

GSS ENERGY LIMITED

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



SGX/MEDIA RELEASE – FOR IMMEDIATE RELEASE

GSS Energy registers growth in revenue and gross profit for 1H2015, but net profit impacted by impairment

- Revenue up 8.9% in 1H2015 to S\$34.6 million due to inclusion of revenue from the Oil and Gas (“O&G”) Business
- Gross Profit increased by 79.8% to S\$10.2 million in 1H2015 contributed by stronger margins from the Precision Engineering (“PE”) Business and additional revenue from the O&G Business
- The Group recognised a net loss of S\$30.0 million mainly due to a one-off impairment provision
- The Group continues to look for more opportunities in the Oil and Gas sector as asset valuations are attractive in the current environment

Singapore, 14 August 2015 – The Board of Directors (the “Board”) of **GSS Energy Limited** (“GSS Energy”, and together with its subsidiaries, the “Group”) has announced the financial results for three / six months ended 30 June 2015 (“2Q2015 / 1H2015”) today. The Group incurred a net loss after income tax of S\$30.0 million for 1H2015 due to one-off non-cash impairment provisions.

	2Q2015	2Q2014	Change	1H2015	1H2014	Change
	(3 months)	(3 months)		(6 months)	(6 months)	
	(S\$'000)	(S\$'000)	%	(S\$'000)	(S\$'000)	%
Revenue	16,410	13,808	18.8	34,568	31,755	8.9
Gross Profit	4,632	2,856	62.2	10,181	5,661	79.8
Gross Profit Margin	28.2%	20.7%	7.5ppt	29.5%	17.8%	11.7ppt
Operating Expenses*	(4,058)	(2,293)	77.0	(8,454)	(4,683)	80.5
Profit before impairment provisions and income tax	659	657	0.3	2,176	1,184	83.8
Impairment Provisions	(32,884)	-	NM	(32,884)	-	NM
Profit / (Loss) before income tax	(32,225)	657	NM	(30,708)	1,184	NM
Net Profit / (Loss) after income tax	(31,079)	620	NM	(30,020)	1,119	NM
Net Profit / (Loss) attributable to shareholders of the company	(21,533)	615	NM	(20,576)	1,112	NM
Earnings per share (Singapore cents)**	(4.56)	0.20	NM	(4.35)	0.38	NM

*Operating expenses include distribution and selling expenses, administration expenses and other operating expenses.

**The earnings per share for the period ended 30 June 2015 and 30 June 2014 is calculated based on the weighted average share capital in issue during the period of 472,618,657 ordinary shares. (1 April 2014 to 30 June 2014: 271,685,324 ordinary shares and 1 January 2014 to 30 June 2014: 293,471,696 ordinary shares)

Note: NM denotes not meaningful, ppt denotes percentage points

FINANCIAL REVIEW

The Group reported revenue of S\$34.6 million for 1H2015, comprising of S\$29.8 million from the PE business (1H2014: S\$31.2 million for the PE business) and S\$4.8 million from the O&G business. There was no revenue from the O&G business in 1H2014 as the O&G business was not part of the Group. PE business generated 86.3% of the Group's revenue whereas O&G business contributed 13.7%. The Group has also reported a gross profit of S\$10.2 million for 1H2015 that represented a combined profit margin of 29.5%. PE business contributed S\$7.5 million in gross profit generating a sustainable profit margin of 25.1%, while the O&G business added S\$2.7 million delivering a strong profit margin of 57.1%.

The Group took a one-off impairment provision of S\$32.9 million resulting from the termination of agreement between its subsidiary, PT Cepu Sakti Energy (“PT CSE”) and Village Cooperative (Koperasi Unit Desa) Sumber Pangan (“KUD SP”) for the management of oil wells at Dandangilo-Wonocolo, East Java. An SGX announcement was released on the 24th of July 2015 regarding the termination of this agreement. This comprises of impairment of goodwill of S\$9.8 million, intangibles of S\$11.4 million, trade receivables of S\$18.3 million, other assets of S\$0.17 million and offset by a write-back of trade payables of S\$6.7 million.

Total operating expenses increased by 80.5% in 1H2015 to S\$8.5 million. The PE business incurred S\$4.6 million in expenses, S\$2.3 million for the O&G business and S\$1.1 million for corporate expenses including one-off expenses for the acquisition of the stake in PT CSE, the related share placement exercise, the scheme of arrangement to transfer the Catalyst listing to the Group and the investment agreement entered into to drill 2 oil wells in West Jambi, Sumatra, Indonesia.

As a result of the above factors and mainly due to the impairment provision, the Group reported a net loss attributable to equity holders of S\$20.6 million for 1H2015.

<i>Financial positions</i>	As at 30 June 2015	As at 31 August 2014	Change
	(S\$'000)	(S\$'000)	%
Cash and cash equivalents	8,719	4,444	96.2
Total assets	65,964	28,594	NM
Loan and borrowings	42	31	35.5
Total liabilities	30,183	13,031	NM
Total equity	35,781	15,563	NM
Net asset value per share (NAV) *	8.85	4.85	82.5

*The net asset value per share for the period ended 31 June 2015 is calculated based on the share capital (excluding treasury shares) in issue at the end of the period of 472,618,657 ordinary shares (31 August 2014: 315,018,657 ordinary shares).

The Group’s financial position strengthened further during the financial period. As at 30 June 2015, the Group registered cash and cash equivalents of S\$8.7 million with having negligible debt on the balance sheet.

OUTLOOK

The PE business of the Group has over 30 years of operating history in providing one-stop integrated solution in mechanism and precision engineering to customers all over the world. It has continued to deliver a healthy and major stream of revenue, while the Group will actively source for new growth opportunities for this business.

The Group's O&G business remains affected by the challenging environment amidst weak oil prices and by the Indonesian government's policies on the operation of its oilfields. Maintaining a cautious approach in the oil and gas sector, the Group continues to explore relevant opportunities in the region to leverage and expand its revenue streams.

Commenting on the financial results for 1H2015 and the outlook for the Group, Mr. Sydney Yeung, CEO of GSS Energy, commented,

“The Group reported a net loss for 1H2015 notably due to the termination of the Dandangilo-Wonocolo oil wells that affected the carrying value of the Group’s investment. However, this does not deter us from our overall strategy and activity in the oil and gas sector.

The PE business has always been the bedrock of our Group and has consistently delivered revenue. On the O&G business side, we recently entered an agreement with Ramba Energy Limited to explore oil fields at the West Jambi Block in Sumatra, Indonesia. We have also setup GSS-AFCO Energy Pte Ltd with our partners to engage in the marketing and distribution of mineral oil and crude oil products in Indonesia. Both should provide positive catalysts for the Group moving forward.

Furthermore, we are working on new growth opportunities in precision engineering as well as oil and gas sector in the region.”

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

GSS Energy has two core operating subsidiaries: CSE and Giken Sakata (S) Limited (“Giken Sakata”). CSE is engaged in oil production in Indonesia, and Giken Sakata is engaged in precision engineering, with a presence in Singapore, Indonesia and China.

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

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

Issued for and on behalf of GSS Energy Limited

By Financial PR Pte Ltd

For more information, please contact:

Romil SINGH / Colin LUM

romil@financialpr.com.sg / colinlum@financialpr.com.sg

Tel: (65) 6438 2990, Fax: (65) 6438 0064

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The contact person for the Sponsor is Mr Bernard Lui

Tel: (65) 6389 3000

Email: bernard.lui@stamfordlaw.com.sg