

GSS ENERGY LIMITED

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



SGX/MEDIA RELEASE – FOR IMMEDIATE RELEASE

GSS Energy Reported Earnings of S\$3.1 million in 3Q2015

- **Group revenue increased 6% year-on-year to S\$52.1 million for the first nine months of 2015, primarily supported by the stable Precision Engineering business**
- **Continued effort in establishing more favourable business model on existing oilfield assets, while investment project in West Jambi progressing well**
- **Group maintained a healthy balance sheet, and reported earnings per share of 0.65 Singapore cents for 3Q2015**

Singapore, 16 November 2015 – The Board of Directors (the “Board”) of GSS Energy Limited (“GSS Energy”, and together with its subsidiaries, the “Group”) has announced the financial results for the three months and nine months ended 30 September 2015 (“3Q2015” and “9M2015”, respectively). The Group reported earnings of S\$3.1 million for 3Q2015, while impairment provisions weighed on the 9M2015 performance.

FINANCIAL REVIEW

The Group reported revenue of S\$52.1 million for 9M2015. The Precision Engineering (“PE”) business and Oil and Gas (“O&G”) business contributed S\$47.5 million and S\$4.6million revenue, respectively, compared to S\$47.4 million and S\$1.7 million, respectively, for the corresponding period in 2014.

| | 3Q2015 (3 months) | 3Q2014 (3 months) | Change | 9M2015 (9 months) | 9M2014 (9 months) | Change |
|---|----------------------|----------------------|---------------|----------------------|----------------------|---------------|
| | (S\$'000) | (S\$'000) | % | (S\$'000) | (S\$'000) | % |
| Revenue | 17,513 | 17,389 | 0.7 | 52,081 | 49,144 | 6.0 |
| Gross Profit | 4,804 | 4,464 | 7.6 | 14,985 | 10,125 | 48.0 |
| Gross Profit Margin | 27.4% | 25.7% | 1.7ppt | 28.8% | 20.6% | 8.2ppt |
| Other Income | 3,137 | 236 | NM | 2,992 | 432 | NM |
| Distribution & Selling Expenses | (1,827) | (3,390) | (46.1) | (5,922) | (6,304) | (6.1) |
| Administrative Expenses | (893) | (1,301) | (31.4) | (4,824) | (3,010) | 60.3 |
| Operating Expenses | (1,454) | (380) | NM | (1,329) | (432) | NM |
| Adjustment in Contingent Consideration | 33,000 | - | NM | 33,000 | - | NM |
| Impairment Provisions | (33,000) | - | NM | (65,884) | - | NM |
| Profit / (Loss) before income tax | 3,788 | (358) | NM | (26,920) | 826 | NM |
| Profit / (Loss) after income tax | 2,973 | (787) | NM | (27,047) | 332 | NM |
| Profit / (Loss) attributable to shareholders of the company | 3,059 | (967) | NM | (17,517) | 145 | NM |
| Earnings per share (Singapore cents)* | 0.65 | (0.28) | NM | (3.71) | 0.04 | NM |

*The earnings per share for the period 1 July 2015 to 30 September 2015 and 1 January 2015 to 30 September 2015 are calculated based on the weighted average share capital in issue during the period of 472,618,657 ordinary shares (1 July 2014 to 30 September 2014: 350,992,570 ordinary shares and 1 January 2014 to 30 September 2014: 336,706,856 ordinary shares).

Note: NM denotes not meaningful, ppt denotes percentage points

The gross profit for 9M2015 was S\$15.0 million, representing a gross margin of 28.8%. PE business contributed S\$12.4 million, with a gross margin of 26.0%. This compares to the gross profit of S\$9.3 million and the gross margin of 19.7% for the corresponding period in 2014. The improvement was mainly due to the Group's improved operational processes with higher level of automation as well as from shifting to products with lower material content.

Further to the settlement agreement entered into with Java Petral Energy Pte Ltd on 14 August 2015 to acquire the remaining 46.32% of Cepu Sakti Energy Pte Ltd (“**CSE**”), the Group is in the midst of streamlining its O&G business operations, examining its existing assets and exploring new oil fields and opportunities in the region. Accordingly, no revenue was contributed by the O&G business in 3Q2015.

The Group also registered other income of S\$3.1 million in 3Q2015, supported by part of the compensation it received from the Changzhou Government State Land Office (“**CGSLO**”) pursuant to the CGSLO’s acquisition of the land currently occupied by Changzhou Precision Co Ltd.

In 2Q2015, the Group made a one-off impairment provision of S\$32.9 million further to the termination of the agreement between its subsidiary, CSE and the local government in Indonesia for the management of oil wells at Dandangilo-Wonocolo and Ngrayong Fields in East Java¹. Due to the impairment provision, the Group reported a net loss of S\$21.5 million in 2Q2015, which caused the Group to report a loss of S\$17.5 million for 9M2015. In 3Q2015, however, the Group has returned to profit with earnings of \$3.1 million.

| <i>Financial positions</i> | As At 30 September 2015 | As At 31 August 2014 | Change |
|--|--|-------------------------------------|---------------|
| | (S\$'000) | (S\$'000) | % |
| Cash and cash equivalents | 10,641 | 4,444 | 139.5 |
| Total assets | 38,877 | 28,594 | 36.0 |
| Loan and borrowings | 18 | 31 | (41.9) |
| Total liabilities | 22,178 | 13,031 | 70.2 |
| Total equity | 16,699 | 15,563 | 7.3 |
| Net asset value per share (Singapore cents)** | 3.4 | 4.9 | (30.6) |

**The net assets value per share for the period ended 30 September 2015 is calculated based on the share capital (excluding treasury shares) in issue at the end of the period of 472,618,657 ordinary shares (31 August 2014: 315,018,657 ordinary shares).

The Group continues to maintain a healthy financial position, with cash and cash equivalents of S\$10.6 million and negligible debt on the balance sheet as at 30 September 2015.

¹ Please refer to the SGX announcement on the 24th of July 2015 regarding the termination of this agreement.

OUTLOOK

The PE business continues to deliver a consistent stream of revenue supported by key existing relationships with major customers over the years. The O&G business remains affected by the low oil-price environment and also by the Indonesian government's policies on the operation of its oilfields. Maintaining a cautious view on the oil and gas sector, the Group intends to explore relevant opportunities and seek new oil field projects with regionally-owned enterprises.

Commenting on the financial results and the outlook for the Group, Mr. Sydney Yeung, Chief Executive Officer of GSS Energy, commented,

“Further to the impairment provision we made in 2Q2015, the financial performance has returned to reflect the regular business operations of the Group. The PE business continues to perform well with improved profit margin, and has stabilized the overall financial results of the Group.

On the O&G front, while evaluating our existing assets in CSE, we have been working persistently with the local government to establish a more favourable business model. The investment project in West Jambi Block in Sumatra is being implemented according to schedule, and we expect the drilling to start in due course. In terms of oil trading, we will take a prudent approach, looking to establish long-term partnerships that would bring in regular and sustained revenue.

While our overall performance is well supported by the PE business, we are making our best effort to build up oilfield assets and the business structure, and derive a viable strategy in a weak and volatile market for the O&G business. We are making solid progress, and we believe these efforts will bear fruit and enhance shareholders value in the long term, as the market eventually recovers.”

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

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

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

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

Issued for and on behalf of GSS Energy Limited

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