Gemilang International Limited
彭順國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6163)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 OCTOBER 2022

FINANCIAL HIGHLIGHTS

– Revenue decreased to approximately US$27.47 million for the Year from approximately US$33.53 million for the year ended 31 October 2021. The decrease was mainly attributable to the decrease in revenue of sales of bus bodies and kits.

– The Group recorded a loss of approximately US$1.38 million during the Year while a profit of approximately US$0.82 million was recorded during the year ended 31 October 2021. The loss for the Year was mainly attributable to (i) the decrease in sales of bus bodies and kits as compared with the year ended 31 October 2021; and (ii) the net allowance for impairment losses on trade receivables of approximately US$0.56 million was recorded for the Year while the Group recorded the net reversal for impairment losses on trade receivables of approximately US$0.64 million for the year ended 31 October 2021.

– Basic and diluted loss per share for the Year was US 0.55 cent. (2021: basic and diluted earnings per share: US 0.33 cent).

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Gemilang International Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 October 2022 (the "**Year**") with comparative figures for the year ended 31 October 2021. All amounts set out in this announcement are expressed in United States dollars ("**US$**") unless otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER 2022

	Notes	**2022** ***US$'000***	2021 *US$'000*
Revenue	*5*	**27,474**	33,527
Cost of sales		**(22,557)**	(28,112)
Gross profit		**4,917**	5,415
Other income	*6*	**283**	281
Selling and distribution expenses		**(506)**	(394)
Net (allowance)/reversal for impairment losses on trade receivables		**(555)**	636
General and administrative expenses		**(4,446)**	(4,116)
(Loss)/profit from operations		**(307)**	1,822
Finance costs	*7(a)*	**(934)**	(491)
(Loss)/profit before taxation	*7*	**(1,241)**	1,331
Income tax expense	*8*	**(136)**	(507)
(Loss)/profit for the year attributable to the equity owners of the Company		**(1,377)**	824

	Notes	**2022** *US$'000*	2021 *US$'000*
Other comprehensive (loss)/income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(2,192)**	72
Total comprehensive (loss)/income for the year attributable to equity owners of the Company		**(3,569)**	896
(Loss)/earnings per share (US cent)	*10*		
– Basic		**(0.55)**	0.33
– Diluted		**(0.55)**	0.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 OCTOBER 2022

	Notes	2022 US$'000	2021 US$'000
Non-current assets			
Property, plant and equipment		**10,146**	7,170
Intangible assets		**286**	327
Interest in a joint venture		**–**	–
Deposit paid for acquisition of freehold land	*11*	**–**	408
Deposit paid for acquisition of a subsidiary	*11*	**330**	–
Deferred tax assets		**125**	158
		10,887	8,063
Current assets			
Inventories		**14,246**	15,291
Trade and other receivables	*11*	**6,083**	9,620
Tax recoverable		**231**	91
Financial assets at fair value through profit or loss		**833**	–
Pledged bank deposits		**1,982**	1,984
Cash and bank balances		**1,233**	1,426
		24,608	28,412
Current liabilities			
Trade and other payables	*12*	**3,366**	6,068
Contract liabilities	*13*	**745**	2,872
Bank borrowings		**9,213**	5,148
Bank overdrafts		**2,784**	3,067
Lease liabilities		**25**	18
Provision for taxation		**–**	40
		16,133	17,213
Net current assets		**8,475**	11,199
Total assets less current liabilities		**19,362**	19,262

	Notes	2022 US$'000	2021 US$'000
Non-current liabilities			
Lease liabilities		**106**	66
Convertible bonds	*14*	**3,084**	–
		3,190	66
Net assets		**16,172**	19,196
Capital and reserves			
Share capital	*15*	**324**	324
Reserves		**15,848**	18,872
Total equity attributable to owners of the Company		**16,172**	19,196

1. GENERAL INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands under the Companies Act, Chapter 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability. The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Hong Kong is located at Unit 206A, 2/F, Sun Cheong Industrial Building, 2 Cheung Yee Street, Lai Chi Kok, Kowloon, Hong Kong. The principal place of business in Malaysia is located at Ptd 42326, Jalan Seelong, Mukim Senai 81400 Senai, Johor, West Malaysia.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 11 November 2016.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the Year comprises the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that the following assets are stated at their fair value:

– investment in equity securities; and

– derivative financial instruments.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is Hong Kong dollars ("**HK$**") whereas the consolidated financial statements are presented in United States dollars ("**US$**"), rounded to the nearest thousand, unless otherwise stated, which the management of the Group considered is more appropriate for users of the consolidated financial statements.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards ("**HKFRSs**") requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The 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.

3. NEW AND REVISED HKFRSs NOT YET EFFECTIVE

Up to the date of issue of these financial statements, The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of amendments and a new standard which are not yet effective for the Year and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts[2]
Amendment to HKFRS 17	Insurance Contracts[2, 6]
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2, 5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 Effective for annual periods beginning on or after 1 January 2024

4 Effective for annual periods beginning on or after a date to be determined

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Directors anticipate that the application of the above new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

4. APPLICATION OF NEW AND REVISED HKFRSs

During the Year, the Group has applied the amendments to HKFRSs issued by HKICPA to these consolidated financial statements for current accounting period:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phase 2
Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021

The application of the amendments to HKFRSs in the Year had no material impact on the Group's financial positions and performance for the current and prior financial years and/or on the disclosures set out in these consolidated financial statements.

5. SEGMENT INFORMATION AND REVENUE

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board, being the chief operating decision maker (the "**CODM**"), for the purpose of allocating resources to segments and assessing their performance.

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

– Sales of bus bodies and kits – sales and fabrication of body work for buses and trading of body kits

– Sales of parts and provision of relevant services – dealing in spare parts for buses and provision of after-sales and maintenance services for buses

– Sales of program and related intellectual property ("**IP**") rights. No revenue had been generated during the Year

Segment (loss)/profit represents the (loss)/profit earned by each segment without allocation of head office and corporate expenses, other income and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

No segment assets and liabilities are presented as they were not regularly provided to the CODM for the purpose of resources allocation and performance assessment.

Information regarding the above segments is reported below.

The following is an analysis of the Group's revenue and results by reportable operating segments for the years:

For the year ended 31 October 2022

	Sales of bus bodies and kits *US$'000*	Sales of parts and provision of relevant services *US$'000*	Sales of program and related IP rights *US$'000*	Total *US$'000*
Revenue from external customers recognised at a point in time	**21,519**	**5,955**	**–**	**27,474**
Reportable segment revenue	**21,519**	**5,955**	**–**	**27,474**
Reportable segment (loss)/profit	**(452)**	**881**	**(82)**	**347**
Unallocated head office and corporate expenses:				
– Other expenses				**(937)**
Other income				**283**
Finance costs				**(934)**
Loss before income tax				**(1,241)**
Other segment information				
Depreciation	**451**	**–**	**–**	**451**
Net allowance/(reversal) for impairment losses on trade receivables	**570**	**(15)**	**–**	**555**
Provision for writedown of inventories	**140**	**–**	**–**	**140**

For the year ended 31 October 2021

	Sales of bus bodies and kits *US$'000*	Sales of parts and provision of relevant services *US$'000*	Sales of program and related IP rights *US$'000*	Total *US$'000*
Revenue from external customers recognised at a point in time	28,299	5,228	–	33,527
Reportable segment revenue	28,299	5,228	–	33,527
Reportable segment profit	2,074	849	–	2,923
Unallocated head office and corporate expenses:				
– Other expenses				(1,382)
Other income				281
Finance costs				(491)
Profit before income tax				1,331
Other segment information				
Depreciation	726	–	–	726
Net (reversal) for impairment losses on trade receivables	(537)	(99)	–	(636)
(Reversal) for writedown of inventories	(142)	(23)	–	(165)

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of the customers is based on the location at which the goods are delivered and services are provided.

	Revenue from external customers	
	2022	2021
	US$'000	*US$'000*
Malaysia (place of domicile)	**3,752**	9,186
Singapore	**4,410**	12,547
Australia	**4,058**	5,866
Hong Kong	**3,346**	1,744
United States of America	**2,978**	2,252
Uzbekistan	**6,955**	–
Others	**1,975**	1,932
	27,474	33,527

6. OTHER INCOME

	2022	2021
	US$'000	*US$'000*
Bank interest income	**36**	43
Total interest income on financial assets measured at amortised cost	**36**	43
Dividend from financial assets at fair value through profit or loss ("**FVTPL**")	**8**	–
Net foreign exchange gain	**263**	129
Gain on disposal of property, plant and equipment	**9**	16
Gain on disposal of financial assets at FVTPL	**8**	–
(Loss) on fair value change on financial assets at FVTPL	**(109)**	–
Others	**68**	93
	283	281

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2022	2021
	US$'000	*US$'000*
Interest on bank borrowings	**600**	479
Interest on lease liabilities	**6**	12
Imputed interest on convertible bonds	**152**	–
Others	**176**	–
Total interest expenses on financial liabilities not at fair value through profit or loss	**934**	491

(b) Staff costs (including directors' emoluments)

	2022	2021
	US$'000	*US$'000*
Salaries, wages and other benefits	**2,891**	2,797
Contributions to defined contribution retirement plans	**278**	288
	3,169	3,085

(c) Other items

	2022	2021
	US$'000	*US$'000*
Net allowance/(reversal) for impairment losses on trade receivables	**555**	(636)
Auditors' remuneration	**146**	140
Cost of inventories*	**22,557**	28,112
Depreciation		
– Owned property, plant and equipment	**422**	478
– Right-of-use assets	**29**	248
(Gain) on disposal of property, plant and equipment	**(9)**	(16)
Net foreign exchange (gain)	**(263)**	(129)
Expenses relating to short-term lease	**180**	124

* *Cost of inventories includes approximately US$982,000 (2021: approximately US$1,258,000) relating to staff costs and depreciation charges, which amount is also included in the respective total amounts disclosed separately above or in the Note 7(b) for each of these types of expenses, and provision of slow-moving inventory of approximately US$140,000 (2021: reversal of approximately US$165,000).*

8. INCOME TAX EXPENSE

	2022	2021
	US$'000	*US$'000*
Current tax		
Charge for the year	**109**	340
Under-provision in respect of prior years	**12**	104
Deferred tax		
Origination and reversal of temporary differences	**15**	63
Income tax expense for the year	**136**	507

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(ii) Hong Kong profits tax rate is 16.5% for the Year (2021: 16.5%). The Group is not subject to Hong Kong profits tax as it had no assessable income arising in and derived from Hong Kong for the years ended 31 October 2022 and 2021.

(iii) The People's Republic of China (the "**PRC**") Enterprise Income Tax ("**EIT**") is at the rate of 25% for the Year (2021: 25%). The PRC subsidiaries are not subject to PRC EIT as they had no assessable profit for the years ended 31 October 2022 and 2021.

(iv) GML Coach Technology Pte. Limited, an indirect wholly-owned subsidiary of the Company, is subject to Singapore statutory income tax rate of 17% for the Year (2021: 17%).

(v) Gemilang Coachwork Sdn. Bhd. ("**Gemilang Coachwork**"), an indirect wholly-owned subsidiary of the Company, is subject to Malaysia statutory income tax rate of 24% for the Year (2021: 24%).

9. DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the Year

	2022	2021
	US$'000	*US$'000*
Final dividend proposed after the end of the reporting period of HK$Nil per ordinary share (2021: HK$0.015 per ordinary share)	**–**	486
	–	486

The final dividend proposed after the end of the reporting period had not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the Year

	2022	2021
	US$'000	*US$'000*
Special dividend in respect of the previous financial year, approved and paid during the Year, of HK$Nil per ordinary share (2021: HK$0.04 per ordinary share)	**–**	1,296
Final dividend in respect of the previous financial year, approved and paid during the Year, of HK$0.015 per ordinary share (2021: HK$0.01 per ordinary share)	**486**	324
	486	1,620

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to equity shareholders of the Company of approximately US$1,377,000 (2021: profit US$824,000) and the weighted average number of approximately 251,364,000 ordinary shares (2021: 251,364,000 ordinary shares) in issue during the Year. There is no issuance or cancellation of share during the years ended 31 October 2022 and 2021.

(b) Diluted (loss)/earnings per share

For the Year, the diluted (loss) per share equals to the basic (loss) per share as (i) the computation did not assume the exercise of the outstanding options since the exercise price per share option was higher than the average market price of the Company's share during the year; and (ii) the conversion of the Company's outstanding convertible bonds would result in a decrease in (loss) per share.

For the year ended 31 October 2021, diluted earnings per share equals to the basic earnings per share as the computation did not assume the exercise of the outstanding options since the exercise price per share option was higher than the average market price of the Company's share during the year.

11. TRADE AND OTHER RECEIVABLES

	Notes	**2022**	2021
		US$'000	*US$'000*
Trade receivables		**3,623**	11,032
Less: allowance for impairment losses		**(1,203)**	(3,689)
		2,420	7,343
Deposits, prepayments and other receivable		**3,993**	2,685
	(i)	**6,413**	10,028
Less: non-current portion			
Deposit paid for acquisition of freehold land	*(ii)*	**–**	(408)
Deposit paid for acquisition of a subsidiary	*(iii)*	**(330)**	–
		6,083	9,620

Notes:

(i) *The amount of trade and other receivable, as at 31 October 2022, are expected to be recovered or recognised as assets or expenses within one year.*

(ii) *On 28 July 2021, Gemilang Coachwork, being an indirect wholly-owned subsidiary of the Company, as purchaser, and Tactben Sdn. Bhd. (the "**Vendor**"), as the vendor, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement for Industrial Land**"), pursuant to which the Vendor has conditionally agreed to sell, and Gemilang Coachwork has conditionally agreed to purchase, the freehold industrial land situated in Malaysia for a total purchase price of RM16,915,864 (equivalent to approximately US$4,008,000). For details, please refer to the announcement of the Company dated 28 July 2021.*

The acquisition of the freehold industrial land was completed on 26 August 2022.

(iii) *On 27 October 2022, Gemilang Limited (the "**Purchaser**"), a direct wholly-owned subsidiary of the Company, and Mr. Pang Chong Yong ("**Mr. CY Pang**") and Mr. Pang Jun Kang ("**Mr. JK Pang**", collectively referred as the "**Vendors**" hereinafter), entered into the a conditional share sale agreement dated 27 October 2022 pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of GML Premier Sdn. Bhd. and the sums of money advanced to and expended by the Vendors for GML Premier Sdn. Bhd. which are due and owing to the Vendors by GML Premier Sdn. Bhd. (the "**Acquisition**"), for an aggregate consideration of RM2,591,244 (equivalent to approximately US$550,000). RM1,554,746 (equivalent to approximately US$330,000), being the deposit and part payment towards account of the consideration, had been paid by the Purchaser to the Vendors upon the execution of the conditional share sale agreement. For details, please refer to the announcement of the Company dated 27 October 2022.*

Ageing analysis of trade receivables

As at the end of the Year, the ageing analysis of trade receivables based on the invoice date and net of loss allowance, is as follows:

	2022	2021
	US$'000	*US$'000*
Within 30 days	**707**	3,453
31 to 90 days	**738**	1,960
Over 90 days	**975**	1,930
	2,420	7,343

Trade receivables are generally due within 30 days from the date of billing.

12. TRADE AND OTHER PAYABLES

	2022	2021
	US$'000	*US$'000*
Trade payables	**2,420**	5,049
Other payables and accruals	**946**	1,019
	3,366	6,068

Ageing analysis of trade payables

As at the end of the Year, the ageing analysis of trade payables based on invoice date is as follows:

	2022	2021
	US$'000	*US$'000*
Within 30 days	**681**	2,527
31 to 90 days	**1,401**	1,291
Over 90 days	**338**	1,231
	2,420	5,049

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

13. CONTRACT LIABILITIES

	2022	2021
	US$'000	*US$'000*
Deposits received in advance of performance	**745**	2,872

14. CONVERTIBLE BONDS

On 28 February 2022, the Company issued convertible bonds with an aggregate principal amount of HK$25,000,000 (equivalent to approximately US$3,222,000) (the "**Convertible Bonds**") pursuant to the subscription agreement dated 14 December 2021 (the "**Subscription Agreement**") entered into between the Company, as the issuer, and Ms. Kan Suk Ping (the "**Subscriber**"), as a subscriber, which is an independent third party to the Company.

The initial conversion price is HK$1.00 (subject to adjustments) per conversion share (the “**Conversion Price**”) under the terms and conditions of the Subscription Agreement. The Convertible Bonds shall bear an interest from (and including) the date of issue at the rate of 4.25% per annum on the outstanding principal amount of the Convertible Bonds.

The Convertible Bonds will mature on the day falling on the second anniversary of the issue of the Convertible Bonds (the “**Initial Maturity Date**”). In the event that any of the Convertible Bonds remain unconverted and outstanding on the date falling one (1) month prior to the Initial Maturity Date, the Company may serve a written notice on the holders of the Convertible Bonds (the “**Bondholder(s)**”) at least fourteen (14) days prior to the Initial Maturity Date to extend the maturity date of such Convertible Bonds which remain unconverted and outstanding at the Initial Maturity Date to the day falling on the third anniversary of the issue of the Convertible Bonds (the “**Extended Maturity Date**”).

Subject to the terms of the conditions endorsed on the Convertible Bonds, the Company has the absolute right to require the Bondholder(s) to mandatorily convert any Convertible Bonds remaining outstanding at the Initial Maturity Date (in case of the Initial Maturity Date be extended, would be the Extended Maturity Date) into conversion shares at the then applicable Conversion Price.

The gross proceeds and net proceeds (after deducting all the relevant costs and expenses) from the issue of the Convertible Bonds were approximately HK$25,000,000 and approximately HK$24,837,000, respectively. For details, please refer to the announcement of the Company dated 14 December 2021.

The Convertible Bonds have three components – (i) a liability component, representing the principal amount, (ii) a derivative financial instruments, representing the extension right and the mandatory conversion option held by the issuer, and (iii) an equity component, representing the equity conversion feature.

At initial recognition, the liability component of the Convertible Bonds is measured as the present value of the future interest and principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The derivatives of the Convertible Bonds, which are extension rights and mandatory conversion options held by the Company, are measured at fair value and presented as derivative financial instruments in current assets. The equity component was the residual amount after deducting the liability and derivative components from the gross consideration received for the Convertible Bonds.

The effective interest rate of the liability component is 7.79%.

The Convertible Bonds have been split as follows:

	Liability component *US$'000*	**Derivative financial instruments** *US$'000*	**Equity component** *US$'000*	**Total** *US$'000*
Issue during the Year	2,953	(762)	1,031	3,222
Transaction costs	(21)	–	–	(21)
Fair value change	–	93	–	93
Imputed interest for the Year	152	–	–	152
As at 31 October 2022	3,084	(669)	1,031	3,446

Binomial tree method is used for valuation of the derivatives financial instruments of the Convertible Bonds.

15. SHARE CAPITAL

Ordinary shares of HK$0.01 each

Authorised:

	No. of shares	**Amount** *US$'000*
As at 1 November 2020, 31 October 2021, 1 November 2021 and 31 October 2022	2,000,000,000	2,581

Issued and fully paid:

	No. of shares	**Amount** *US$'000*
As at 31 October 2021 and 31 October 2022	251,364,000	324

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group designs and manufactures bus bodies and assembles buses. The Group divides its target markets into two segments, namely core markets which comprise Singapore and Malaysia, and developing markets which comprise all other markets to where the Group exports its products to, including Australia, Hong Kong, the United States of America (the "**USA**") and Uzbekistan. The Group's buses, comprising city buses and coaches in aluminium, mainly serve public and private bus transportation operators in its target markets.

The Group's products mainly include single deck, double deck and articulated city buses, as well as single deck, double deck and high deck coaches.

The Group sell its products to public and private bus transportation operators, chassis principals and their purchasing agents, bus assemblers and manufacturers in two categories: (i) in the form of bus bodies (SKDs[3] and CKDs[2]) for their local assembly and onward sales; and (ii) buses (CBUs[1]).

Apart from manufacturing bus bodies and assembling buses, the Group also provides after-sales services in maintenance of bus bodies and sales of related spare parts.

During the year ended 31 October 2022 (the "**Year**"), 100% of the Group's revenue derived from the sales of aluminium buses and bus bodies in the sales of bus bodies and kits segment. The demand in aluminium buses and bus bodies will continue to be the major business drive as using aluminium as materials meets environmental standards. Aluminium is likely to be the preferred material for buses, in particular electric buses, due to its lighter weight which results in better energy efficiency.

The Group delivered a total of 144 units of buses (CBUs[1]) and 288 units of CKDs[2] to its customers during the Year.

Notes:

[1] *CBU: completely built up, means a fully completed bus ready for immediate operation*

[2] *CKD: completely knocked down, means completely knocked down parts and components for the side, front, rear and extended chassis frames, and roof*

[3] *SKD: semi knocked down parts, where only constructed side, front, rear and extended chassis frames, and roof are provided and the frames and roof are not joined to each other*

The following tables set out information about the geographical location of the Group's revenue from external customers, for its two segments, namely, sales of bus bodies and kits and sales of parts and provision of relevant services, respectively.

Sales of bus bodies and kits segment

	Revenue from external customers For the year ended 31 October	
	2022	2021
	US$'000	*US$'000*
Malaysia (place of domicile)	**2,866**	8,064
Singapore	**136**	9,381
Hong Kong	**2,775**	1,539
Australia	**3,983**	5,801
Uzbekistan	**6,955**	–
USA	**2,947**	2,247
Others	**1,857**	1,267
	21,519	28,299

The sales of bus bodies and kits segment is the major source of income for the Group, with the sales of whole buses as the major product of the Group contributing over 70% of revenue for the years ended 31 October 2022 and 2021. The revenue generated from this segment amounted to approximately US$21.52 million during the Year, representing a decrease of approximately US$6.78 million or 24.0% as compared with approximately US$28.30 million for the year ended 31 October 2021. The decrease in revenue in this segment was mainly attributable to the significant decrease in delivery of whole buses to Malaysia, Singapore and Australia, which was partly offset by the increase in the delivery of bus bodies to Hong Kong, Uzbekistan and the USA during the Year as compared to the year ended 31 October 2021.

The decrease in revenue from the Malaysia market was approximately US$5.20 million or 64.5% from approximately US$8.06 million for the year ended 31 October 2021 to approximately US$2.87 million for the Year. The decrease was mainly attributable to the decrease in the number of CKDs delivered to Malaysia customers from 61 units for the year ended 31 October 2021 to 9 units for the Year.

During the Year, the Group only delivered a total of 3 units of coaches to its customers in Singapore, as compared to 69 units of whole buses, out of which 51 units of double deck city buses were delivered for the year ended 31 October 2021, resulting in the significant decrease in revenue from the Singapore market of approximately US$9.25 million or 98.6% from approximately US$9.38 million for the year ended 31 October 2021 to approximately US$0.14 million for the Year.

The decrease in revenue from the Australia market was approximately US$1.82 million or 31.3%, from approximately US$5.80 million for the year ended 31 October 2021 to approximately US$3.98 million for the Year. The decrease was mainly attributable to the decrease in the number of buses delivered to Australia from 77 units for the year ended 31 October 2021 to 45 units for the Year.

The increase in revenue from Hong Kong market was approximately US$1.24 million or 80.3%, from approximately US$1.54 million for the year ended 31 October 2021 to approximately US$2.78 million for the Year. The increase was mainly attributable to the increase in the number of CBUs delivered to Hong Kong customers from 28 units for the year ended 31 October 2021 to 45 units for the Year.

During the Year, the Group delivered 190 units of single deck buses to Uzbekistan and recorded the revenue of approximately US$6.96 million. The Group did not deliver any buses to Uzbekistan during the year ended 31 October 2021.

The increase in revenue from the USA market was approximately US$0.70 million or 31.2%, from approximately US$2.25 million for the year ended 31 October 2021 to approximately US$2.95 million for the Year. The increase was mainly attributable to the increase in the number of buses and coaches delivered to the USA customers from 30 units for the year ended 31 October 2021 to 59 units for the Year.

Sales of parts and provision of relevant services segment

	Revenue from external customers For the year ended 31 October	
	2022	2021
	US$'000	*US$'000*
Malaysia (place of domicile)	**886**	1,122
Singapore	**4,274**	3,166
Hong Kong	**571**	205
Australia	**75**	65
USA	**31**	5
Others	**118**	665
	5,955	5,228

The segment of sales of parts and provision of relevant services is the Group's secondary source of income, in which its revenue mainly generated from providing after-sales service and sales of parts to the Group's customers. The revenue generated from sales of parts and provision of relevant services segment amounted to approximately US$5.96 million during the Year, representing an increase of approximately US$0.73 million or 13.9% as compared with approximately US$5.23 million for the year ended 31 October 2021.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

The Group's revenue was principally generated from the assembly and sales of aluminium buses and the manufacture of bus bodies. The Group generated revenue of approximately US$27.47 million and US$33.53 million for the years ended 31 October 2022 and 2021, respectively. The decrease in revenue was primarily due to the decrease in revenue from sales of bus bodies and kits during the Year as compared to the year ended 31 October 2021, which was partly offset by the increase in sales of parts and provision of related services.

By product category

The Group derives its revenue mainly from the assembly and sales of aluminium buses (CBUs) and the manufacture of bus bodies in the form of SKDs or CKDs. The following table sets out the revenue from different product segments:

	For the year ended 31 October			
	2022		2021	
	US$'000	***%***	*US$'000*	*%*
Bus (CBU)				
– City Bus	**7,422**	**27.0**	18,268	54.5
– Coach	**2,331**	**8.5**	1,559	4.6
Bus Body (CKD)				
– City Bus	**11,766**	**42.8**	8,472	25.3
Maintenance and after-sales service	**5,955**	**21.7**	5,228	15.6
Total	**27,474**	**100.0**	33,527	100.0

Gross profit

The Group's gross profit was approximately US$4.92 million and US$5.42 million for years ended 31 October 2022 and 2021, respectively. The Group's gross profit margin was approximately 17.9% and 16.2% for years ended 31 October 2022 and 2021, respectively. The slight increase of gross profit margin for the Year was mainly due to the completion of a project during the Year which the Group recorded higher gross profit margin at the final stage as that part of revenue was service related which required minimal direct costs as compared with previous production stages.

Selling and distribution expenses

The Group's selling and distribution expenses primarily include advertising and promotion expenses, logistic expenses, commission expenses as well as travelling expenses for sales personnel.

The Group's selling and distribution expenses increased by approximately US$0.11 million or 28.4% from approximately US$0.39 million for the financial year ended 31 October 2021 to approximately US$0.50 million for the Year. The increase was mainly due to the increase in business travelling of our sales and marketing team after Malaysia relaxed its COVID-19 border restrictions since the second half of 2022.

General and administrative expenses

The Group's general and administrative expenses mainly comprised staff costs as well as legal and professional fees. Staff costs mainly represent the salary and staff benefits paid to the Group's management and staff who were not directly involved in the production.

General and administrative expenses increased by approximately US$0.33 million or 8.0% from approximately US$4.12 million for the year ended 31 October 2021 to approximately US$4.45 million for the Year. The increase was mainly attributable to the legal and professional fee incurred in certain business projects during the Year.

Income tax expense

There was a decrease in income tax expenses of approximately US$0.37 million or 73.1% from approximately US$0.51 million during the year ended 31 October 2021 to approximately US$0.14 million during the Year. The decrease in income tax expenses was mainly due to the loss recorded during the Year.

Significant investments held

During the Year, there was no significant investment held by the Group.

Future plans for material investments and capital assets

The Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries, associates, joint ventures and assets

On 28 July 2021, Gemilang Coachwork Sdn. Bhd. ("**Gemilang Coachwork**"), being an indirect wholly-owned subsidiary of the Company, as purchaser, and Tactben Sdn. Bhd. (the "**Vendor**"), as the vendor, entered into the sale and purchase agreement (the "**Sale and Purchase Agreement for Industrial Land**"), pursuant to which the Vendor has conditionally agreed to sell, and Gemilang Coachwork has conditionally agreed to purchase, the freehold industrial land situated in Malaysia with an area of approximately 3.3437 hectares for a total purchase price of RM16,915,864 (equivalent to approximately US$4,008,000#) (subject to adjustment). A deposit of RM1,691,586.40 (equivalent to approximately US$401,000#) was paid upon execution of the Sale and Purchase Agreement for Industrial Land during the year ended 31 October 2021. The completion of the acquisition took place on 26 August 2022. For further details, please refer to the announcement of the Company dated 28 July 2021.

Exchange rate applied at the date of the Sale and Purchase Agreement for Industrial Land: RM1.00 = US$0.23695

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures and assets by the Group during the Year.

Pledge of assets

As at 31 October 2022, bank deposits of approximately US$1.98 million (2021: approximately US$1.98 million) as disclosed in the consolidated statement of financial position have been pledged to banks as security for banking facilities granted to the Group. The net book value of the following assets which were pledged to banks to secure certain banking facilities granted to the Group is as follows:

	2022	2021
	US$'000	*US$'000*
Freehold land	**5,438**	1,858
Buildings	**3,684**	4,303
Financial assets at FVTPL	**94**	–
	9,216	6,161

Contingent liabilities

As at 31 October 2022, the Group had the following contingent liabilities:

	2022	2021
	US$'000	*US$'000*
Performance bonds for contracts in favour of customers	**913**	2,535

The above performance bonds were given by banks in favour of some of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated under such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon the completion of the contract work for the relevant customers.

Capital commitments

Significant capital expenditure contracted at the end of the reporting period but not recognised as liabilities is as follows:

	2022	2021
	US$'000	*US$'000*
Contracted but not provided for:		
– Investment in a joint venture (RMB1,500,000) *(note (i))*	**205**	234
– Acquisition of freehold land *(note (ii))*	**–**	3,600
– Acquisition of a subsidiary *(note (iii))*	**219**	–
	424	3,834

(i) During the year ended 31 October 2019, 順鋁(上海)汽車科技有限公司 ("**順鋁(上海)**"), an indirectly wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "**JV agreement**") with 上海北斗新能源有限公司 ("**Beidou**") pursuant to which both companies agreed to establish a joint venture company, 上海北鋁汽車科技有限公司 (the "**JV Company**"). Pursuant to the JV agreement, the amount of registered capital of the JV Company shall be RMB3,000,000 while 順鋁(上海) and Beidou shall each account for a capital contribution of RMB1,500,000. As at 31 October 2022, the Group has not contributed any capital into the JV Company.

(ii) On 28 July 2021, Gemilang Coachwork, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement for Industrial Land, pursuant to which the Vendor has conditionally agreed to sell, and Gemilang Coachwork has conditionally agreed to purchase, the freehold industrial land situated in Malaysia for a total purchase price of RM16,915,864 (equivalent to approximately US$4,008,000^). For further details, please refer to the announcement of the Company dated 28 July 2021. A deposit of RM1,691,586.40 (equivalent to approximately US$401,000^) was paid upon execution of the Sale and Purchase Agreement for Industrial Land during the year ended 31 October 2021. The acquisition of the freehold industrial land was completed on 26 August 2022.

^ *Exchange rate applied at the date of the Sale and Purchase Agreement for Industrial Land: RM1.00 = US$0.23695*

(iii) On 27 October 2022, Gemilang Limited (the "**Purchaser**"), being a direct wholly-owned subsidiary of the Company, and Mr. Pang Chong Yong ("**Mr. CY Pang**") and Mr. Pang Jun Kang ("**Mr. JK Pang**", collectively referred as the "**Vendors**" hereinafter), entered into the a conditional share sale agreement pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of GML Premier Sdn. Bhd. and the sums of money advanced to and expended by the Vendors for GML Premier Sdn. Bhd. which are due and owing to the Vendors by the GML Premier Sdn. Bhd., for an aggregate consideration of RM2,591,244 (equivalent to approximately US$550,000^). RM1,554,746 (equivalent to approximately US$330,000^), being the deposit and part payment towards account of the consideration, had been paid by the Purchaser to the Vendors upon the execution of the conditional share sale agreement.

For further details of the Acquisition and the conditional share sale agreement, please refer to the announcement of the Company dated 27 October 2022.

^ *Exchange rate applied at the date of the conditional share sale agreement: RM1.00 = US$0.2122*

PROSPECTS

The Group's objective is to become one of the leading bus manufacturing solution providers in Asia. The Group believes the Asia market has a lot of growth potential as countries continue to urbanise with a growing population and bus is a convenient and cost efficient form of public transportation that can be implemented in many areas. The Group believes that it is well positioned and equipped with the technological capability to capture this opportunity.

The following highlights our key development strategies:

The Group plans to capture the rising demand of body solutions for electric buses in the Asia Pacific Region

The general demand for electric vehicles ("**EV**") including buses is in an increasing trend and the Group continues to use its best endeavour to explore further of venturing or gaining more exposure in the Asia Pacific region with Malaysia and Singapore as its core markets. The Greater China's bus market and industry remains the largest in the world and the Group will also be focusing more on promoting lightweight aluminium bus body solutions for electric buses as well as strengthening relationships with chassis principals and partners in the region.

The Group plans to expand its manufacturing capacity and continue to invest in product development

The Group will continue to upgrade and improve its production capacity and efficiency, this can be achieved through building new facilities on the recently acquired land and enhancing the automation of our existing manufacturing facility. The expansion of its production capacity and efficiency is essential for catering the rising demand of body solutions for electric-powered commercial vehicles (including but not limited to buses and coaches). The Group will also continuously endeavour in research and development to further improve the lightweight body solutions as well as the overall environmental friendliness of its products.

The Group will further enhance our strategic partnership with chassis principals

The Group has always been maintaining close collaborations with its chassis principals. The Group's long-standing relationship with them is a key factor behind the success of its business.

The Group will continue to co-design and jointly bid for projects with its chassis principals. In order to further enhance the Group's strategic partnership with its chassis principals, the Group intends to implement the following measures:

- develop new markets with the Group's chassis principals;
- develop new EV models with the Group's chassis principals;
- share its bus production technology and know-how in improving production efficiency; and
- leverage its market position to help its chassis principals to enter new markets.

The Group aims to expand its market footprint in the USA and Australia

The USA and Australia governments have been promoting the use of EV, and there was a significant increase in revenue contribution from these two regions in recent years respectively. In order to further broaden the Group's exposure, the Group is working closely with business partners from the regions to increase our market shares. The Group also believes that it is in better position to promote its products by collaborating with our business partners, especially in Australia while we are present in those major cities where the Group has been delivering its buses to since 1999. The Group will continue to working closely with its business partners through regular discussions to produce buses that meet the Federal Motor Vehicle Safety Standard for the USA market and the Australian Design Rules for the Australia market. In terms of after-sales support, the Group seeks to provide round the clock after-sales services to the bus transportation operators by working closely with its business partners. Furthermore, the Group is working on expand of its after-sales services and the size of our marketing team which will enable the Group to be more responsive to after-sales requests from its customers and to establish better relationships with its customers through gathering feedbacks on its products.

The Group will further diversify its product portfolio

The Group's current product portfolio covers city bus and coach, including both electric and diesel powered. It is the Group's plan to expand its product range to cater for a broader market. As more countries are transitioning to EV, the Group will be exploring the markets and continue to design and manufacture suitable bodies that can be assembled on different EV chassis based on the demand from different regions. Through The Group's development efforts, the Group intends to develop bodies with lighter materials to further reduce the weight of the vehicle, so as to improve battery efficiency and performance. In addition, its body-kit solutions are versatile and friendly to those countries that are promoting localisation with local manufacturing activities. The Group's relentless efforts to invest in developing new products for new markets outside

Asia have successfully helped the Group open doors to new markets such as the USA. The Group will continue to innovate and expand its portfolio to reach out to more new markets.

The Group will continuously identify and explore other business opportunities with an aim to diversifying its earnings base

The Group recently signed the agreements for the purpose to acquire 2 pieces of land which are close to its headquarter in Malaysia and the lands can be converted to commercial use which will allow the Group to explore different business development opportunities (such as showroom for rental income) to provide additional source of income to the Group.

During the Year, the Group also purchased certain program and related intellectual property rights products which are held for trading purpose in order to diversify its revenue stream.

The Group will continue to evaluate different business opportunities to broaden the Group's existing earnings base, enhance its profitability and offer better returns to shareholders of the Company.

EVENT AFTER THE REPORTING PERIOD

On 9 January 2023, Gemilang Coachwork, as purchaser, and Mr. Lau Ching Eng ("**Mr. Lau**"), an independent third party of the Group, as vendor, entered into the sale and purchase agreement (the **"Sale and Purchase Agreement for Commercial Land**"), pursuant to which Mr. Lau, has conditionally agreed to sell, and Gemilang Coachwork, as the purchaser, has conditionally agreed to purchase, a commercial land held under HS(M) 2763 PTD 43226, Mukim of Senai, District of Kulai, State of Johor, Malaysia (the "**Commercial Land**") for a total purchase price of RM5,350,000 (the "**Purchase Price**", equivalent to approximately US$1,223,000[@]). A sum of RM535,000 (equivalent to approximately US$122,000[@]), being the deposit and part payment towards the account of the Purchase Price had been paid to Mr. Lau upon execution of the Sale and Purchase Agreement of Commercial Land.

The completion of the acquisition of the Commercial Land is subject to the consent required to be obtained by Gemilang Coachwork as non-citizen of Malaysia from the relevant state authority pursuant to the terms and conditions of the Sale and Purchase Agreement for Commercial Land. For details, please refer to the announcement of the Company dated 9 January 2023.

@ *Exchange rate applied at the date of the Sale and Purchase Agreement for Commercial Land: RM1.00 = US$0.2286*

DIVIDENDS

The Board does not recommend the payment of any final dividend for the Year (for the year ended 31 October 2021: HK$0.015 per share).

ANNUAL GENERAL MEETING

The annual general meeting is scheduled to be held on Friday, 17 March 2023. The notice of annual general meeting will be published and despatched to the shareholders of the Company (the "**Shareholders**") in the manner prescribed by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company which will be held on Friday, 17 March 2023, the register of members of the Company will be closed from Tuesday, 14 March 2023 to Friday, 17 March 2023, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 13 March 2023.

FOREIGN CURRENCY RISK

The Group undertakes certain transactions denominated in foreign currencies, mainly in US dollars, Australian dollars and Singapore dollars, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely in order to keep the net exposure to an acceptable level. The Group will consider hedging significant foreign currency exposure should the need arises.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2022, the aggregate sum of the Group's bank balances and cash net of bank overdrafts, and short-term pledged bank deposits amounted to approximately US$0.43 million, representing an increase of approximately US$0.09 million compared with as at 31 October 2021 of approximately US$0.34 million. The net current assets and total equity of the Group were approximately US$8.48 million (2021: approximately US$11.20 million) and approximately US$16.17 million (2021: approximately US$19.20 million). As at 31 October 2022, the Group's bank borrowings and bank overdrafts amounted to approximately US$12.00 million (2021: approximately US$8.22 million).

As at 31 October 2022, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 86% (2021: approximately 36%).

The Group monitors capital using, *inter alia*, a gearing ratio which is net debt divided by total equity. Net debt includes bank overdrafts, interest-bearing bank borrowings, convertible bonds and lease liabilities, less cash and bank balances. The gearing ratios as at 31 October 2022 and 2021 are as follows:

	2022	2021
	US$'000	*US$'000*
Lease liabilities	**131**	84
Bank borrowings	**9,213**	5,148
Bank overdrafts	**2,784**	3,067
Convertible bonds	**3,084**	–
	15,212	8,299
Less: Cash and bank balances	**1,233**	1,426
Net debt	**13,979**	6,873
Total equity	**16,172**	19,196
Net debt-to-equity ratio	**86%**	36%

CAPITAL STRUCTURE

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the Shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to Shareholders, return capital to the Shareholders, or sell assets to reduce debt. No changes in the objective, policies or processes for managing capital were made in the Year.

The Board reviews the capital structure on a regular basis. As part of the review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendation of the management, the Group will balance its overall capital structure through the payment or non-payment of dividends as well as issue of new debt or the redemption of the debt.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2022, the total number of full-time employees of the Group was 251 (2020: 313). The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is offered with reference to market rates. Salary and/or promotion review is conducted upon performance appraisal by management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, in accordance with the Group's performance and individual's contribution. Ample in-house orientation and on-the-job training are arranged for the employees all year round. Employees are always encouraged to attend job-related seminars, courses and programs organised by professional or educational institutions, in Malaysia, Hong Kong or other jurisdictions.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value accountability. The Company has adopted and complied with the applicable code provisions of the Corporate Governance Code (the "**Old CG Code**") as previously set out in Appendix 14 to the Listing Rules, save and except for code provision A.2.1 of the Old CG Code (equivalent to C.2.1 of the New CG Code (as defined below)) throughout the Year. On 1 January 2022, the amendments to the Corporate Governance Code (the "**New CG Code**") came into effect and the requirements under the New CG Code would apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

Pursuant to the code provision A.2.1 of the Old CG Code (equivalent to C.2.1 of the New CG Code), the roles of chairman and chief executive should be separate and should not be performed by the same individual. Accordingly, the appointment of Mr. Pang Chong Yong, being the chief executive officer (the "**CEO**") and the chairman (the "**Chairman**") of the Company, deviates from the relevant code provision.

The Board believes that vesting the roles of both the Chairman and the CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board also considers that this arrangement will not impair the balance of power and authority as a majority of the Board members are represented by the independent non-executive Directors, who offer different independent perspectives. In addition, the Board meets regularly to consider major matters affecting the operations of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information. Therefore, the Board is of the view that the balance of power and safeguards in place are adequate. The Board would review and monitor the situation on a regular basis, and it would ensure that the present structure would not impair the balance of power in the Group.

USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds of the global offering received by the Company were approximately HK$68.06 million (equivalent to approximately US$8.77 million), after deduction of related listing expenses, of which approximately HK$15 million of the total amount of fees and expenses in connection with the global offering has been paid from the proceeds of the pre-IPO investments.

Uses of net proceeds	**Planned amount as stated in the Prospectus**[1] *US$ million*	**Actual amount utilised up to 31 October 2022** *US$ million*	**Actual balance as at 31 October 2022** *US$ million*
Construction of the new facility in Senai, Malaysia	4.70	4.70	–
Upgrading and acquiring machines	0.89	0.72	0.17
Repayment of bank loans	2.39	2.39	–
Working capital	0.79	0.79	–
Total	8.77	8.60	0.17

(1) The planned amount as stated in the Prospectus (as defined below) was further adjusted as disclosed in the announcement of the Company dated 10 November 2016 after the offer price being fixed at HK$1.28.

Such utilisation of the net proceeds was in accordance with the proposed allocations as set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 31 October 2016 (the "**Prospectus**"). The unutilised portion of the net proceeds were deposited in our banks in Hong Kong and Malaysia and is intended to be utilised in the manner consistent with the proposed allocation as set forth in the Prospectus. The unutilised amount of net proceeds for upgrading and acquiring machines (approximately US$0.17 million) shall be fully utilised by the financial year ending 31 October 2023.

USE OF PROCEEDS FROM CONVERTIBLE BONDS

On 14 December 2021, the Company entered into the Subscription Agreement with the Subscriber, an independent third party to the Group, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of HK$25,000,000 (equivalent to approximately US$3,222,000).

The initial conversion price is HK$1.00 (subject to adjustments) per conversion share under the terms and conditions of the Subscription Agreement. The Convertible Bonds shall bear an interest from (and including) the date of issue at the rate of 4.25% per annum on the outstanding principal amount of the Convertible Bonds. Details of the terms and conditions of the Subscription Agreement are set out in the Company's announcement dated 14 December 2021.

The gross proceeds and net proceeds (after deducting all the relevant costs and expenses) from the issue of the Convertible Bonds were approximately HK$25,000,000 and approximately HK$24,837,000, respectively. The Company intended to use such net proceeds for development of the existing business of the Group and for working capital purposes of the Group. The issue of the Convertible Bonds was completed on 28 February 2022.

As at 31 October 2022, the Group had utilised the entire net proceeds from the issue of the Convertible Bonds for development of the existing business of the Group and for working capital purposes of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules on terms no less exacting than the required standard set out in the Model Code as its code of conduct regarding securities transactions by Directors.

Having made specific enquiry of all Directors, they confirmed that they had complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the Year.

The Company has also established written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees of the Group who are likely to be in possession of inside information of the Company.

No incident of non-compliance with the Employees Written Guidelines by the employees of the Group was noted by the Company during the Year.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal control system. As at the date of this announcement, the audit committee comprises the three independent non-executive Directors with Mr. Huan Yean San as the Chairman. Other members are Mr. Andrew Ling Yew Chung and Ms. Lee Kit Ying. The audit committee of the Company has met the external auditors of the Company, Crowe (HK) CPA Limited ("**Crowe**"), and reviewed the accounting principles and practices adopted by the Company and the consolidated financial statements of the Group for the Year.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the preliminary results announcement of the Group's results for the Year have been agreed by the Group's auditors, Crowe, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Crowe in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Crowe on the preliminary results announcement.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange (***www.hkexnews.hk***) and that of the Company (***www.gml.com.my***). The annual report of the Group for the Year containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend our gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, suppliers, clients and bankers for their continuous support.

By order of the Board
Gemilang International Limited
Pang Chong Yong
Chairman, Chief Executive Officer and Executive Director

13 January 2023

As at the date of this announcement, the Board comprises (i) Mr. Pang Chong Yong (Chairman), Mr. Pang Jun Jie and Mr. Yik Wai Peng as executive directors of the Company; and (ii) Ms. Lee Kit Ying, Mr. Huan Yean San and Mr. Andrew Ling Yew Chung as independent non-executive directors of the Company.