

LEVERAGING GROWTH CREATING VALUE

ANNUAL REPORT 2016

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

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

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Contents

01

Group Financial Summary

02

Chairman's Message

03

CEO's Message

05

Board of Directors

08

Corporate Data

09

Corporate Governance

18

Financial Contents

104

Statistics of Shareholdings

106

Notice of Annual General Meeting

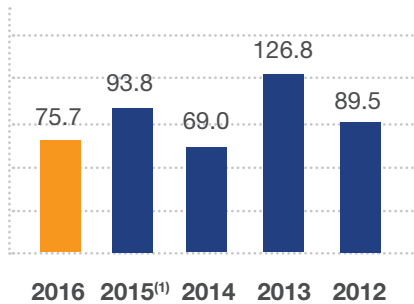
Proxy Form

Group Financial Summary

FINANCIAL PERFORMANCE

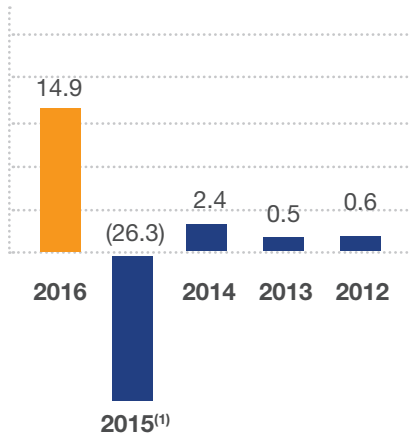
Turnover

S\$ mil



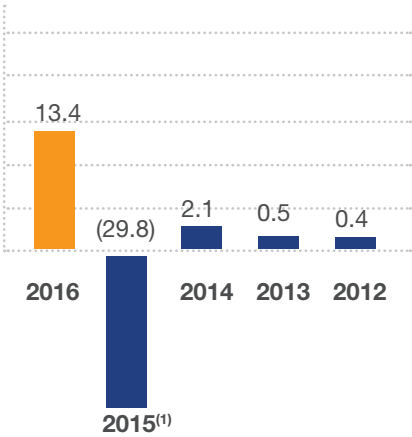
Net Profit/(Loss) Before Tax

S\$ mil



Net Profit/(Loss) After Tax

S\$ mil



Note:

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

	2016	2015	2014	2013	2012
	S\$ mil	S\$ mil	S\$ mil	S\$ mil	S\$ mil
Financial Position					
Property, Plant & Equipment	6.4	3.9	4.2	4.9	5.5
Other Non-Current Assets	5.9	4.4	0.6	0.1	0.1
Current Assets (excludes*)	30.3	19.6	19.4	17.4	20.6
*Cash and Cash Equivalents	14.9	10.2	4.4	4.0	4.1
Total Assets	57.5	38.1	28.6	26.4	30.3
Other Non-Current Liabilities	1.3	1.1	0.4	0.5	0.5
Long-Term Borrowings	0.0	0.0	0.0	1.4	2.8
Short-Term Borrowings	0.0	0.0	0.0	0.5	0.5
Other Current Liabilities	18.3	23.3	12.6	15.3	18.5
Total Liabilities	19.6	24.4	13.0	17.7	22.3
Capital Reserve	0.0	(22.8)	0.0	0.0	0.0
Translation Reserve	0.1	0.2	0.1	0.2	0.0
Statutory Reserve	0.9	0.7	0.4	0.4	0.2
Revenue Reserve	(21.5)	(31.7)	(11.4)	(13.5)	(13.8)
Equity Non-Controlling Interest	0.0	(6.6)	0.0	0.0	0.0
Share Capital	58.5	73.5	26.2	21.3	21.3
Total Capital & Reserve	38.0	13.3	15.3	8.4	7.7
Non-Controlling Interests	(0.1)	0.4	0.3	0.3	0.3
Total Capital, Reserve & Non-Controlling Interests	37.9	13.7	15.6	8.7	8.0
Financial Ratios					
Net Tangible Assets Per Share S\$ (Cents)	7.3	2.3	4.6	6.3	5.8
Earnings/(loss) Per Share Before Tax S\$ (Cents)	3.0	(3.4)	0.9	0.4	0.4
Earnings/(loss) Per Share After Tax S\$ (Cents)	2.7	(4.1)	0.8	0.3	0.3

Chairman's Message



DEAR SHAREHOLDERS,

It's my pleasure to report on a year in which GSS Energy made considerable progress to put behind residual challenges to begin a more sustainable path in the years ahead.

The Company recorded a profit after tax of S\$13.38 million from a turnover of S\$75.71 million for financial year 2016. This affirms our twin business model strategy – precision engineering and oil and gas – in offering a diversified base to support our operations in a challenging global environment of slow growth and weak energy prices.

GSS is confident that we will weather through and prevail over these challenges. We have managed our balance sheet prudently with minimal debt exposure, careful management of cash flow and vigilant efforts to reduce costs. These steps have significantly improved our cash position. We also see the current conditions as presenting a great opportunity to shape our potential investment in quality assets to enhance our portfolio.

During the year, we made substantive progress to further consolidate our business. First, the construction of our new expanded facility in Changzhou, China and investment in productivity tools in our Batam factory in response to potential higher value orders from established customers. Second, we have formalised our joint venture arrangements with Central Java Provincial Authorities and PT Pertamina EP and expect to commence exploratory and production of oil from the Trembul Operation Area, Indonesia, in the second half of 2017. These initiatives will sustain the Company's performance in the years ahead. With our strong balance sheet, we are also exploring other potential growth opportunities.

The Company remains responsive to implement good corporate governance measures issued by regulatory bodies from time to time to ensure we remain fully accountable to our investors, customers, suppliers, business associates, employees and the community.

We have witnessed recent changes to the Board. Following the retirement of Mr. Chin Siew Gim, in November 2016, I am honored to accept the appointment as the Non-Executive Chairman of the Board. Mr. Tan Kay Guan, Executive Director, also resigned from the Board, in November 2016 to pursue other interests. On behalf of the Board, I wish to record our appreciation to both Directors who served the company through some trying times. We also welcome Mr. Glenn Fung who joined the Board in November 2016.

On behalf of the Board and Management team, I would like to express our deepest gratitude to all our investors who placed and retained their trust and confidence in our vision and business model. Your continuous support is crucial to our Company in these challenging times. I would also like to thank our customers, suppliers, bankers and business associates who have been with us from the beginning and provided valuable support throughout our journey. Last but not least, I would like to thank my fellow Board members, the management team and employees of GSS Energy for their wise counsel, endless dedication and passion towards the Company.

Anthony Kuek

*Chairman
GSS Energy Limited*

CEO's Message



DEAR SHAREHOLDERS,

The precision engineering business and oil and gas business continues to be the mainstay of GSS Energy for financial year 2016. This diversified business model has enabled GSS Energy to maintained profitability.

Continuing Strong Performance of the Precision Engineering Business

With the continuing support of our customers and the diligence of our colleagues, the precision engineering business achieved a turnover of S\$75.71 million for financial year 2016.

With the higher turnover and continuing production automation and value engineering effort, the precision engineering business recorded a gross profit of S\$17.90 million, as compared to S\$26.34 million for the corresponding period in 2015.

We continue to receive increased orders from customers of our factory in Batam, Indonesia and this is expected to continue into 2017. New projects are also in the pipeline for the factory.

The construction of our new factory in Changzhou, China, is near completion and we are scheduled to vacate the present site and move into the new factory by the middle of 2017. We are planning to enhance our range of manufacturing activities with the new factory in Changzhou, China.

The precision engineering business achieved a net profit after tax of S\$10.41 million, including a gain of S\$2.39 million net of tax, from instalment compensations received for the Changzhou land.

Kick-Starting the Energy Business

On 2 November 2016, GSS Energy, through its subsidiary company, PT Sarana GSS Trembul ("PT SGT"), entered into an Operations Cooperation (Kerja Sama Operasi or "KSO") Agreement with the Indonesian national oil company, PT Pertamina, for the joint operation for production of oil & gas for the Trembul Operation Area in Indonesia.

The Agreement is for a production KSO, with no minimum level of production required and is for a period of 15 years. The Operation Area covers 47.63 square kilometres, with no depth limitations for drilling. Pertamina will have the rights to market and sell all of the oil produced from the Operating Area.

CEO's Message



Plans are afoot to start drilling in the Trembul Operation Area in the 2nd half of 2017.

On our exploratory agreement with our partners in West Jambi, Indonesia, we drilled the 1st well in 2015 and are exploring options to drill the 2nd well within the next few months.

The Group will continue to selectively source for new growth opportunities in the energy business.

Our Partners

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

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

Sydney Yeung

Group Chief Executive Officer

GSS Energy Limited

Board of Directors



MR KUEK ENG CHYE, ANTHONY

Non-Executive Chairman

Mr Kuek Eng Chye, Anthony, is the Non-Executive Chairman of the Company.

He was appointed to the Board as an Independent Director on 18 November 2014, and chairs the Nominating Committee and Remuneration Committee and is a member of the Audit Committee.

Mr Kuek has over twenty years of experience in a regional development bank followed by several consulting assignments in Indonesia providing policy advice and technical support to ministries and public sector institutions in development planning, policy and coordination, governance and accountability, donor engagements and communications. Mr Kuek holds a MBA, a Bachelor of Social Science (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, GSS Energy Investment Holdings Limited, Nusantara Resources Pte Ltd, GSS Energy Sumatra Limited, GSS Energy Trembul Limited, GSS Energy Oilfield Management Limited, and a commissioner of PT Giken Precision Indonesia and PT 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.

Board of Directors



MR SUYULIANTO BADUNG TARIONO

Executive Director

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

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

Mr Tariono is also a director of GSS Energy Trembul Limited, Nusantara Resources Pte Ltd, GSS Energy Sumatra Limited, GSS Energy Oilfield Management Limited, and a commissioner of PT 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, ABM AMRO Asset Management Limited, The Netherlands, UBS O'Connor Limited, London, United Kingdom and Trimegah Securities, Jakarta, Indonesia. Mr Tariono had also previously served as an independent non-executive director of Bumi plc, a FTSE listed company in London, United Kingdom.



MR NG SAY TIONG

Executive Director and Chief Financial Officer cum Company Secretary

Mr Ng Say Tiong is an Executive Director and Chief Financial Officer cum Company Secretary of the Company. He 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.

Board of Directors



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 a 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. He was previously Vice President of Merrill Lynch (Canada), Vice President of CIBC Wood Gundy, Executive Vice President of HSBC securities and Vice President of HSBC Brokerage (USA). He is a co-founder and director of Verde Asia Fund, and co-founder of infrastructure investment firm Cinda-Newbridge Investment Management Company Limited and serves as its Managing Director and Chief Executive Officer since May 2015.

Mr Fung is also currently serving on the boards of Korea based investment advisory firm Artemis Investment Advisory and private investment firm Sundan Pacific Limited.

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

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

The Hongkong and Shanghai Banking Corporation
Limited, Singapore Branch

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 ending 31 December 2016 (“FY2016”), 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	5	5
Mr Sydney Yeung	5	4
Mr Ng Say Tiong	5	5
Mr Sanford Chee	5	5
Mr Suyulianto Badung Tariono	5	1
Mr Glenn Fung (Appointed on 25 November 2016)	Nil	Nil
Mr Chin Siew Gim (Resigned on 11 November 2016)	4	4
Mr Tan Kay Guan (Resigned on 11 November 2016)	4	4

CORPORATE GOVERNANCE REPORT

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

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

Board Committees

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

(1) Audit Committee

Principle 10: Presentation of a balanced and understandable assessment of the company's performance position and prospects

Principle 11: Sound system of risk management and internal controls

Principle 12: Establish an Audit Committee with written terms of reference which clearly sets out its authority and duties

Principle 13: Effective and independent internal audit function

The Audit Committee is chaired by Mr Chee Sanford, an Independent Director and includes Mr 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 external and internal audits;
- (b) reviewing the Group's financial and operating results and accounting policies;
- (c) 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;
- (d) reviewing the quarterly and full-year results announcements of the Company and the Group to the SGX-ST;
- (e) ensuring the co-operation and assistance by management to external auditors;
- (f) making recommendations to the Board of Directors on the appointment of the external auditors; and

CORPORATE GOVERNANCE REPORT

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

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

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

In accordance with the requirements of Rule 716 of the Catalist Rules, the Audit Committee and the Board are satisfied that the appointment of different auditors for two 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 \$120,000. There was no non-audit fee paid to the Company’s external and other auditors for the financial year ended 31 December 2016.

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 full access to, and 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 FY2016, 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

CORPORATE GOVERNANCE REPORT

- 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.

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

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

	Audit Committee Meetings	
	No. of meetings	Attendance
Mr Chee Sanford	4	4
Mr Anthony Kuek	4	4
Mr Glenn Fung (Appointed on 25 November 2016)	Nil	Nil
Mr Chin Siew Gim (Resigned on 11 November 2016)	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 system, were adequate as at 31 December 2016.

(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;
- (b) the appointment of new Directors to the Board;

CORPORATE GOVERNANCE REPORT

- (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	Nil	Nil
Mr Sydney Yeung	1	Nil
Mr Chee Sanford	1	1
Mr Tan Kay Guan (Resigned on 11 November 2016)	1	1
Mr Chin Siew Gim (Resigned on 11 November 2016)	1	1

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.

CORPORATE GOVERNANCE REPORT

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

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	1	1
Mr Chee Sanford	1	1
Mr Glenn Fung (Appointed on 25 November 2016)	Nil	Nil
Mr Chin Siew Gim (Resigned on 11 November 2016)	1	1

Remuneration Matters

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors

Principle 8: Level of remuneration of Directors should be appropriate 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 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 also Directors 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.

CORPORATE GOVERNANCE REPORT

The Company had adopted the GSS Energy Limited Executives' Share Option Scheme (the "GEL Scheme"). 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.

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
<u>Below S\$250,000</u>				
Anthony Kuek	-	-	100%	100%
Chin Siew Gim (Resigned on 11 November 2016)	-	-	100%	100%
Chee Sanford	-	-	100%	100%
Glenn Fung Kau Lee (Appointed on 25 November 2016)	-	-	-	Nil
<u>S\$250,000 – S\$499,999</u>				
Ng Say Tiong	81%	19%	-	100%
Badung Tariono	100%	-	-	100%
Sydney Yeung	100%	-	-	100%
Tan Kay Guan (Resigned on 11 November 2016)	66%	34%	-	100%

The remuneration of each of the key management personnel of the Group (excluding Directors of the Company) does not exceed S\$250,000 for FY2016.

None of the employees of the Group whose annual remuneration exceeds S\$50,000 are immediate family members of the Chief Executive Officer or any other Director of the Company as at 31 December 2016.

Placement & Subscription of New Shares in the Company

In January 2016, the Company issued and allotted 99,540,000 ordinary shares at an issue price of S\$0.079 per share pursuant to a placement agreement entered with Religare Capital Markets (Singapore) Pte. Limited and RHB Securities Singapore Pte Ltd on 21 December 2015. The net proceeds of about S\$7,820,000 (after deducting expenses relating thereto) were used as follows:

Use of Proceeds	Amount Utilised
Oil drilling services in West Jambi, Sumatra Indonesia	S\$3,139,000
Expansion of oil drilling services operations	S\$2,237,000
General working capital of the Group	S\$1,917,000

CORPORATE GOVERNANCE REPORT

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 the AGM to ensure a high level of accountability and to stay informed of the Group's strategy and objectives. The Board welcomes questions from shareholders, either formally at the AGM or informally, before and after the AGM.

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

CORPORATE GOVERNANCE REPORT

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

No dividend is proposed for FY2016.

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 were paid to the Sponsor, Stamford Corporate Services Pte. Ltd., for the year under review.

Financial Contents

19

Statement by Directors

23

Independent Auditor's Report

29

Consolidated Statement of Comprehensive Income

30

Statements of Financial Position

32

Consolidated Statement of Changes in Equity

34

Statements of Changes in Equity

35

Consolidated Statement of Cash Flows

37

Notes to the Financial Statements

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 2016, the statement of financial position of the Company as at 31 December 2016 and statement of changes in equity of the Company for the financial year ended 31 December 2016.

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 2016, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2016 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 (Appointed on 25 November 2016)

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 4 below.

STATEMENT BY DIRECTORS

4. Directors' interests in shares and debentures

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

Name of Directors and company in which interests are held	Shareholdings registered in the name of Directors or their nominees			Shareholdings in which Directors are deemed to have an interest		
	As at 1 January 2016 or date of appointment	As at 31 December 2016	As at 21 January 2017	As at 1 January 2016 or date of appointment	As at 31 December 2016	As at 21 January 2017
	Number of ordinary shares					
Company						
Roots Capital Limited						
- Yeung Kin Bond, Sydney	-	-	-	76,275,000	76,275,000	80,275,000
Sundan Pacific Limited						
- Fung Kau Lee, Glenn	-	-	-	85,700,000	85,700,000	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 2017 in the shares of the Company have changed from those disclosed as at 31 December 2016.

5. Share options

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

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

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

6. Audit committee

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

6. Audit committee (Continued)

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) reviewing the audit plans and results of the Company's external audits;
- (ii) reviewing the Group's financial and operating results and accounting policies;
- (iii) reviewing 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) reviewing the quarterly and full-year results announcements on the results of the Group and financial position of the Company and of the Group;
- (v) ensuring that co-operation and assistance is given by the management to external auditor;
- (vi) making recommendations to the Board of Directors on the appointment of external auditor; and
- (vii) reviewing 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 2016.

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 2016.

7. Independent auditor

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

STATEMENT BY DIRECTORS

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

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

On behalf of the Board of Directors

Yeung Kin Bond, Sydney
Director

Ng Say Tiong
Director

Singapore
28 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GSS ENERGY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GSS Energy Limited (the "Company") and its subsidiaries (the "Group") as set out on page 29 to 103, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016;
- 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 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 2016, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GSS ENERGY LIMITED

1 Revenue Recognition

Key Audit Matter

During the current financial year, the Group generated revenue principally from manufacture and sale of microshafts and other precision parts and assembly of mechanisms used in computers and a range of electronic products. The mechanisms and microshafts business segments located in Singapore, Indonesia and China contributed 72% and 28% of the Group's revenue for the financial year ended 31 December 2016 respectively. There are frequent changes to the unit selling price of products arising mainly from changes in certain direct raw material prices which requires additional manual reconciliation process.

We focused on this area as a key audit matter as we have undertaken additional audit effort to review the relevant 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 37 of the accompanying financial statements.

Audit Response

We performed the following procedures, amongst others:

- Evaluated the revenue recognition policy and tested the design and implementation of key controls within the revenue cycle as well as operating effectiveness of the key controls.
- Read and understood the terms of contracts with customers and performed tests of details, on selected samples by vouching to sales invoices (including review of the relevant manual reconciliation, verifying to latest agreed unit selling price and production quantities delivered), customer acknowledged delivery orders and shipping documents.
- Performed cut-off tests by vouching to sales invoices, customer acknowledged delivery documents and shipping documents for a sample of transactions before and after the financial year to ensure revenue was recognised in the appropriate financial period.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GSS ENERGY LIMITED

2 Accounting for Investment in PT Sarana GSS Trembul

Key Audit Matter

During the financial year, the Group entered into a shareholders' agreement to incorporate a limited liability company in Indonesia, PT Sarana GSS Trembul ("PTSGT") to undertake an oil and gas exploration operation. The Group, through a wholly-owned subsidiary, holds 49% equity interest in PTSGT.

Based on the shareholders agreement and other related contractual agreements (including Mandatory Convertible Loan agreement), management determined that the Group has control over PTSGT. It has consequently accounted for PTSGT as a subsidiary of the Group with 89% of economic interest to reflect the commercial substance of the arrangement.

This is assessed as a key audit matter as it required management to exercise significant judgement to determine whether there is control over PTSGT and the effective ownership interest to be consolidated under the relevant accounting standards and the relevant disclosures of the transaction in the financial statements.

Related Disclosures

Refer to Notes 3 and 19 of the accompanying financial statements.

Audit Response

We performed the following procedures, amongst others:

- Discussed with management to understand the terms, conditions and commercial substance of the arrangement.
- Reviewed the shareholders agreement, other related contractual agreements (including Mandatory Convertible Loan agreement) and relevant supporting documents.
- Evaluated management's judgements relating to control and the effective ownership interest in PTSGT against the requirements of the relevant accounting standards.
- Assessed the adequacy of the relevant disclosures made by management in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GSS ENERGY LIMITED

3 Accounting for Exploration and Evaluation Assets

Key Audit Matter

The Group entered into an investment agreement to fund drilling cost for an oil and gas exploration project in West Jambi in Indonesia up to \$8.7 million (equivalent to US\$6.0 million) in the previous financial year. As at 31 December 2016, the Group had contributed approximately \$3.23 million to this ongoing exploration project. The Group had also incurred \$0.8 million of oil exploration and evaluation expenditure in relation to another new oil exploration project in Indonesia. These amounts have been classified as "Exploration and Evaluation Assets" in the Group's consolidated statement of financial position.

We focused on this area as a key audit matter as it involves significant management judgement to determine the appropriate accounting treatment for "Exploration and Evaluation Assets" and 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 2.12, 3 and 17 of the accompanying financial statements.

Audit Response

We performed the following procedures, amongst others:

- Reviewed and assessed management's accounting treatment for investment in oil exploration and evaluation assets.
- Obtained and reviewed the validity of the relevant permit in the areas of interest, the financing arrangement for the projects and the future plans for these oil exploration and evaluation projects and reviewed the relevant supporting documents to assess the impairment.
- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GSS ENERGY LIMITED

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GSS ENERGY LIMITED

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
28 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2016

	Note	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Revenue	4	75,709	93,806
Cost of sales		(57,807)	(67,431)
Gross profit		17,902	26,375
Other items of income			
Other income	5	10,072	3,530
Interest income	6	213	149
Other items of expense			
Distribution and selling expenses		(7,877)	(8,115)
Administrative expenses		(5,350)	(12,408)
Other expenses	8	(2)	(35,799)
Finance costs	9	(15)	(1)
Share of results of equity accounted joint venture, net of tax	20	(2)	(8)
Profit/(Loss) before income tax	10	14,941	(26,277)
Income tax expense	11	(1,559)	(3,516)
Profit/(Loss) for the financial year/period		13,382	(29,793)
Other comprehensive income:			
<i>Item that will not be reclassified subsequently to profit and loss</i>			
Remeasurement of defined benefit pension scheme	32	(260)	(896)
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from translation of foreign operations		(364)	(125)
Reclassification relating to disposal of a subsidiary		221	-
Other comprehensive income for the financial year/period, net of tax	12	(403)	(1,021)
Total comprehensive income for the financial year/period		12,979	(30,814)
Profit/(Loss) attributable to:			
Owners of the parent		13,461	(19,075)
Non-controlling interests		(79)	(10,718)
		13,382	(29,793)
Total comprehensive income attributable to:			
Owners of the parent		13,066	(19,852)
Non-controlling interests		(87)	(10,962)
		12,979	(30,814)
Earnings per share (cents)			
Basic and diluted	13	2.71	(4.06)

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	6,370	3,936	–	–
Intangible assets	15	9	39	–	–
Land use rights	16	1,749	2,117	–	–
Exploration and evaluation assets	17	4,057	2,091	–	–
Oil and gas properties	18	–	–	–	–
Investment in subsidiaries	19	–	–	28,603	28,603
Investment in a joint venture	20	40	42	40	42
Goodwill	21	112	112	–	–
Due from subsidiaries	22	–	–	5,588	2,061
		<u>12,337</u>	<u>8,337</u>	<u>34,231</u>	<u>30,706</u>
Current assets					
Inventories	23	6,490	4,987	–	–
Trade receivables	24	18,908	13,585	–	–
Other receivables and deposits	25	756	410	–	–
Prepayments		129	135	9	6
Short-term investments	26	3,337	437	–	–
Pledged deposits	27	594	–	–	–
Cash and bank balances	27	14,942	10,230	527	–
		<u>45,156</u>	<u>29,784</u>	<u>536</u>	<u>6</u>
Total assets		<u><u>57,493</u></u>	<u><u>38,121</u></u>	<u><u>34,767</u></u>	<u><u>30,712</u></u>
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	28	11,807	9,689	–	–
Other payables and accruals	29	4,409	5,636	363	134
Due to a former non-controlling shareholder of a subsidiary	30	–	3,757	–	–
Due to a subsidiary	22	–	–	3,829	5,951
Current income tax payable		1,946	4,191	–	–
Loan and borrowings	31	93	–	–	–
		<u>18,255</u>	<u>23,273</u>	<u>4,192</u>	<u>6,085</u>
Net current assets/(liabilities)		<u><u>26,901</u></u>	<u><u>6,511</u></u>	<u><u>(3,656)</u></u>	<u><u>(6,079)</u></u>

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-current liabilities					
Loan and borrowings	31	21	–	–	–
Retirement benefit obligations	32	1,326	1,100	–	–
		1,347	1,100	–	–
Total liabilities		19,602	24,373	4,192	6,085
Net assets		37,891	13,748	30,575	24,627
Equity attributable to owners of the parent					
Share capital	33	58,522	73,458	58,522	73,458
Accumulated losses		(21,535)	(31,720)	(27,947)	(26,031)
Other reserves	34	989	(28,446)	–	(22,800)
		37,976	13,292	30,575	24,627
Non-controlling interests		(85)	456	–	–
Total equity		37,891	13,748	30,575	24,627
Total equity and liabilities		57,493	38,121	34,767	30,712

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2016

	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 32)	-	(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 33)	7,864	-	-	-	-	-	7,864	-	7,864
Capital reduction (Note 33)	(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 19)	-	-	-	-	-	(3)	(3)	(454)	(457)
Others									
Transfer to statutory reserve	-	(171)	-	171	-	-	-	-	-
Waiver of debt by former non-controlling interest (Note 30)	-	-	-	-	-	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 2016

	Share capital \$'000	Accumulated losses \$'000	Foreign currency translation reserve \$'000	Statutory reserve \$'000	Capital reserve \$'000	Equity non-controlling interests \$'000	Total equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Group									
Balance at 1 September 2014	26,178	(11,427)	135	380	-	-	15,266	297	15,563
Loss for the financial period	-	(19,075)	-	-	-	-	(19,075)	(10,718)	(29,793)
Other comprehensive income for the financial period									
Remeasurement of defined benefit scheme (Note 32)	-	(896)	-	-	-	-	(896)	-	(896)
Exchange differences arising from translation of foreign operations	-	-	119	-	-	-	119	(244)	(125)
Total other comprehensive income for the financial period	-	(896)	119	-	-	-	(777)	(244)	(1,021)
Total comprehensive income for the financial period	-	(19,971)	119	-	-	-	(19,852)	(10,962)	(30,814)
Contributions by owners									
Issue of ordinary shares (Note 33)	24,480	-	-	-	-	-	24,480	-	24,480
Consideration shares issued (Note 19 and 33)	22,800	-	-	-	(22,800)	-	-	-	-
Changes in ownership interests in subsidiary									
Acquisition of a subsidiary with non-controlling interests (Note 19)	-	-	-	-	-	-	-	4,519	4,519
Acquisition of non-controlling interests without a change in control (Note 19)	-	-	-	-	-	(6,602)	(6,602)	6,602	-
Others									
Transfer to statutory reserve	-	(322)	-	322	-	-	-	-	-
Balance at 31 December 2015	73,458	(31,720)	254	702	(22,800)	(6,602)	13,292	456	13,748

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

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2016

	Share capital \$'000	Accumulated losses \$'000	Capital reserve \$'000	Total equity \$'000
Company				
Contribution by owners				
Balance at 1 January 2016	73,458	(26,031)	(22,800)	24,627
Issue of ordinary shares (Note 33)	7,864	–	–	7,864
Capital reduction (Note 33)	(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
Contribution by owners				
Issue of subscribers' share on 31 October 2014 (date of incorporation)	–	–	–	–
Issue of share capital in relation to restructuring exercise (Note 33)	73,458	–	–	73,458
Consideration shares issued (Note 33)	–	–	(22,800)	(22,800)
Loss for the financial period, representing total comprehensive income for financial period	–	(26,031)	–	(26,031)
Balance at 31 December 2015	73,458	(26,031)	(22,800)	24,627

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 December 2016

		Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Operating activities			
Profit/(Loss) before income tax		14,941	(26,277)
Adjustments for:			
Allowance for inventory obsolescence	23	206	–
Allowance for inventory obsolescence written back	23	(31)	(49)
Amortisation of intangible assets	15	39	444
Amortisation of land use rights	16	269	163
Compensation for acquisition of land and building by government	5	(3,185)	(2,833)
Depletion of oil and gas properties	18	–	470
Depreciation of property, plant and equipment	14	1,247	1,749
Finance costs	9	15	1
Gain on disposal of property, plant and equipment		–	(34)
Impairment losses and allowances relating to the termination of the Cooperation Agreement	8	–	34,797
Interest income	6	(213)	(149)
Introducer fees		–	480
Inventories written off	23	–	46
Net gain from disposal of a subsidiary	19	(6,061)	–
Other receivables written off		105	–
Property, plant and equipment written off	8	1	1,002
Share of results of joint venture	20	2	8
Unrealised exchange difference		(772)	(50)
Operating profit before working capital changes		<u>6,563</u>	<u>9,768</u>
Working capital changes:			
Inventories		(1,735)	(307)
Trade receivables		(4,793)	(3,743)
Other receivables and deposits		(558)	(445)
Prepayments		17	(28)
Trade payables		2,977	(2,701)
Other payables and accruals		1,266	(1,506)
Provisions settled		226	(240)
Cash generated from operations		<u>3,963</u>	<u>798</u>
Interest received		213	149
Interest paid		(15)	(1)
Income taxes paid		(1,073)	(510)
Net cash generated from operating activities		<u>3,088</u>	<u>436</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 December 2016

	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Investing activities		
Investment in joint venture	-	(50)
Proceeds from disposal of a subsidiary, net of cash	19 (2)	-
Proceeds from disposal of property, plant and equipment	-	34
Purchase of intangible assets	15 (9)	(2,466)
Purchase of oil and gas properties	18 -	(1,625)
Purchase of property, plant and equipment	14 (3,648)	(2,215)
Purchase of land use rights	16 -	(1,785)
Purchase of exploration and evaluation assets	17 (1,828)	(2,091)
Addition to short-term investments	(2,918)	(437)
Compensation for acquisition of land and building by government	5 3,185	2,833
Net cash used in acquisition of a subsidiary	-	(14,939)
Net cash used in investing activities	<u>(5,220)</u>	<u>(22,741)</u>
Financing activities		
Short-term deposits pledged	27 (594)	-
Payment for acquisition of additional equity interest from a non-controlling shareholder	19 (457)	-
Proceeds from bank loans	270	90
Proceeds from issue of share capital	33 7,864	24,000
Proceeds from loan from a former non-controlling shareholder of a subsidiary	-	3,757
Repayment of bank loans	(228)	(90)
Repayment of obligations under finance leases	(13)	(31)
Net cash generated from financing activities	<u>6,842</u>	<u>27,726</u>
Net change in cash and cash equivalents	4,710	5,421
Effect of foreign exchange rate changes in cash and cash equivalents	2	365
Cash and cash equivalents at beginning of financial year/period	27 10,230	4,444
Cash and cash equivalents at end of financial year/period	<u>27 14,942</u>	<u>10,230</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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 venture are disclosed in Note 19 and Note 20, respectively, to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

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

Singapore-incorporated companies listed on SGX-ST will be 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 Group will adopt the new framework on 1 January 2018 and will apply the equivalent of IFRS 1 First-time Adoption of International Financial Reporting Standards 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 is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and 15 which is expected to be similar to the impact of FRS 109 and 115 disclosed below, as well as other transitional adjustments that may be required or elected under IFRS 1.

The individual financial statements of each entity in the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and changes in equity of the Company are presented in Singapore dollar (“\$”), which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand (“\$’000”) as indicated.

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 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 financial year and prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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

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

		Effective date (annual periods beginning on or after)
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
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 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
- FRS 112 (Amendments)	: Disclosure of Interests in Other Entities	1 January 2017
INT FRS 122	: Foreign Currency Transactions and Advance Consideration	1 January 2018

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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)

The Group will adopt these amendments in the financial year beginning on 1 January 2017 and will include the additional disclosures in its financial statements for that financial year.

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.

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 preliminary 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 also do not expect the adoption of the standard would result in any impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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)

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 and will record an allowance for lifetime expected losses from initial recognition. For other receivables and short-term investments, the Company will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

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.

Based on preliminary assessment made by management, there may be potential impact on the amount of revenue recognised due to contract modifications in the mechanisms segment. The Group is in the process of making a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with full effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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

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.

On initial adoption of FRS 116, there may be a potentially significant impact on the accounting treatment for leases, which the Group as lessee currently accounts for as operating leases. On adoption of FRS 116, the Group will be required to capitalise its rented factory, office and residential premises 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. However, the Group is in the process of making a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2019 with either full or modified retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2.2 Basis of consolidation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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

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

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

Business combinations from 1 January 2010

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

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

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

Business combinations before 1 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.

Oil extraction

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

Rendering of services

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Interest income

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

Rental income

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

Compensation for acquisition of land and building by government

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

2.5 Borrowing costs

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

2.6 Employee benefits

Retirement benefit costs

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

Employee leave entitlements

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.6 Employee benefits (Continued)

Employee service entitlement benefits (Continued)

Defined benefit plan surpluses and deficits are measured at:

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

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

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

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

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

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

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

2.7 Income tax

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

Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.7 Income tax (Continued)

Deferred tax

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.7 Income tax (Continued)

Sales tax (Continued)

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

2.8 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currency") are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each financial 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.

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.

2.9 Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.9 Property, plant and equipment (Continued)

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 as at end of the financial year.

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

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

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

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

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

2.10 Intangible assets

Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.10 Intangible assets (Continued)

Goodwill (Continued)

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

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

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

Computer software

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

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

Oil concessionary rights

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

Non-compete agreement

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

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.11 Land use rights

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

2.12 Exploration, evaluation and development assets (“EE&D”)

Exploration and evaluation assets

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

- (i) the exploration and evaluation costs are expected to be recouped through successful development and exploitation of the area of interest; or alternatively, by its sale; or
- (ii) exploration and evaluation activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.12 Exploration, evaluation and development assets (“EE&D”) (Continued)

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 2.13).

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 2.15 to these financial statements.

2.13 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.

2.14 Investment in a joint venture

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

The Group classifies its interests in joint arrangements as either:

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.14 Investment in a joint venture (Continued)

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

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

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

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

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.16 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.

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 a subsidiary, 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

2.17 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.

2.18 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.

2.19 Leases

When the Group is the lessee of a finance lease

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss in accordance with the Group's accounting policy on finance costs.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2. Summary of significant accounting policies (Continued)

2.19 Leases (Continued)

When the Group is the lessee of an operating lease

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

When the Group is the lessor of an operating lease

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

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

2.20 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.

2.21 Government grants

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

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and the Company's accounting policies, which are described in Note 2 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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

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

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

(i) 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 PT 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 19 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 \$6,490,000 (2015: \$4,987,000).

(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 \$19,664,000 (2015: \$13,995,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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 32 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 \$1,120,000 (2015: \$911,000).

4. Revenue

	Group	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Sale of goods	67,873	72,205
Services rendered	7,836	9,497
Oil extraction	–	12,104
	75,709	93,806

5. Other income

	Group	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Compensation for acquisition of land and building by government (Note 14)	3,185	2,833
Gain on disposal of property, plant and equipment	–	34
Government grants	135	58
Foreign exchange gain, net	407	298
Income from disposal of scrap materials	82	166
Net gain from disposal of a subsidiary (Note 19)	6,061	–
Rental income	48	104
Others	154	37
	10,072	3,530

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

6. Interest income

	Group	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Cash and short-term deposits	161	134
Short term investment	52	15
	213	149

7. Employee benefit expenses

	Group	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Short-term employee benefits	16,588	20,577
Defined contribution plans	1,734	1,066
Defined benefit plan	159	13
Other personnel expenses	1,322	1,774
	19,803	23,430

The above includes remuneration of Directors and key management as disclosed in Note 35 to the financial statements.

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

	Group	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Cost of sales	11,597	11,673
Distribution and selling expenses	5,196	5,934
Administrative expenses	3,010	5,823
	19,803	23,430

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

8. Other expenses

	Group	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Property, plant and equipment written off	1	1,002
Impairment losses and allowances relating to PT Cepu (Note 19)		
- Allowance for doubtful trade receivable arising from a third party, net (Note 24)	-	11,565
- Allowance for doubtful other receivable (Note 25)	-	116
- Impairment loss on property, plant and equipment (Note 14)	-	57
- Impairment loss on goodwill (Note 21)	-	9,759
- Impairment loss on intangible assets (Note 15)	-	6,229
- Impairment loss on oil and gas properties (Note 18)	-	7,071
	-	34,797
Others	1	-
	<u>2</u>	<u>35,799</u>

9. Finance costs

	Group	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Interest expense		
- bank loan	10	-
- finance leases	5	1
	<u>15</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

10. Profit/(Loss) 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	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
<u>Cost of sales</u>		
Allowance for inventory obsolescence	206	–
Amortisation of intangible assets	–	370
Cost of inventories recognised as expenses	56,638	59,456
Depletion of oil and gas properties	–	470
Depreciation of property, plant and equipment	833	1,351
Service cost of oil production	–	5,934
Operating lease expenses	963	1,202
	<hr/> <hr/>	<hr/> <hr/>
<u>Distribution and selling expenses</u>		
Depreciation of property, plant and equipment	323	39
Operating lease expenses	133	228
Professional fees	–	22
	<hr/> <hr/>	<hr/> <hr/>
<u>Administrative expenses</u>		
Amortisation of intangible assets	39	74
Amortisation of land use rights	269	163
Audit fees		
- Auditor of the Company	120	120
- Other auditors	38	52
Non-audit fees		
- Auditor of the Company	–	–
Depreciation of property, plant and equipment	91	359
Operating lease expenses	39	219
Professional fees	889	4,273
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

11. Income tax expense

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

	Group	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Current income tax		
- current year/period	2,066	3,516
- overprovision in prior year	(507)	-
	1,559	3,516

Reconciliation of effective tax rate

Domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable profit/loss for the financial year/period. 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	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Profit/(Loss) before income tax	14,941	(26,277)
Income tax at the applicable tax rate of 17%	2,540	(4,467)
Tax effect of:		
- Income not taxable for income tax purposes	(2,530)	(642)
- Expenses not deductible for income tax purposes	1,844	7,939
Effect of different tax rates of overseas operations	591	1,182
Utilisation of deferred tax assets previously not recognised	(506)	(566)
Overprovision for income tax in prior year	(507)	-
Deferred tax assets not recognised in the current year/period	36	-
Others	91	70
	1,559	3,516

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

11. Income tax expense (Continued)

Unrecognised deferred tax assets

	Group	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
At beginning of financial year/period	1,160	583
Utilisation of deferred tax assets previously not recognised	(506)	(566)
Addition of unrecognised deferred tax assets	36	1,143
At end of financial year/period	690	1,160

Unrecognised deferred tax assets are attributable to:

	Group	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Unabsorbed capital allowances on plant and equipment	39	73
Provisions	33	30
Unutilised tax losses	618	1,057
	690	1,160

At the end of the financial year, the Group had unutilised tax losses of approximately \$3,638,000 (2015: \$6,189,000) which is available for set-off against future taxable profits. These deferred tax assets have not been recognised as there is no certainty that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.7 to the financial statements.

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

At the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is \$884,000 (2015: \$685,000). 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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

	Group					
	Year ended 31 December 2016			Period from 1 September 2014 to 31 December 2015		
	Before-tax amount \$'000	Tax expense \$'000	Net-of-tax amount \$'000	Before-tax amount \$'000	Tax expense \$'000	Net-of-tax amount \$'000
Remeasurement of defined benefit scheme	(260)	–	(260)	(896)	–	(896)
Exchange differences on translation of foreign operations	(364)	–	(364)	(125)	–	(125)
Reclassification relating to disposal of a subsidiary	221	–	221	–	–	–
Other comprehensive income	(403)	–	(403)	(1,021)	–	(1,021)

13. Earnings per share (cents)

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

	Group	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
	Number of Shares '000	Number of Shares '000
Profit/(Loss) attributable to owners of the parent	13,461	(19,075)
Weighted average number of ordinary shares		
- Basic	497,112	469,706
- Diluted	497,112	469,706

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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 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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

14. Property, plant and equipment (Continued)

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

Assets held under finance lease

As at 31 December 2016, the Group has motor vehicles acquired under finance lease with net carrying amount of approximately \$86,000 (2015: \$Nil).

	Group	
	2016 \$'000	2015 \$'000
Addition of property, plant and equipment	3,725	2,215
Acquired under finance lease arrangements	(77)	–
Cash payments to purchase property, plant and equipment	3,648	2,215

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

14. Property, plant and equipment (Continued)

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

On 23 September 2015, the Group had received the first tranche of the compensation subsequent to the deregistration of the China subsidiary’s ownership of the leasehold building and land use right as disclosed in Note 16 to the financial statements. During the financial year, the compensation received amounting to RMB 15,280,000 (equivalent to \$3,185,000) (financial period 31 December 2015: RMB 13,100,000 (equivalent to \$2,833,000)) is recognised in the Group’s profit or loss and included in “other income” as disclosed in Note 5 to the financial statements.

15. Intangible assets

	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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

15. Intangible assets (Continued)

	Computer software \$'000	Oil concessionary rights \$'000	Non-compete agreement \$'000	Total \$'000
Group				
Cost				
At 1 September 2014	168	–	–	168
Addition	–	2,466	–	2,466
Acquisition of a subsidiary (Note 19)	–	2,930	1,203	4,133
At 31 December 2015	168	5,396	1,203	6,767
Accumulated amortisation				
At 1 September 2014	55	–	–	55
Amortisation	74	262	108	444
At 31 December 2015	129	262	108	499
Impairment loss provided during the financial period (Note 8)				
	–	5,134	1,095	6,229
Carrying amount				
At 31 December 2015	39	–	–	39

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

16. Land use rights

	Group	
	2016 \$'000	2015 \$'000
Cost		
At 1 January 2016/1 September 2014	3,070	1,176
Addition	–	1,785
Currency realignment	(143)	109
At 31 December	2,927	3,070
Accumulated amortisation		
At 1 January 2016/1 September 2014	953	733
Amortisation	269	163
Currency realignment	(44)	57
At 31 December	1,178	953
Carrying amount		
At 31 December	1,749	2,117

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

16. Land use rights (Continued)

In the previous financial period, management had revised the estimated useful life of a leasehold land from 30 years to 2 years upon deregistration of the land use right title to CGSLO as disclosed in Note 14 to the financial statements. The change in estimate had resulted in an increase in depreciation expense and correspondingly, a decrease in the Group's profit before tax of \$102,000.

At 31 December 2016, the Group has land use rights over 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 1 and 48 years respectively (2015: 2 and 49 years).

17. Exploration and evaluation assets

	West Jambi ⁽¹⁾ \$'000	Trembul ⁽²⁾ \$'000	Total \$'000
Group			
Cost as at 1 September 2014	–	–	–
Additions	2,091	–	2,091
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

(1) In the previous financial year, the Group through its wholly-owned subsidiary, GSS Energy Sumatra Limited, 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 2017.

(2) On 2 November 2016, the Group's newly incorporated Indonesia subsidiary PT Sarana GSS Trembul ("PTSGT") (Note 19) has entered into an Operations Cooperation (Kerja Sama Operasi) Agreement with PT 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.

The Group has committed to a work programme amounting to US\$7,858,000 for initial commitment period of 3 years, which it has been approved by Pertamina subsequent to the financial year.

As at 31 December 2016, the total cost incurred are related to exploration and evaluation expenditure and will subsequently be transferred to oil and gas properties upon commencement of production.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

18. Oil and gas properties

	Total	
	2016	2015
	\$'000	\$'000
Group		
Cost		
At 1 January 2016/1 September 2014	7,505	–
Additions	–	1,625
Acquisition of a subsidiary (Note 19)	–	6,282
Disposal of a subsidiary	(7,505)	–
Currency realignment	–	(402)
At 31 December	–	7,505
Accumulated depletion		
At 1 January 2016/1 September 2014	434	–
Depletion	–	470
Disposal of a subsidiary	(434)	–
Currency realignment	–	(36)
At 31 December	–	434
Impairment loss		
At 1 January 2016/ 1 September 2014	7,071	–
Impairment loss	–	7,071
Disposal of a subsidiary	(7,071)	–
At 31 December	–	7,071
Carrying amount		
At 31 December	–	–

The depletion of oil and gas properties were included in “cost of sales” line item in the profit or loss in the previous financial period.

The Group’s additions to oil and gas properties include capitalised development expenditure of \$1.6 million arose from new development wells in the previous financial period.

Upon termination of the Cooperation Agreement (Note 19) in the previous financial period, management had reviewed the recoverable amount of the oil extraction reportable segment, which was located in Indonesia. No recoverable amount was expected based on value in use of this segment due to the termination. The review had led to the recognition of impairment loss amounting to \$7,071,000 in the Group’s profit or loss and included in “other expenses” in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

19. Investment in subsidiaries

	Company	
	2016	2015
	\$'000	\$'000
Unquoted equity shares, at cost	44,260	44,260
Allowance for impairment losses	(15,657)	(15,657)
	<u>28,603</u>	<u>28,603</u>

Movements in allowance for impairment losses:

	Company	
	2016	2015
	\$'000	\$'000
At 1 January 2016/ date of incorporation	15,657	–
Impairment loss recognised in the financial period	–	15,657
At end of financial year/period	<u>15,657</u>	<u>15,657</u>

The impairment loss was included in the “other expenses” in the Company’s profit or loss for the financial period from 1 September 2014 to 31 December 2015.

Details of subsidiaries:

Name of company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interest	
		2016 %	2015 %	2016 %	2015 %
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 ⁽⁵⁾ (Singapore)	Manufacture of basic precious and non-ferrous metal products	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	95	–	5
GSS Energy Investment Holdings Limited ⁽⁴⁾ (British Virgin Island)	Investment holding	100	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

19. Investment in subsidiaries (Continued)

Details of subsidiaries: (Continued)

Name of company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interest	
		2016	2015	2016	2015
		%	%	%	%
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	–	–
P.T. Giken Technology Indonesia ⁽⁴⁾ (Indonesia)	Dormant	100	100	–	–
P.T. Sarana GSS Trembul ^{(5) (6)}	Operate in oil and gas production	49	–	51	–
Cepu Sakti Energy Pte Ltd (Singapore)	Investment holding	–	100	–	–
P.T. Cepu Sakti Energy (Indonesia)	Operate in oil and gas service	–	100	–	–

(1) Audited by BDO LLP, Singapore.

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

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

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

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

(6) 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

19. Investment in subsidiaries (Continued)

Incorporation of new subsidiaries

- (i) On 16 August 2016, the Company's subsidiary, Giken Sakata (S) Limited incorporated a wholly-owned subsidiary, Giken Precision Engineering (S) Pte. Ltd. in Singapore with an issued and fully-paid up share capital of \$800,000.
- (ii) On 28 September 2016, 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 as at 31 December 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.

Non-controlling interests

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

	2016
	\$'000
Revenue	-
Loss before tax	(747)
Income tax expense	-
Loss after tax	<u>(747)</u>
Loss allocated to NCI	(82)
Other comprehensive income allocated to NCI	<u>(3)</u>
Total comprehensive income allocated to NCI	<u>(85)</u>
Cash flows from operating activities	314
Cash flows from investing activities	-
Cash flows from financing activities	(271)
Net cash inflows	<u>43</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

19. Investment in subsidiaries (Continued)

Non-controlling interests (Continued)

	2016 \$'000
Assets:	
Current assets	335
Non-current assets	830
Liabilities:	
Current liabilities	(1,669)
Net assets	(504)
Accumulated non-controlling interests	<u>(85)</u>

Acquisition of additional interest in a subsidiary

Changzhou Giken Precision Co., Ltd.

On 7 March 2016, the Company's subsidiary, Giken Sakata (S) Limited acquired the remaining 5% equity interest in Changzhou Giken Precision Co., Ltd. from a non-controlling shareholder, SIIX H.K. Ltd. for a consideration amounting to approximately \$457,000. Accordingly, Changzhou Giken Precision Co., Ltd. became a wholly-owned subsidiary of the Group without a change in control.

	\$'000
Carrying amount of non-controlling interests acquired	454
Consideration paid to non-controlling interest	<u>(457)</u>
Excess of consideration paid recognised in equity	<u>3</u>

Acquisition Cepu Sakti Energy Pte Ltd ("Cepu") and its subsidiary in the previous financial period

In the previous financial period, the Group acquired Cepu Sakti Energy Pte Ltd and its wholly-owned subsidiary, PT Cepu Sakti Energy ("PT Cepu") with total consideration of \$48 million satisfied by cash and issuance of new ordinary shares of the Company. Subsequently, PT Cepu discontinued its entire operation during the previous financial period due to termination of Cooperation Agreement with Village Cooperative (Koperasi Unit Desa) Sumber Pangan, under which it was granted exclusive rights to cooperate in conducting operations for extracting oil from Dandangilo-Wonocolo fields in Bojonegoro, East Java, Indonesia. Consequently, the Group and the Company fully impaired the assets that relate to Cepu and PT Cepu (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

19. Investment in subsidiaries (Continued)

Disposal of a subsidiary

On 31 May 2016, the Group disposed of its entire interest in Cepu Sakti Energy Pte Ltd (“Cepu”) for cash consideration of \$1.

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

	Carrying amount \$'000
Trade and other receivables	6
Cash and cash equivalents	2
	<hr/> 8
Trade and other payables	(3,810)
Income tax payable	(2,480)
Net liabilities	<hr/> (6,290) <hr/> (6,282)

The effects of disposal of subsidiary on cash flows are as follows:

	2016 \$'000
Net liabilities disposed (as above)	(6,282)
Reclassification of currency translation reserve on disposal	221
Gain on disposal (Note 5)	<hr/> (6,061)
Cash proceeds from disposal	—*
Cash and cash equivalents disposed	<hr/> (2)
Net cash outflow on disposal	<hr/> (2)

* represent \$1

20. Investment in a joint venture

	<u>Group and Company</u>	
	2016 \$'000	2015 \$'000
Unquoted shares, at cost	42	50
Share of results	(2)	(8)
	<hr/> 40	<hr/> 42

On 27 May 2015, the Company established a joint venture company through separate structure vehicles incorporated in Singapore and operating in Indonesia. The contractual 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

20. Investment in a joint venture (Continued)

Details of the joint venture is as follows:

Name of joint ventures	Principal place of business	Principal activity	Proportion of ownership interest	
			2016	2015
			%	%
GSS-AFCO Pte Ltd ("GSS-AFCO")	Singapore	Dormant	50	50

The principal activities of GSS-AFCO is trading of oil and is in line with the Group's strategy to expand the oil and gas business segment. As at 31 December 2016, GSS-AFCO is dormant and has not commenced operation.

The joint venture has no contingent liabilities and capital commitment as at 31 December 2016.

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

	2016 \$'000	2015 \$'000
Loss from continuing operations	(4)	(16)
Proportion of the Group's ownership	50%	50%
Share of post-tax loss	(2)	(8)

21. Goodwill

	Group	
	2016 \$'000	2015 \$'000
Cost		
At beginning of financial year/period	9,871	112
Acquisition of a subsidiary	–	42,759
Adjustment of the original purchase consideration	–	(33,000)
	–	9,759
Disposal of a subsidiary	(9,759)	–
At end of financial year/period	112	9,871
Impairment loss		
At beginning of the financial year/period	9,759	–
Allowance for impairment	–	9,759
Disposal of a subsidiary	(9,759)	–
Impairment loss recognised in the financial year/period (Note 8)	–	9,759
Carrying amount		
At end of financial year/period	112	112

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

21. Goodwill (Continued)

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

	Microshafts \$'000
31 December 2016	
China	112
31 December 2015	
China	112

22. Due from/(to) subsidiaries

Due from subsidiaries

	Company	
	2016	2015
	\$'000	\$'000
Non-current		
Due from subsidiaries (non-trade)	5,588	8,636
Allowance for doubtful receivables	–	(6,575)
	<u>5,588</u>	<u>2,061</u>

Movements in allowance for doubtful receivables:

	Company	
	2016	2015
	\$'000	\$'000
At beginning of financial year/period	6,575	–
Addition of allowance for doubtful receivables	–	6,575
Waiver of debt	(6,575)	–
At end of financial year/period	<u>–</u>	<u>6,575</u>

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.

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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

Due from subsidiaries (Continued)

During the financial year, the Company waived the non-trade receivables due from a subsidiary upon the completion of the cancellation of the Consideration Shares (Note 33).

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.

23. Inventories

	Group	
	2016 \$'000	2015 \$'000
Finished goods	1,004	1,045
Work-in-progress	1,277	661
Raw materials	4,209	3,281
	<u>6,490</u>	<u>4,987</u>

The Group's cost of inventories recognised as expense under "cost of sales" to the Group's profit or loss during the financial year/period amounted to \$56,638,000 (2015: \$59,456,000).

The Group recognised a reversal of \$31,000 (2015: \$49,000), being part of an inventory write-down made in 2015 as these inventories were sold during the financial year. The reversal is recognised in profit or loss under "cost of sales" to the Group's profit or loss.

During the financial year/period, the Group carried out a review of the realisable values of its inventories and the review led to the recognition of inventories written off of \$Nil (2015: \$46,000) and recognition of allowance for inventory obsolescence of \$206,000 (2015: \$Nil) in profit or loss under "cost of sales" to the Group's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

24. Trade receivables

	Group	
	2016	2015
	\$'000	\$'000
Trade receivables – third parties	18,908	31,873
Allowance for doubtful receivables	–	(18,288)
	18,908	13,585
	18,908	13,585

Trade receivables from third parties are non-interest bearing and are generally on 30 to 90 (2015: 30 to 90) days credit terms.

Subsequent to debt recovery assessment made by the management upon termination of the Cooperation Agreement (Note 19), an allowance for doubtful receivable of \$18,288,000 was made in the previous financial period in respect of estimated irrecoverable amounts from a third party customer in the oil extraction segment determined by reference to past default experience. The net allowance for doubtful trade receivable was \$11,565,000 (Note 8) after net-off against a payable amount of \$6,723,000 arose from the same third party.

Movements in allowance for trade receivables:

	Group	
	2016	2015
	\$'000	\$'000
At beginning of financial year/period	18,288	–
Allowance made during the financial year/period	–	18,288
Disposal of a subsidiary	(18,288)	–
At end of financial year/period	–	18,288
	–	18,288

Trade receivables are denominated in the following currencies:

	Group	
	2016	2015
	\$'000	\$'000
Singapore dollar	1,343	1,021
United States dollar	14,697	10,144
Japanese yen	25	50
Chinese renminbi	2,725	2,293
Others	118	77
	18,908	13,585
	18,908	13,585

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

25. Other receivables and deposits

	Group	
	2016 \$'000	2015 \$'000
Current		
Other receivables	561	358
Deposits	195	168
	756	526
Less: Allowance for other receivables	-	(116)
	756	410

At the end of the reporting period, bankers' guarantees of \$174,000 (2015: \$174,000) were issued by a bank for factory rental and utilities deposits for a subsidiary of the Company.

Subsequent to debt recovery assessment made by the management upon termination of the Cooperation Agreement (Note 19), an allowance for doubtful receivable of \$116,000 was made in the previous financial period in respect of estimated irrecoverable amounts determined by reference to past default experience.

Other receivables and deposits are denominated in the following currencies:

	Group	
	2016 \$'000	2015 \$'000
Singapore dollar	351	233
Chinese renminbi	389	161
United States dollar	16	11
Indonesia rupiah	-	5
	756	410

26. Short-term investments

	Group	
	2016 \$'000	2015 \$'000
Unquoted short-term investment		
- At amortised cost	3,337	437

The average effective interest rate of the short-term investment range from 2.55% to 3.80% (2015: 2.80% to 4.65%) per annum.

At 31 December 2016, the unquoted short-term investments have nominal values amounting to \$3,337,000 (2015: \$437,000), with average coupon rates of 3.0% (2015: 3.9%) per annum and maturity dates before 18 March 2017 (2015: 13 April 2016).

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

Short-term investments is denominated in Chinese renminbi.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

27. Cash and bank balances

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash and bank balances	7,570	7,684	527	–
Short-term deposits	7,966	2,546	–	–
	15,536	10,230	527	–
Less: Short-term deposits pledged	(594)	–	–	–
Cash and cash equivalents for purpose of consolidated cash flows statement	14,942	10,230	527	–

Short-term deposits

Short-term deposits are made for varying periods of between 1 month and less than 1 year (2015: 1 month and less than 1 year) depending on the immediate cash requirement of the Group and earns effective interest rates ranging from 0.18% to 6.40% (2015: 0.16% to 7.40%) 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 12 months (2015: within the next 12 months).

A short-term deposit of the Group amounting to \$323,000 (2015: \$Nil) is pledged to a bank to secure short-term bank loan granted to a subsidiary (Note 31).

\$271,000 of short-term deposit is placed with a bank 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore dollar	4,500	2,699	163	–
Chinese renminbi	3,428	4,126	–	–
Indonesian rupiah	1,603	1,523	–	–
United States dollar	5,830	1,859	364	–
Others	175	23	–	–
	15,536	10,230	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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

28. Trade payables

Trade payables are non-interest bearing and are normally settled in 30 to 90 (2015: 30 to 90) days credit terms.

Trade payables are denominated in the following currencies:

	Group	
	2016 \$'000	2015 \$'000
Singapore dollar	1,502	1,446
United States dollar	5,746	3,532
Japanese Yen	18	355
Chinese Renminbi	3,197	2,725
Indonesian Rupiah	1,344	1,630
Euro	–	1
	11,807	9,689

29. Other payables and accruals

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Other payables	998	1,873	11	–
Accrued operating expenses	3,382	3,706	352	134
Deposits and advances received from customers	29	57	–	–
	4,409	5,636	363	134

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

Other payables and accruals are denominated in the following currencies:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore dollar	2,504	2,216	363	134
Indonesia rupiah	1,187	1,371	–	–
United States dollar	–	1,347	–	–
Chinese renminbi	718	702	–	–
	4,409	5,636	363	134

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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

The amount due to a former non-controlling shareholder of a subsidiary was related to loan extended by Java Petral Energy Pte Ltd to PT Cepu (Note 19) to the financial statements. The amount was denominated in Singapore dollar, non-trade in nature, unsecured, non-interest bearing, and has been waived in full upon the completion of the cancellation of 76 million ordinary shares during the financial year.

The waiver was executed in conjunction with the acquisition of the non-controlling interest and accordingly it was accounted as equity transaction during the financial year.

31. Loan and borrowings

	Group	
	2016 \$'000	2015 \$'000
Current		
Finance lease	43	-
Short-term bank loan	50	-
	93	-
Non-current		
Finance lease	21	-
Total loans and borrowings	114	-

Finance lease

During the financial year, the Company's subsidiary entered into a 2 years finance lease with a lease company. The finance lease bears effective interest rate of 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 arrangements have been entered into for contingent rental payments.

	Group			
	2016		2015	
	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	49	42	-	-
- after one year but within five years	22	22	-	-
	71	64	-	-
Future finance charges	(7)	-	-	-
Present value of lease obligations	64	64	-	-
Current portion	-	42	-	-
Non-current portion	-	22	-	-
	-	64	-	-

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

31. Loan and borrowings (Continued)

Finance lease (Continued)

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.

Short-term bank loan

The short-term secured loan is repayable on demand with effective interest rate of 7.78% per annum. At the end of the financial year, the loan is secured by a subsidiary's bank deposit as disclosed in Note 27 to the financial statements.

Short-term bank loan is denominated in Indonesian Rupiah.

32. Retirement benefit obligations

	Group	
	2016 \$'000	2015 \$'000
Retirement gratuities	206	189
Employee service entitlement benefits	1,120	911
	1,326	1,100

Retirement gratuities

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

	Group	
	2016 \$'000	2015 \$'000
At beginning of the financial year/period	189	154
Provision of gratuity	17	35
At end of the financial year/period	206	189

Employee service entitlement benefits

The Group has defined benefit plan (the "Plan") and made provision for employee benefits for all its permanent employees of a subsidiary as required under the Labour Law No. 13/2003, Indonesia. The number of employees entitled to the benefits as at 31 December 2016 is 253 (2015: 255).

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

32. Retirement benefit obligations (Continued)

Employee service entitlement benefits (Continued)

The Plan is exposed to a number of risks:

- i) Investment risk: movement of discount rate used for defined benefit obligation;
- ii) Salary risk: increase in future salaries increasing the gross defined benefit obligation;
- iii) Interest rate risk: decrease/increase in the discount rate used will increase/decrease the defined benefits obligation; and
- iv) Longevity risk: changes in the estimation of mortality rates of current and former employee.

In 2017, the Group expects to contribute \$240,000 into the Plan.

The provision for employee benefits is calculated by an external independent actuary, PT Tama Aktuarial Nusantara (2015: PT Parama Aktuarial) using the "Projected Unit Credit Method".

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

	Group	
	2016	2015
	\$'000	\$'000
Annual discount rate	8.75%	8.8%
Annual salary growth rate	4%	5%
Table of mortality	Indonesia III-2011	TMI III-2011
Turnover rate	2.5%	2.5%
Normal retirement age	55 years	55 years

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

	Group	
	2016	2015
	\$'000	\$'000
Defined benefit plan		
Present value of defined benefit obligation	1,299	1,148
Fair value of the Plan assets	(179)	(237)
Net defined benefit liabilities	<u>1,120</u>	<u>911</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

32. Retirement benefit obligations (Continued)

Employee service entitlement benefits (Continued)

Reconciliation of defined benefit obligation:

	Group	
	2016	2015
	\$'000	\$'000
At beginning of financial year/period	1,148	789
<u>Included in profit or loss</u>		
Current service costs	76	71
Interest costs	80	65
Past service cost	–	(125)
Amount recognised as expenses	156	11
<u>Included in other comprehensive income</u>		
Remeasurement of post-employment benefits from:		
- Demographic assumptions	(49)	(191)
- Financial assumptions	329	486
- Adjustment	–	605
Net actuarial losses recognised	280	900
<u>Others</u>		
Effects of movements in exchange rates	52	(9)
Benefits paid	(337)	(543)
At end of the financial year/period	<u>1,299</u>	<u>1,148</u>

Reconciliation of fair value of the Plan assets:

	Group	
	2016	2015
	\$'000	\$'000
At beginning of financial year/period	(237)	(499)
<u>Included in profit or loss</u>		
Interest costs	3	2
<u>Included in other comprehensive income</u>		
Return on plan assets (excluding interest)	(20)	(4)
<u>Others</u>		
Effects of movements in exchange rates	(11)	–
Employer contributions	(103)	(237)
Benefits paid	189	501
	75	264
At end of the financial year/period	<u>(179)</u>	<u>(237)</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

32. Retirement benefit obligations (Continued)

Employee service entitlement benefits (Continued)

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

	Group	
	2016	2015
	\$'000	\$'000
Fixed income	90	116
Syariah fund	89	121
	179	237

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 \$'000	Decrease \$'000
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
2015			
Discount rate	8.8 % (+/- 1%)	832	1,038
Wages and salary growth rate	5.0% (+/- 1%)	1,041	798
Mortality rate	0.1% (+/- 1%)	913	913
Turnover rate	2.5% (+/- 10%)	913	913
Retirement age	55 (+/- 1%)	923	996

The average duration of the post-employment benefits at the end of the financial year is 15 years (2015: 16 years).

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

33. Share capital

	Group			
	2016 Number of ordinary shares	2016 \$'000	2015 Number of ordinary shares	2015 \$'000
Issued and paid up:				
At beginning of year/period	472,618,657	73,458	315,018,657	26,178
Issued during the financial year/period	99,540,000	7,864	157,600,000	47,280
Capital reduction	(76,000,000)	(22,800)	-	-
At end of year/period	496,158,657	58,522	472,618,657	73,458

During the financial year, the Group and the Company have completed placement share and capital reduction 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 has 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.

	Company			
	2016 Number of ordinary shares	2016 \$'000	2015 Number of ordinary shares	2015 \$'000
Issued and fully paid:				
At beginning of the financial year/date of incorporation	472,618,657	73,458	1	-
Issued during the financial year/period	99,540,000	7,864	472,618,656	73,458
Capital reduction	(76,000,000)	(22,800)	-	-
At 31 December	496,158,657	58,522	472,618,657	73,458

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

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

34. Other reserves

Other reserves comprise the following:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Capital reserve	–	(22,800)	–	(22,800)
Equity non-controlling interests	(3)	(6,602)	–	–
Foreign currency translation reserve	119	254	–	–
Statutory reserve	873	702	–	–
	989	(28,446)	–	(22,800)

Capital reserve

Capital reserve comprised the Consideration Shares issued for the acquisition of Cepu in the previous financial period, which as a result of the Settlement Agreement were to be returned and cancelled by way of capital reduction.

Equity non-controlling interests

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

35. 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.

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

	Group		Company	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000	Year ended 31 December 2016 \$'000	Period from 31 October 2014 (date of incorporation) to 31 December 2015 \$'000
With subsidiaries				
Acquisition of equity interest of a subsidiary from another subsidiary	-	-	-	38,456
Loan novation	-	-	-	6,398
Advance from a subsidiary	-	-	-	2,060
Payment on behalf by a subsidiary	-	-	266	3,892
Advance to a subsidiary	-	-	1,070	(2,061)
Payment made on behalf of a subsidiary	-	-	2,562	(73)
Capital reduction of a subsidiary	-	-	-	(44,855)
Waiver of amount owed by a subsidiary	-	-	(6,503)	-
Management fee income	-	-	81	-
Interest income	-	-	-	104

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

35. Significant related party transactions (Continued)

Compensation of key management personnel

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

	Group	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000
Directors' fees	108	195
Salaries, bonuses and allowances	1,939	1,987
Provident fund and pension contributions	72	78
Total compensation paid to key management personnel	2,119	2,260
Comprise amounts paid to:		
- Directors of the Company	1,625	1,676
- Other key management personnel	494	584
	2,119	2,260

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

36. 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	
	2016 \$'000	2015 \$'000
Future minimum lease payments payable:		
Within one year	1,201	1,106
After one year but within five years	886	1,985
	2,087	3,091

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 (2015: 1 to 5 years), with no provision for contingent lease or upward revision of lease based on market price indices.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

36. Operating lease commitments (Continued)

The Group as lessor

A subsidiary of the Group has entered into leases with third parties in respect of its office premises in People's Republic of China. This non-cancellable leases have remaining lease terms within a year (2015: 1 to 2 years). The leases include 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	
	2016	2015
	\$'000	\$'000
Future minimum lease payments receivable:		
Within one year	19	50
After one year but within five years	–	21
	19	71

37. Segment information

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

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

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

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

37. Segment information (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

37. Segment information (Continued)

(a) Analysis by business activities

	Mechanisms \$'000	Microshafts \$'000	Oil extraction \$'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)	–
	<u>65,508</u>	<u>22,923</u>	<u>–</u>	<u>(12,722)</u>	<u>75,709</u>
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					<u>13,461</u>
Segment assets and liabilities					
Segment assets	23,523	21,974	4,968	(4,643)	45,822
Unallocated assets					11,671
Total assets					<u>57,493</u>
Segment liabilities	13,072	7,050	364	(3,167)	17,319
Unallocated liabilities					2,283
Total liabilities					<u>19,602</u>
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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

37. Segment information (Continued)

(a) Analysis by business activities (Continued)

	Mechanisms \$'000	Microshafts \$'000	Oil extraction \$'000	Eliminations \$'000	Group \$'000
31 December 2015					
Revenue					
External customers	55,346	26,356	12,104	–	93,806
Intersegment revenues	10,749	1,723	–	(12,472)	–
	<u>66,095</u>	<u>28,079</u>	<u>12,104</u>	<u>(12,472)</u>	<u>93,806</u>
Results:					
Operating profit/(loss)	7,346	4,706	(38,469)	–	(26,417)
Interest income					149
Interest expense					(1)
Share of results of equity accounted joint venture, net of tax					(8)
Income tax expense					(3,516)
Non-controlling interests					10,718
Net profit					<u>(19,075)</u>
Segment assets and liabilities					
Segment assets	18,121	15,236	2,154	(6,329)	29,182
Unallocated assets					8,939
Total assets					<u>38,121</u>
Segment liabilities	8,474	4,527	18,929	(8,570)	23,360
Unallocated liabilities					1,013
Total liabilities					<u>24,373</u>
Other segment information					
Allowance for inventories obsolescence written back	49	–	–	–	49
Capital expenditure	(1,609)	(2,367)	(4,115)	–	(8,091)
Compensation for expropriation of land and building by Changzhou Government State Land Office	–	2,833	–	–	2,833
Depletion, depreciation and amortisation	(975)	(964)	(887)	–	(2,826)

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

37. Segment information (Continued)

(a) Analysis by business activities (Continued)

	Mechanisms \$'000	Microshafts \$'000	Oil extraction \$'000	Eliminations \$'000	Group \$'000
Impairment losses and allowances relating to the termination of the Cooperation Agreement					
Property, plant and equipment	–	–	(57)	–	(57)
Goodwill	–	–	(9,759)	–	(9,759)
Intangible assets	–	–	(6,229)	–	(6,229)
Oil and gas properties	–	–	(7,071)	–	(7,071)
Trade receivables	–	–	(11,565)	–	(11,565)
Other receivables	–	–	(116)	–	(116)
Property, plant and equipment written off	–	(859)	(143)	–	(1,002)
Inventory written off	–	(46)	–	–	(46)

(b) Analysis by geographical activities

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

	Turnover		Non-current assets		Capital expenditure	
	Year ended 31 December 2016 \$'000	Period from 1 September 2014 to 31 December 2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore	14,680	19,446	227	202	130	100
Indonesia	40,342	49,728	7,428	4,949	3,204	5,695
Germany	2,242	3,958	–	–	–	–
China	10,673	11,919	4,682	3,186	2,228	2,296
Others	7,772	8,755	–	–	–	–
	75,709	93,806	12,337	8,337	5,562	8,091

Major customers

The revenues from the top three customers of the Group's Mechanisms segment represent approximately \$46,613,000 (2015: \$35,843,000) of the Group's total revenues.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

38. Financial risk management objectives and policies

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

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

38.1 Credit risk

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

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

As at 31 December 2016, the Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for 13 (2015: 14) customers altogether accounted for 86% (2015: 81%) 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

38. Financial risk management objectives and policies (Continued)

38.1 Credit risk

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

	2016		2015	
	Gross receivables \$'000	Impairment \$'000	Gross receivables \$'000	Impairment \$'000
Group				
Not past due	16,006	–	10,841	–
Past due less than 30 days	1,895	–	1,937	–
Past due 30 to 60 days	791	–	767	–
Past due 61 to 90 days	207	–	9	–
Past due over 90 days	9	–	18,319	18,288
	<u>18,908</u>	<u>–</u>	<u>31,873</u>	<u>18,288</u>

38.2 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).

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	
	2016 \$'000	2015 \$'000
Monetary assets		
SGD	647	915
USD	20,260	12,014
Euro	111	40
IDR	1,709	1,575
YEN	101	61
	<u>22,828</u>	<u>14,605</u>
Monetary liabilities		
USD	5,746	4,879
Euro	–	1
IDR	2,645	645
YEN	18	355
	<u>8,409</u>	<u>5,880</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

38. Financial risk management objectives and policies (Continued)

38.2 Market risk (Continued)

Foreign currency risk (Continued)

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:

	Increase/(Decrease)	
	Profit or loss	
	2016	2015
	\$'000	\$'000
Group		
<i>Singapore dollar</i>		
Strengthen against Chinese renminbi	32	46
Weaken against Chinese renminbi	(32)	(46)
<i>United States dollar</i>		
Strengthen against Chinese renminbi	32	34
Weaken against Chinese renminbi	(32)	(34)
<i>Japanese yen</i>		
Strengthen against Chinese renminbi	5	2
Weaken against Chinese renminbi	(5)	(2)
<i>United States dollar</i>		
Strengthen against Singapore dollar	694	397
Weaken against Singapore dollar	(694)	(397)
<i>Euro</i>		
Strengthen against Singapore dollar	6	2
Weaken against Singapore dollar	(6)	(2)
<i>United States dollar</i>		
Strengthen against Indonesian rupiah	–	(67)
Weaken against Indonesia rupiah	–	67

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

38. Financial risk management objectives and policies (Continued)

38.2 Market risk (Continued)

Foreign currency risk (Continued)

	Increase/(Decrease)	
	Profit or loss	
	2016	2015
	\$'000	\$'000
Group		
<i>Indonesian rupiah</i>		
Strengthen against Singapore dollar	(50)	47
Weaken against Singapore dollar	50	(47)
<i>Japanese yen</i>		
Strengthen against Singapore dollar	(1)	(17)
Weaken against Singapore dollar	1	17

38.3 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.

	2016			2015		
	1 year	2 to	Total	1 year	2 to	Total
	or less	5 years		or less	5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
Trade payables	11,807	–	11,807	9,689	–	9,689
Other payables and accruals	4,380	–	4,380	5,579	–	5,579
Due to a former non-controlling shareholder of a subsidiary	–	–	–	3,757	–	3,757
Loan and borrowings	114	–	114	–	–	–
	16,301	–	16,301	19,025	–	19,025

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

38. Financial risk management objectives and policies (Continued)

38.4 Capital management policy

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 2015. 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 34 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.

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade and other payables	16,216	15,325	363	134
Due to a former non-controlling shareholder of a subsidiary	–	3,757	–	–
Due to a subsidiary	–	–	–	5,951
Loan and borrowings	114	–	–	–
Less: cash and cash equivalents	(14,942)	(10,230)	(527)	–
Net debt	1,388	8,852	(164)	6,085
Equity attributable to the equity holders of the Company	37,976	13,292	30,575	24,627
Total capital	37,976	13,292	30,575	24,627
Capital and total debt	39,364	22,144	30,411	30,712
Gearing ratio	3.5%	40.0%	(0.5)%	19.8%

38.5 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 Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

38. Financial risk management objectives and policies (Continued)

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

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assets				
Trade receivables	18,908	13,585	–	–
Other receivables and deposits	756	410	–	–
Short-term investment	3,337	437	–	–
Cash and bank balances	15,536	10,230	527	–
Total loans and receivables	38,537	24,662	527	–
Financial liabilities				
Trade payables	11,807	9,689	–	–
Other payables and accruals	4,380	5,579	363	134
Due to a former non-controlling shareholder of a subsidiary	–	3,757	–	–
Due to a subsidiary	–	–	3,829	5,951
Loan and borrowings	114	–	–	–
Total financial liabilities at amortised cost	16,301	19,025	4,192	6,085

Fair value hierarchy

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

- Level 1 – the fair values of financial assets and financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices;
- Level 2 – in the absence of quoted market prices, the fair values of the other financial assets and financial liabilities (excluding derivative instruments) are determined using the other observable inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability;
- Level 3 – in the absence of observable inputs, the fair values of the remaining financial assets and financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models; and
- the fair value of derivative instruments are calculated using quoted prices (Level 1 of fair value hierarchy). Where such prices are unavailable, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair value hierarchy).

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

39. Subsequent events

On 27 February 2017, the Company granted 7,400,000 employee share options at \$0.09856 exercise price per option, being a 20% discount to the market price, to the Group Chief Executive Officer. The financial effect cannot be estimated as the option granted is subject to Shareholder's approval on 24 April 2017.

40. Reclassification and comparatives

In the previous financial period, the Group has changed its financial year end from 31 August to 31 December upon the completion of the Group's internal restructuring exercise. Therefore, the comparative reporting period for 2015 covered a period 16 months from 1 September 2014 to 31 December 2015. Consequently, the comparative amount for the consolidated statement of comprehensive income, statements of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes are not entirely comparable.

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

The reclassifications do not have any impact on the Group's and the Company's financial position or results, therefore the third statement of financial position has not been presented.

	Group	
	Previously reported 2015 \$'000	After reclassification 2015 \$'000
ASSETS		
Non-current assets		
Other receivables and deposits	2,091	-
Exploration and evaluation assets	-	2,091
	-	2,091

41. Capital commitments

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

	Group	
	2016 \$'000	2015 \$'000
Construction-in-progress	1,385	-
	1,385	-

42. Authorisation of financial statements

The consolidated financial statements of the Group for the financial year ended 31 December 2016, the statement of financial position of the Company as at 31 December 2016 and the statement of changes in equity of the Company for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors on 28 March 2017.

STATISTICS OF SHAREHOLDINGS

As at 24 March 2017

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDERS

SHARE CAPITAL

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

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

Size of shareholdings	No. of shareholders	% of Shareholders	No. of shares	% of Shareholdings
1 – 99	4	0.14	37	0.00
100 – 1,000	341	12.21	328,949	0.07
1,001 – 10,000	1,147	41.07	6,059,200	1.22
10,001 – 1,000,000	1,259	45.08	137,090,248	27.63
1,000,001 – and above	42	1.50	352,680,223	71.08
Total	2,793	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.	187,496,999	37.79
2	MAYBANK KIM ENG SECS PTE. LTD.	24,329,133	4.90
3	DBS NOMINEES (PRIVATE) LIMITED	13,609,700	2.74
4	NG SEOW YUEN (HUANG XIAOYAN)	9,439,300	1.90
5	CHEN YAN FENG	9,360,000	1.89
6	ALI NAEL	9,349,100	1.88
7	RAFFLES NOMINEES (PTE) LIMITED	9,285,300	1.87
8	OCBC SECURITIES PRIVATE LIMITED	8,195,300	1.65
9	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	6,250,000	1.26
10	PHILLIP SECURITIES PTE LTD	4,435,500	0.89
11	HSBC (SINGAPORE) NOMINEES PTE LTD	4,068,000	0.82
12	UOB KAY HIAN PRIVATE LIMITED	3,768,800	0.76
13	NG CHENG LYE	3,760,000	0.76
14	TAN KIM KWEE	3,727,600	0.75
15	CHEN YANJIE	3,300,000	0.67
16	FOO MOOH SHUNG	3,200,000	0.64
17	NG CHIN SIAU	3,106,000	0.63
18	TAN MUI LIN	3,000,000	0.60
19	DEEPAK S CHARADVA	2,815,000	0.57
20	LEE YEWE TECK	2,550,000	0.51
	Total:	315,045,732	63.48

68.57% of the company's share are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the listing manual of SGX-ST.

STATISTICS OF SHAREHOLDINGS

As at 24 March 2017

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	89,275,000	–	89,275,000	17.99%
YEUNG KIN BOND, SYDNEY	–	89,275,000	89,275,000	17.99%

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 89,275,000 shares held by Roots Capital Asia Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of GSS Energy Limited will be held at Block 4012 Ang Mo Kio Avenue 10, #05-01 Techplace I, Singapore 569628 on the 24th day of April 2017 at 10.00 a.m. for the following purposes:

1. To receive and adopt the Audited Accounts of the Company for the year ended 31 December 2016 together with the Reports of the Directors and Auditors of the Company. **(Resolution 1)**
2. To approve the payment of Directors' Fees of S\$108,000 for the year ended 31 December 2016. **(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 Kuek Eng Chye, Anthony (See Explanatory Note 1) **(Resolution 3a)**
 - (ii) Mr Ng Say Tiong **(Resolution 3b)**
4. To re-elect Mr Glenn Fung Kau Lee, Director of the Company retiring pursuant to Regulation 88 of the Constitution of the Company. (See Explanatory Note 2) **(Resolution 4)**
5. To re-appoint BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Special Business

To consider and if thought fit, to pass the following Resolutions as Ordinary Resolutions, (save for Resolution 11 which shall be a Special Resolution), with or without any modifications:

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

That pursuant to Section 161 of the Companies Act, Cap. 50 (the "**Act**") and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalyst (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 Ordinary Resolution 6 shall not exceed hundred per centum (100%) of the total number of issued shares in the capital of the Company (excluding treasury shares) at the time of the passing of this Ordinary Resolution 6, of which the aggregate of shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (excluding treasury shares) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next annual general meeting or the date by which the next annual general meeting of the Company is required by the law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Ordinary Resolution 6, until the issuance of such shares in accordance with the terms of such convertible securities.

(See Explanatory Note 3)

(Resolution 6)

NOTICE OF ANNUAL GENERAL MEETING

8. Authority to grant share options, allot and issue shares under the GEL Scheme

That the Directors of the Company be and are hereby authorised, pursuant to Section 161 of the Act, 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 cent (15%) of the total number of the total issued share capital of the Company (excluding treasury shares) of the Company on the day preceding that date;
- (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 4)

(Resolution 7)

9. The proposed renewal of the Share Buy-Back Mandate

That :

- (a) pursuant to Section 76C and 76E of the Act, and Part XI of Chapter 8 of the Catalist Rules, the Directors of the Company be authorized and empowered to purchase or otherwise acquire issued ordinary shares in the capital of the Company (“**Shares**”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of :
 - (i) on-market purchases through the ready market of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted (“**Other Exchange**”), through one or more duly licensed stockbrokers appointed by the Company for the purpose (the “**On-Market Share Buy-Back**”); and/or
 - (ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as defined in Section 76C of the Act as may be determined or formulated by the Directors as they may consider fit and in the best interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Catalist Rules (the “**Off-Market Share Buy-Back**”);

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

NOTICE OF ANNUAL GENERAL MEETING

- (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 Share Buy-Back Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the passing of this resolution and expiring on the earliest of:
 - (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
 - (ii) the date on which purchases and acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; and
 - (iii) the date on which the authority contained in the Share Buy-Back Mandate is varied or revoked by the Company in a general meeting;
- (d) In this resolution:

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

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

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

- (i) In the case of an On-Market Share Buy-Back, 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Share Buy-Back, 120% of the Average Closing Price,

where:

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

NOTICE OF ANNUAL GENERAL MEETING

- (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 8)

10. **The proposed participation of Mr. Yeung Kin Bond, Sydney, the Group Chief Executive Officer, who is also an Executive Director and a Controlling Shareholder of the Company, in the GEL Scheme**

That:

- (a) the participation by Mr. Yeung Kin Bond, Sydney, the Group Chief Executive Officer, who is also an Executive Director and a Controlling Shareholder of the Company, in the GEL Scheme be and is hereby approved; and
- (b) the Directors of the Company and each of them be and are hereby authorised and empowered to do all such acts and things (including executing all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to this Resolution.

(See Explanatory Note 6)

(Resolution 9)

11. **The proposed grant of Options under the GEL Scheme to Mr. Yeung Kin Bond, Sydney, the Group Chief Executive Officer, who is also an Executive Director and a Controlling Shareholder of the Company**

That subject to and contingent upon the passing of Ordinary Resolution 10 above:

- (a) the proposed grant to Options to Mr. Yeung Kin Bond, Sydney, the Group Chief Executive Officer, who is also an Executive Director and a Controlling Shareholder of the Company, pursuant to and in accordance with the rules of the GEL Scheme, be and is hereby approved, confirmed and ratified and Directors and each of them be and are hereby authorised to allot and issue or deliver from time to time such number of Shares upon the exercise of such Options:

- | | | | |
|-------|---|---|---|
| (i) | Date of grant | : | 28 February 2017 |
| (ii) | Exercise price of Options | : | S\$0.09856 per Option (“Discount Options”) being a 20% discount to the market price |
| (iii) | Number of Options granted | : | 7,400,000 Discount Options |
| (iv) | Market price of the Company’s securities on the date of grant | : | S\$0.1232 |
| (v) | Validity/term of Options granted | : | Discount Options are only exercisable after the second anniversary of the date of grant. The Options shall be exercised before the fifth anniversary of the date of grant failing which all unexercised Options shall immediately lapse and become null and void. |

NOTICE OF ANNUAL GENERAL MEETING

- (b) the Directors of the Company and each of them be and are hereby authorised and empowered to do all such acts and things (including executing all such documents as may be required as they or he may consider expedient or necessary or in the interests of the Company to give effect to this Resolution.

(See Explanatory Note 7)

(Resolution 10)

12. The proposed adoption of amendments to the Constitution of the Company

To pass as a Special Resolution that:

- (a) the Constitution shall be amended as set out in the Appendix to this Notice of AGM; and
- (b) the Directors of the Company and each of them be and are hereby authorised and empowered to do all such acts and things including to execute all such documents as may be required as they or he may consider expedient or necessary or in the interests of the Company to give effect to this Resolution.

(Resolution 11)

Dated this 1st day of April 2017

By Order of the Board

Ng Say Tiong
Company Secretary

Explanatory Notes:

1. The Ordinary Resolution 3a in item 3 above, if passed Mr Kuek Eng Chye, Anthony will remain as the Chairman of the Remuneration and Nominating Committees and a member of Audit Committee, and will be considered independent for the purpose of Rule 704 (7) of the Catalist Rules.
2. The Ordinary Resolution 4 in item 4 above, if passed Mr Glenn Fung Kau Lee, will remain as a member of the Audit and Remuneration Committees, and will be considered non-independent for the purpose of Rule 704 (7) of the Catalist Rules.
3. The Ordinary Resolution 6 in item 7 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting or the date by which the next annual general meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under Ordinary Resolution 6 would not exceed hundred per centum (100%) of the total number of issued shares of the Company at the time of passing Ordinary Resolution 6. For issue of shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed fifty per centum (50%) of the total number of issued shares of the Company.

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

NOTICE OF ANNUAL GENERAL MEETING

4. The Ordinary Resolution 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 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 cent (15%) of the total number of issued shares excluding treasury shares of the Company on the day preceding that date.
5. The Ordinary Resolution 8 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to purchase or otherwise acquire issued ordinary Shares of the Company by way of On-Market Share Buy-Backs or Off-Market Share Buy-Backs of up to the Maximum Limit at the Maximum Price in accordance with the terms and conditions set out in the Appendix to this Notice Annual General Meeting, the Act and the Catalyst Rules. Please refer to the Appendix for more details.
6. The Ordinary Resolution 9 in item 10 above, if passed, will approve the participation of Mr Yeung Kin Bond, Sydney, the Group Chief Executive Officer, who is also an Executive Director and a Controlling Shareholder of the Company, in the GEL Scheme, on the terms and subject to the conditions set out in the Resolution and the Appendix. Please refer to the Appendix for more details.
7. The Ordinary Resolutions 10 in item 11 above, if passed, will approve the participation grant of Options to Mr. Yeung Kin Bond, the Group Chief Executive Officer, who is also an Executive Director and a Controlling Shareholder of the Company, under GEL Scheme, on the terms and subject to the conditions set out in the Resolution and the Appendix. Please refer to the Appendix for more details.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The form of proxy in the case of an individual shall be signed by the appointer or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
3. If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
4. If no name is inserted in the space for the name of your proxy in the form of proxy, the Chairman of the Meeting will act as your proxy.
5. The form of proxy or other instruments of appointment shall not be treated as valid unless deposited at the Company's Registered Office at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623, not less than forty-eight (48) hours before the time appointed for holding the Meeting and at any adjournment thereof.

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

GSS ENERGY LIMITED

(Incorporated In The Republic Of Singapore with limited liability)

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 24th day of April 2017 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	To receive and consider the Audited Accounts of the Company for the year ended 31 December 2016 together with the Reports of the Directors and Auditors of the Company. (Resolution 1)		
2	To approve the payment of Directors' Fees of S\$108,000 for the period ended 31 December 2016. (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 Kuek Eng Chye, Anthony (ii) Mr Ng Say Tiong (Resolution 3a) (Resolution 3b)		
4	To re-elect Mr Glenn Fung Kau Lee, Director of the Company retiring pursuant to Regulation 88 of the Constitution of the Company. (Resolution 4)		
5	To re-appoint BDO LLP as the Auditors of the Company and to authorise the directors of the Company to fix their remuneration. (Resolution 5)		
6	Authority to allot and issue shares. (Resolution 6)		
7	Authority to grant share options, and allot and issue shares under the GEL Scheme. (Resolution 7)		
8	The proposed renewal of the Share Buy-Back Mandate. (Resolution 8)		
9	The proposed participation of Mr. Yeung Kin Bond, Sydney, the Group Executive Officer, who is also an Executive Director and a Controlling Shareholder of the Company, in the GEL Scheme. (Resolution 9)		
10	Proposed grant of Options under the GEL Scheme to Mr. Yeung Kin Bond Sydney, the group Chief Executive Officer, who is an Executive Director and a Controlling Shareholder of the Company (Resolution 10)		
11	The proposed adoption of amendments to the Constitution of the Company. (Resolution 11)		

Dated this _____ day of _____ 2017

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

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

* Delete where inapplicable



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, 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 Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy must be deposited with the Secretary at the Registered Office at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, (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 name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

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



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