



**GSS ENERGY LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 201432529C)

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**RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RELATION TO THE COMPANY'S FY2022 ANNUAL REPORT**

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The Board of Directors (the "**Board**") of GSS Energy Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") refers to questions raised by Securities Investors Association (Singapore) ("**SIAS**") in relation to the Company's Annual Report for the financial year ended 31 December 2022, released on 13 July 2023 (the "**FY2022 Annual Report**") and wishes to provide the following information in response to the queries:

**Question 1 (Consolidated Statement of Comprehensive Income)**

**In the message to shareholders, the chairman and CEO announced, "with great pleasure" the 10.4% increase in precision engineering revenue to \$129.7 million. The group experienced strong demand, collaborated with existing customers and acquired new customers in the electronics and consumer products sectors. The chairman and CEO had said that the precision engineering segment "thrived".**

- (i) **What were the main factors that contributed to the decrease in gross profit even though revenue increased by 10.4%?**

Company's response

The decrease in gross profit is due to the increase in cost of sales by 14.8% for the financial year ended 31 December 2022 ("**FY2022**") as compared to the financial year ended 31 December 2021 ("**FY2021**"), which resulted in a gross margin for FY2022 of 12.2%, as compared to 15.6% for FY2021.

The cost of electronic components increased as demand for such components remains high across the globe, notwithstanding an improvement in the supply of such components. Other notable factors contributing to the increased costs of sales include higher operating costs in relation to manpower, electricity and water, and rental rates continuing to rise in the locations where the factories of the Group are operating.

Gross margin was also affected by the products mix, with higher orders for products which we have the responsibility to purchase the components and parts. While these material costs are built into the selling price, the resultant value-add as a percentage of incurred costs will be lower, as compared to products where we are only responsible for value-added work, with the materials supplied by customers.

- (ii) **Can management clarify whether the precision engineering (PE) segment was profitable after taking into account the selling and distribution, administrative and finance expenses, or did it incur losses?**

Company's response

The existing PE segment (which is made up of the Mechanisms segment and Microshaft segment) was profitable in FY2022. As disclosed in note 36(a) of the audited financial statements in the FY2022

Annual Report, operating profit for the Mechanisms segment and Microshaft segment was S\$687,000 and S\$1,328,000, respectively.

The new Electric Vehicle (“EV”) segment, which has not started to generate revenue, incurred an operating loss of S\$1,569,000.

- (iii) If the PE segment was indeed loss-making, can the chairman and CEO explain why they considered the business to be thriving despite the financial performance?**

Company’s response

Although the existing PE segment did not perform as well in FY2022 as compared to FY2021 and the financial year ended 31 December 2020, the PE segment remained profitable in FY2022. Notwithstanding, the chairman and the CEO of the Group considered the business to be thriving as they are of the opinion that there are still growth opportunities from both existing and potential customers which may be materialised in the next 12 to 18 months.

The Group continued to receive strong order support from existing customers, both for the Mechanisms and the Microshaft segments. The Group is also in discussion with new potential customers in these two segments.

- (iv) What are management’s priorities to improve the profit margin in the PE segment in the next 12-18 months?**

Company’s response

While the Group is expecting the global markets for the next 12 to 18 months to be challenging, amidst the global economic situation of low growth and cost inflation, the Group continues to receive support from existing customers. At the same time, the Group is also in active engagement with new prospective customers, and the Group hopes that such engagements will be able to result in orders in the next 12 to 18 months.

The Group continues to enlarge and enhance its procurement network to avail itself of required components and parts. However, the Group is also mindful of the cashflow impact of procuring these components and parts too early in advance for production.

**Question 2 (Associate Company, PT Sarana GSS Trembul)**

The group’s associate company, PT Sarana GSS Trembul, failed in getting a renewal of the operating agreement for the Trembul Operating Area as it did not complete the work program amounting US\$6.4 million required under the co-operative agreement with PT Pertamina. The termination letter was dated 26 September 2022 but it was disclosed that the company was only notified on 22 December 2022.

- (i) Has the board re-assessed the adequacy of the group’s internal controls, including financial, operational, information technology, compliance and risk management systems to safeguard the interest of the shareholders and the group’s assets, especially considering the delay in being notified of the termination?**

Company’s response

The Group does not exercise control over nor is it materially involved in the day-to-day operations of PT Sarana GSS Trembul (“PT SGT”), as Oakhurst Investments Pte Ltd (“Oakhurst”) is the operating partner in PT SGT and therefore, of the Trembul Operating Area. Please see the Company’s responses to question 2(iii) for background on the GETL Acquisition by Oakhurst.

Upon learning of the termination of the co-operative agreement with PT Pertamina (the “Trembul Termination”) from the Group’s management pursuant to being notified by one of the relevant

personnel of PT SGT and Oakhurst who are in charge of the management of the business and operations of PT SGT and the Trembul Operating Area (the “**Trembul Management**”), the Board had immediately convened an urgent meeting, where the Board assessed the available information and the treatment of the Group’s investment in and receivables from PT SGT.

The Board also instructed the Group’s management to officially remind and re-instruct the Trembul Management to immediately notify the Company of any material events in respect of PT SGT and the Trembul Operating Area so that the Group can make appropriate decisions of any matters which require the Group’s input and to also comply with its continuing disclosure obligations. In this regard, the Group’s management has weekly correspondences with the Trembul Management. As of the date of this announcement, so far as the Group is aware, the Group has been kept abreast of affairs in PT SGT and the Trembul Operating Area promptly.

Given the situation regarding PT SGT and the Trembul Operating Area and the delay in the publication of the unaudited and audited consolidated financial statements of the Group, the Board has instructed the Group’s management to assess its reporting and finance function, taking into account the feedback of the Company’s auditors. Based on the assessment and feedback from the Group’s auditors, the Group has implemented various steps that include, amongst others, (a) formalising a reporting package in June 2023 for all the component entities outlining reporting information and reporting timeline to ensure reporting on a timely basis; (b) ensuring that an assessment will be performed on non-routine transactions by the relevant personnel to determine the appropriate accounting treatment; and (c) formalising an impairment assessment matrix to assess if there are assets which may require impairment at the end of each reporting period.

**(ii) What discussions did the board/management have with PT Sarana GSS Trembul and Oakhurst Investments Pte Ltd regarding the work program?**

Company’s response

The Group’s management has had at least quarterly discussions with the Trembul Management on the progress of the work program, since Oakhurst took over the operatorship.

Prior to the Covid-19 period, while PT SGT is under the operatorship of Oakhurst, PT SGT continued to work with PT Pertamina on the work program, including conducting studies to identify drilling locations, seeking approval from PT Pertamina on the identified locations, including drilling depth and drilling equipment to be used.

During the Covid-19 period, there was no progress on the work program due to the Covid-19 restrictions and funding issues.

Since the Trembul Termination, the Group’s management has been following up with the Trembul Management on the outcome of the appeal to revoke the termination of the notice. As of the date of this announcement, there has been no firm response from PT Pertamina on the outcome of the appeal and the Company understands from the Trembul Management that PT Pertamina is still considering the appeal and has not given a definite timeline on its decision.

In the event that the appeal is successful and the termination is revoked, the Trembul Management will restart discussions on arrangements (including with potential new financiers) to continue the work program.

**(iii) Has the group reviewed the circumstances leading to the non-fulfilment of the work program? Is Oakhurst responsibility for funding the work program and have they met their obligations? Is the board considering its options to safeguard its interest in PT Sarana GSS Trembul?**

Company’s response

Under the terms and conditions of the sale and purchase agreement with Oakhurst dated 17 June 2019<sup>1</sup> (the “GETL SPA”), where Oakhurst acquired 80% of GSS Energy Trembul Limited (“GETL”)<sup>2</sup> from the Company (the “GETL Acquisition”), it is the responsibility of Oakhurst to, *inter alia*, settle all liabilities and obligations of PT SGT and to fund and complete the work program for the Trembul Operating Area. For the purposes of entry into the GETL SPA, the Group conducted its due diligence on Oakhurst and was satisfied with the financial, technical, and human resources and the commitment of Oakhurst.

Upon the completion of the GETL Acquisition, Oakhurst commenced funding the work program. However, there was little progress on the work program due to the implementation of Covid-19 restrictions shortly thereafter and the Company understood that funding from Oakhurst was limited during such period.

Although the Company was not obliged to provide additional funding for PT SGT after Oakhurst acquired operatorship, the Company had provided a loan of S\$470,000 to GETL during FY2021 based on an agreed discussion with Oakhurst as a temporary loan (on a no interest and no repayment date basis) to complete the construction of the bridge in the drilling area of the Trembul Operating Area, which was required by PT Pertamina. Further, the Company had assisted Oakhurst to look for new financiers to continue the work program, but such discussions with prospective financiers were halted after the Group received information about the Trembul Termination.

In the event that the appeal is successful and the termination is revoked, and in the interests of safeguarding the Group’s interest in PT SGT, the Group will assist the Trembul Management to source for new financiers to continue the work program.

**(iv) When will PT Pertamina make a decision on the appeal?**

Company’s response

As at the date of this announcement, the Company understands from the management of PT SGT that PT Pertamina is still considering the appeal and has not given a definite timeline on its decision.

The Company will continue to follow up closely with the management of PT SGT on the matter and will make announcements as and when there are material updates in relation thereto.

**Question 3 (Electric Vehicle Business)**

**The group has made strategic investments to develop UNO-X, an electric motorcycle; signed a memorandum of understanding (MOU) to develop electric vehicle (EV) business in Southeast Asia; and subsequently formed a joint venture (JV) for the EV collaboration with Hong Kong listed MECOM Power and Construction Limited.**

**(i) What progress has the group made since obtaining the road-worthy certification for UNO-X in Thailand in November 2021?**

Company’s response

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<sup>1</sup> [https://links.sgx.com/FileOpen/SGX-GSSEL-20190618\\_Disposal\\_of\\_subsidary\\_GETL.ashx?App=Announcement&FileID=563782](https://links.sgx.com/FileOpen/SGX-GSSEL-20190618_Disposal_of_subsidary_GETL.ashx?App=Announcement&FileID=563782)

<sup>2</sup> The Company holds 20.0% of the shareholding interest in GETL, which in turn holds 49.0% of PT SGT, with the remaining 51.0% in PT SGT held by PT Sarana Pembangunan Jawa Tengah (“SPJT”). Further, GETL had entered into a mandatory convertible bond agreement on 14 February 2017 to provide a loan facility of up to Rp. 210 billion (equivalent to approximately S\$23 million) to PT SGT where the outstanding loan amounts under such facility is mandatorily convertible into equity of PT SGT upon the maturity date of the loan period (being 2 February 2020) (the “Convertible Loan”). Upon the conversion of the Convertible Loan, based on the shareholders’ agreement entered into on 24 February 2016 with SPJT, GETL is expected to hold 89.0% of PT SGT. As at the date of this announcement, the mandatory conversion of the outstanding loan amount pursuant to the Convertible Loan has not taken place. Notwithstanding that the maturity date has passed, upon resolution being obtained in relation to the appeal for the Trembul Termination and any extension of the work program, GETL will initiate discussions with SPJT to extend the conversion period of the Convertible Loan.

To clarify, the Group launched the UNO-X at the Milan International Two-Wheeler Exhibition in November 2021<sup>3</sup> and then obtained the road-worthy certification<sup>4</sup> for the UNO-X in Thailand in February 2022<sup>5</sup>.

Since then, in relation to the UNO-X, the Group has also obtained the battery safety certifications (UN R136) (both Part 1 & Part 2) in August 2022 and has been informed verbally by the testing authority that it has passed all tests pertaining to the Whole Vehicle Type Approval (“**WVTA**”) in July 2023 (with a formal test report to be provided thereafter). These certifications, currently required in the European market, are likely to become necessary in Southeast Asia and other parts of Asia in the foreseeable future, and can also be a requirement specified by the governments in certain countries. For the avoidance of doubt, different certifications are required in relation to our electric motorcycles for the different jurisdictions where we may choose to launch, distribute and sell in.

Please also see the Company’s responses to questions 3(ii) and 3(v) below for the Group’s progress in the manufacture, launch, distribution and sale of its UNO-X electric motorcycles.

**(ii) How does the group plan to manufacture the electric motorcycles?**

Company’s response

Our Batam factory has obtained the World Manufacturer Identifier (“**WMI**”) from the Indonesian Government on 22 October 2021. The WMI is a pre-requisite for a company to be engaged in the manufacturing of motor vehicles.

The Group has started the manufacturing and assembly arrangements for the UNO-X electric motorcycles in the Group’s factory in Batam, Indonesia (the “**Batam Factory**”) since December 2021.

The Group has also engaged an assembly company in Bangkok, Thailand in February 2023, for the final bike assembly, with the battery units, motor units and dashboard units assembled in its Batam Factory.

The Group anticipates that it will be able to commence production of its electric motorcycles for sale by the fourth quarter of 2023. Please see the Company’s response to question 3(v) below in relation to the launch schedule of the UNO-X electric motorcycles.

**(iii) What are the expected contributions of the group to the JV with MECOM? What specific strengths and expertise does the group possess in the electric vehicle (EV) segment that are relevant to the business plan of the JV?**

Company’s response

As mentioned in the Company’s announcements dated 2 February 2023<sup>6</sup> and 31 May 2023<sup>7</sup>, regarding the Company’s joint venture with MECOM Power and Construction Limited (“**MECOM**”), the Group shall be responsible for: “(i) sales and marketing of EVs in the Designated Locations, including but not limited to the provision of sales locations and/or showrooms to the Joint Venture at

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<sup>3</sup>[https://links.sgx.com/FileOpen/SGX-GSSEL-ANNOUNCEMENT\\_GIKEN\\_MOBILITY\\_TO\\_PARTICIPATE\\_IN\\_EICMA\\_2021\\_MOTORCYCLE\\_SHOWS.ashx?App=Announcement&FileID=691533](https://links.sgx.com/FileOpen/SGX-GSSEL-ANNOUNCEMENT_GIKEN_MOBILITY_TO_PARTICIPATE_IN_EICMA_2021_MOTORCYCLE_SHOWS.ashx?App=Announcement&FileID=691533)

<sup>4</sup> For the avoidance of doubt, homologation is required for electric motorcycles to be considered fit for sale and road-worthy, and the Certificate of Approval (i.e. homologation) is the only certification required. In a homologation process, the relevant authorities will carry out a series of testing and inspections on modules of the motorcycle such as speedometer, rear wheel mirror, motor performance, brake sensitivity and dimension. The exact requirements for the issue of such Certificate of Approval (i.e. homologation) may differ from country to country.

<sup>5</sup>[https://links.sgx.com/FileOpen/GSSEL\\_Press\\_Release\\_Homologation\\_in\\_Thailand%20220222.ashx?App=Announcement&FileID=703058](https://links.sgx.com/FileOpen/GSSEL_Press_Release_Homologation_in_Thailand%20220222.ashx?App=Announcement&FileID=703058)

<sup>6</sup>[https://links.sgx.com/FileOpen/SGX-20230202-GSS%20Energy-MECOM%20Joint%20Announcement\\_Combine.ashx?App=Announcement&FileID=745569](https://links.sgx.com/FileOpen/SGX-20230202-GSS%20Energy-MECOM%20Joint%20Announcement_Combine.ashx?App=Announcement&FileID=745569)

<sup>7</sup>[https://links.sgx.com/FileOpen/SGX-20230531-GSS%20Energy-MECOM%20JV%20Joint%20Announcement\\_Combine1.ashx?App=Announcement&FileID=761260](https://links.sgx.com/FileOpen/SGX-20230531-GSS%20Energy-MECOM%20JV%20Joint%20Announcement_Combine1.ashx?App=Announcement&FileID=761260)

cost; (ii) sale of GM's Iso-branded electric motorcycles to the Joint Venture at cost; and (iii) provision of local support where GM has a physical presence."

As at the date of this announcement, the joint venture between the Group and MECOM is expected to be set up by the third quarter of 2023.

The Group and MECOM have identified the potential demands for charging stations and EVs and growth of this market in Southeast Asia and intend to widen the Group's and MECOM's footprints in the EV business in Southeast Asia through the joint venture.

**On 30 March 2022, the group acquired 100% of the share capital of Edison Motors Co., Ltd for an aggregate consideration of \$7.25 million. Edison had net identifiable assets at fair value totally just \$855,000 at the point of its acquisition. As of 31 December 2022, and following the purchase price allocation, the carrying amount of the goodwill and intellectual properties arising from acquisition of Edison Motors was approximately \$6,395,000 and \$1,065,000 respectively. Management has used an average revenue growth rate of 260% in the value-in-use calculations, with the launch of the electric motorcycle targeted in the financial year ending 31 December 2023.**

**(iv) Has the audit committee assessed the reasonableness of the assumptions used in the value-in-use calculation for the EV cash-generating unit (CGU)?**

Company's response

Yes, the Audit Committee had assessed the reasonableness of the assumptions used in the value-in-use calculation for the EV cash-generating unit.

The Audit Committee, together with the Board, had considered the proposal from the Group's management in the venture into the electric two-wheeler business, its viability and potential, its resources and the acquisition of Edison Motors Co., Ltd ("**Edison Motors**")<sup>8</sup> and also had discussions with the valuer appointed to undertake the valuation of Edison Motors in relation to its acquisition. An impairment assessment exercise was also undertaken in connection with the preparation of the audited financial statements for FY2022. These have been disclosed as key audit matters in the independent auditor's report in the Company's FY2022 Annual Report.

**(v) Is the launch of the electric motorcycle on schedule?**

Company's response

As a starting point, it is the intention of the Group to launch and commence distribution and sale of its UNO-X electric motorcycles to Hong Kong, Malaysia and Thailand. For the avoidance of doubt, homologation of the Group's UNO-X electric motorcycles is required in each country before any sale can commence.

An update on the Group's current schedule is as follows:

*Hong Kong*

The Group had appointed a distributor in Hong Kong in January 2022. The Hong Kong distributor officially launched the UNO-X in Hong Kong on 16 July 2023.

Upon obtaining the homologation from the Hong Kong authorities for the UNO-X, which the Group expects to receive by the fourth quarter of 2023, the Group will work with the Hong Kong distributor to commence the distribution and sale of the UNO-X electric motorcycles in Hong Kong shortly thereafter.

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<sup>8</sup>[https://links.sgx.com/FileOpen/SGX-GSSEL-ANNOUNCEMENT\\_Proposed\\_Acquisition\\_of\\_Edison\\_Motor\\_and\\_Placement\\_of\\_New\\_Warrants.ashx?App=Announcement&FileID=691532](https://links.sgx.com/FileOpen/SGX-GSSEL-ANNOUNCEMENT_Proposed_Acquisition_of_Edison_Motor_and_Placement_of_New_Warrants.ashx?App=Announcement&FileID=691532) and [https://links.sgx.com/FileOpen/SGX-GSSEL-ANNOUNCEMENT\\_COMPLETION.ashx?App=Announcement&FileID=709092](https://links.sgx.com/FileOpen/SGX-GSSEL-ANNOUNCEMENT_COMPLETION.ashx?App=Announcement&FileID=709092)

### *Malaysia*

The Group had appointed a distributor in Malaysia in January 2022 and the Group has started the homologation process with the Malaysian authorities.

The Group expects to obtain the homologation from the Malaysian authorities by the fourth quarter of 2023 and commence its distribution and sale of its UNO-X electric motorcycles by the first quarter of 2024.

### *Thailand*

The Group obtained the homologation for the UNO-X electric motorcycle in Thailand in February 2022.

The Group is currently in discussions with prospective distributors in Thailand, and the Group expects to finalise a distributorship agreement by the third quarter of 2023 and commence its sales of UNO-X electric motorcycles by the fourth quarter of 2023.

- (vi) Regarding the payment of \$6.4 million in goodwill for the acquisition of Edison Motors, what guidance has the board provided to management to exercise prudence in its acquisitions related to new business areas such as electric motorcycle development, EV charging infrastructure, and EV distribution?**

#### Company's response

The Board had discussed the acquisition of Edison Motors with the Group's management and had stressed to the Group's management the importance of continual careful evaluation of the viability of the EV and related businesses and ensuring prudence in the deployment of resources, taking into consideration the Group's available financial, operational and manpower resources. The EV and related businesses are in a sector that is still in the early stages and, accordingly, entails more risk than the more mature segments of the PE business. The Board believes that the manufacturing capability of the Group is a synergy in this area but will continue to monitor the development of the EV and related businesses.

The Group will continue to exercise caution in investing in new business areas and will seek the necessary approvals from shareholders for diversification into any new business areas accordingly.

By Order of the Board of  
**GSS ENERGY LIMITED**

Anthony Kuek  
Chairman  
26 July 2023

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*This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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