



GEMILANG INTERNATIONAL LIMITED

彭順國際有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: HK6163



Interim Report

2022



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EXECUTIVE DIRECTORS

Mr. Pang Chong Yong
(Chairman and Chief Executive Officer)
Mr. Pang Jun Jie
Mr. Yik Wai Peng
(Chief Financial Officer)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Lee Kit Ying
Ms. Kwok Yuen Shan Rosetta
Mr. Huan Yean San
Mr. Andrew Ling Yew Chung

AUDIT COMMITTEE

Mr. Huan Yean San *(Chairman)*
Ms. Kwok Yuen Shan Rosetta
Mr. Andrew Ling Yew Chung

NOMINATION COMMITTEE

Mr. Pang Chong Yong *(Chairman)*
Ms. Kwok Yuen Shan Rosetta
Mr. Andrew Ling Yew Chung

REMUNERATION COMMITTEE

Ms. Kwok Yuen Shan Rosetta *(Chairman)*
Mr. Pang Chong Yong
Mr. Andrew Ling Yew Chung

COMPANY SECRETARY

Mr. Chiu Chun Yin

AUTHORISED REPRESENTATIVE UNDER PART 16 OF THE COMPANIES ORDINANCE

Mr. Chiu Chun Yin

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. Chiu Chun Yin
Mr. Yik Wai Peng

AUDITORS

Crowe (HK) CPA Limited
9/F, Leighton Centre
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Causeway Bay
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Michael Li & Co. Solicitors
Room 901 & 19th Floor, Prosperity Tower
No. 39 Queen's Road Central
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PRINCIPAL BANKERS

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Malaysia

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Malaysia

Malayan Banking Berhad
Level 14, Menara Maybank
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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(with effect from 15 August 2022)

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West Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 206A, 2/F, Sun Cheong Industrial Building
2 Cheung Yee Street, Lai Chi Kok
Kowloon, Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited
(the "Stock Exchange")
Stock code: 6163.HK
Board lot: 2,000 shares

CORPORATE WEBSITE ADDRESS AND INVESTOR RELATIONS CONTACT

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Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Director(s)**”) of Gemilang International Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 April 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021.

BUSINESS REVIEW

The Group designs, fabricates and manufactures bus bodies and assembles buses. We divide our target markets into two segments, namely core markets which comprise Singapore and Malaysia, and developing markets which comprise all other markets to where we export our products to, including Australia, Hong Kong and the United States of America (the “**USA**”). Our buses, comprising city buses and coaches in aluminium, mainly serve public and private bus transportation operators in our target markets.

Our products mainly include single deck, double deck and articulated city buses, as well as single deck, double deck and high deck coaches.

We sell our 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) whole buses (CBUs⁽¹⁾).

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

During the Reporting Period, 100% of our 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 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 84 units of buses (CBUs⁽¹⁾) and 29 units of CKDs⁽²⁾ to our customers during the Reporting Period.

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 Group's revenue from external customers by geographical location, for our two segments, 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 six months ended 30 April	
	2022	2021
	US\$'000	US\$'000
Malaysia (place of domicile)	2,917	4,192
Australia	2,718	3,867
Hong Kong	1,792	84
USA	1,501	–
Singapore	140	6,523
Others	740	1,282
	9,808	15,948

The sales of bus bodies and kits segment is our major source of income for our Group, with the sales of whole buses as the major product contributing approximately 69.4% of revenue during the Reporting Period. The revenue generated from this segment amounted to approximately US\$9.81 million during the Reporting Period, representing a decrease of approximately 38.5% compared to the corresponding period in 2021 of approximately US\$15.95 million. The decrease in revenue in this segment was mainly due to the decrease in delivery of whole buses to Singapore and Australia and bus bodies to Malaysia, which off-set the increase in delivery of whole buses to Hong Kong and the USA. During the Reporting Period, the Group had delivered 32 units of whole buses to customers in Australia (2021: 47 units), 9 units of CKDs to customers in Malaysia (2021: 29 units), 3 units of whole buses to customers in Singapore (2021: 46 units). The decrease in delivery was mainly due to the continuation of supply chain disruption caused by the endemic of the Omicron variant of the 2019 novel coronavirus disease (“COVID-19”) from the beginning of 2022.

**Sales of parts and provision of relevant services segment**

	Revenue from external customers for the six months ended 30 April	
	2022	2021
	US\$'000	US\$'000
Singapore	2,543	1,751
Malaysia (place of domicile)	732	540
Hong Kong	90	56
Australia	51	42
USA	1	–
Others	913	244
	4,330	2,633

The sales of parts and provision of relevant services segment is our secondary source of income, in which its revenue was mainly generated from providing after-sales services and sales of parts to our customers. The revenue generated from this segment amounted to approximately US\$4.33 million during the Reporting Period representing an increase of approximately 64.5% as compared with approximately US\$2.63 million for the corresponding period in 2021.

Such increase was mainly attributable to the increase in demand of maintenance and after-sales services in Singapore. The sales from this segment was mainly contributed from the markets where we sold our whole buses to, in particular Singapore, as the demand for sales of parts and related services was correlated with the number of buses sold to these places cumulatively. As more buses purchased from our Group are on the road, this market will continue to have higher demand for spare parts replacements and after-sales services.

OUTLOOK

The Group has been able to maintain our market position in Asia, with the continuous support from our customers in the region. The Group believes that maintaining the top-quality products is crucial to be the leading bus manufacturing solution provider. In addition, we are expanding our market footprint in other regions such as the USA since 2021.

During the Reporting Period, the COVID-19 pandemic continues to adversely affect the recovery of world economy, especially the global pandemic outbreak of Omicron variant of COVID-19 from the beginning of 2022, which significantly affected our Group's operations. Under the complex and challenging environment, the Group continues to operate our major subsidiary in Malaysia while cautiously preventing the spread of COVID-19 and implementing the Standard Operating Procedures ("SOP") introduced by the government of Malaysia.



Due to continuous improvement on the COVID-19 situation in Malaysia, from 1 May 2022, the government of Malaysia further relaxed the SOP and certain COVID-19 prevention measures. As more countries and regions are removing their endemic prevention measures, it is expected the global economy recovery would be stipulated in the second half of 2022 after the endemic of COVID-19. The Group will endeavour to capture the opportunities during the expected economy recovery.

During the Reporting Period, apart from carrying on the postponed projects awarded in previous financial years, the Group continues to explore new business opportunities, especially at the electric vehicle (“EV”) market. With our experience in building EV buses, our Group is looking forward to participating in certain EV projects and tenders. In addition, 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 in the region.

In addition to maintaining our market position as a leading bus manufacturing solution provider, the Group continuously explores various opportunities to develop its businesses and will formulate different business strategies to utilise its resources effectively to maintain sustainable long-term growth. The Group has started evaluating the opportunity of expanding its trading activities to the trading of film and related intellectual property rights in the People’s Republic of China (the “PRC”) with the aim of diversifying and expanding its source of income and establishing a footprint in the PRC market. During the Reporting Period, the Group entered into a contract to purchase certain films and related intellectual property rights and expects to generate revenue from trading these products. During the Reporting Period, no revenue had been recognised from trading films and related intellectual properties yet. We believe the diversification of our trading products would provide more revenue sources to the Group and enhance the sustainable long-term growth of the Group.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately US\$14.14 million, representing a decrease of approximately 23.9% as compared with approximately US\$18.58 million for the corresponding period in 2021. Such decrease was mainly because of the decrease in revenue from sales of bus bodies and kits due to the supply chain disruption caused by the endemic of the variant of COVID-19.



By product category

We derive our revenue mainly from the assembly and sales of aluminium buses (CBUs) and manufacture of bus bodies in the form of CKDs. The following table sets out our revenue from different product segments during the Reporting Period:

	For the six months ended 30 April			
	2022		2021	
	US\$'000	%	US\$'000	%
Bus				
CBU				
– City Bus	5,169	36.6	10,923	58.8
– Coach	1,134	8.0	240	1.3
Bus Body				
CKD				
– City Bus	3,505	24.8	4,785	25.7
Maintenance and after-sales services	4,330	30.6	2,633	14.2
TOTAL	14,138	100.0	18,581	100.0

By geographical location

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

	Revenues from external customers for the six months ended 30 April	
	2022	2021
	US\$'000	US\$'000
Malaysia (place of domicile)	3,649	4,732
Australia	2,769	3,909
Singapore	2,683	8,274
Hong Kong	1,882	140
USA	1,502	–
Others	1,653	1,526
	14,138	18,581



Gross profit and gross profit margin

Our gross profit was approximately US\$3.31 million and US\$3.08 million for the six months ended 30 April 2022 and 2021, respectively. Our gross profit margin was approximately 23.4% and approximately 16.6% for the six months ended 30 April 2022 and 2021, respectively. The increase of gross profit margin during the Reporting Period was mainly due to: (i) the reversal of provision of slow-moving inventory of approximately US\$0.11 million recorded during the Reporting Period while approximately US\$0.33 million of provision of slow-moving inventory was recorded during the corresponding period in 2021; and (ii) the completion of a project during the Reporting Period 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

Our selling and distribution expenses primarily include advertising and promotion expenses, logistic expenses, commission expenses as well as travelling expenses for sales personnel.

Our selling and distribution expenses for the Reporting Period was maintained at a similar level as compared to the corresponding period in 2021 because we have reduced business travelling since the restrictions imposed to prevent the spread of COVID-19.

General and administrative expenses

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

Our general and administrative expenses for the Reporting Period was maintained at a similar level as compared to the corresponding period in 2021.

Income tax expenses

During the Reporting Period, the income tax expense of approximately US\$36,000 was recognised as compared with approximately US\$7,000 for the corresponding period in 2021. The income tax expenses for the Reporting Period was mainly attributable to the provision of income tax recognised for our subsidiaries in Malaysia and Singapore which had recorded profit before income tax during the Reporting Period, which was partially off-set by the temporary tax difference arose from expected credit loss provision recognised during the Reporting Period.



LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash flow

For the six months ended 30 April 2022, the Group's working capital was mainly financed by bank loans.

Net current assets

The Group's net current assets amounted to approximately US\$14.24 million as at 30 April 2022, as compared to approximately US\$11.20 million as at 31 October 2021. As at 30 April 2022, the Group's current ratio was approximately 1.64, as compared to approximately 1.65 as at 31 October 2021.

Cash and cash equivalents, bank deposits and bank loans

As at 30 April 2022, cash and cash equivalents of the Group was approximately US\$3.16 million, as compared to approximately US\$1.43 million as at 31 October 2021. As at 30 April 2022, the Group had pledged bank deposits of approximately US\$2.14 million, as compared to approximately US\$1.98 million as at 31 October 2021. The bank borrowings and bank overdrafts of the Group increased by approximately 14.7% to approximately US\$9.43 million as at 30 April 2022 from approximately US\$8.22 million as at 31 October 2021.

Gearing ratio

As at 30 April 2022, the gearing ratio (calculated by dividing leases liabilities, bank borrowings, bank overdrafts and convertible bonds less cash and bank balance by total equity as at the end of the period/year) of the Group increased to approximately 49% from approximately 36% as at 31 October 2021, primarily attributable to issue of convertible bonds during the Reporting Period.

Capital expenditures

During the Reporting Period, the Group had capital expenditure of approximately US\$0.12 million, as compared to approximately US\$0.23 million for the six months ended 30 April 2021. The capital expenditure incurred during the Reporting Period mainly represented cash paid and lease liabilities recognised for acquisition of property, plant and equipment.

Significant investments

As at 30 April 2022, the Group did not have any significant investments.



Commitments

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

	At at 30 April 2022 US\$'000	At at 31 October 2021 US\$'000
Note		
Contracted but not provided for:		
– Investment in a joint venture (RMB1,500,000)	(i) 227	234
– Acquisition of freehold land	(ii) 3,496	3,600
	3,723	3,834

Notes:

- (i) During the year ended 31 October 2019, 順銘(上海)汽車科技有限公司 (“順銘(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, 上海北銘汽車科技有限公司 (the “JV Company”) in Shanghai, the PRC. Pursuant to the JV agreement, the amount of registered capital of the JV Company shall be RMB3,000,000 while 順銘(上海) and Beidou shall each account for a capital contribution of RMB1,500,000. As at 30 April 2022, the Group has not contributed any capital into the JV Company.
- (ii) On 28 July 2021, Gemilang Coachwork Sdn. Bhd. (“Gemilang Coachwork”), an indirect wholly-owned subsidiary of the Company, and the vendor (the “Vendor”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”), 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 during the year ended 31 October 2021. As at the date of this report, the approval of the Johor State authority pursuant to section 433B of the National Land Code, 1965 has not been obtained yet and completion of the acquisition has not taken place.

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

Future plan for material investments or capital assets

As at 30 April 2022, the Group did not hold any material investment. There was no specific plan for material investments or capital assets as at 30 April 2022.

Material acquisitions or disposals

During the Reporting Period, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.



Foreign exchange risk

The Group undertakes certain transactions denominated in foreign currencies, mainly in United States 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.

Charges on assets

As at 30 April 2022, pledged bank deposits of approximately US\$2.14 million (31 October 2021: approximately US\$1.98 million) as disclosed in the condensed 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 were pledged to secure certain banking facilities granted to the Group:

	As at 30 April 2022 US\$'000	As at 31 October 2021 US\$'000
Freehold land	1,695	1,858
Buildings	3,878	4,303
	5,573	6,161

Contingent liabilities

As at 30 April 2022, the Group had the following contingent liabilities:

Performance bonds

	As at 30 April 2022 US\$'000	As at 31 October 2021 US\$'000
Performance bonds for contracts in favour of customers	2,297	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 those 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.



INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2022 (six months ended 30 April 2021: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2022, the total number of full-time employees of the Group was 273 (31 October 2021: 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 around. 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.

LITIGATION

In April 2018, Gemilang Coachwork, a wholly-owned subsidiary of the Company, issued a writ against a Malaysian customer ("**Defendant 1**") and its holding company ("**Defendant 2**"), (collectively, the "**Defendants**") in the High Court of Malaya at Johor Bahru, requiring, among other things, the Defendants to repay the sum of approximately RM10,884,624 for the goods supplied and delivered by Gemilang Coachwork. In February 2016 and August 2016, Gemilang Coachwork entered into two supplier letters of acceptance with the said customer, pursuant to which Gemilang Coachwork had supplied and delivered an aggregate of one hundred and fifty (150) units of eco-range aluminium superstructure body kits and had supplied and assembled one (1) unit of bus prototype to the said customer. As at the date on which Gemilang Coachwork issued the writ, despite efforts paid to recover the debt, the outstanding amount of approximately RM10,884,624 (equivalent to approximately US\$2.49 million) remained due and outstanding.



In August 2018, the case was heard in the High Court of Malaya at Johor Bahru and Gemilang Coachwork successfully obtained a summary judgment against the Defendants. Subsequently, a winding up petition dated 30 October 2018 was filed in the High Court of Malaya and has been served on the Defendants on 15 November 2018. The winding up petition served on the Defendant 1 was subsequently dismissed on 2 January 2019 as Defendant 1 had already been wound up in July 2018 by a third party. Defendant 2 had filed an originating summons for judicial management in the High Court of Malaya at Shah Alam. The hearing of the said originating summons was held on 24 January 2019 and the order for judicial management was subsequently granted. Defendant 2 has applied for second extension on the judicial management in the High Court of Malaya at Shah Alam in May 2019 for 2 months and the extension was approved. After that, Defendant 2 has applied for extension of judicial management order in the High Court of Malaya at Shah Alam on 13 August 2019 but the application was not allowed by the High Court of Malaya on 10 December 2019. Eventually, the High Court of Malaya ordered Defendant 2 be wound up under the provisions of the Companies Act 2016 on 30 January 2020. The Company was informed by its legal adviser that the outstanding amount will be paid when the receiver has exercised the right and duty according to the winding up order and the debt will be repaid according to the debt security. As at the date of this report, the distribution results have not been completed.

Despite of the fact that several attempts were made to recover the outstanding amount from the Defendants, the Company has not reached a settlement agreement with the Defendants for the settlement of the aforesaid sum. Based on the assessment of the latest available financial information of the Defendants, communications with the Defendants and other information available to the Board (including such information as stated above), as the recoverability of such receivables is expected to be remote, the Company has made provision for such outstanding amount in the year ended 31 October 2018.

The Company will provide further information as and when appropriate in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).



USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds of the global offering received by the Company were approximately HK\$68.06 million (approximately US\$8.77 million), after deduction of related listing expenses, of which 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.

Use of net proceeds	Planned amount as stated in the Prospectus ⁽¹⁾ US\$ million	Actual amount utilised up to 30 April 2022 US\$ million	Actual balance as at 30 April 2022 US\$ million
Construction of the new facility in Senai, Malaysia	4.70	(3.83)	0.87
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	(7.73)	1.04

(1) The planned amount as stated in the Company's prospectus dated 31 October 2016 (the "Prospectus") 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 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 (i) construction of the new facility in Senai, Malaysia (approximately to US\$0.87 million) and (ii) upgrading and acquiring machines (approximately US\$0.17 million) shall be fully utilised by the financial year ending 31 October 2023 and the financial year ending 31 October 2022, respectively.



USE OF PROCEEDS FROM CONVERTIBLE BONDS

On 14 December 2021, the Company entered into a subscription agreement (the “**Subscription Agreement**”) with Ms. Kan Suk Ping (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, convertible bonds in the principal amount of HK\$25,000,000 (equivalent to approximately US\$3,222,000) of which a maximum number of 25,000,000 Shares will be allotted and issued upon full conversion of the convertible bonds (the “**Convertible Bonds**”).

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 shall be 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 30 April 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.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 April 2022 and up to the date of this report.



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 as its code of conduct regarding Director's securities transactions. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the Reporting Period.

The Company has also established written guidelines no less exacting than the Model Code (the “**Employees Written Guidelines**”) for securities transactions by employees 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 was noted by the Company during the Reporting Period.

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 of the Company (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 Reporting Period. 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.



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 April 2022, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the ordinary shares of the Company (the "Share(s)")

Name of Directors	Capacity/ Nature of interests	Total number of Shares and underlying Shares held ⁽¹⁾	Approximate percentage of issued share capital ⁽⁵⁾
Mr. Pang Chong Yong	Interest in a controlled corporation ⁽²⁾	82,078,125 (L)	32.65%
	Interest held jointly with Mr. Phang Sun Wah ⁽³⁾	4,014,125 (L)	1.60%
	Beneficial owner	4,960,000 (L)	1.97%
Mr. Yik Wai Peng	Beneficial owner	224,000 (L)	0.08%
	Interest of spouse ⁽⁴⁾	140,000 (L)	0.06%
Mr. Andrew Ling Yew Chung	Beneficial owner	60,000 (L)	0.02%

(1) The letter "L" denotes a person's "long position" in such Shares.

(2) Mr. Pang Chong Yong beneficially owns 100% of the issued share capital of Golden Castle Investments Limited. By virtue of the SFO, Mr. Pang Chong Yong is deemed to be interested in 82,078,125 Shares held by Golden Castle Investments Limited representing approximately 32.65% of the entire issued share capital of the Company.

(3) Pursuant to the concert party deed dated 20 July 2016 (the "**Deed**") and executed by Mr. Phang Sun Wah and Mr. Pang Chong Yong, Mr. Phang Sun Wah and Mr. Pang Chong Yong were parties acting in concert (having the meaning ascribed to it under the Code on Takeovers and Mergers (the "**Takeovers Code**"). As such, Mr. Phang Sun Wah and Mr. Pang Chong Yong were deemed to be interested in the interests of each other and jointly owned 91,052,250 Shares, representing approximately 36.22% of the entire issued share capital of the Company as at 30 April 2022. On 8 June 2022, Mr. Phang Sun Wah and Mr. Pang Chong Yong entered into a termination deed to terminate the Deed. As such, Mr. Phang Sun Wah and Mr. Pang Chong Yong are no longer deemed to be interested in the interests of each other from 8 June 2022 and Mr. Phang Sun Wah also ceased to have notifiable interest in the Shares.

(4) By virtue of the SFO, Mr. Yik Wai Peng is deemed to be interested in 140,000 Shares, being the interest beneficially held by his wife, Ms. Tan Siow Yang.

(5) The percentage(s) were disclosed pursuant to the relevant disclosure form(s) filed under the SFO and represented the number of shares over the total issued share capital of the Company as at 30 April 2022 of 251,364,000 Shares.

Save as disclosed above, as at 30 April 2022, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save as disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS" above, as at 30 April 2022, to the best knowledge of the Directors, the particulars of the persons, other than the Directors or chief executives of the Company who had any interests or short positions in the shares and the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in the ordinary Shares

Name of Shareholders	Capacity/ Nature of interests	Total number of Shares and underlying Shares held ⁽¹⁾	Approximate percentage of issued share capital ⁽⁹⁾
Golden Castle Investments Limited ("Golden Castle")	Beneficial owner ⁽²⁾	82,078,125 (L)	32.65%
Gold-Face Finance Limited ("Gold-Face")	Person having a security interest in Shares ⁽²⁾⁽³⁾	82,078,125 (L)	32.65%
Upbest Group Limited	Interest of controlled corporation ⁽³⁾	82,078,125 (L)	32.65%
Mr. Phang Sun Wah	Interest in a controlled corporation ⁽⁵⁾ Interest held jointly with Mr. Pang Chong Yong ⁽⁴⁾ Beneficial owner	3,076,125 (L) 87,038,125 (L) 938,000 (L)	1.22% 34.63% 0.37%
Ms. Chew Shi Moi	Interest of spouse ⁽⁴⁾⁽⁶⁾	91,052,250 (L)	36.22%
Ms. Low Poh Teng	Interest of spouse ⁽⁴⁾⁽⁷⁾	91,052,250 (L)	36.22%
Ms. Kan Suk Ping	Beneficial owner ⁽⁸⁾	25,000,000 (L)	9.05%

(1) The letter "L" denotes a person's "long position" in such Shares.

(2) 82,078,125 Shares held by Golden Castle, which is wholly-owned by Mr. Pang Chong Yong, have been charged pursuant to a share charge executed by Mr. Pang Chong Yong, being the CEO, executive Director and controlling shareholder of the Company, in favour of Gold-Face as security for a loan provided by Gold-Face to Golden Castle.



- (3) Gold-Face is wholly-owned by Upbest Credit & Mortgage Limited (“**Upbest Credit and Mortgage**”), which in turn is owned as to 50% by Upbest Strategic Co., Ltd (“**Upbest Strategic**”) and 50% by Good Foundation Co., Ltd (“**Good Foundation**”). Upbest Strategic and Good Foundation are both wholly-owned by Upbest Financial Holdings Limited (“**Upbest Financial**”), which in turn is wholly-owned by Upbest Group Limited (“**Upbest Group**”). Upbest Credit and Mortgage, Upbest Strategic, Good Foundation, Upbest Financial and Upbest Group are all deemed to be interested in the security interest in the 82,078,125 Shares charged in favour of Gold-Face by virtue of the SFO.
- (4) Pursuant to the Deed signed by Mr. Phang Sun Wah and Mr. Pang Chong Yong, Mr. Phang Sun Wah and Mr. Pang Chong Yong were parties acting in concert (having the meaning ascribed to it under the Takeovers Code). As such, Mr. Phang Sun Wah and Mr. Pang Chong Yong were deemed to be interested in the interests of each other and jointly owned 91,052,250 Shares, representing approximately 36.22% of the entire issued share capital of the Company as at 30 April 2022. On 8 June 2022, Mr. Phang Sun Wah and Mr. Pang Chong Yong entered into a termination deed to terminate the Deed. As such, Mr. Phang Sun Wah and Mr. Pang Chong Yong are no longer deemed to be interested in the interests of each other from 8 June 2022 and Mr. Phang Sun Wah also ceased to have notifiable interest in the Shares.
- (5) Mr. Phang Sun Wah beneficially owns 100% of the issued share capital of Sun Wah Investments Limited. By virtue of the SFO, Mr. Phang Sun Wah is deemed to be interested in 3,076,125 Shares held by Sun Wah Investments Limited, representing approximately 1.22% of the entire issued share capital of the Company.
- (6) Ms. Chew Shi Moi is the spouse of Mr. Phang Sun Wah. Therefore, Ms. Chew Shi Moi is deemed to be interested in the Shares in which Mr. Phang Sun Wah is interested by virtue of the SFO.
- (7) Ms. Low Poh Teng is the spouse of Mr. Pang Chong Yong. Therefore, Ms. Low Poh Teng is deemed to be interested in the Shares in which Mr. Pang Chong Yong is interested by virtue of the SFO.
- (8) Ms. Kan Suk Ping is the holder of the Convertible Bonds in a principal amount of HK\$25,000,000 at a conversion price of HK\$1.00 per conversion share (subject to adjustments) issued by the Company, of which a maximum number of 25,000,000 Shares will be allotted and issued upon full conversion of the Convertible Bonds.
- (9) The percentage(s) were disclosed pursuant to the relevant disclosure form(s) filed under the SFO and represented the number of shares over the total issued share capital of the Company as at 30 April 2022 of 251,364,000 Shares.

Save as disclosed herein, as at 30 April 2022, the Directors were not aware of any person (other than the Directors and chief executive of the Company) who had an interest and short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the Reporting Period and up to the date of this report, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in any business which were in competition or were likely to compete, either directly or indirectly with the Group's business which needs to be disclosed pursuant to Rule 8.10 of the Listing Rules.

SHARE OPTION SCHEME

The Company conditionally adopted the share option scheme (the “**Share Option Scheme**”) prepared in accordance with Chapter 17 of the Listing Rules on 21 October 2016 for the primary purpose of providing incentives or rewards to eligible participants as defined in the Share Option Scheme to recognise and acknowledge their contribution to the Group and motivate them to higher levels of performance.



(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant options to the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of our Company or any subsidiary (including any director of our Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by our Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board (the “**Eligible Participant(s)**”), has contributed or may contribute to our Group as incentive or reward for their contribution to our Group to subscribe for the Shares thereby linking their interest with that of our Group.

(b) Grant and acceptance of options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years after the adoption date of the Share Option Scheme to make an offer to any Eligible Participants as the Board may in its absolute discretion select to subscribe for such number of Shares as the Board may determine. An offer shall be made to an Eligible Participant in writing in such form as our Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

As at the date of this report, the Share Option Scheme has remaining life of approximately 4.5 years.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within 21 days from the date of offer or within such time as may be determined by the Board.

Any offer may be accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

(c) Subscription price of Shares

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of our Directors but in any event will not be less than the highest of (a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.



(d) **Maximum number of Shares**

- (i) Subject to (ii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Company shall not in aggregate exceed such number of Shares as equals 10 per cent of the issued share capital of our Company as at the listing date of the Company, being 11 November 2016 (the “**Scheme Mandate Limit**”) unless Shareholders’ approval has been obtained pursuant to the sub-paragraph immediately below. On the basis of a total of 250,000,000 Shares in issue as at 11 November 2016, the relevant limit will be 25,000,000 Shares which represent 10% of the issued Shares as at 11 November 2016.

As at the date of this report, the total number of securities available for issue under the Share Option Scheme is 23,636,000 Shares which represent approximately 9.4% of the issued Shares as at the date of this report.

Our Company may seek approval by its Shareholders in general meeting to refresh the Scheme Mandate Limit provided that the total number of Shares available for issue upon exercise of all options which may be granted under the Share Option Scheme and any other schemes of our Group must not exceed 10 per cent of the issued share capital of our Company as at the date of approval of refreshing of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send a circular to the Shareholders containing the information required under the Listing Rules.

Our Company may authorise the Directors to grant options to specified Eligible Participants beyond the Scheme Mandate Limit if the grant of such options is specifically approved by the Shareholders in general meeting. In such case, the Company must send a circular to the Shareholders in connection with the general meeting at which their approval will be sought containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the option to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the terms of the options serve such purpose, the information and the disclaimer required under the Listing Rules and such further information as may be required by the Stock Exchange from time to time.

- (ii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Group must not exceed 30 per cent of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Group if this will result in the limit being exceeded.



- (iii) Unless approved by the Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. Our Company must send a circular to its Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before Shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.
- (iv) The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient of the then authorised but unissued share capital of our Company to allot the Shares on the exercise of any option.

(e) Exercise of options

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for Shares in respect of which the notice is given. After receipt of the notice and the remittance and, where appropriate, receipt of the auditors' certificate, the Company shall within 30 days of the date upon which an option is effectively exercised (being the date of such receipt by the secretary of the Company) allot the relevant Shares to the grantee (or his personal representative(s)) credited as fully paid and instruct the relevant share registrar to issue to the grantee (or his personal representative(s)) a share certificate in respect of the Shares so allotted.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, our Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as our Directors may determine in their absolute discretion.



On 26 January 2017 (the “**Grant Date**”), the Company granted a total of 5,000,000 share options (the “**Share Options**”) under the Share Option Scheme to subscribe for a total of 5,000,000 Shares. The details of such grant of the Share Options are set out as follows:

Exercise price of Share Options granted: HK\$1.764 per Share, which is the closing price as stated in the daily quotations sheet issued by the Stock Exchange, and the average closing price as stated in the daily quotation sheet issued by the Stock Exchange for the five trading days immediately preceding the date of grant was HK\$1.74.

Validity period of the Share Options: Subject to the terms of the Share Option Scheme, the Share Options shall be exercisable in whole or in part within 5 years commencing on the date of grant.

Among the 5,000,000 Share Options granted, 1,160,000 Share Options were granted to the Directors, substantial Shareholder or chief executive of the Company, or any of their respective associate(s) (as defined in the Listing Rules) and has been approved by the independent non-executive Directors pursuant to Rule 17.04(1) of the Listing Rules. The balancing 3,840,000 Share Options were granted to the employees of the Group located in Hong Kong and Malaysia.

The fair values of the Share Options granted under the Share Option Scheme were determined and measured using the Binomial Option Pricing Model on 26 January 2017. The significant inputs into the models were the exercise price shown above, expected volatility of 37.66%, expected dividend yields of 0%, expected option life of 5 years and risk free interest rates of 2.15% (with reference to the yield rates prevailing on Hong Kong Exchange Fund Notes with duration similar to the expected option life). As any changes in the subjective input assumptions can materially affect the fair value estimates, the valuation models for the Share Options granted do not necessarily provide a reliable single measure of the fair value of the Share Options. The related accounting policy for the fair value of the Share Options granted is disclosed in this report.

The variables and assumptions used in computing the fair value of the Share Options are based on the director’s best estimate. The value of an option varies with different variables of certain subjective assumptions.

A total of 5,000,000 Share Options were granted on the Grant Date under the Share Option Scheme. On 26 January 2022, all Share Options remained outstanding as at that date have been lapsed after expiry of validity period (5 years commencing on the Grant Date).

The table showing movements in the Company’s share options held by each of the Director, substantial Shareholder or chief executive of the Company, or any of their respective associate(s) (as defined in the Listing Rules) and the employees of the Company in aggregate granted under the Share Option Scheme during the Reporting Period is disclosed at note 16 to the condensed consolidated financial statement in this report.



CHANGE OF SENIOR MANAGEMENT

With effect from 16 November 2021:

1. Mr. Chiu Chun Yin (“**Mr. Chiu**”) has been appointed as the financial controller of the Company (the “**Financial Controller**”).

With effect from 8 December 2021:

1. Mr. Yuen Wai Kin (“**Mr. Yuen**”) has resigned as the Financial Controller and the company secretary (the “**Company Secretary**”) of the Company, and ceased to act as an authorised representative of the Company under Rule 3.05 of the Listing Rules (the “**Authorised Representative**”) and the authorised representative to accept service of process or notice on behalf of the Company in Hong Kong (the “**Process Agent**”) under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); and
2. Mr. Chiu has been appointed as the Company Secretary, the Authorised Representative and the Process Agent in replacement of Mr. Yuen.



CHANGE IN INFORMATION OF DIRECTORS

Ms. Lee Kit Ying, being our independent non-executive Director, ceased to act as an independent non-executive director of Shanghai MicroPort MedBot (Group) Co., Ltd (stock code: 2252), whose issued shares are listed on the Main Board of the Stock Exchange, with effect from 21 June 2022.

Save as disclosed above, as at the date of this report, there has been no change to the information of the Directors and chief executives of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process, risk management and internal control system of the Group, oversee the audit process and select external auditors and assess their independence and qualifications. The Audit Committee consists of three independent non-executive Directors with Mr. Huan Yean San as the chairman. Other members are Mr. Andrew Ling Yew Chung and Ms. Kwok Yuen Shan Rosetta.

The Audit Committee has reviewed the unaudited consolidated interim results and the interim report of the Company for the six months ended 30 April 2022 and agreed to the accounting principles and practices adopted by the Company.

PUBLICATION OF THE INTERIM REPORT

This report containing the Company’s information including the unaudited financial results for the six months ended 30 April 2022 is published on the Company’s website (<http://www.gml.com.my>) and the website of the Stock Exchange (<http://www.hkexnews.hk>).

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

24 June 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income



For the six months ended 30 April 2022 (Expressed in United States Dollars)

		For the six months ended 30 April	
	<i>Notes</i>	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Revenue	3	14,138	18,581
Cost of sales		(10,828)	(15,500)
Gross profit		3,310	3,081
Other revenue	4	84	104
Other net income	4	200	272
Selling and distribution expenses		(234)	(205)
Net allowance for impairment losses on trade receivable		(614)	(694)
General and administrative expenses		(2,330)	(2,344)
Profit from operations		416	214
Finance costs	5(a)	(255)	(321)
Profit/(loss) before income tax	5	161	(107)
Income tax	7	(36)	(7)
Profit/(loss) for the period attributable to the equity owners of the Company		125	(114)
Other comprehensive (loss)/income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(932)	289
Total comprehensive (loss)/income for the period attributable to equity owners of the Company		(807)	175
Earnings/(loss) per share			
– Basic (US cent per share)	8	0.05	(0.05)
– Diluted (US cent per share)	8	0.03	(0.05)



Condensed Consolidated Statement of Financial Position

As at 30 April 2022 (Expressed in United States Dollars)

	Notes	As at 30 April 2022 (Unaudited) US\$'000	As at 31 October 2021 (Audited) US\$'000
Non-current assets			
Property, plant and equipment	9	6,702	7,170
Intangible assets		311	327
Interest in a joint venture		—	—
Deposit paid for acquisition of freehold land	10	388	408
Deferred tax assets		263	158
		<u>7,664</u>	<u>8,063</u>
Current assets			
Inventories		17,883	15,291
Trade and other receivables	10	12,101	9,620
Tax recoverable		91	91
Derivative components of convertible bonds	14	845	—
Financial assets at fair value through profit or loss		150	—
Pledged bank deposits	11	2,136	1,984
Cash and bank balances		3,158	1,426
		<u>36,364</u>	<u>28,412</u>
Current liabilities			
Trade and other payables	12	4,588	6,068
Contract liabilities		8,041	2,872
Bank borrowings	13	7,457	5,148
Bank overdrafts		1,968	3,067
Lease liabilities		53	18
Provision for taxation		17	40
		<u>22,124</u>	<u>17,213</u>
Net current assets		<u>14,240</u>	<u>11,199</u>
Total assets less current liabilities		<u>21,904</u>	<u>19,262</u>
Non-current liabilities			
Lease liabilities		—	66
Convertible bonds	14	2,970	—
		<u>2,970</u>	<u>66</u>
Net assets		<u>18,934</u>	<u>19,196</u>
Capital and reserves			
Share capital	15	324	324
Reserves		18,610	18,872
Total equity attributable to owners of the Company		<u>18,934</u>	<u>19,196</u>

Condensed Consolidated Statement of Changes in Equity



For the six months ended 30 April 2022 (Expressed in United States Dollars)

	Attributable to equity owners of the Company							
	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Exchange reserve US\$'000	Convertible bonds reserve US\$'000	Share option reserve US\$'000	Retained earnings US\$'000	Total US\$'000
As at 1 November 2020 (Audited)	324	9,279	679	(424)	-	212	9,850	19,920
Loss for the period	-	-	-	-	-	-	(114)	(114)
Other comprehensive income for the period								
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	289	-	-	-	289
Total comprehensive income for the period	-	-	-	289	-	-	(114)	175
Lapse of share option	-	-	-	-	-	(52)	52	-
Dividend paid	-	(1,620)	-	-	-	-	-	(1,620)
As at 30 April 2021 (Unaudited)	<u>324</u>	<u>7,659*</u>	<u>679*</u>	<u>(135)*</u>	<u>-*</u>	<u>160*</u>	<u>9,788*</u>	<u>18,475</u>
As at 1 November 2021 (Audited)	324	7,659	679	(352)	-	151	10,735	19,196
Profit for the period	-	-	-	-	-	-	125	125
Other comprehensive (loss) for the period								
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	(932)	-	-	-	(932)
Total comprehensive (loss) for the period	-	-	-	(932)	-	-	125	(807)
Lapse of share option	-	-	-	-	-	(151)	151	-
Dividend paid	-	(486)	-	-	-	-	-	(486)
Issue of convertible bonds (note 14)	-	-	-	-	1,031	-	-	1,031
As at 30 April 2022 (Unaudited)	<u>324</u>	<u>7,173*</u>	<u>679*</u>	<u>(1,284)*</u>	<u>1,031*</u>	<u>-*</u>	<u>11,011*</u>	<u>18,934</u>

* These reserve accounts comprise consolidated reserves of approximately US\$18,610,000 (2021: US\$18,151,000) in the condensed consolidated statement of financial position.



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 April 2022 (Expressed in United States Dollars)

	For the six months ended 30 April	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Net cash (used in) generated from operating activities	(1,748)	1,341
Investing activities		
Interest received	22	44
Dividend income	3	–
Proceeds from disposal of property, plant and equipment	–	15
Payment for purchase of plant and equipment	(116)	(108)
Payment for financial assets through profit or loss	(252)	–
Proceeds from sale of financial assets through profit or loss	106	–
Net cash (used in) investing activities	(237)	(49)
Financing activities		
Increase in pledged bank deposits	(259)	(44)
Proceeds from bank borrowings	11,247	9,555
Repayment of bank borrowings	(8,593)	(10,591)
Repayment of lease liabilities	(28)	(173)
Proceeds from issue of convertible bonds	3,222	–
Transaction cost for issue of convertible bonds	(21)	–
Dividend paid	(486)	(1,620)
Interest expenses	(217)	(321)
Net cash generated from (used in) financing activities	4,865	(3,194)
Net increase (decrease) in cash and cash equivalents	2,880	(1,902)
Effects of foreign exchange translation	(49)	(36)
Cash and cash equivalents at beginning of the period	(1,641)	(632)
Cash and cash equivalents at the end of the period	1,190	(2,570)
Cash and cash equivalents at the end of the period, represented by		
Cash and bank balances	3,158	353
Bank overdrafts	(1,968)	(2,923)
	1,190	(2,570)



1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Act of the Cayman Islands as an exempted company with limited liability on 21 June 2016 and its Shares have been listed on the Main Board of the Stock Exchange since 11 November 2016.

The principal activity of the Company is investment holding. The Group is principally engaged in assembling and selling of aluminium and steel buses and manufacturing bus bodies. As at 30 April 2022, the Directors consider that the Company was ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong (the “**Controlling Shareholders**”). On 8 June 2022, Mr. Phang Sun Wah and Mr. Pang Chong Yong entered into a termination deed to terminate the Deed. As such, Mr. Phang Sun Wah and Mr. Pang Chong Yong are no longer deemed to be interested in the interests of each other from 8 June 2022 and Mr. Phang Sun Wah also ceased to have notifiable interest in the Shares. As at the date of this report, the Directors consider that the Company is ultimately controlled by Mr. Pang Chong Yong.

The address of the registered office and principal place of business of the Company are disclosed in the section of corporate information of this report.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements for the six months ended 30 April 2022 comprises the Group and the Group’s interest in a joint venture.

The condensed consolidated financial statements for the six months ended 30 April 2022 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants, (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed consolidated financial statements for the six months ended 30 April 2022 have been prepared on a going concern basis as at 30 April 2022, as the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the ability to generate funds internally.

The condensed consolidated financial statements for the six months ended 30 April 2022 should be read in conjunction with the annual financial statements of the Group for the year ended 31 October 2021.

Principal accounting policies

The condensed consolidated financial statements for the six months ended 30 April 2022 have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss and derivative financial instruments.



2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 April 2022 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 October 2021.

Application of amendments

During the Reporting Period, the Group has applied, for the first time, the following new, amendments and interpretation to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform-Phase 2
Amendments to HKFRS 16	COVID-19 Related Rent Concessions Beyond 30 June 2021

The application of the amendments to HKFRSs during the Reporting Period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT REPORTING

The principal activities of the Group are (i) sales of bus bodies and kits, (ii) sales of parts and the provision of relevant services and (iii) trading of film and related intellectual properties, from which no revenue had been generated during the Reporting Period.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products and services is as follows:

	For the six months ended 30 April	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Revenue from contracts with customers within the scope of HKFRS15		
Disaggregated by major products or services		
– Sales of bus bodies and kits	9,808	15,948
– Sales of parts and provision of relevant services	4,330	2,633
	14,138	18,581



3. REVENUE AND SEGMENT REPORTING (continued)

(a) Disaggregation of revenue (continued)

Disaggregated by geographical location

	For the six months ended 30 April	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Malaysia (place of domicile)	3,649	4,732
Australia	2,769	3,909
Singapore	2,683	8,274
Hong Kong	1,882	140
USA	1,502	–
Others	1,653	1,526
	14,138	18,581

(b) Segment reporting

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 Directors, being the chief operating decision maker (the “**CODM**”), for the purpose of allocating resources to segments and assessing their performance.

For management purpose, the Group is organised into business units based on their products and services and has two 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 relevant services for buses



3. REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of head office and corporate expenses, other revenue, other net 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 operating and reportable segments for both periods:

For the six months ended 30 April 2022

	Sales of bus bodies and kits (Unaudited) US\$'000	Sales of parts and provision of relevant services (Unaudited) US\$'000	Total (Unaudited) US\$'000
Revenue from external customers recognised at a point in time	9,808	4,330	14,138
Reportable segment revenue	9,808	4,330	14,138
Reportable segment profit	91	581	672
Unallocated head office and corporate expenses:			
– Other expenses			(540)
Other revenue			84
Other net income			200
Finance costs			(255)
Profit before income tax			161



3. REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

For the six months ended 30 April 2021

	Sales of bus bodies and kits (Unaudited) US\$'000	Sales of parts and provision of relevant services (Unaudited) US\$'000	Total (Unaudited) US\$'000
Revenue from external customers recognised at a point in time	15,948	2,633	18,581
Reportable segment revenue	15,948	2,633	18,581
Reportable segment (loss)/profit	(42)	242	200
Unallocated head office and corporate expenses:			
– Other expenses			(362)
Other revenue			104
Other net income			272
Finance costs			(321)
Loss before income tax			(107)



4. OTHER REVENUE AND OTHER NET INCOME

	For the six months ended 30 April	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Other revenue		
Bank interest income	<u>22</u>	44
Total interest income on financial assets measured at amortised cost	22	44
Dividend income	3	–
Others	<u>59</u>	60
	84	104
Other net income		
Net foreign exchange gain	108	272
Gain on disposal of financial assets at fair value through profit or loss	8	–
Gain on fair value change on financial assets at fair value through profit or loss	1	–
Gain on fair value on derivative components of convertible bonds	<u>83</u>	–
	200	272



5. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging/(crediting):

(a) Finance costs

	For the six months ended 30 April	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Interest expenses on bank and other borrowings	215	313
Interest expenses on lease liabilities	2	8
Imputed interest on convertible bonds	38	–
Total interest expenses on financial liabilities not at fair value through profit or loss	255	321

(b) Staff costs (including Directors' emoluments)

	For the six months ended 30 April	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Salaries, wages and other benefits	1,641	1,731
Contributions to defined contribution retirement plans	158	179
	1,799	1,910

(c) Other items

	For the six months ended 30 April	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Cost of inventories*	10,828	15,500
Depreciation charges		
– owned property, plant and equipment	221	252
– right-of-use assets	15	164
Net allowance for impairment losses on trade receivable	614	694
Net foreign exchange (gain)	(108)	(272)
Short-term lease expense	69	60

* Cost of inventories included reversal of provision of slow-moving inventory of approximately US\$108,000 (2021: provision of approximately US\$332,000).



6. DIVIDEND

The final dividend in respect of the year ended 31 October 2021 of HK\$0.015 per share (31 October 2020: final dividend of HK\$0.01 per share and special dividend of HK\$0.04 per share), totalling approximately US\$486,000 was paid in April 2022. The Directors do not recommend the payment of an interim dividend for the six months ended 30 April 2022 (six months ended 30 April 2021: nil).

7. INCOME TAX

Income tax in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	For the six months ended 30 April	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Current tax		
Charge for the period	153	211
Deferred tax		
Origination and reversal of temporary differences	(117)	(204)
Income tax expense	36	7

- (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 six months ended 30 April 2022 (2021: 16.5%). The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong for the six months ended 30 April 2022 and 2021.
- (iii) Subsidiaries in the PRC are subject to PRC Enterprise Income Tax (“EIT”) at the rate of 25% (2021: 25%). The PRC subsidiaries did not recognised any PRC EIT as they did not commence business or record any income during the six months ended 30 April 2022 and 2021.
- (iv) GML Coach Technology Pte. Limited, a wholly-owned subsidiary of the Company is subject to Singapore statutory income tax rate of 17% (2021: 17%).
- (v) Gemilang Coachwork, a wholly-owned subsidiary of the Company is subject to Malaysia statutory income tax rate of 24% (2021: 24%).



8. EARNINGS/(LOSS) PER SHARE

	For the six months ended 30 April	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Earnings/(loss)		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	125	(114)
Adjustments for:		
Fair value change on embedded derivatives of convertible bonds	(83)	–
Imputed interest on convertible bonds	38	–
Profit/(loss) for the period attributable to owners of the Company for the purpose of diluted earnings/(loss) per share	80	(114)

	For the six months ended 30 April	
	2022 (Unaudited)	2021 (Unaudited)
Number of Shares		
Weighted average number of issued Shares as at 1 November for the purpose of basic earnings/(loss) per Share	251,364,000	251,364,000
Effect of dilutive potential Shares:		
Share options	–	–
Convertible bonds	8,563,535	–
Weighted average number of Shares for the purpose of diluted earnings/(loss) per share	259,927,535	251,364,000

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the period of approximately US\$125,000 (2021: loss of approximately US\$114,000) and the weighted average of 251,364,000 Shares (2021: 251,364,000 Shares).



8. EARNINGS/(LOSS) PER SHARE (continued)

Diluted earnings/(loss) per share

For the six months ended 30 April 2022, the calculation of the diluted earnings/(loss) per share amount is based on approximately US\$80,000, which is the profit for the period of approximately US\$125,000 with net of gain on fair value on derivative components of convertible bonds of approximately US\$83,000 and imputed interest on convertible bonds of approximately US\$38,000 (2021: loss of approximately US\$114,000 with no adjustment of gain on fair value on derivative components of convertible bonds and imputed interest on convertible bonds).

The weighted average number of Shares used in the calculation of the diluted earnings per share is based on 259,927,535 Shares, which is the total of (i) the weighted average of 251,364,000 Shares of the Company, as used in the basic earnings per share calculation, and (ii) the weighted average of 8,563,535 Shares assumed to have been issued on the conversion of all dilutive potential Shares into Shares.

For the six months ended 30 April 2021, diluted loss per share equal basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE-ASSETS

Property, plant and equipment

During the six months ended 30 April 2022, the Group acquired certain property, plant and equipment with a cost of approximately US\$116,000 (unaudited) (2021: approximately US\$89,000 (unaudited)). During the six months ended 30 April 2022, the Group had not recorded any gain or loss on disposal of property, plant and equipment (2021: gain on disposal of approximately US\$15,000 (unaudited)).

Right-of-use assets

During the six months ended 30 April 2022, the Group did not enter into any new leasing arrangements for properties leased for own use and motor vehicles (2021: approximately US\$54,000 (unaudited) for properties leased for own use and approximately US\$84,000 (unaudited) for motor vehicles).



10. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	As at 30 April 2022 (Unaudited) US\$'000	As at 31 October 2021 (Audited) US\$'000
Trade receivables		11,459	11,032
Less: allowance for impairment losses		(4,102)	(3,689)
		7,357	7,343
Deposits, prepayments and other receivable		5,132	2,685
Less: non-current portion	<i>(i)</i>	12,489	10,028
Deposit paid for acquisition of freehold land	<i>(ii)</i>	(388)	(408)
		12,101	9,620

Notes:

- (i) The amount of trade and other receivable as at 30 April 2022 is 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, and the Vendor entered into the Sale and Purchase Agreement, 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.



10. TRADE AND OTHER RECEIVABLES (continued)

Ageing analysis of trade receivables

The following is an ageing analysis of trade receivables presented based on the invoice date and net of allowance for doubtful debts at the end of each reporting period.

	As at 30 April 2022 (Unaudited) US\$'000	As at 31 October 2021 (Audited) US\$'000
Within 30 days	5,191	3,453
31 to 90 days	970	1,960
Over 90 days	1,196	1,930
	7,357	7,343

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

11. PLEDGED BANK DEPOSITS

	As at 30 April 2022 (Unaudited) US\$'000	As at 31 October 2021 (Audited) US\$'000
Fixed deposits	2,136	1,984

Pledged bank deposits have been pledged to banks as security for banking facilities granted to the Group.



12. TRADE AND OTHER PAYABLES

	As at 30 April 2022 (Unaudited) US\$'000	As at 31 October 2021 (Audited) US\$'000
Trade payables	4,217	5,049
Other payables and accruals	371	1,019
	4,588	6,068

Ageing analysis of trade payables

The ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 30 April 2022 (Unaudited) US\$'000	As at 31 October 2021 (Audited) US\$'000
Within 30 days	1,493	2,527
31 to 90 days	1,905	1,291
Over 90 days	819	1,231
	4,217	5,049

13. BANK BORROWINGS

During the Reporting Period, the Group obtained new bank borrowings amounting to approximately US\$11,247,000 (unaudited) (during the year ended 31 October 2021: approximately US\$16,106,000 (audited)).

Bank borrowings are secured by:

- (i) Legal charges over freehold land and buildings of the Group;
- (ii) Deposits with licensed banks of the Group; and
- (iii) Execution of Deed of Assignment of benefits of contract proceeds and power of attorney by certain customers in respect of contract financed by the bank.



14. 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, Convertible Bonds in the principal amount of HK\$25,000,000 (equivalent to approximately US\$3,222,000) of which a maximum number of 25,000,000 Shares will be allotted and issued upon full conversion of the Convertible Bonds.

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 initial conversion price of HK\$1.00 per conversion share (subject to adjustments).

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 holder or holders in whose name the Convertible Bonds is registered in the register in relation to 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 any Convertible Bonds remaining outstanding at the Initial Maturity Date, or if the Initial Maturity Date has been extended, the Extended Maturity Date.

The Directors consider that the raising of funds by the issue of Convertible Bonds is justifiable taking into account the market conditions at the time of issue of the Convertible Bonds which represent an opportunity for the Group to strengthen its capital base and financial position. The Directors consider that the issue of Convertible Bonds is an appropriate means of raising additional capital since the Conversion Price is at a premium to the market price at the time of issue of the Convertible Bonds, which was arrived at after arm’s length negotiations between the Company and the Subscriber. Details of the Subscription Agreement and the terms and conditions thereof 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 shall be 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.



14. CONVERTIBLE BONDS (continued)

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 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 Convertible Bonds have been divided as follows:

	Liability component (Unaudited) US\$'000	Equity component (Unaudited) US\$'000	Derivative financial instruments (Unaudited) US\$'000	Total (Unaudited) US\$'000
Issue during the period	2,953	1,031	(762)	3,222
Transaction costs	(21)	–	–	(21)
Fair value change	–	–	(83)	(83)
Imputed interest for the period	38	–	–	38
As at 30 April 2022	<u>2,970</u>	<u>1,031</u>	<u>(845)</u>	<u>3,156</u>

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 and 30 April 2022	<u>2,000,000,000</u>	<u>2,581</u>

Issued and fully paid:

	No. of Shares	Amount US\$'000
As at 31 October 2021 and 30 April 2022	<u>251,364,000</u>	<u>324</u>



16. SHARE OPTION SCHEME

A share option scheme (the “**Scheme**”) was adopted by the Company on 21 October 2016 for the primary purpose of providing incentives to eligible participants which will expire on 20 October 2026. Under the Scheme, the Board may grant options to the eligible participants, including employees, advisors, consultants, service providers, agents, customers, partners or joint-venture partners of the Group, to subscribe for Shares in the Company.

The maximum number of Shares in respect of which options may be granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company must not in aggregate exceed 10% of the Shares in issue of 250,000,000 Shares as at the date of Listing (the “**Scheme Mandate Limit**”). The Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit provided that the total number of Shares available for issue upon exercise of all options which may be granted under the Scheme and any other schemes of the Company shall not exceed 10% of the Shares in issue at the date of approval of refreshing of the Scheme Mandate Limit. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other share option schemes of the Company shall not exceed 30% of the total number of Shares in issued from time to time.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1.00. The subscription price is determined by the Board, and shall not be less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares on the date of grant.

A total of 5,000,000 share options (each share option will entitle the holder of the share option to subscribe for one new ordinary share of HK\$0.01 each) were granted on 26 January 2017 (the “**Grant Date**”) under the Scheme. The closing price of the Grant Date was HK\$1.74. The option’s fair value of approximately US\$379,000 was measured at grant date using the Binomial Option Pricing Model. For the year ended 31 October 2017, an amount of US\$379,000 was recognised as employee costs with corresponding increase in share option reserve within equity.



16. SHARE OPTION SCHEME (continued)

The terms and conditions, number, exercise prices of share options and particulars of outstanding share options granted on 26 January 2017 under the Scheme are as follows:

	Outstanding as at 1 November 2020	Lapsed during the period	Exercised during the period	Outstanding as at 31 October 2021	Lapsed during the period	Exercised during the period	Outstanding as at 30 April 2022	Exercise price per share (HK\$)	Vesting date	Exercised period
Directors										
Mr. Pang Chong Yong	250,000	-	-	250,000	(250,000)	-	-	1.764	Immediately vested	Within 5 years from grant date
Mr. Phang Sun Wah ¹	250,000	(250,000)	-	-	-	-	-	1.764	Immediately vested	Within 5 years from grant date
Ms. Phang Huey Shyan ²	250,000	(250,000)	-	-	-	-	-	1.764	Immediately vested	Within 5 years from grant date
Employees										
Mr. Pang Ah Hoi ³	-	-	-	-	-	-	-	1.764	Immediately vested	Within 5 years from grant date
Ms. Pang Yok Moy ⁴	38,000	-	-	38,000	(38,000)	-	-	1.764	Immediately vested	Within 5 years from grant date
Other employees	2,006,000	(304,000)	-	1,702,000	(1,702,000)	-	-	1.764	Immediately vested	Within 5 years from grant date
	<u>2,794,000</u>	<u>(804,000)</u>	<u>-</u>	<u>1,990,000</u>	<u>(1,990,000)</u>	<u>-</u>	<u>-</u>			
Weighted average exercise price (HK\$)	<u>1.764</u>	<u>1.764</u>	<u>1.764</u>	<u>1.764</u>	<u>1.764</u>	<u>1.764</u>	<u>1.764</u>			

1. Mr. Phang Sun Wah resigned as an executive Director and ceased to act as the Chairman of the Board on 11 January 2021.
2. Ms. Phang Huey Shyan resigned as an executive Director on 8 December 2020.
3. The father of Mr. Pang Chong Yong and employee of the Group.
4. The sister of Mr. Pang Chong Yong and employee of the Group.
5. Save as disclosed above, none of the option holder of the outstanding share options granted under the Scheme is a Director, chief executive or substantial shareholder of the Company, or any of their respective associate(s) (as defined in the Listing Rules).



16. SHARE OPTION SCHEME (continued)

The terms and conditions, number, exercise prices of share options and particulars of outstanding share options granted on 26 January 2017 under the Scheme are as follows: (continued)

No share option has been exercised during the six months ended 30 April 2022 and year ended 31 October 2021.

Pursuant to the rules of the Scheme, the options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, ill-health or retirement.

On 26 January 2022, all share options remained outstanding as at that date have been lapsed after expiry of validity period (5 years commencing on the Grant Date).

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has engaged an independent professional valuer (the "Valuer") performing valuations for the financial instruments, including derivative components of convertible bonds which is categorised into Level 3 of the fair value hierarchy. A valuation report is prepared by the Valuer and the finance team shall liaise with the Valuer to analyse the changes in fair value measurement and report the analysis to the Directors and the Audit Committee. Discussion of the valuation process and results with the finance team (including the chief financial officer of the Company) and the Audit Committee is held twice a year, to coincide with the reporting dates.



17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value measurements as at 30 April 2022 categorised into				Fair value measurements as at 31 October 2021 categorised into			
	Fair value at 30 April 2022 (Unaudited) US\$'000	Level 1 (Unaudited) US\$'000	Level 2 (Unaudited) US\$'000	Level 3 (Unaudited) US\$'000	Fair value at 31 October 2021 (Audited) US\$'000	Level 1 (Audited) US\$'000	Level 2 (Audited) US\$'000	Level 3 (Audited) US\$'000
	Recurring fair value measurements							
Assets:								
Financial assets at FVPL								
Held for trading – listed equity securities	150	150	-	-	-	-	-	-
Embedded derivative components of convertible bonds	845	-	-	845	-	-	-	-

During the six months ended 30 April 2022 and year ended 31 October 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair values of listed equity securities are based on quoted market prices.



17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(i) **Financial assets and liabilities measured at fair value (continued)**

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Embedded derivative components of convertible bonds	Binomial tree option pricing mode	Discount Rate	8.32% to 8.85%
		Probability of the Extended Maturity Date	50%

The fair value of embedded derivative components of convertible bonds is determined using the Binomial tree option pricing model and the discount rate and probability of the Extended Maturity Date are the significant unobservable inputs under this model. As at 30 April 2022, it is estimated that (i) with all other variables held constant, a decrease/increase in discount rate by 10% would have increased/decreased the fair value of derivative components of convertible bonds by approximately US\$54,000; and (ii) with all other variables held constant, a decrease/increase in probability of the Extended Maturity Date by 10% would increase/decrease the fair value of derivative components of convertible bonds by approximately US\$16,000.

The movements during the Reporting Period in the balance of these Level 3 fair value measurements are as follows:

	Embedded derivative components of convertible bonds US\$'000
As at 1 November 2020, 31 October 2021 and 1 November 2021 (Audited)	–
Embedded derivative components recognised upon the issue of convertible bonds	762
Total gains recognised in the statement of profit or loss included in other net income	<u>83</u>
As at 30 April 2022 (Unaudited)	<u>845</u>



18. CAPITAL COMMITMENTS

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

	As at 30 April 2022 (Unaudited) US\$'000	As at 31 October 2021 (Audited) US\$'000
Contracted but not provided for:		
– Investment in joint venture (RMB1,500,000) (Note below)	227	234
– Acquisition of freehold land (Note 10(ii))	3,496	3,600
	3,723	3,834

Note:

During the year ended 31 October 2019, 順銘(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, 上海北銘 (“JV Company”). Pursuant to the JV agreement, the amount of registered capital of the JV Company shall be RMB3,000,000 while 順銘(上海) and Beidou shall each account for a capital contribution of RMB1,500,000. As at 30 April 2022, the Group has not contributed any capital into the JV Company.



19. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

Name of party	Relationship with the Group
SW Excel Tech Engineering Sdn. Bhd.	A company controlled by close family members of a Director
P&P Excel Car Air-Conditioning Sdn. Bhd.	A company controlled by close family members of a Director
P&P Excel Tech Engineering Sdn. Bhd.	A company controlled by close family members of a Director
CP Excel Auto Tech Pte. Ltd.	A company controlled by close family members of a Director
Sun Wah Property Management Sdn. Bhd. (Formerly known as GML Technologies Sdn. Bhd.)	A company controlled by Controlling Shareholders



19. RELATED PARTY TRANSACTIONS (continued)

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Directors, is as follows:

	For the six months ended 30 April	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Short-term employee benefits	558	801
Post-employment benefits	56	79
	614	880

(b) Financing arrangements with related parties

As at 30 April 2022, the Group has the following balances with related parties:

	As at 30 April 2022 (Unaudited) US\$'000	As at 31 October 2021 (Audited) US\$'000
Notes		
Amounts due from/(to) related companies		
– CP Excel Auto Tech Pte. Ltd.	13	(14)
– P&P Excel Car Air-Conditioning Sdn. Bhd.	5	18
– P&P Excel Tech Engineering Sdn. Bhd.	(28)	51
– SW Excel Tech Engineering Sdn. Bhd.	18	15
– Sun Wah Property Management Sdn. Bhd.	–	15
	8	85

Notes:

- (i) The outstanding with these parties are unsecured, interest-free and repayable on demand.
- (ii) The outstanding balance is included in trade and other receivables (Note 10) and trade and other payables (Note 12).



19. RELATED PARTY TRANSACTIONS (continued)

(c) Other related party transactions

- (i) During the six months ended 30 April 2022 and 2021, the Company entered into the following material related party transactions:

Continuing transactions

	For the six months ended 30 April	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Purchases of parts and services		
– P&P Excel Tech Engineering Sdn. Bhd.	110	100
Repair and maintenance service		
– P&P Excel Car Air-Conditioning Sdn. Bhd.	12	12
Lease expenses		
– Sun Wah Property Management Sdn. Bhd. (Note)	–	145
Rental of equipment		
– SW Excel Tech Engineering Sdn. Bhd.	4	–

Note:

During the six months period ended 30 April 2021, lease expenses comprised of depreciation charge of right-of-use assets and interest on lease liabilities amounting to approximately US\$138,000 and approximately US\$7,000, respectively. The right-of-use assets and liabilities as at 30 April 2021 were approximately US\$161,000 and approximately US\$167,000, respectively.



20. CONTINGENT LIABILITIES

Performance bonds

	As at 30 April 2022 (Unaudited) US\$'000	As at 31 October 2021 (Audited) US\$'000
Performance bonds for contracts in favour of customers	2,297	2,535

The above performance bonds were given by banks in favour of some of 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 in 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.

21. LITIGATION

In April 2018, Gemilang Coachwork, a wholly-owned subsidiary of the Company, issued a writ against a Malaysian customer ("**Defendant 1**") and its holding company ("**Defendant 2**"), (collectively, the "**Defendants**") in the High Court of Malaya at Johor Bahru, requiring, among other things, the Defendants to repay the sum of approximately RM10,884,624 for the goods supplied and delivered by Gemilang Coachwork. In February 2016 and August 2016, Gemilang Coachwork entered into two supplier letters of acceptance with the said customer, pursuant to which Gemilang Coachwork had supplied and delivered an aggregate of one hundred and fifty (150) units of eco-range aluminium superstructure body kits and had supplied and assembled one (1) unit of bus prototype to the said customer. As at the date on which Gemilang Coachwork issued the writ, despite efforts paid to recover the debt, the outstanding amount of approximately RM10,884,624 (equivalent to approximately US\$2.49 million) remained due and outstanding.



21. LITIGATION (continued)

In August 2018, the case was heard in the High Court of Malaya at Johor Bahru and Gemilang Coachwork successfully obtained a summary judgment against the Defendants. Subsequently, a winding up petition dated 30 October 2018 was filed in the High Court of Malaya and has been served on the Defendants on 15 November 2018. The winding up petition served on the Defendant 1 was subsequently dismissed on 2 January 2019 as Defendant 1 had already been wound up in July 2018 by a third party. Defendant 2 had filed an originating summons for judicial management in the High Court of Malaya at Shah Alam. The hearing of the said originating summons was held on 24 January 2019 and the order for judicial management was subsequently granted. Defendant 2 has applied for second extension on the judicial management in the High Court of Malaya at Shah Alam in May 2019 for 2 months and the extension was approved. After that, Defendant 2 has applied for extension of judicial management order in the High Court of Malaya at Shah Alam on 13 August 2019 but the application was not allowed by the High Court of Malaya on 10 December 2019. Eventually, the High Court of Malaya ordered Defendant 2 be wound up under the provisions of the Companies Act 2016 on 30 January 2020. The Company was informed by its legal adviser that the outstanding amount will be paid when the receiver has exercised the right and duty according to the winding up order and the debt will be repaid according to the debt security. As at the date of this report, the distribution results have not been completed.

Despite of the fact that several attempts were made to recover the outstanding amount from the Defendants, the Company has not reached a settlement agreement with the Defendants for the settlement of the aforesaid sum. Based on the assessment of the latest available financial information of the Defendants, communications with the Defendants and other information available to the Board (including such information as stated above), as the recoverability of such receivables is expected to be remote, the Company has made provision for such outstanding amount in the year ended 31 October 2018.

The Company will provide further information as and when appropriate in accordance with the Listing Rules.