) |
| **Others** | | | | | | | | | |
| Transfer to statutory reserve | – | (171) | – | 171 | – | – | – | – | – |
| Waiver of debt by former non-controlling interest | – | – | – | – | – | 3,757 | 3,757 | – | 3,757 |
| Transfer after disposal of a subsidiary | – | (2,845) | – | – | – | 2,845 | – | – | – |
| **Balance at 31 December 2016** | 58,522 | (21,535) | 119 | 873 | – | (3) | 37,976 | (85) | 37,891 |

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

# CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

*For the financial year ended 31 December 2017*

| | Share capital $'000 | Accumulated losses $'000 | Share options reserve $'000 | Capital reserve $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **Contribution by owners** | | | | | |
| Balance at 1 January 2017 | 58,522 | (27,947) | – | – | 30,575 |
| Loss for the financial year, representing total comprehensive income for financial year | – | (2,703) | – | – | (2,703) |
| Share option expenses | – | – | 1,121 | – | 1,121 |
| **Balance at 31 December 2017** | 58,522 | (30,650) | 1,121 | – | 28,993 |
| **Contribution by owners** | | | | | |
| Balance at 1 January 2016 | 73,458 | (26,031) | – | (22,800) | 24,627 |
| Issue of ordinary shares (Note 31) | 7,864 | – | – | – | 7,864 |
| Capital reduction (Note 31) | (22,800) | – | – | 22,800 | – |
| Loss for the financial year, representing total comprehensive income for financial year | – | (1,916) | – | – | (1,916) |
| **Balance at 31 December 2016** | 58,522 | (27,947) | – | – | 30,575 |

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

# CONSOLIDATED STATEMENT OF **CASH FLOWS**

*For the financial year ended 31 December 2017*

| | Note | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before income tax | | 5,993 | 14,941 |
| Adjustments for: | | | |
| Allowance for inventory obsolescence | 22 | – | 206 |
| Allowance for inventory obsolescence written back | 22 | (82) | (31) |
| Amortisation of intangible assets | 15 | 7 | 39 |
| Amortisation of land use rights | 16 | 159 | 269 |
| Compensation for acquisition of land and building by government | 5 | (3,128) | (3,185) |
| Depreciation of property, plant and equipment | 14 | 1,473 | 1,247 |
| Finance costs | 9 | 21 | 15 |
| Interest income | 6 | (198) | (213) |
| Net gain from disposal of a subsidiary | | – | (6,061) |
| Other receivables written off | | – | 105 |
| Property, plant and equipment written off | 8 | – | 1 |
| Share of results of joint venture | 19 | – | 2 |
| Unrealised exchange difference | | (879) | (772) |
| Share option expenses | 32 | 1,121 | – |
| **Operating profit before working capital changes** | | 4,487 | 6,563 |
| **Working capital changes:** | | | |
| Inventories | | (3,487) | (1,735) |
| Trade receivables | | (5,990) | (4,793) |
| Other receivables and deposits | | (1,147) | (558) |
| Prepayments | | (56) | 17 |
| Trade payables | | 5,007 | 2,977 |
| Other payables and accruals | | 5,441 | 1,266 |
| Provisions settled | | 39 | 226 |
| **Cash generated from operations** | | 4,294 | 3,963 |
| Interest received | | 198 | 213 |
| Interest paid | | (21) | (15) |
| Income taxes paid | | (1,444) | (1,073) |
| **Net cash generated from operating activities** | | 3,027 | 3,088 |

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

# CONSOLIDATED STATEMENT OF **CASH FLOWS**

*For the financial year ended 31 December 2017*

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Proceeds from disposal of a subsidiary, net of cash | 18 | – | (2) |
| Purchase of intangible assets | 15 | (69) | (9) |
| Purchase of property, plant and equipment | 14 | (5,287) | (3,648) |
| Purchase of exploration and evaluation assets | 17 | (9,006) | (1,828) |
| Addition to short-term investments | | (4,091) | (2,918) |
| Compensation for acquisition of land and building by government | 5 | 3,128 | 3,185 |
| Net cash from acquisition of a joint venture | 18 | 40 | – |
| **Net cash used in investing activities** | | (15,285) | (5,220) |
| **Financing activities** | | | |
| Short-term deposits pledged | 26 | (1,072) | (594) |
| Payment for acquisition of additional equity interest from a non-controlling shareholder | 18 | – | (457) |
| Proceeds from bank loans | | 2,953 | 270 |
| Proceeds from issue of share capital | 31 | – | 7,864 |
| Capital contribution from a non-controlling interest of a subsidiary | 18 | 135 | – |
| Repayment of bank loans | | (145) | (228) |
| Repayment of obligations under finance leases | | (47) | (13) |
| **Net cash generated from financing activities** | | 1,824 | 6,842 |
| **Net change in cash and cash equivalents** | | (10,434) | 4,710 |
| **Effect of foreign exchange rate changes in cash and cash equivalents** | | 211 | 2 |
| **Cash and cash equivalents at beginning of financial year** | 26 | 14,942 | 10,230 |
| **Cash and cash equivalents at end of financial year** | 26 | 4,719 | 14,942 |

## Note A: Reconciliation of liabilities arising from financing activities

| | 2016 $'000 | Cash flows $'000 | Additions of property, plant and equipment under finance leases $'000 | Foreign exchange differences $'000 | 2017 $'000 |
|---|---|---|---|---|---|
| Bank borrowings | 50 | 2,808 | – | (10) | 2,848 |
| Finance lease payables | 64 | (47) | 33 | (1) | 49 |
| | 114 | 2,761 | 33 | (11) | 2,897 |

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

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

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("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 the statement of 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.

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 year, the Group and the Company have adopted all the new or revised FRS and INT FRS that are relevant to their operations and effective for the current financial year. 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 and prior financial years, except as detailed below.

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

**FRS 7 (Amendments) *Disclosure Initiative***

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group adopted these amendments on 1 January 2017 and the additional disclosures have been included in the consolidated statement of cash flows.

***Full IFRS convergence***

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The new framework is referred to as 'Singapore Financial Reporting Standards (International) ("SFRS(I)")'. The Group will adopt the new framework on 1 January 2018 and will apply the equivalent to SFRS(I) *First-time Adoption of Singapore Financial Reporting Standards (International)* to the transition. This will involve restating the comparatives for the financial year ended 31 December 2017 and the opening statements of financial position as at 1 January 2017 in accordance with the new framework.

The Group has completed its preliminary assessment of the impact of transition and anticipates that the adoption of the new framework on 1 January 2018 (including the application of all the mandatory exceptions) will not have a material impact on the financial statements of the Group for the financial year ending 31 December 2018, other than the impact from the adoption of SFRS(I) 9 and SFRS(I) 15 which is expected to be similar to the impact of FRS 109 and FRS 115 as disclosed below. The Group is currently finalising the transitional adjustments that are required or elected under SFRS(I) 1.

*FRS and INT 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 and INT FRS that have been issued but are not yet effective:

| | | Effective date (annual periods beginning on or after) |
|---|---|---|
| FRS 28 (Amendments) | : *Long-term Interests in Associates and Joint Ventures* | 1 January 2019 |
| FRS 40 (Amendments) | : *Transfers of Investment Property* | 1 January 2018 |
| FRS 102 (Amendments) | : *Classification and Measurement of Share-based Payment Transactions* | 1 January 2018 |
| FRS 104 (Amendments) | : *Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts* | 1 January 2018 |
| FRS 109 | : *Financial Instruments* | 1 January 2018 |
| FRS 109 (Amendments) | : *Prepayment Features with Negative Compensation* | 1 January 2019 |

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

*FRS and INT FRS issued but not yet effective* (Continued)

| | | **Effective date (annual periods beginning on or after)** |
|---|---|---|
| FRS 110 and FRS 28 (Amendments) | : *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | To be determined |
| FRS 115 | : *Revenue from Contracts with Customers* | 1 January 2018 |
| FRS 115 (Amendments) | : *Clarifications to FRS 115 Revenue from Contracts with Customers* | 1 January 2018 |
| FRS 116 | : *Leases* | 1 January 2019 |
| Improvements to FRSs (December 2016) | | |
| - FRS 28 (Amendments) | : *Investments in Associates and Joint Ventures* | 1 January 2018 |
| - FRS 101 (Amendments) | : *First-time Adoption of Financial Reporting Standards* | 1 January 2018 |
| Improvements to FRSs (March 2018) | | 1 January 2019 |
| - FRS 103 (Amendments) | : *Business Combinations* | |
| - FRS 111 (Amendments) | : *Joint Arrangements* | |
| - FRS 12 (Amendments) | : *Income Taxes* | |
| - FRS 23 (Amendments) | : *Borrowing Costs* | |
| INT FRS 122 | : *Foreign Currency Transactions and Advance Consideration* | 1 January 2018 |
| INT FRS 123 | : *Uncertainty over Income Tax Treatments* | 1 January 2019 |

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.

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

*FRS and INT FRS issued but not yet effective* (Continued)

**FRS 109 *Financial Instruments*** (Continued)

*Classification and measurement*

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 can elect to recognise the gains and losses in other comprehensive income. 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 can also be measured at fair value through other comprehensive income.

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.

The Group has completed its assessment of the classification and measurement of its financial assets, and expects that financial assets currently measured at amortised cost will continue to qualify for measurement at amortised cost under FRS 109.

No financial liabilities are designated at fair value through profit or loss, therefore the Group does not expect the adoption of the standard to result in any impact to the Group.

*Impairment*

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 loss allowances as well as interest revenue. For financial assets at amortised cost or debt instruments at fair value through other comprehensive income, the Group will 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 under the three-stage model or from initial recognition if the simplified model is applied.

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables, other receivables and short-term investments, and will record an allowance for lifetime expected losses from initial recognition.

The Group and the Company are currently finalising the policies and procedures in determining how to estimate expected credit losses and the sources of forward-looking data, and evaluating the tax implications arising from the above change in impairment model. Based on the evaluation of customers' credit profile and payments record, the Group and the Company do not expect any significant impact on the impairment loss allowance on trade and other receivables and short-term investments.

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

*FRS and INT FRS issued but not yet effective* (Continued)

**FRS 109 *Financial Instruments*** (Continued)

*Transition*

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 and intends to elect not to restate comparatives for the previous financial year.

FRS 109 also requires additional financial statements disclosures which the Group will include in its financial statements in the financial year when FRS 109 is adopted.

**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.

The Group currently recognised revenue upon delivery of the products to customers based on the agreed price on the purchase order. Based on assessment made by management, the Group does not expect any significant adjustment on the revenue recognised on adoption of FRS 115.

The Group plans to adopt FRS 115 in the financial year beginning on 1 January 2018 using the full retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

**FRS 116 *Leases***

FRS 116 supersedes FRS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

*FRS and INT FRS issued but not yet effective* (Continued)

**FRS 116 *Leases*** (Continued)

The Group has completed its preliminary assessment on the adoption of FRS 116. On initial adoption of FRS 116, there will be a significant impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of FRS 116, the Group will be required to capitalise its rented factory and office on the statement of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments which will result in an increase in total assets and total liabilities. The adoption of the new standard is expected to result in an improvement in its EBITDA and increase in its gearing ratio.

The Group is currently assessing the impact of transition to the new standard and in the process of gathering data on its discount rate and expected lease terms for its existing leases. The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on the statement of financial position as at 1 January 2019. The Group 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.

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

## 2. Summary of significant accounting policies (Continued)

### 2.2 Basis of consolidation (Continued)

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, joint venture and non-current amount due from subsidiaries 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 January 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.

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

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

## 2. Summary of significant accounting policies (Continued)

### 2.3 Business combinations (Continued)

Business combinations before 1 January 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 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.

Rendering of services

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

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.

## 2. Summary of significant accounting policies (Continued)

### 2.4 Revenue recognition (Continued)

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 year.

Retirement gratuity

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

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

Employee service entitlement benefits

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

Defined benefit plan surpluses and deficits are measured at:

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

## 2. Summary of significant accounting policies (Continued)

### 2.6 Employee benefits (Continued)

Employee service entitlement benefits (Continued)

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

- Actuarial gains and losses

- Return on plan assets (interest exclusive)

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

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

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

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

### 2.7 Equity-settled share-based payment

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

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

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

### 2.8 Income tax

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

## 2. Summary of significant accounting policies (Continued)

### 2.8 Income tax (Continued)

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 its subsidiaries operate by the end of the financial year.

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

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 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 year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

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

## 2. Summary of significant accounting policies (Continued)

### 2.8 Income tax (Continued)

Deferred tax (Continued)

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

Sales tax

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

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

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

### 2.9 Foreign currency transactions and translation

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

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

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

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

## 2. Summary of significant accounting policies (Continued)

### 2.9 Foreign currency transactions and translation (Continued)

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

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

### 2.10 Property, plant and equipment

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

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

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

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

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

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

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

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

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.

## 2. Summary of significant accounting policies (Continued)

### 2.10 Property, plant and equipment (Continued)

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

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

### 2.11 Intangible assets

Goodwill

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

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

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

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

Computer software

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

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

## 2. Summary of significant accounting policies (Continued)

### 2.11 Intangible assets (Continued)

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.

### 2.12 Land use rights

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

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

Exploration and evaluation assets

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

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

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

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

## 2. Summary of significant accounting policies (Continued)

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

Exploration and evaluation assets (Continued)

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

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

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

Development assets

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

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

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

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

### 2.14 Oil and gas properties

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

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

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

## 2. Summary of significant accounting policies (Continued)

### 2.15 Investment in joint arrangement

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

<u>Joint operation</u>

The Group recognises in relation to its interest in a joint operation:

(a) its assets, including its share of any assets held jointly;

(b) its liabilities, including its share of any liabilities incurred jointly;

(c) its revenue from the sale of its share of the output arising from the joint operation;

(d) its share of the revenue from the sale of the output by the joint operation; and

(e) its expenses, including its share of any expenses incurred jointly.

The accounting policies of the assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

<u>Joint venture</u>

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.

## 2. Summary of significant accounting policies (Continued)

### 2.15 Investment in joint arrangement (Continued)

Joint venture (Continued)

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.

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

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

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

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

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

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

### 2.17 Financial instruments

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

Effective interest method

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)

### 2.17 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. 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 subsidiaries, short-term investments and cash and bank balances 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.

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)

### 2.17 Financial instruments (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 that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

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

Derecognition of financial liabilities

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

## 2. Summary of significant accounting policies (Continued)

### 2.18 Inventories

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

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

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

### 2.19 Cash and bank balances

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

### 2.20 Leases

<u>When the Group is the lessee of a finance lease</u>

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.

<u>When the Group is the lessee of an operating lease</u>

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.

<u>When the Group is the lessor of an operating lease</u>

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. Summary of significant accounting policies (Continued)

### 2.21 Segment reporting

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

### 2.22 Government grants

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

### 2.23 Dividends

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

## 3. Critical accounting judgements and key sources of estimation uncertainty

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

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

<u>Critical judgements in applying the Group's and the Company's accounting policies</u>

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.

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

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

(i) Exploration and evaluation assets

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

(ii) Consolidation of P.T. Sarana GSS Trembul ("PTSGT")

The Group has exercised significant judgement to determine PTSGT as a subsidiary of the Group and consolidate 89% of its economic interest in the subsidiary even though the Group has only 49% current ownership interest. Information about the critical judgements made in reaching this conclusion have been disclosed in Note 18 to the financial statements.

Key sources of estimation uncertainty

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

(i) Net realisable value of inventories

The management reviews the inventory aging analysis at the end of each reporting period, and writes down the value of the inventories to its net realisable value, where applicable. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market condition. The carrying amount of the Group's inventories at the end of the financial year was $10,003,000 (2016: $6,490,000).

(ii) 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 trade and other receivables at the end of the financial year were $26,666,000 (2016: $19,664,000) respectively.

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

Key sources of estimation uncertainty (Continued)

(iii) 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 30 to the financial statements. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the consolidated statement of comprehensive income and the consolidated statement of financial position. The carrying amounts of the Group's defined benefit plan at the end of the financial year was $1,208,000 (2016: $1,120,000).

## 4. Revenue

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Sale of goods | 87,168 | 67,873 |
| Services rendered | 7,159 | 7,836 |
| | 94,327 | 75,709 |

## 5. Other income

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Compensation for acquisition of land and building by government (Note 14) | 3,128 | 3,185 |
| Gain on disposal of property, plant and equipment | 3 | – |
| Government grants | 85 | 135 |
| Foreign exchange gain, net | – | 407 |
| Income from disposal of scrap materials | 153 | 82 |
| Net gain from disposal of a subsidiary | – | 6,061 |
| Rental income | 27 | 48 |
| Others | 43 | 154 |
| | 3,439 | 10,072 |

## 6. Interest income

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Cash and short-term deposits | 83 | 161 |
| Short term investment | 115 | 52 |
| | 198 | 213 |

## 7. Employee benefit expenses

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Short-term employee benefits | 20,703 | 17,376 |
| Defined contribution plans | 1,260 | 960 |
| Defined benefit plan | 210 | 159 |
| Employee share options expenses | 1,121 | – |
| Other personnel expenses | 1,572 | 1,308 |
| | 24,866 | 19,803 |

The above includes remuneration of Directors and key management as disclosed in Note 33 to the financial statements.

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

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Cost of sales | 14,678 | 11,597 |
| Distribution and selling expenses | 5,775 | 5,196 |
| Administrative expenses | 4,413 | 3,010 |
| | 24,866 | 19,803 |

## 8. Other expenses

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Property, plant and equipment written off | – | 1 |
| Foreign exchange loss, net | 1,916 | – |
| Others | 53 | 1 |
| | 1,969 | 2 |

## 9. Finance costs

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Interest expense | | |
| - bank loans | 10 | 10 |
| - finance leases | 11 | 5 |
| | 21 | 15 |

## 10. Profit before income tax

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Cost of sales | | |
| Cost of inventories recognised as expenses | 73,078 | 55,805 |
| Allowance for inventory obsolescence | – | 206 |
| Depreciation of property, plant and equipment | 1,215 | 833 |
| Operating lease expenses | 933 | 963 |
| Distribution and selling expenses | | |
| Depreciation of property, plant and equipment | 35 | 323 |
| Operating lease expenses | 189 | 133 |
| Professional fees | 19 | – |
| Administrative expenses | | |
| Amortisation of intangible assets | 7 | 39 |
| Amortisation of land use rights | 159 | 269 |
| Audit fees | | |
| - Auditor of the Company | 150 | 120 |
| - Other auditors | 58 | 38 |
| Non-audit fees | | |
| - Auditor of the Company | – | – |
| Depreciation of property, plant and equipment | 223 | 91 |
| Operating lease expenses | 39 | 39 |
| Professional fees | 425 | 889 |

## 11. Income tax expense

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Current income tax | | |
| - current year | 1,870 | 2,066 |
| - overprovision in prior year | (91) | (507) |
| | 1,779 | 1,559 |

**Reconciliation of effective tax rate**

Domestic income tax is calculated at 17% (2016: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Profit before income tax | 5,993 | 14,941 |
| Income tax at the applicable tax rate of 17% | 1,019 | 2,540 |
| Tax effect of: | | |
| - Income not taxable for income tax purposes | (310) | (2,530) |
| - Expenses not deductible for income tax purposes | 736 | 1,844 |
| Effect of different tax rates of overseas operations | 520 | 591 |
| Utilisation of deferred tax assets previously not recognised | (334) | (506) |
| Overprovision for income tax in prior year | (91) | (507) |
| Deferred tax assets not recognised in the current year | 248 | 36 |
| Others | (9) | 91 |
| | 1,779 | 1,559 |

**Unrecognised deferred tax assets**

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| At beginning of financial year | 690 | 1,160 |
| Utilisation of deferred tax assets previously not recognised | (334) | (506) |
| Addition of unrecognised deferred tax assets | 248 | 36 |
| Overprovision of unrecognised deferred tax assets in prior year | (70) | – |
| At end of financial year | 534 | 690 |

## 11. Income tax expense (Continued)

**Unrecognised deferred tax assets** (Continued)

Unrecognised deferred tax assets are attributable to:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Unabsorbed capital allowances on plant and equipment | 33 | 39 |
| Provisions | 47 | 33 |
| Unutilised tax losses | 454 | 618 |
| | 534 | 690 |

At the end of the financial year, the Group had unutilised tax losses of approximately $2,672,000 (2016: $3,638,000) which is available for set-off against future taxable profits. These deferred tax assets have not been recognised as there is no certainty that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.8 to the financial statements.

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

At the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised amounted to $1,455,000 (2016: $884,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| | **Before-tax amount** | **Tax expense** | **Net-of-tax amount** | **Before-tax amount** | **Tax expense** | **Net-of-tax amount** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Remeasurement of defined benefit pension scheme | (189) | – | (189) | (260) | – | (260) |
| Exchange differences on translation of foreign operations | (38) | – | (38) | (364) | – | (364) |
| Reclassification relating to disposal of a subsidiary | – | – | – | 221 | – | 221 |
| Other comprehensive income | (227) | – | (227) | (403) | – | (403) |

## 13. Earnings per share (cents)

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

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| **Earnings** | | |
| Profit attributable to owners of the parent (for the purpose of basic and diluted earning per share) | 4,355 | 13,461 |
| | **Number of shares** | **Number of shares** |
| | **'000** | **'000** |
| **Number of shares** | | |
| Number of shares | 496,159 | 496,159 |
| Weighted average number of ordinary shares | | |
| - Basic | 496,159 | 497,112 |
| Basic earnings per share (cents) | 0.88 | 2.71 |

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

| | Group | |
|---|---|---|
| **Number of Share** | **2017** | **2016** |
| | **$'000** | **$'000** |
| Weighted average number of shares used in basis EPS | 496,159 | 497,112 |
| Effect of employee share options | 6,977 | – |
| Weighted average number of shares used in diluted EPS | 503,136 | 497,112 |
| Diluted earnings per share (cents) | 0.87 | 2.71 |

## 14. Property, plant and equipment

| | Leasehold buildings $'000 | Leasehold improvements $'000 | Machinery, furniture and equipment $'000 | Motor vehicles $'000 | Construction-in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2017 | 132 | 5,920 | 39,318 | 687 | 1,614 | 47,671 |
| Additions | 726 | 328 | 1,833 | 52 | 2,381 | 5,320 |
| Disposal | – | – | (81) | – | – | (81) |
| Written off | – | – | (586) | – | – | (586) |
| Reclassification | 3,964 | – | – | – | (3,964) | – |
| Currency realignment | 11 | – | (123) | (3) | (31) | (146) |
| At 31 December 2017 | 4,833 | 6,248 | 40,361 | 736 | – | 52,178 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2017 | 120 | 4,290 | 36,353 | 538 | – | 41,301 |
| Depreciation charge for the year | 124 | 250 | 1,030 | 69 | – | 1,473 |
| Disposals | – | – | (81) | – | – | (81) |
| Written off | – | – | (586) | – | – | (586) |
| Currency realignment | (2) | – | (104) | (2) | – | (108) |
| At 31 December 2017 | 242 | 4,540 | 36,612 | 605 | – | 41,999 |
| **Net carrying amount** | | | | | | |
| At 31 December 2017 | 4,591 | 1,708 | 3,749 | 131 | – | 10,179 |
| **Cost** | | | | | | |
| **At 1 January 2016** | 138 | 5,282 | 39,032 | 591 | – | 45,043 |
| Additions | – | 638 | 1,371 | 102 | 1,614 | 3,725 |
| Disposal of a subsidiary | – | – | (94) | – | – | (94) |
| Written off | – | – | (658) | – | – | (658) |
| Currency realignment | (6) | – | (333) | (6) | – | (345) |
| At 31 December 2016 | 132 | 5,920 | 39,318 | 687 | 1,614 | 47,671 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2016 | 118 | 4,078 | 36,370 | 484 | – | 41,050 |
| Depreciation charge for the year | 7 | 212 | 969 | 59 | – | 1,247 |
| Disposal of a subsidiary | – | – | (37) | – | – | (37) |
| Written off | – | – | (657) | – | – | (657) |
| Currency realignment | (5) | – | (292) | (5) | – | (302) |
| At 31 December 2016 | 120 | 4,290 | 36,353 | 538 | – | 41,301 |
| **Impairment loss** | | | | | | |
| At 1 January 2016 | – | – | (57) | – | – | (57) |
| Disposal of a subsidiary | – | – | 57 | – | – | 57 |
| At 31 December 2016 | – | – | – | – | – | – |
| **Net carrying amount** | | | | | | |
| At 31 December 2016 | 12 | 1,630 | 2,965 | 149 | 1,614 | 6,370 |

## 14. Property, plant and equipment (Continued)

***Assets held under finance lease***

As at 31 December 2017, the Group has motor vehicles acquired under finance lease with net carrying amount of approximately $102,000 (2016: $86,000).

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Addition of property, plant and equipment | 5,320 | 3,725 |
| Acquired under finance lease arrangement | (33) | (77) |
| Cash payments to purchase property, plant and equipment | 5,287 | 3,648 |

In the previous 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 which was previously occupied by the Group's China subsidiary. The China subsidiary is allowed to stay in the location until the new location is ready for use. The relocation compensation will be receivable in 4 separate tranches and each tranche is subject to the fulfilment of certain terms and conditions.

During the financial year, the third and final (2016: second) tranche compensation received amounting to RMB15,300,000 (equivalent to $3,128,000) (2016: RMB15,280,000 (equivalent to $3,185,000)) are recognised in the Group's profit or loss and included in "other income" as disclosed in Note 5 to the financial statements. The China subsidiary has moved to the new location upon completion of the factory building during the financial year.

## 15. Intangible assets

| | Computer software $'000 |
|---|---|
| **Group** | |
| **Cost** | |
| At 1 January 2017 | 177 |
| Addition | 69 |
| At 31 December 2017 | 246 |
| **Accumulated amortisation** | |
| At 1 January 2017 | 168 |
| Amortisation | 7 |
| At 31 December 2017 | 175 |
| **Carrying amount** | |
| At 31 December 2017 | 71 |

## 15. Intangible assets (Continued)

| | Computer software $'000 | Oil concessionary rights $'000 | Non-compete agreement $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| At 1 January 2016 | 168 | 5,396 | 1,203 | 6,767 |
| Addition | 9 | – | – | 9 |
| Disposal of a subsidiary | – | (5,396) | (1,203) | (6,599) |
| At 31 December 2016 | 177 | – | – | 177 |
| **Accumulated amortisation** | | | | |
| At 1 January 2016 | 129 | 262 | 108 | 499 |
| Amortisation | 39 | – | – | 39 |
| Disposal of a subsidiary | – | (262) | (108) | (370) |
| At 31 December 2016 | 168 | – | – | 168 |
| **Impairment loss** | | | | |
| At 1 January 2016 | – | 5,134 | 1,095 | 6,229 |
| Disposal of a subsidiary | – | (5,134) | (1,095) | (6,229) |
| At 31 December 2016 | – | – | – | – |
| **Carrying amount** | | | | |
| At 31 December 2016 | 9 | – | – | 9 |

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

## 16. Land use rights

| | Group | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **Cost** | | |
| At 1 January | 2,927 | 3,070 |
| Written off | (1,183) | – |
| Currency realignment | (53) | (143) |
| At 31 December | 1,691 | 2,927 |
| **Accumulated amortisation** | | |
| At 1 January | 1,178 | 953 |
| Amortisation | 159 | 269 |
| Written off | (1,183) | – |
| Currency realignment | (23) | (44) |
| At 31 December | 131 | 1,178 |
| **Carrying amount** | | |
| At 31 December | 1,560 | 1,749 |

## 16. Land use rights (Continued)

At 31 December 2017, the Group has land use rights over 1 plot (2016: 2 plots) of state-owned land in China where the Group's operations reside. The land use rights are transferable and have remaining tenure of 47 years (2016: 1 and 48 years respectively).

## 17. Exploration and evaluation assets

| | West Jambi[(1)] $'000 | Trembui[(2)] $'000 | Total $'000 |
|---|---|---|---|
| **Group** | | | |
| **Cost as at 31 December 2015** | 2,091 | – | 2,091 |
| Additions | 998 | 830 | 1,828 |
| Currency realignment | 138 | – | 138 |
| **Cost as at 31 December 2016** | 3,227 | 830 | 4,057 |
| Additions | – | 9,006 | 9,006 |
| Currency realignment | (254) | (365) | (619) |
| **Cost as at 31 December 2017** | 2,973 | 9,471 | 12,444 |

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

(2) The Group's Indonesia-incorporated subsidiary, P.T. Sarana GSS Trembul ("PTSGT") has entered into an Operations Cooperation (Kerja Sama Operasi) Agreement with P.T. Pertamina EP ("Pertamina") to assist Pertamina in the production of petroleum in Trembul Operation Area, situated within Blora Regency in Central Java Province, Indonesia. The agreement is for a period of 15 years since 2015.

The Group has committed to a work programme amounting to US$7,858,000 for initial commitment period of 3 years.

The total cost incurred that directly attributable to the exploration and evaluation activities will subsequently be transferred to oil and gas properties upon commencement of production.

Based on the Group's assessment on the relevant permits in the areas of interest, financing arrangement and the future plans for the projects, no impairment for the exploration and evaluation assets.

## 18. Investment in subsidiaries

| | Company 2017 $'000 | Company 2016 $'000 |
|---|---|---|
| Unquoted equity shares, at cost | 44,340 | 44,260 |
| Allowance for impairment losses | (15,657) | (15,657) |
| | 28,683 | 28,603 |

**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 2017 % | 2016 % | Proportion of ownership interest held by non–controlling interest 2017 % | 2016 % |
|---|---|---|---|---|---|
| Giken Sakata (S) Limited[1] (Singapore) | Manufacture and sale of microshafts and other precision parts and assembly of mechanisms used in computers and a range of electronic products | 100 | 100 | – | – |
| Giken Precision Engineering (S) Pte Ltd[1] (Singapore) | Manufacture of basic precious and non-ferrous metal products | 100 | 100 | – | – |
| P.T. Giken Precision Indonesia[2] (Indonesia) | Assembly of mechanisms and manufacture of precision parts used in computers and a range of electronic products | 100 | 100 | – | – |
| Changzhou Giken Precision Co., Ltd.[3] (People's Republic of China) | Manufacture and sale of microshafts and other precision parts | 100 | 100 | – | – |
| Changzhou Giken Technology Co., Ltd.[3] (People's Republic of China) | Manufacture and sale of moulding parts | 100 | – | – | – |
| GSS Energy Investment Holdings Limited[4] (British Virgin Island) | Investment holding | 100 | 100 | – | – |
| GSS Energy Oilfield Management Limited[4] (British Virgin Island) | Dormant | 100 | 100 | – | – |
| GSS Energy Trembul Limited[4] (British Virgin Island) | Dormant | 100 | 100 | - | - |
| GSS Energy Sumatra Limited[4] (British Virgin Island) | Dormant | 100 | 100 | - | - |

## 18. Investment in subsidiaries (Continued)

**Details of subsidiaries:** (Continued)

| Name of company (Country of incorporation and principal place of business) | Principal activities | Proportion of ownership interest held by the Group | | Proportion of ownership interest held by non–controlling interest | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | | % | % | % | % |
| P.T. Giken Technology Indonesia[(4)] (Indonesia) | Dormant | 100 | 100 | – | – |
| P.T. Sarana GSS Trembul[(2)(5)] (Indonesia) | Operate in oil and gas production | 49 | 49 | 51 | 51 |
| Turbo Charge Limited[(4)] (British Virgin Island) | Investment holding | 80 | – | 20 | – |
| Turbo Charge (S) Pte. Ltd.[(1)] (Singapore) | Sale and distribution of consumer electronics | 80 | – | 20 | – |
| Turbo Charge (M) Sdn. Bhd.[(4)] (Malaysia) | Sale and distribution of consumer electronics | 80 | – | 20 | – |
| Giken Trading (S) Pte. Ltd.[(4)] (Singapore) | Dormant | 100 | – | – | – |
| Nusantara Resources Pte. Ltd. *(f.k.a GSS-AFCO Pte. Ltd.)*[(4)] (Singapore) | Dormant | 99.9 | 50 | 0.1 | 50 |

(1) Audited by BDO LLP, Singapore.

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

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

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

(5) The Group accounts for an 89% in-substance ownership interest in P.T. Sarana GSS Trembul and attributes an 11% interest to non-controlling interest as the Group has assessed that it has an 89% economic interest due to the factors described below.

## 18. Investment in subsidiaries (Continued)

P.T. Sarana GSS Trembul

In the previous financial year, the Company's subsidiary, GSS Energy Trembul Limited. ("GETL") and P.T. Sarana Pembangunan Jawa Tengah ("SPJT") incorporated a subsidiary, P.T. Sarana GSS Trembul ("PTSGT") in Indonesia with a registered and fully-paid up share capital of Rp2,520,000,000 (equivalent to $270,000). GETL holds 49% of the registered share capital of PTSGT. However, GETL provided financing for the remaining 51% shares held by SPJT. Additionally, based on the contractual arrangement entered between the Group and SPJT, the Group has majority seats on the Board of Directors and Commissioners of PTSGT, to control and direct the relevant activities of PTSGT. The Group is also fully responsible for daily operation of PTSGT including management, financing activities and human resources. The working capital of PTSGT will be financed by the Group in several tranches up to Rp210 billion (equivalent to $2.3 million) for a period of 3 years. The financing provided by the Group will be secured by 40% equity interest in PTSGT pledged by SPJT and the loan amount including interest charged will be mandatorily converted into a fixed number of new shares in PTSGT ("Mandatory Conversion Shares") upon completion of the 3 years commitment period. After the conversion, the Group will directly own 89% equity interest in PTSGT. Management have determined that the above arrangements allow the Group to control PTSGT and have effectively given the Group 89% economic interest in PTSGT since 2016. This is considered an in-substance current ownership interest of 89% and therefore the Group consolidates PTSGT as a subsidiary with an 11% interest attributed to non-controlling interest.

Incorporation of new subsidiaries

(i) On 22 January 2017, the Company's subsidiary, Giken Sakata (S) Limited, through the wholly-owned subsidiary Changzhou Giken Precision Co., Ltd. incorporated Changzhou Giken Technology Co., Ltd., a wholly-owned subsidiary in People's Republic of China with initial issued and paid-up share capital of RMB5,000,000.

(ii) On 17 August 2017, the Company's subsidiary, Giken Sakata (S) Limited ("Giken"), incorporated Turbo Charge Limited, a wholly-owned subsidiary in the British Virgin Islands with initial issued and paid-up share capital of $2. Subsequent to its incorporation, the Company increased the paid-up share capital to $100 including 20% of its equity interest held by a non-controlling shareholder that was financed by Giken.

(iii) On 22 September 2017, the Company's subsidiary, Giken Sakata (S) Limited, through the subsidiary, Turbo Charge Limited, incorporated Turbo Charge (S) Pte. Ltd., a wholly-owned subsidiary in Singapore with initial issued and paid-up share capital of $2.

(iv) On 1 November 2017, the Company's subsidiary, Giken Sakata (S) Limited, through the subsidiary, Turbo Charge Limited, incorporated Turbo Charge (M) Sdn. Bhd., a wholly-owned subsidiary in Malaysia with initial issued and paid-up share capital of RM2.

(v) On 23 November 2017, the Company's subsidiary, Giken Sakata (S) Limited, incorporated Giken Trading (S) Pte. Ltd., a wholly-owned subsidiary in Singapore with initial issued and paid-up share capital of $20,000.

## 18. Investment in subsidiaries (Continued)

Acquisition of the residual interest in a joint venture and transaction with a non-controlling interest

On 15 February 2017, the Company acquired the residual interest in a Singapore incorporated joint venture company, GSS-AFCO Pte Ltd ("GSS-AFCO") as disclosed in Note 19 to the financial statements for a consideration of $40,000. Consequent to the acquisition, the GSS-AFCO ceased to be a joint venture company and become a wholly-owned subsidiary of the Company. It is renamed to Nusantara Resources Pte. Ltd. ("Nusantara"). The fair value of the identifiable asset and liabilities of Nusantara as at the date of acquisition were:

| | Fair value recognised on date of acquisition $'000 |
|---|---|
| Cash and bank balances, representing net identifiable asset at fair value | 80 |

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

| | $'000 |
|---|---|
| Consideration for acquisition of 50% equity interest | |
| - Cash paid | (40) |
| Less: cash and bank balances of subsidiary acquired | 80 |
| Net cash inflow on acquisition | 40 |

From the date of acquisition, Nusantara has contributed $15,000 to the loss after tax. If the combination had taken place at the beginning of the financial year, the Group's profits, net of tax would have been $4,214,000.

No goodwill arising from the acquisition and no transactions costs had incurred to the acquisition.

Subsequently, the Group made a share placement of 100 ordinary shares in Nusantara to a third party for a cash consideration of $135,000 to acquire 0.1% of the equity interest of Nusantara.

## 18. Investment in subsidiaries (Continued)

Non-controlling interests

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

| | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|
| Revenue | – | – |
| Loss after tax | (1,260) | (747) |
| Loss allocated to NCI | (139) | (82) |
| Other comprehensive income allocated to NCI | 9 | (3) |
| Total comprehensive income allocated to NCI | (130) | (85) |
| Cash flows from operating activities | 9,214 | 314 |
| Cash flows from investing activities | (9,009) | – |
| Cash flows from financing activities | – | (271) |
| Net cash inflows | 205 | 43 |
| Assets: | | |
| Current assets | 2,379 | 335 |
| Non-current assets | 9,474 | 830 |
| Liabilities: | | |
| Current liabilities | (13,535) | (1,669) |
| Net assets | (1,685) | (504) |
| Accumulated non-controlling interest | (215) | (85) |

## 19. Investment in joint arrangements

Investment in joint venture

| | Group and Company | |
|---|---|---|
| | 2017<br>$'000 | 2016<br>$'000 |
| Unquoted shares, at cost | 40 | 42 |
| Share of results | – | (2) |
| Carrying amount of interest in a joint venture acquired as subsidiary | (40) | – |
| | – | 40 |

## 19. Investment in joint arrangements (continued)

On 27 May 2015, the Company established a joint venture company through separate structure vehicles incorporated in Singapore and operating in Indonesia. The contractual arrangements provides the Company with only the rights to the net assets of the joint arrangements. 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.

On 15 February 2017, the Company acquired the remaining 50% equity interest in the joint venture for a cash consideration of $40,000. Accordingly, GSS-AFCO Pte Ltd ceased to be a joint venture and became a wholly-owned subsidiary of the Group as disclosed in Note 18 to the financial statements. Subsequent to the acquisition, the Company was renamed to Nusantara Resources Pte. Ltd.

Details of the joint venture is as follows:

| Name of joint venture | Principal place of business | Principal activity | Proportion of ownership interest | |
|---|---|---|---|---|
| | | | 2017 | 2016 |
| | | | % | % |
| Nusantara Resource Pte. Ltd.<br>(f.k.a 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. GSS-AFCO is dormant and has not commenced operation.

GSS-AFCO has no contingent liabilities and capital commitment as at the date of disposal and 31 December 2016.

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

| | 2016 |
|---|---|
| | $’000 |
| Loss from continuing operations | (4) |
| Proportion of the Group’s ownership | 50% |
| Share of post-tax profits | (2) |

Investment in joint operations

The Group through its 89% economic interest subsidiary, P.T. Sarana GSS Trembul (“PTSGT”) (Note 18) has a material joint operation, Operations Cooperations (Kerja Sama Operasi) Agreement with P.T. Pertamina EP (“Pertamina”) to assist Pertamina in the production of petroleum in Trembul Operation Area, situated within Blora Regency in Central Java Province, Indonesia.

PTSGT will bear for 100% of the expenditure incurred and is entitled 23.53% income from the sales of oil and 31.37% of the sales of natural gas after cost recovery cap at 80% of sales in the calendar year.

## 20. Goodwill

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| **Cost** | | |
| At beginning of financial year | 112 | 9,871 |
| Disposal of a subsidiary | – | (9,759) |
| At end of financial year | 112 | 112 |
| **Impairment loss** | | |
| At beginning of the financial year | – | 9,759 |
| Disposal of a subsidiary | – | (9,759) |
| **Impairment loss recognised in the financial year** | – | – |
| **Carrying amount** | | |
| At end of financial year | 112 | 112 |

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 2017** | |
| China | 112 |
| **31 December 2016** | |
| China | 112 |

## 21. Due from/(to) subsidiaries

**Due from subsidiaries**

| | Company | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| ***Non-current*** | | |
| Due from subsidiaries (non-trade) | 13,351 | 5,588 |

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

Movements in allowance for doubtful receivables:

| | Company | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| At beginning of financial year | – | 6,575 |
| Waiver of debt | – | (6,575) |
| At end of financial year | – | – |

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.

In the previous financial year, the Company waived the non-trade receivables due from a subsidiary upon the completion of the cancellation of the Consideration Shares (Note 31).

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 settled in cash.

## 22. Inventories

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Finished goods | 1,657 | 1,004 |
| Work-in-progress | 1,137 | 1,277 |
| Raw materials | 6,322 | 4,209 |
| Consumable stock | 887 | – |
| | 10,003 | 6,490 |

The Group's cost of inventories recognised as expense under "cost of sales" to the Group's profit or loss during the financial year amounted to $73,078,000 (2016: $55,805,000).

The Group recognised a reversal of $82,000 (2016: $31,000), being part of an inventory write-down made in 2016 as these inventories were sold during the financial year. The reversal is recognised in the Group's profit or loss under "cost of sales".

During the financial year, the Group carried out a review of the realisable values of its inventories and the review led to the recognition of allowance for inventory obsolescence of $Nil (2016: $206,000) in the Group's profit or loss under "cost of sales".

## 23. Trade receivables

| | Group 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| Trade receivables - third parties | 24,558 | 18,908 |
| Notes receivables | 205 | – |
| | 24,763 | 18,908 |

Trade receivables from third parties are non-interest bearing and are generally on 30 to 95 (2016: 30 to 90) days credit terms. Note receivables are trade in nature, unsecured, non-interest bearing and will mature in February 2018.

Movements in allowance for trade receivables:

| | Group 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| At beginning of financial year | – | 18,288 |
| Disposal of a subsidiary | – | (18,288) |
| At end of financial year | – | – |

Trade receivables are denominated in the following currencies:

| | Group 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| Singapore dollar | 1,684 | 1,343 |
| United States dollar | 20,313 | 14,697 |
| Japanese yen | 37 | 25 |
| Chinese renminbi | 2,250 | 2,725 |
| Others | 479 | 118 |
| | 24,763 | 18,908 |

## 24. Other receivables and deposits

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| ***Current*** | | | | |
| Other receivables due from third parties | 1,127 | 561 | 3 | – |
| Advance payment | 266 | – | – | – |
| Deposits | 510 | 195 | – | – |
| | 1,903 | 756 | 3 | – |

## 24. Other receivables and deposits (Continued)

At the end of the reporting period, bankers' guarantees of $Nil (2016: $174,000) were issued by a bank for factory rental and utilities deposits for a subsidiary of the Company.

Other receivables and deposits are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Singapore dollar | 687 | 351 | 3 | – |
| Chinese renminbi | 212 | 389 | – | – |
| United States dollar | – | 16 | – | – |
| Indonesia rupiah | 1,000 | – | – | – |
| Malaysia ringgit | 4 | – | – | – |
| | 1,903 | 756 | 3 | – |

## 25. Short-term investments

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Unquoted short term investment | | |
| - At amortised cost | 7,381 | 3,337 |

The average effective interest rate of the short term investment range from 3.75% to 4.20% (2016: 2.55% to 3.80%) per annum.

At 31 December 2017, the unquoted short-term investments have nominal values amounting to $7,381,000 (2016: $3,337,000), with average coupon rates of 4.0% (2016: 3.0%) per annum and maturity dates before 19 November 2018 (2016: 18 March 2017).

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

Short-term investments is denominated in Chinese renminbi.

## 26. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash and bank balances | 4,508 | 7,570 | 11 | 527 |
| Short-term deposits | 1,870 | 7,966 | – | – |
| | 6,378 | 15,536 | 11 | 527 |
| Less: Short-term deposits pledged | (1,659) | (594) | – | – |
| Cash and cash equivalents for purpose of consolidated cash flows statement | 4,719 | 14,942 | 11 | 527 |

***Short-term deposits***

Short-term deposits are made for varying periods of between 1 month to 1 year (2016: 1 month and less than 1 year) depending on the immediate cash requirement of the Group and earns effective interest rates ranging from 0.5% to 3% (2016: 0.18% to 6.40%) per annum. Those deposits (excluding pledged deposits) are freely convertible to cash as and when such funds are required and will mature within the next 2 months (2016: within the next 12 months).

Short-term deposits of the Group amounting to $1,408,000 (2016: $323,000) are pledged to banks to secure short-term bank loans granted to a subsidiary (Note 29).

$251,000 (2016: $271,000) of short-term deposits are placed with banks as pledge to secure a banker's guarantee provided for a subsidiary in relation to Operations Cooperation Agreement with Pertamina (Note 17).

Cash and cash balances are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Singapore dollar | 1,412 | 4,500 | 2 | 163 |
| Chinese renminbi | 2,031 | 3,428 | – | – |
| Indonesian rupiah | 1,543 | 1,603 | – | – |
| United States dollar | 1,320 | 5,830 | 9 | 364 |
| Others | 72 | 175 | – | – |
| | 6,378 | 15,536 | 11 | 527 |

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 (2016: 30 to 90) days credit terms.

Trade payables are denominated in the following currencies:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Singapore dollar | 2,578 | 1,502 |
| United States dollar | 6,867 | 5,746 |
| Japanese yen | 32 | 18 |
| Chinese renminbi | 4,890 | 3,197 |
| Indonesian rupiah | 1,788 | 1,344 |
| Euro | 7 | – |
| | 16,162 | 11,807 |

## 28. Other payables and accruals

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Other payables | 4,841 | 998 | 66 | 11 |
| Accrued operating expenses | 4,156 | 3,382 | 246 | 352 |
| Deposits and advances received from customers | 16 | 29 | – | – |
| | 9,013 | 4,409 | 312 | 363 |

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 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Singapore dollar | 2,551 | 2,504 | 312 | 363 |
| Indonesia rupiah | 5,767 | 1,187 | – | – |
| Chinese renminbi | 695 | 718 | – | – |
| | 9,013 | 4,409 | 312 | 363 |

## 29. Loan and borrowings

| | Group 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| ***Current*** | | |
| Finance lease | 49 | 43 |
| Short-term bank loans | 2,848 | 50 |
| | 2,897 | 93 |
| ***Non-current*** | | |
| Finance lease | – | 21 |
| Total loans and borrowings | 2,897 | 114 |

***Finance lease***

The Company's subsidiary entered into a 2 years (2016: 2 years) finance lease with a lease company. The finance lease bears effective interest rate of 7.59% (2016: 13.75%) per annum. Interest rate was fixed at the contract dates and accordingly it is not exposed to interest rate risk. At the end of the financial year, 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 arrangement has been entered into for contingent rental payments.

| | Group | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Minimum lease payment $'000 | Present value of payment $'000 | Minimum lease payment $'000 | Present value of payment $'000 |
| Payable under finance leases: | | | | |
| - within one year | 52 | 49 | 49 | 42 |
| - after one year but within five years | – | – | 22 | 22 |
| | 52 | 49 | 71 | 64 |
| Future finance charges | (3) | – | (7) | – |
| Present value of lease obligations | 49 | 49 | 64 | 64 |
| Current portion | 49 | 49 | 49 | 42 |
| Non-current portion | – | – | 15 | 22 |
| | 49 | 49 | 64 | 64 |

The Group's finance lease is secured by the leased asset, which will revert to the lessor in the event of default by the Group.

Finance lease is denominated in Indonesian rupiah.

## 29. Loan and borrowings (Continued)

***Short-term bank loan***

The short-term secured loans of $1,180,000 (2016: $50,000) denominated in Indonesia Rupiah are repayable on demand with average effective interest rate range of 3.0% and 4.0% per annum (2016: 7.78% per annum). At the end of the financial year, the loans are secured to by a subsidiary's bank deposits as disclosed in Note 26 to the financial statements. The remaining short-term bank loans of $1,668,000 (2016:$Nil), comprise $1,000,000 denominated in Singapore dollar and $668,000 denominated in United States dollar, with average effective interest rate of 3.09% and 3.15% per annum are unsecured and repayable on demand.

## 30. Retirement benefit obligations

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Retirement gratuities | 206 | 206 |
| Employee service entitlement benefits | 1,208 | 1,120 |
| | 1,414 | 1,326 |

***Retirement gratuities***

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| At beginning of the financial year | 206 | 189 |
| Provision of gratuity | – | 17 |
| At end of the financial year | 206 | 206 |

***Employee service entitlement benefits***

The Group has defined benefit plan (the "Plan") and made provision for employee benefits for all its permanent employees of subsidiaries as required under the Labour Law No. 13/2003, Indonesia. The number of employees entitled to the benefits as at 31 December 2017 is 268 (2016: 253).

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

The Plan is exposed to a number of risks:

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

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

## 30. Retirement benefit obligations (Continued)

***Employee service entitlement benefits*** (Continued)

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.

In 2018, the Group expects to contribute $123,000 into the Plan.

The provision for employee benefits is calculated by an external independent actuary, PT Binaputera Jaga Hikmah (2016: PT Tama Aktuaria Nusantara) using the "Projected Unit Credit Method".

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Annual discount rate | 6.91% | 8.75% |
| Annual salary growth rate | 4% | 4% |
| Table of mortality | Indonesia III-2011 | Indonesia III-2011 |
| Turnover rate | 2.5% | 2.5% |
| Normal retirement age | 55 years | 55 years |

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| **Defined benefit plan** | | |
| Present value of defined benefit obligation | 1,373 | 1,299 |
| Fair value of the Plan assets | (165) | (179) |
| Net defined benefit liabilities | 1,208 | 1,120 |

## 30. Retirement benefit obligations (Continued)

***Employee service entitlement benefits*** (Continued)

*Reconciliation of defined benefit obligation:*

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| At beginning of financial year | 1,299 | 1,148 |
| Included in profit or loss | | |
| Current service costs | 124 | 76 |
| Interest costs | 83 | 80 |
| Amount recognised as expenses | 207 | 156 |
| Included in other comprehensive income | | |
| Remeasurement of post-employment benefits from: | | |
| - Demographic assumptions | (50) | (49) |
| - Financial assumptions | 255 | 329 |
| Net actuarial losses recognised | 205 | 280 |
| Others | | |
| Effects of movements in exchange rates | (115) | 52 |
| Benefits paid | (223) | (337) |
| At end of the financial year | 1,373 | 1,299 |

*Reconciliation of fair value of the Plan assets:*

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| At beginning of financial year | (179) | (237) |
| Included in profit or loss | | |
| Interest costs | 3 | 3 |
| Included in other comprehensive income | | |
| Return on plan assets (excluding interest) | (16) | (20) |
| Others | | |
| Effects of movements in exchange rates | 14 | (11) |
| Employer contributions | (87) | (103) |
| Benefits paid | 100 | 189 |
| | 27 | 75 |
| At end of the financial year | (165) | (179) |

## 30. Retirement benefit obligations (Continued)

***Employee service entitlement benefits*** (Continued)

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Fixed income | 86 | 90 |
| Syariah fund | 79 | 89 |
| | 165 | 179 |

*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:

| **Actuarial assumption** | **Reasonably possible change** | **Defined benefit obligation Increase** | **Defined benefit obligation Decrease** |
|---|---|---|---|
| | | **$'000** | **$'000** |
| **2017** | | | |
| Discount rate | 6.91% (+/- 1%) | 1,221 | 1,438 |
| Wages and salary growth rate | 4% (+/- 1%) | 1,439 | 1,217 |
| Mortality rate | 0.1% (+/- 1%) | 1,323 | 1,323 |
| Turnover rate | 2.5% (+/- 10%) | 1,298 | 1,348 |
| Retirement age | 55 (+/- 1%) | 1,425 | 1,231 |
| **2016** | | | |
| Discount rate | 8.75% (+/- 1%) | 1,183 | 1,429 |
| Wages and salary growth rate | 4% (+/- 1%) | 1,433 | 1,178 |
| Mortality rate | 0.1% (+/- 1%) | 1,299 | 1,297 |
| Turnover rate | 2.5% (+/- 10%) | 1,298 | 1,298 |
| Retirement age | 55 (+/- 1%) | 1,303 | 1,399 |

The average duration of the post-employment benefits at the end of the financial year is 13 years (2016: 15 years).

## 31. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Number of ordinary shares | | $'000 | $'000 |
| **Issued and paid up:** | | | | |
| At beginning of year | 496,158,657 | 472,618,657 | 58,522 | 73,458 |
| Issued during the financial year | – | 99,540,000 | – | 7,864 |
| Capital reduction | – | (76,000,000) | – | (22,800) |
| At end of year | 496,158,657 | 496,158,657 | 58,522 | 58,522 |

In the previous financial year, the Group and the Company have completed placement share, capital reduction and granted share options as disclosed below:

**(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 to cancel 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 had been completed on 20 January 2016, and the issued share capital of the Company decreased from 572,158,657 to 496,158,657.

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

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.

## 32. Other reserves

Other reserves comprise the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Equity non-controlling interest | (3) | (3) | – | – |
| Foreign currency translation reserve | 72 | 119 | – | – |
| Share options reserve | 1,121 | – | 1,121 | – |
| Statutory reserve | 1,006 | 873 | – | – |
| | 2,196 | 989 | 1,121 | – |

## 32. Other reserves (Continued)

Equity non-controlling interest

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

Foreign currency translation reserve

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

Share options reserve

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

As disclosed in Directors' Statement Note 5, the Board of Directors and GSS Energy Limited Executives' Share Option Scheme Committee approved and granted 47,200,000 options to subscribe for ordinary shares of the Company to Directors of the Company and a Director of a subsidiary of the Company during the financial year. Options are exercisable at a price based on the average of the last done prices for the shares of the company on the Singapore Exchange Securities Trading Limited on the grant date; or may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. If the options, after the vesting period, remain unexercised before the expiry date, the options expire. The options will lapse or forfeited if the individual leaves before the options vest.

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

| Date granted | Number of share options at date of grant '000 | Lapsed '000 | Exercised '000 | Balance at 31 December 2017 '000 | Vesting period (month) | Option expiry date | Weighted average exercise price $ |
|---|---|---|---|---|---|---|---|
| 27 February 2017 | 10,000 | | | 10,000 | 12 | 26 Feb 2022 | 0.12320 |
| 27 February 2017 | 28,400 | – | – | 28,400 | 24 | 26 Feb 2022 | 0.09856 |
| 27 February 2017 | 1,400 | – | – | 1,400 | 24 | 26 Feb 2020 | 0.09856 |
| 24 April 2017 | 7,400 | – | – | 7,400 | 22 | 26 Feb 2022 | 0.09856 |
| | 47,200 | – | – | 47,200 | | | 0.10378 |

No share is exercisable at the end of the financial year.

The exercise price of options outstanding at 31 December 2017 ranged between $0.09856 and $0.12320 and their weighted average contractual life was 4.4 years.

## 32. Other reserves (Continued)

The weighted average fair value of each options granted during the year was $0.0491.

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

| | **2017** |
|---|---|
| Option pricing model used | The Black-Scholes |
| The weighted average share price at grant date | $0.1288 |
| Expected volatility | 52.29% |
| Expected dividend growth rate | – |
| Expected life of option | 5 years |
| Risk-free interest rate | 2.06% |

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

The Group and the Company recognised total expenses of $1,121,000 related to equity-settled share-based payment transactions during the year.

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

Statutory reserve

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

## 33. Significant related party transactions

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

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

## 33. Significant related party transactions (Continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **With subsidiaries** | | | | |
| Payment on behalf by a subsidiary | – | – | 57 | 266 |
| Advance to a subsidiary | – | – | 7,573 | 1,070 |
| Payment made on behalf of subsidiaries | – | – | 195 | 2,562 |
| Waiver of amount owed by a subsidiary | – | – | – | (6,503) |
| Management fee income | – | – | 389 | 81 |
| Management expense | – | – | 95 | – |
| Loan from a subsidiary | – | – | 9,200 | – |

*Compensation of key management personnel*

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Directors' fees | 72 | 108 |
| Salaries, bonuses and allowances | 1,933 | 1,939 |
| Provident fund and pension contributions | 74 | 72 |
| Employee share options expenses | 1,121 | – |
| Total compensation paid to key management personnel | 3,200 | 2,119 |
| Comprise amounts paid to: | | |
| - Directors of the Company | 2,464 | 1,625 |
| - Other key management personnel | 736 | 494 |
| | 3,200 | 2,119 |

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

## 34. 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 | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Future minimum lease payments payable: | | |
| Within one year | 871 | 1,201 |
| After one year but within five years | 48 | 886 |
| | 919 | 2,087 |

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 (2016: 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 had entered into leases with third parties in respect of its office premises in People's Republic of China in the previous financial year. This non-cancellable leases had remaining lease terms within 1 to 2 years. The leases included a clause to enable upward revision of the annual rental charge 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 | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Future minimum lease payments receivable: | | |
| Within one year | – | 19 |

## 35. 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.

## 35. Segment information (Continued)

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

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

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

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

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

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

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

- Mechanisms division
- Microshafts division
- Oil extraction

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

Microshafts division concentrates on the manufacturing of high precision shafts.

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

Other operations include marketing and provision of sales support services.

## 35. Segment information (Continued)

### (a) *Analysis by business activities*

| | Mechanisms $'000 | Microshafts $'000 | Oil extraction $'000 | Unallocated segment $'000 | Eliminations $'000 | Group $'000 |
|---|---|---|---|---|---|---|
| **31 December 2017** | | | | | | |
| **Revenue** | | | | | | |
| External customers | 83,430 | 10,897 | – | – | – | 94,327 |
| Intersegment revenues | 16,062 | 2,214 | – | – | (18,276) | – |
| | 99,492 | 13,111 | – | – | (18,276) | 94,327 |
| Results: | | | | | | |
| Operating profit | 6,431 | 4,210 | (2,495) | (2,330) | – | 5,816 |
| Interest income | | | | | | 198 |
| Interest expense | | | | | | (21) |
| Share of results of equity accounted joint venture, net of tax | | | | | | – |
| Income tax expense | | | | | | (1,779) |
| Non-controlling interests | | | | | | 141 |
| Net profit | | | | | | 4,355 |
| **Segment assets and liabilities** | | | | | | |
| Segment assets | 33,763 | 25,847 | 14,898 | 460 | – | 74,968 |
| Total assets | | | | | | 74,968 |
| Segment liabilities | 17,429 | 8,764 | 4,497 | 1,144 | – | 31,834 |
| Total liabilities | | | | | | 31,834 |
| **Other segment information** | | | | | | |
| Allowance for inventories obsolescence written back | 28 | 54 | – | – | – | 82 |
| Capital expenditure | (955) | (4,430) | (9,010) | – | – | (14,395) |
| Compensation for expropriation of land and building by Changzhou Government State Land Office | – | 3,128 | – | – | – | 3,128 |
| Depreciation and amortisation | (943) | (695) | (1) | – | – | (1,639) |

## 35. Segment information (Continued)

### *(a) Analysis by business activities* (Continued)

| | Mechanisms $'000 | Microshafts $'000 | Oil extraction $'000 | Unallocated segment $'000 | Eliminations $'000 | Group $'000 |
|---|---|---|---|---|---|---|
| **31 December 2016** | | | | | | |
| **Revenue** | | | | | | |
| External customers | 54,306 | 21,403 | – | – | – | 75,709 |
| Intersegment revenues | 11,202 | 1,520 | – | – | (12,722) | – |
| | 65,508 | 22,923 | – | – | (12,722) | 75,709 |
| Results: | | | | | | |
| Operating profit | 5,804 | 5,975 | 2,966 | – | – | 14,745 |
| Interest income | | | | | | 213 |
| Interest expense | | | | | | (15) |
| Share of results of equity accounted joint venture, net of tax | | | | | | (2) |
| Income tax expense | | | | | | (1,559) |
| Non-controlling interests | | | | | | 79 |
| Net profit | | | | | | 13,461 |
| **Segment assets and liabilities** | | | | | | |
| Segment assets | 23,523 | 21,160 | 4,968 | 7,842 | – | 57,493 |
| Total assets | | | | | | 57,493 |
| Segment liabilities | 12,013 | 6,234 | 364 | 991 | – | 19,602 |
| Total liabilities | | | | | | 19,602 |
| **Other segment information** | | | | | | |
| Allowance for inventories obsolescence written back | 31 | – | – | – | – | 31 |
| Allowance for inventories obsolescence | (206) | – | – | – | – | (206) |
| Capital expenditure | (1,493) | (2,241) | (1,828) | – | – | (5,562) |
| Compensation for expropriation of land and building by Changzhou Government State Land Office | – | 3,185 | – | – | – | 3,185 |
| Depreciation and amortisation | (892) | (663) | – | – | – | (1,555) |
| Gain on disposal of a subsidiary | – | – | 6,061 | – | – | 6,061 |

## 35. 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, goodwill and exploration and evaluation assets.

| | Turnover | | Non-current assets | | Capital expenditure | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Singapore | 15,331 | 14,680 | 212 | 227 | 108 | 130 |
| Indonesia | 50,272 | 40,342 | 15,858 | 7,428 | 9,960 | 3,204 |
| Germany | 2,161 | 2,242 | – | – | – | – |
| China | 16,663 | 10,673 | 8,296 | 4,682 | 4,327 | 2,228 |
| Others | 9,900 | 7,772 | – | – | – | – |
| | 94,327 | 75,709 | 24,366 | 12,337 | 14,395 | 5,562 |

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

The revenues from the top three customers of the Group's Mechanisms segment represent approximately $54,787,000 (2016: $46,613,000) of the Group's total revenues.

## 36. Financial risk management objectives and policies

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

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

### 36.1 Credit risk

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

## 36. Financial risk management objectives and policies (Continued)

### 36.1 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 2017, the Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for 13 (2016: 13) customers altogether accounted for 84% (2016: 86%) 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, trade receivables and short-term investments.

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:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Gross receivables $'000** | **Impairment $'000** | **Gross receivables $'000** | **Impairment $'000** |
| **Group** | | | | |
| Not past due | 18,543 | – | 16,006 | – |
| Past due less than 30 days | 4,783 | – | 1,895 | – |
| Past due 30 to 60 days | 1,116 | – | 791 | – |
| Past due 61 to 90 days | 232 | – | 207 | – |
| Past due over 90 days | 89 | – | 9 | – |
| | 24,763 | – | 18,908 | – |

### 36.2 Market risk

Foreign currency risk

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

## 36. Financial risk management objectives and policies (Continued)

### 36.2 Market risk (Continued)

Foreign currency risk (Continued)

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 | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| **Monetary assets** | | |
| SGD | 196 | 647 |
| USD | 21,242 | 20,260 |
| Euro | 228 | 111 |
| IDR | 2,842 | 1,709 |
| YEN | 62 | 101 |
| **Monetary liabilities** | | |
| SGD | 19 | – |
| USD | 7,535 | 5,746 |
| Euro | 7 | – |
| IDR | 8,783 | 2,531 |
| YEN | 32 | 18 |

*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.

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:

## 36. Financial risk management objectives and policies (Continued)

### 36.2 Market risk (Continued)

Foreign currency risk (Continued)

*Foreign currency sensitivity analysis* (Continued)

| | Increase/(Decrease) Profit or loss 2017 $'000 | Increase/(Decrease) Profit or loss 2016 $'000 |
|---|---|---|
| **Group** | | |
| *Singapore dollar* | | |
| Strengthen against Chinese renminbi | 6 | 32 |
| Weaken against Chinese renminbi | (6) | (32) |
| *United States dollar* | | |
| Strengthen against Chinese renminbi | 46 | 32 |
| Weaken against Chinese renminbi | (46) | (32) |
| *Japanese yen* | | |
| Strengthen against Chinese renminbi | 3 | 5 |
| Weaken against Chinese renminbi | (3) | (5) |
| *United States dollar* | | |
| Strengthen against Singapore dollar | 639 | 694 |
| Weaken against Singapore dollar | (639) | (694) |
| *Euro* | | |
| Strengthen against Singapore dollar | 11 | 6 |
| Weaken against Singapore dollar | (11) | (6) |
| *Indonesian rupiah* | | |
| Strengthen against Singapore dollar | (130) | (50) |
| Weaken against Singapore dollar | 130 | 50 |
| *Japanese yen* | | |
| Strengthen against Singapore dollar | (2) | (1) |
| Weaken against Singapore dollar | 2 | 1 |
| *Indonesian rupiah* | | |
| Strengthen against United States dollar | (167) | 3 |
| Weaken against United States dollar | 167 | (3) |

## 36. Financial risk management objectives and policies (Continued)

### 36.3 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.

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | 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 | 16,162 | – | 16,162 | 11,807 | – | 11,807 |
| Other payables and accruals | 8,997 | – | 8,997 | 4,380 | – | 4,380 |
| Loan and borrowings | 2,897 | – | 2,897 | 114 | – | 114 |
| | 28,056 | – | 28,056 | 16,301 | – | 16,301 |

### 36.4 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 2016. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as loan and borrowings plus trade and other payables less cash and bank balances. Total capital is calculated as equity plus net debt.

As disclosed in Note 32 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.

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

## 36. Financial risk management objectives and policies (Continued)

### 36.4 Capital management policy (Continued)

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Trade and other payables | 25,175 | 16,216 | 312 | 363 |
| Loan and borrowings | 2,897 | 114 | – | – |
| Less: cash and cash equivalents | (4,719) | (14,942) | (11) | (527) |
| Net debt | 23,353 | 1,388 | 301 | (164) |
| Equity attributable to the equity holders of the Company | 43,216 | 37,976 | 28,993 | 30,575 |
| Total capital | 43,216 | 37,976 | 28,993 | 30,575 |
| Capital and total debt | 66,569 | 39,364 | 29,294 | 30,411 |
| Gearing ratio | 35.1% | 3.5% | 1.03% | (0.5%) |

### 36.5 Fair values of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other current receivables and payables approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of non-current liabilities in relation to finance lease payable is disclosed in Notes 29 to the financial statements.

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 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial assets** | | | | |
| Trade receivables | 24,763 | 18,908 | – | – |
| Other receivables and deposits | 1,903 | 756 | 3 | – |
| Short-term investment | 7,381 | 3,337 | – | – |
| Cash and bank balances | 6,378 | 15,536 | 11 | 527 |
| Total loans and receivables | 40,425 | 38,537 | 14 | 527 |

## 36. Financial risk management objectives and policies (Continued)

### 36.5 Fair values of financial assets and financial liabilities (Continued)

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial liabilities** | | | | |
| Trade payables | 16,162 | 11,807 | – | – |
| Other payables and accruals | 8,997 | 4,380 | 312 | 363 |
| Due to a former non-controlling shareholder of a subsidiary | – | – | – | – |
| Due to a subsidiary | – | – | 12,753 | 3,829 |
| Loan and borrowings | 2,897 | 114 | – | – |
| Total financial liabilities at amortised cost | 28,056 | 16,301 | 13,065 | 4,192 |

*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).

## 37. Dividends

The Company did not recommend any dividend in respect of the financial year ended 31 December 2017.

## 38. Subsequent events

On 23 February 2018, the Company granted 27,223,000 employee share options at $0.12512 exercise price per option, being a 20% discount to the market price, to certain directors and employees of the Company. The financial effect cannot be estimated as the Group is still in the process to assess the fair value of the options granted.

## 39. Capital commitments

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Property, plant and equipment | 1,432 | – |
| Construction-in-progress | 8,112 | 1,385 |
| | 9,544 | 1,385 |

## 40. Authorisation of financial statements

The consolidated financial statements of the Group for the financial year ended 31 December 2017, the statement of financial position of the Company as at 31 December 2017 and the statement of changes in equity of the Company for the financial year ended 31 December 2017 were authorised for issue by the Board of Directors on 27 March 2018.

# STATISTICS OF **SHAREHOLDINGS**

*As at 19 March 2018*

## DISTRIBUTION OF SHAREHOLDINGS

### SHARE CAPITAL

**Paid Up Capital** S$58,521,779
**Class of Shares** Ordinary Shares with equal voting rights

**Treasury shares** Nil (there are no shares held in treasury)

| Size of shareholdings | No. of shareholders | % of Shareholders | No. of shares | % of Shareholdings |
|---|---|---|---|---|
| 1 – 99 | 4 | 0.13 | 37 | 0.00 |
| 100 – 1,000 | 335 | 11.21 | 316,849 | 0.06 |
| 1,001 – 10,000 | 1,155 | 38.64 | 6,266,500 | 1.26 |
| 10,001 – 1,000,000 | 1,459 | 48.81 | 150,925,148 | 30.42 |
| 1,000,001 and above | 36 | 1.21 | 338,650,123 | 68.26 |
| **Total** | **2,989** | **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. | 183,534,999 | 36.99 |
| 2 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 25,371,233 | 5.11 |
| 3 | RAFFLES NOMINEES (PTE) LIMITED | 22,736,500 | 4.58 |
| 4 | DBS NOMINEES (PRIVATE) LIMITED | 21,900,600 | 4.41 |
| 5 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 13,866,408 | 2.79 |
| 6 | OCBC SECURITIES PRIVATE LIMITED | 8,226,500 | 1.66 |
| 7 | BPSS NOMINEES SINGAPORE (PTE.) LTD. | 6,250,000 | 1.26 |
| 8 | LEE PUAY CHIN | 5,359,900 | 1.08 |
| 9 | UOB KAY HIAN PRIVATE LIMITED | 4,483,900 | 0.90 |
| 10 | NG CHENG LYE | 4,060,000 | 0.82 |
| 11 | PHILLIP SECURITIES PTE LTD | 2,910,800 | 0.59 |
| 12 | HSBC (SINGAPORE) NOMINEES PTE LTD | 2,800,000 | 0.56 |
| 13 | KGI SECURITIES (SINGAPORE) PTE. LTD. | 2,541,800 | 0.51 |
| 14 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 2,200,000 | 0.44 |
| 15 | FOO MOOH SHUNG | 2,080,000 | 0.42 |
| 16 | CITIBANK NOMINEES SINGAPORE PTE LTD | 2,053,924 | 0.41 |
| 17 | FOO SIEW JIUAN | 2,000,000 | 0.40 |
| 18 | YONG CHIN FAH | 1,900,000 | 0.38 |
| 19 | CHEN YANJIE | 1,800,000 | 0.36 |
| 20 | TAN YEO KEE | 1,730,000 | 0.35 |
| | **TOTAL** | **317,806,564** | **64.02** |

68.28% 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 the SGX-ST, Section B: Rules of Catalist.

## SUBSTANTIAL SHAREHOLDERS

| Name | Direct Interest | Deemed Interest | Total No. of Shares | % |
|---|---|---|---|---|
| SUNDAN PACIFIC LIMITED | 66,700,000 | – | 66,700,000 | 13.44% |
| GLENN FUNG KAU LEE | – | 66,700,000 | 66,700,000 | 13.44% |
| ROOTS CAPITAL ASIA LIMITED | 90,675,000 | – | 90,675,000 | 18.28% |
| YEUNG KIN BOND, SYDNEY | – | 90,675,000 | 90,675,000 | 18.28% |

Notes:

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

2) Mr Yeung Kin Bond Sydney is deemed to have an interest in the 90,675,000 shares held by Roots Capital Asia Limited.

# NOTICE OF
# ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Third 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 23 April 2018 at 10.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Auditors' Reports thereon. **(Resolution 1)**

2. To approve the payment of Directors' Fees of S$72,000 for the financial year ended 31 December 2017 (2016: S$108,000). **(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 Suyulianto Badung Tariono **(Resolution 3a)**

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

4. To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 4)**

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

## AS SPECIAL BUSINESS

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

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

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**Catalist Rules**"), 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 Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time of the passing of this Resolution, 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 subsidiary holdings) 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 5, until the issuance of such shares in accordance with the terms of such convertible securities.

   (See Explanatory Note 2) **(Resolution 5)**

7. **Authority to grant share options, allot and issue shares under GSS Energy Limited Executives' Share Option Scheme**

That the Directors of the Company be and are hereby authorised, pursuant to Section 161 of the Companies Act, Cap. 50, to offer and grant options ("**Options**") in accordance with the GSS Energy Limited Executives' Share Option Scheme (the "**GEL 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 GEL Scheme and to do all such acts and things as may be necessary or expedient to carry the same into effect, provided always that:

(a) 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 centum (15%) of the total number of the total issued share capital of the Company (excluding treasury shares and subsidiary holdings) of the Company on the day preceding that date; and

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

(See Explanatory Note 3) **(Resolution 6**)

8. **Adoption of the GSS Energy Limited 2018 Executives' Share Option Scheme and authority to offer and grant options and to allot and issue shares under the GSS Energy Limited 2018 Executives' Share Option Scheme**

That:

(a) the GSS Energy Limited 2018 Executives' Share Option Scheme (the "**GEL 2018 Scheme**"), the rules and summary of which are set out in the Appendix to this Notice of Annual General Meeting, be and is hereby approved and adopted;

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

    (i) to establish and administer the GEL 2018 Scheme;

    (ii) to modify and/or amend the GEL 2018 Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the rules of the GEL 2018 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 GEL 2018 Scheme; and

    (iii) pursuant to Section 161 of the Companies Act, Cap. 50, to offer and grant options ("**2018 Options**") in accordance with the GEL 2018 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 GEL 2018 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 2018 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 centum (15%) of the total number of the total issued share capital of the Company (excluding treasury shares and subsidiary holdings) 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 GEL 2018 Scheme (subject to adjustments, if any, made under the GEL 2018 Scheme) shall not exceed such limits or (as the case may be) sub-limits as may be prescribed in the GEL 2018 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.

(See Explanatory Note 4) **(Resolution 7)**

9. **Grant of 2018 Options at a Discounted Price**

That, subject to and contingent upon the passing of Resolution 7, the Directors of the Company be and are hereby authorised to offer and grant options under GSS Energy Limited 2018 Executives' Share Option Scheme in accordance with the provisions of the GEL 2018 Scheme to participants with exercise prices set at a discount to the Market Price provided that such discount does not exceed twenty per centum (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 8)**

10. **The proposed renewal of the Share Buy-Back Mandate**

That:

(a) pursuant to Section 76C and 76E of the Companies Act, Cap. 50 (the "**Act**"), and Part XI of Chapter 8 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), 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 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 authorised 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 renewal of the 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 per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 share capital of the Company shall be taken to be the amount of the issued share capital of the Company as altered (excluding any treasury shares and subsidiary holdings 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, one hundred and five per centum (105%) of the Average Closing Price; and

(ii) in the case of an Off-Market Share Buy-Back, one hundred and twenty per centum (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; and

(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 5) **(Resolution 9)**

By Order of the Board

Ng Say Tiong
Company Secretary
Singapore, 6 April 2018

**Explanatory Notes:**

1. Mr Chee Sanford will, upon passing the Ordinary Resolution 3b in item 3 above, remain as the Chairman of the Audit Committee and a member of Remuneration Committee and Nominating Committee respectively, and will be considered independent for the purpose of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

2. The Ordinary Resolution 5 in item 6 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 this Resolution would not exceed one hundred per centum (100%) of the total number of issued shares of the Company at the time of passing this Resolution. 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 5, the percentage of issued shares is based on the total number of issued shares at the time Ordinary Resolution 5 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 5 is passed, provided the options and awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and (c) any subsequent bonus issue, consideration or subdivision of shares.

3. The Ordinary Resolution 6 in item 7 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 GEL 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 GEL 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 centum (15%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company on the day preceding that date.

4. The Ordinary Resolutions 7 in item 8 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 GEL 2018 Scheme provided that the number of shares which the Directors may allot and issue under this Resolution, together with any shares issued and issuable that the number of all options granted or to be granted under the GEL 2018 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 centum (15%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company on the day preceding the Offering Date.

5. The Ordinary Resolution 9 in item 10 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 of Annual General Meeting, the Act and the Catalist Rules. Please refer to the Appendix to this Notice of Annual General Meeting for more details.

**Notes:**

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the “**Meeting**”).

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   “Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

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

4. 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/she thinks fit.

5. 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.

6. 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 seventy-two (72) hours before the time appointed for holding the Meeting and at any adjournment thereof.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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

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

**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.

## PROXY FORM

*(Please see notes overleaf before completing this Form)*

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 23 April 2018 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 adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017 | | |
| 2 | To approve the payment of Directors' Fees of S$72,000 for the financial year ended 31 December 2017 | | |
| 3a | To re-elect Mr Suyulianto Badung Tariono as a Director pursuant to Regulation 89 of the Constitution of the Company | | |
| 3b | To re-elect Mr Chee Sanford pursuant as a Director pursuant to Regulation 89 of the Constitution of the Company | | |
| 4 | To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration | | |
| 5 | Authority to allot and issue shares | | |
| 6 | Authority to grant share options, and allot and issue shares under GSS Energy Limited Executives' Share Option Scheme | | |
| 7 | Adoption of the GSS Energy Limited 2018 Executives' Share Option Scheme and authority to offer and grant options and to allot and issue shares under the GSS Energy Limited 2018 Executives' Share Option Scheme | | |
| 8 | Grant of 2018 Options at a Discounted Price | | |
| 9 | Proposed renewal of the Share Buy-Back Mandate | | |

Dated this __________ day of ____________________ 2018

| 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

**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, Cap. 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 Central Provident Fund 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 at the Registered Office at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623, not less than seventy-two (72) 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/her 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, Cap. 50.

**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/her name in the Depository Register as at seventy-two (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), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2018.

**GSS Energy Limited**

Blk 4012 Ang Mo Kio Ave 10
#05-01 Techplace 1
Singapore 569628
Tel: 6259 9133
Fax: 6259 9822

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Tel: (65) 63278398