



GEMILANG INTERNATIONAL LIMITED

彭順國際有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: HK6163



INTERIM REPORT | 2023



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Lee Kit Ying
Mr. Huan Yean San
Mr. Andrew Ling Yew Chung

AUDIT COMMITTEE

Mr. Huan Yean San (*Chairman*)
Ms. Lee Kit Ying
Mr. Andrew Ling Yew Chung

NOMINATION COMMITTEE

Mr. Pang Chong Yong (*Chairman*)
Mr. Huan Yean San
Mr. Andrew Ling Yew Chung

REMUNERATION COMMITTEE

Mr. Huan Yean San (*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
77 Leighton Road
Causeway Bay
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Michael Li & Co. Solicitors
19th Floor, Prosperity Tower
No. 39 Queen's Road Central
Central, Hong Kong

PRINCIPAL BANKERS

CIMB Bank Berhad
Level 13, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

OCBC Bank (Malaysia) Berhad
47, 49 Jalan Molek 1/29
Taman Molek
81100 Johor Bahru, Johor
Malaysia

Malayan Banking Berhad
Level 14, Menara Maybank
100 Jalan Tun Perak, 50050 Kuala Lumpur
Malaysia

Al Rajhi Banking and Investment Corporation (Malaysia) Berhad
Ground Floor
East Block Wisma Selangor Dredging
142-B Jalan Ampang
50450 Kuala Lumpur
Malaysia

CORPORATE INFORMATION



PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

Ptd 42326
Jalan Seelong
Mukim Senai
81400 Senai, Johor
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

Website: <http://www.gml.com.my>
Email: irgroup@gml.com.my
Fax: (852) 3996 7341

CUSTOMER SERVICES

Tel: (852) 3996 7325
Fax: (852) 3996 7341
Email: info@gml.com.my



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 condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 April 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022.

BUSINESS REVIEW

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

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

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

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

During the Reporting Period, 100% of the Group’s revenue was 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 33 units of CBUs⁽¹⁾ and no CKDs⁽²⁾ was delivered to the Group’s 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

MANAGEMENT DISCUSSION AND ANALYSIS

The following tables set out information in relation to the Group's revenue from external customers by geographical location, for the Group's two segments, namely (a) sales of bus bodies and kits; and (b) 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	
	2023 US\$'000	2022 US\$'000
Hong Kong	1,679	1,792
USA	623	1,501
Malaysia (place of domicile)	266	2,917
Australia	–	2,718
Singapore	–	140
Others	114	740
	2,682	9,808

The sales of bus bodies and kits segment is the Group's major source of income, with the sales of whole buses as the major product contributing approximately 66% of revenue during the Reporting Period. The revenue generated from this segment amounted to approximately US\$2.68 million during the Reporting Period, representing a decrease of approximately 72.7% compared to the corresponding period in 2022 of approximately US\$9.81 million. The decrease in revenue in this segment was mainly due to the decrease in delivery of bus bodies to Singapore, Australia, the USA and Malaysia. During the Reporting Period, the Group had delivered 33 units of CBUs (2022: 84 units) in total mainly to the customers in Hong Kong, Malaysia and the USA and there were no CKDs delivered to the customers (2022: 29 units). The decrease in delivery was mainly due to the postponement of delivery of buses and slow recovery of the global supply chain in the post-COVID-19 era mainly caused by the Russo-Ukrainian War.



MANAGEMENT DISCUSSION AND ANALYSIS

Sales of parts and provision of relevant services segment

	Revenue from external customers for the six months ended 30 April	
	2023 US\$'000	2022 US\$'000
Singapore	1,035	2,543
Hong Kong	126	90
Malaysia (place of domicile)	105	732
USA	54	1
Australia	21	51
Others	39	913
	1,380	4,330

The sales of parts and provision of relevant services segment is the Group's secondary source of income, in which its revenue was mainly generated from providing after-sales services and sales of parts to the Group's customers. The revenue generated from this segment amounted to approximately US\$1.38 million during the Reporting Period, representing a decrease of approximately 68.1% as compared with approximately US\$4.33 million for the corresponding period in 2022.

Such decrease was mainly attributable to the decrease in demand of maintenance and after-sales services in Singapore and Malaysia where such demand was correlated with the number of buses sold to these places cumulatively.

OUTLOOK

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

MANAGEMENT DISCUSSION AND ANALYSIS



During the Reporting Period, with the worldwide relaxation of the anti-pandemic restrictions, the global economy showed signs of recovery. However, the global supply chain remained to be disrupted. In addition, the bus market was still in transition from diesel-powered vehicles to electric vehicles. As such, the Group recorded a decrease in the sales of bus bodies during the Reporting Period as compared with the corresponding period last year.

Considering the market trend of shifting the focus to electric vehicles (“EV”) and the foreseeable future investment on EV, apart from carrying on the projects awarded in previous financial years, the Group continues to explore new business opportunities, especially at the EV market. With the Group’s experience in building electric buses, the Group is proactively negotiating with several potential customers and looking forward to participating in more EV projects and tenders. As more countries are transitioning to the EV market, the Group will explore different markets and continue to design and manufacture suitable bodies that can be assembled on different EV chassis based on the demand in different regions. In addition, the bus market and industry in the People’s Republic of China (the “PRC”) remains to be the largest in the world. Following the gradual resumption of normal business activities in the PRC in the post-COVID-19 era, 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. Apart from electric buses, the Group would also explore the possibility of manufacturing a wider range of electric commercial and special purposed vehicles with the best effort to leverage on its previous experience in manufacturing the bodies of these kind of vehicles.

In addition to maintaining the Group’s 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.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately US\$4.06 million, representing a decrease of approximately 71.3% as compared with approximately US\$14.14 million for the corresponding period in 2022. Such decrease was mainly because of the decrease in revenue from the sales of bus bodies and kits due to the delay in delivery of buses and the slow recovery of the global supply chain in the post-COVID-19 era mainly caused by the Russo-Ukrainian war.

MANAGEMENT DISCUSSION AND ANALYSIS

By product category

The Group derives its 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 the Group's revenue from different product segments during the Reporting Period:

	For the six months ended 30 April			
	2023		2022	
	US\$'000	%	US\$'000	%
Bus				
CBU				
– City Bus	2,359	58.0	5,169	36.6
– Coach	323	8.0	1,134	8.0
Bus Body				
CKD				
– City Bus	–	–	3,505	24.8
Maintenance and after-sales services	1,380	34.0	4,330	30.6
TOTAL	4,062	100.0	14,138	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	
	2023	2022
	US\$'000	US\$'000
Hong Kong	1,805	1,882
Singapore	1,035	2,683
USA	677	1,502
Malaysia (place of domicile)	371	3,649
Australia	21	2,769
Others	153	1,653
	4,062	14,138

MANAGEMENT DISCUSSION AND ANALYSIS



Gross profit and gross profit margin

The Group's gross profit was approximately US\$1.02 million and US\$3.31 million for the Reporting Period and the corresponding period in 2022, respectively. The Group's gross profit margin was approximately 25.1% and approximately 23.4% for the Reporting Period and the corresponding period in 2022, respectively. The slight increase in gross profit margin as compared to the corresponding period in 2022 is mainly attributable to the increase of approximately 46.3% in reversal of provision of slow-moving inventory.

Selling and distribution expenses

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

The Group's selling and distribution expenses for the Reporting Period was decreased by approximately 34.6% as compared to the corresponding period in 2022 because the Group remained cautious to spend material marketing expenses during the transition period of the vehicle market (from diesel-powered vehicles to EV).

General and administrative expenses

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

The Group's general and administrative expenses for the Reporting Period was decreased by approximately 23.6% as compared to the corresponding period in 2022. Such decrease is mainly attributable to (i) the absence of specific business projects such as issuance of convertible bonds, which led to the decrease in legal and professional expenses; and (ii) the decrease in salaries of administration staff due to the decrease in the number of staff during the Reporting Period as compared to the corresponding period in 2022.

Income tax expenses

During the Reporting Period, the income tax expense of approximately US\$0.30 million was recognised as compared with approximately US\$36,000 for the corresponding period in 2022. The increase in income tax expenses for the Reporting Period was mainly attributable to the provision of income tax recognised for the Group's subsidiary in Singapore which had recorded profit before income tax during the Reporting Period, and the temporary tax difference arose from the reversal for impairment losses on trade receivables and slow-moving inventory provision recognised during the Reporting Period.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash flow

During the Reporting Period, the Group's working capital was mainly financed by bank loans.

Net current assets

The Group's net current assets amounted to approximately US\$9.60 million as at 30 April 2023, as compared to approximately US\$8.48 million as at 31 October 2022. As at 30 April 2023, the Group's current ratio was approximately 1.62, as compared to approximately 1.53 as at 31 October 2022.

Cash and cash equivalents, bank deposits and bank loans

As at 30 April 2023, cash and cash equivalents of the Group was approximately US\$0.65 million, as compared to approximately US\$1.23 million as at 31 October 2022. As at 30 April 2023, the Group had pledged bank deposits of approximately US\$1.14 million, as compared to approximately US\$1.98 million as at 31 October 2022. The bank borrowings and bank overdrafts of the Group decreased by approximately 18.7% to approximately US\$9.76 million as at 30 April 2023 from approximately US\$12.00 million as at 31 October 2022. As at 30 April 2023, approximately 61% of the Group's bank borrowings was maintained at fixed interest rate and all bank borrowings are denominated in Malaysia Ringgit.

The cash and cash equivalents of the Group as at 30 April 2023 are comprised by the following currencies:

	Equivalent to USD'000
United States Dollars	481
Malaysia Ringgit	(2,860)
Singapore Dollars	67
Hong Kong Dollars	8
	(2,304)

Gearing ratio

As at 30 April 2023, 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 30 April 2023) of the Group decreased to approximately 72% from approximately 86% as at 31 October 2022, primarily attributable to the repayment of borrowings during the Reporting Period.

Capital expenditures

During the Reporting Period, the Group had capital expenditure of approximately US\$7,000, as compared to approximately US\$0.12 million for the corresponding period in 2022. The capital expenditure incurred during the Reporting Period mainly represented cash paid and lease liabilities recognised for acquisition of property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS



Significant investments

During the Reporting Period, there was no significant investments held by the Group.

Commitments

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

		As at 30 April 2023 US\$'000	As at 31 October 2022 US\$'000
Contracted but not provided for:			
– Investment in a joint venture (RMB1,500,000)	(i)	220	205
– Acquisition of a subsidiary	(ii)	232	219
		452	424

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 2023, the Group has not contributed any capital into the JV Company.
- (ii) On 27 October 2022, Gemilang Limited (the “Purchaser”), a direct wholly-owned subsidiary of the Company, and Mr. Pang Chong Yong (“Mr. CY Pang”) (who is the chairman, the chief executive officer, the executive Director and a controlling Shareholder of the Company) and Mr. Pang Jun Kang (“Mr. JK Pang”, collectively referred as the “Vendors” hereinafter) (who is the son of Mr. CY Pang and the brother of Mr. Pang Jun Jie, an executive Director), entered into a conditional share sale agreement (the “Conditional Share Sale Agreement”), pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of GML Premier Sdn. Bhd. (the “Target Company”) and the advances owing to the Vendors by the Target Company, for an aggregate consideration of RM2,591,244 (equivalent to approximately US\$550,000[^]). RM1,554,746 (equivalent to approximately US\$330,000[^]), being the deposit and part payment towards account of the consideration, had been paid by the Purchaser to the Vendors upon the execution of the Conditional Share Sale Agreement.

[^] Exchange rate applied at the date of the Conditional Share Sale Agreement: RM1.00 = US\$0.2122

Future plan for material investments or capital assets

As at 30 April 2023, the Group did not hold any material investment. There was no specific plan for material investments or capital assets as at 30 April 2023.

Material acquisitions or disposals

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



MANAGEMENT DISCUSSION AND ANALYSIS

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 2023, pledged bank deposits of approximately US\$1.14 million (31 October 2022: approximately US\$1.98 million) as disclosed in the unaudited condensed consolidated statement of financial position have been pledged to banks as securities 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 2023 US\$'000	As at 31 October 2022 US\$'000
Freehold land	5,756	5,438
Buildings	3,690	3,684
Plant and machinery	292	–
Financial assets at fair value through profit or loss	–	94
	9,738	9,216

Contingent liabilities

As at 30 April 2023, the Group had the following contingent liabilities:

Performance bonds

	As at 30 April 2023 US\$'000	As at 31 October 2022 US\$'000
Performance bonds for contracts in favour of customers	691	913

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.

MANAGEMENT DISCUSSION AND ANALYSIS



INTERIM DIVIDEND

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2023, the total number of full-time employees of the Group was 267 (31 October 2022: 251). 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.

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.

	Planned amount as stated in the Prospectus ⁽¹⁾ US\$ million	Actual amount utilised up to 30 April 2023 US\$ million	Balance as at 30 April 2023 US\$ million
Use of net proceeds			
Construction of the new facility in Senai, Malaysia	4.70	4.70	–
Upgrading and acquiring machines	0.89	0.72	0.17
Repayment of bank loans	2.39	2.39	–
Working capital	0.79	0.79	–
Total	8.77	8.60	0.17

- (1) The planned amount as stated in the 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 the Group’s bank accounts in Hong Kong and Malaysia and is intended to be utilised in the manner consistent with the proposed allocation as set forth in the Prospectus. The unutilised amount of net proceeds for upgrading and acquiring machines (approximately US\$0.17 million) shall be fully utilised by the financial year ending 31 October 2023.

USE OF PROCEEDS FROM CONVERTIBLE BONDS

On 14 December 2021, the Company entered into 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 Directors consider that the raising of funds by the issue of the Convertible Bonds is justifiable taking into account the market conditions which represent an opportunity for the Group to strengthen its capital base and financial position. The Directors also consider that the issue of Convertible Bonds is an appropriate means of raising additional capital since the conversion price of HK\$1.00 per conversion share is at a premium to the market price of HK\$0.740 per share as at the date of the Subscription Agreement, which was arrived at after arm’s length negotiations between the Company and the Subscriber. The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement, the terms and conditions endorsed on the Convertible Bonds and the transactions contemplated thereunder, including the conversion price, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.



MANAGEMENT DISCUSSION AND ANALYSIS

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 2023, 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 2023 and up to the date of this report.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) on terms no less exacting than the required standard set out in the Model Code 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 complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules save and except for code provision C.2.1 of the CG Code throughout the Reporting Period.

Pursuant to the code provision C.2.1 of the 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 half 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.

The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes as and when appropriate and report to the Shareholders accordingly.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2023, 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 ⁽⁴⁾
Mr. Pang Chong Yong	Interest in a controlled corporation ⁽²⁾	82,078,125 (L)	32.65%
	Beneficial owner	4,960,000 (L)	1.98%
Mr. Yik Wai Peng	Beneficial owner	258,000 (L)	0.10%
	Interest of spouse ⁽³⁾	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) By virtue of the SFO, Mr. Yik Wai Peng is deemed to be interested in 140,000 Shares, being the number of Shares beneficially held by his wife, Ms. Tan Siow Yang.

(4) 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 2023 of 251,364,000 Shares.

Save as disclosed above, as at 30 April 2023, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2023, 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 ⁽⁶⁾
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%
Ms. Low Poh Teng	Interest of spouse ⁽⁴⁾	87,038,125 (L)	34.63%
Ms. Kan Suk Ping	Beneficial owner ⁽⁵⁾	25,000,000 (L)	9.95%

(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) 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.

(5) 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.

(6) 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 2023 of 251,364,000 Shares.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed herein, as at 30 April 2023, 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 the Company to grant options to the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the 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 the Group as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the 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 the 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 3.5 years.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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 the Company of HK\$1.00 by way of consideration for the grant thereof is received by the 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 the 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 the Company shall not in aggregate exceed such number of Shares as equals 10 per cent of the issued share capital of the Company as at 11 November 2016 (the “**Listing Date**”) (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 the Listing Date, the relevant limit would be 25,000,000 Shares which represent 10% of the issued Shares as at the Listing Date.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The 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 the Group must not exceed 10 per cent of the issued share capital of the 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 the 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. The Company shall send a circular to the Shareholders containing the information required under the Listing Rules.

The 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 the 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 the Group if this will result in the limit being exceeded.



CORPORATE GOVERNANCE AND OTHER INFORMATION

- (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. The 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 the Company. Subject thereto, the Directors shall make available sufficient of the then authorised but unissued share capital of the 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 the 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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, the 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 the Directors may determine in their absolute discretion.

As at 1 November 2022 and 30 April 2023, there were no outstanding share options granted under the Share Option Scheme. No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the Reporting Period.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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 unaudited condensed consolidated financial statement in this report.

CHANGE OF SENIOR MANAGEMENT

With effect from 10 November 2022:

1. Ms. Kwok Yuen Shan Rosetta has resigned as an independent non-executive Director, the chairlady of the Remuneration Committee (the "**Remuneration Committee**") of the Company, and a member of each of the audit committee (the "**Audit Committee**") of the Company and the nomination committee (the "**Nomination Committee**") of the Company;
2. Ms. Lee Kit Ying, being an independent non-executive Director, has been appointed as a member of the Audit Committee;
3. Mr. Huan Yean San ("**Mr. Huan**"), being an independent non-executive Director and the chairman of the Audit Committee, has been appointed as the chairman of the Remuneration Committee; and
4. Mr. Huan has also been appointed as a member of the Nomination Committee.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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. Lee Kit Ying.

The Audit Committee has reviewed the unaudited condensed consolidated interim results and the interim report of the Company for the Reporting Period 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 condensed consolidated financial results for the Reporting Period 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*

23 June 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 April 2023 (Expressed in United States Dollars)

		For the six months ended 30 April	
	Notes	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Revenue	3	4,062	14,138
Cost of sales		(3,044)	(10,828)
Gross profit		1,018	3,310
Other income and net gains/(losses)	4	1,180	284
Selling and distribution expenses		(153)	(234)
Net reversal/(allowance) for impairment losses on trade receivable		797	(614)
General and administrative expenses		(1,780)	(2,330)
Profit from operations		1,062	416
Finance costs	5(a)	(503)	(255)
Profit before income tax	5	559	161
Income tax	7	(299)	(36)
Profit for the period attributable to the equity owners of the Company		260	125
Other comprehensive income/(loss) for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		952	(932)
Total comprehensive income/(loss) for the period attributable to equity owners of the Company		1,212	(807)
(Loss)/earnings per share			
– Basic (US cent per share)	8	0.10	0.05
– Diluted (US cent per share)	8	(0.31)	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2023 (Expressed in United States Dollars)

	Notes	As at 30 April 2023 (Unaudited) US\$'000	As at 31 October 2022 (Audited) US\$'000
Non-current assets			
Property, plant and equipment	9	10,553	10,146
Intangible assets		303	286
Interest in a joint venture		–	–
Deposit paid for acquisition of a subsidiary	10	330	330
Deferred tax assets		–	125
		<u>11,186</u>	<u>10,887</u>
Current assets			
Inventories		15,597	14,246
Trade and other receivables	10	5,480	6,083
Tax recoverable		277	231
Financial assets at fair value through profit or loss		1,895	833
Pledged bank deposits	11	1,139	1,982
Cash and bank balances		654	1,233
		<u>25,042</u>	<u>24,608</u>
Current liabilities			
Trade and other payables	12	4,242	3,366
Contract liabilities		1,415	745
Bank borrowings	13	6,801	9,213
Bank overdrafts		2,958	2,784
Lease liabilities		27	25
		<u>15,443</u>	<u>16,133</u>
Net current assets		<u>9,599</u>	<u>8,475</u>
Total assets less current liabilities		<u>20,785</u>	<u>19,362</u>
Non-current liabilities			
Lease liabilities		100	106
Convertible bonds	14	3,201	3,084
Deferred tax liabilities		100	–
		<u>3,401</u>	<u>3,190</u>
Net assets		<u>17,384</u>	<u>16,172</u>
Capital and reserves			
Share capital	15	324	324
Reserves		17,060	15,848
Total equity attributable to owners of the Company		<u>17,384</u>	<u>16,172</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 April 2023 (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 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>
As at 1 November 2022 (Audited)	324	7,173	679	(2,544)	1,031	-	9,509	16,172
Profit for the period	-	-	-	-	-	-	260	260
Other comprehensive income for the period								
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	952	-	-	-	952
Total comprehensive income for the period	-	-	-	952	-	-	260	1,212
As at 30 April 2023 (Unaudited)	<u>324</u>	<u>7,173</u>	<u>679</u>	<u>(1,592)</u>	<u>1,031</u>	<u>-</u>	<u>9,769</u>	<u>17,384</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 April 2023 (Expressed in United States Dollars)

	For the six months ended	
	2023	2022
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Net cash generated from/(used in) operating activities	1,548	(1,748)
Investing activities		
Interest received	15	22
Dividend income	1	3
Payment for purchase of plant and equipment	(7)	(116)
Payment for financial assets through profit or loss	(33)	(252)
Proceeds from sale of financial assets through profit or loss	217	106
Net cash generated from/(used in) investing activities	193	(237)
Financing activities		
Decrease/(increase) in pledged bank deposits	964	(259)
Proceeds from bank borrowings	2,928	11,247
Repayment of bank borrowings	(5,861)	(8,593)
Repayment of lease liabilities	(16)	(28)
Proceeds from issue of convertible bonds	–	3,222
Transaction cost for issue of convertible bonds	–	(21)
Dividend paid	–	(486)
Interest expenses	(382)	(217)
Net cash (used in)/generated from financing activities	(2,367)	4,865
Net (decrease)/increase in cash and cash equivalents	(626)	2,880
Effects of foreign exchange translation	(127)	(49)
Cash and cash equivalents at beginning of the period	(1,551)	(1,641)
Cash and cash equivalents at the end of the period	(2,304)	1,190
Cash and cash equivalents at the end of the period, represented by		
Cash and bank balances	654	3,158
Bank overdrafts	(2,958)	(1,968)
	(2,304)	1,190

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Act, Chapter 22 (as revised) 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 principal activities of the Group are set out in note 3.

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 2023 comprises the Group and the Group's interest in a joint venture.

The condensed consolidated financial statements for the six months ended 30 April 2023 have been prepared in accordance with the 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 2023 have been prepared on a going concern basis as at 30 April 2023, 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 2023 should be read in conjunction with the annual financial statements of the Group for the year ended 31 October 2022.

Principal accounting policies

The condensed consolidated financial statements for the six months ended 30 April 2023 have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss and derivative financial instruments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2023 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 October 2022.

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 (“HKFRS”) issued by the HKICPA:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendment to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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) sales of program and related intellectual property (“IP”) rights, 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	
	2023 (Unaudited) US\$'000	2022 (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	2,682	9,808
– Sales of parts and provision of relevant services	1,380	4,330
	4,062	14,138

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT REPORTING (continued)

(a) Disaggregation of revenue (continued)

Disaggregated by geographical location

	For the six months ended 30 April	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Hong Kong	1,805	1,882
Singapore	1,035	2,683
USA	677	1,502
Malaysia (place of domicile)	371	3,649
Australia	21	2,769
Others	153	1,653
	4,062	14,138

(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
- Sales of program and related IP rights. No revenue had been generated during the Reporting Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 resource 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 2023

	Sales of bus bodies and kits (Unaudited) US\$'000	Sales of parts and provision of relevant services (Unaudited) US\$'000	Sales of program and related IP rights (Unaudited) US\$'000	Total (Unaudited) US\$'000
Revenue from external customers recognised at a point in time	2,682	1,380	–	4,062
Reportable segment revenue	2,682	1,380	–	4,062
Reportable segment profit/(loss)	383	(24)	–	359
Unallocated head office and corporate expenses: – Other expenses				(477)
Other income				1,180
Finance costs				(503)
Profit before income tax				559

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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	Sales of program and related IP rights (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 income				284
Finance costs				(255)
Profit before income tax				161

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME AND NET GAINS/(LOSSES)

	For the six months ended 30 April	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Bank interest income	15	22
Total interest income on financial assets measured at amortised cost	15	22
Dividend from financial assets at fair value through profit or loss	1	3
Net foreign exchange (loss)/gain	(84)	108
Gain on disposal of financial assets at fair value through profit or loss	10	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	1,226	83
Others	12	59
	1,180	284

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. PROFIT BEFORE INCOME TAX

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

(a) Finance costs

	For the six months ended 30 April	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Interest expenses on bank and other borrowings	382	215
Interest expenses on lease liabilities	4	2
Imputed interest on convertible bonds	117	38
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>503</u>	<u>255</u>

(b) Staff costs (including Directors' emoluments)

	For the six months ended 30 April	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Salaries, wages and other benefits	1,145	1,641
Contributions to defined contribution retirement plans	126	158
	<u>1,271</u>	<u>1,799</u>

(c) Other items

	For the six months ended 30 April	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Cost of inventories*	3,044	10,828
Depreciation charges		
– owned property, plant and equipment	178	221
– right-of-use assets	21	15
Net (reversal)/allowance for impairment losses on trade receivable	(797)	614
Net foreign exchange loss/(gain)	84	(108)
Short-term lease expense	70	69

* Cost of inventories included reversal of provision of slow-moving inventory of approximately US\$158,000 (2022: approximately US\$108,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 April 2022: 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	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Current tax		
Charge for the period	66	153
Deferred tax		
Origination and reversal of temporary differences	233	(117)
Income tax expense	299	36

- (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 2023 (2022: 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 2023 and 2022.
- (iii) Subsidiaries in the PRC are subject to PRC Enterprise Income Tax ("EIT") at the rate of 25% (2022: 25%). The PRC subsidiaries did not recognise any PRC EIT as they did not commence business or record any income during the six months ended 30 April 2023 and 2022.
- (iv) GML Coach Technology Pte. Limited, a wholly-owned subsidiary of the Company is subject to Singapore statutory income tax rate of 17% (2022: 17%).
- (v) Gemilang Coachwork, a wholly-owned subsidiary of the Company is subject to Malaysia statutory income tax rate of 24% (2022: 24%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. (LOSS)/EARNINGS PER SHARE

	For the six months ended 30 April	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
(Loss)/earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	260	125
Adjustments for:		
Fair value change on embedded derivatives of convertible bonds	(1,226)	(83)
Imputed interest on convertible bonds	117	38
(Loss)/profit for the period attributable to owners of the Company for the purpose of diluted (loss)/earnings per share	(849)	80

	For the six months ended 30 April	
	2023 (Unaudited)	2022 (Unaudited)
Number of Shares		
Weighted average number of issued Shares as at 1 November for the purpose of basic earnings per Share	251,364,000	251,364,000
Effect of dilutive potential Shares:		
Share options	–	–
Convertible bonds	25,000,000	8,563,535
Weighted average number of Shares for the purpose of diluted (loss)/earnings per share	276,364,000	259,927,535

Basic earnings per share

The calculation of basic earnings per share is based on the profit for the Reporting Period of approximately US\$260,000 (2022: approximately US\$125,000) and the weighted average of 251,364,000 Shares (2022: 251,364,000 Shares).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Diluted (loss)/earnings per share

For the six months ended 30 April 2023, the calculation of the diluted loss per share amount is based on approximately US\$(849,000), which is the profit for the Reporting Period of approximately US\$260,000 with net of gain on fair value on derivative components of convertible bonds of approximately US\$1,226,000 and imputed interest on convertible bonds of approximately US\$117,000 (2022: diluted earnings per share based on approximately US\$80,000, which is profit for the six months ended 30 April 2022 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).

The weighted average number of Shares used in the calculation of the diluted earnings per share is based on 276,364,000 Shares (2022: 259,927,535 Shares), which is the total of (i) the weighted average of 251,364,000 Shares (2022: 251,364,000 Shares), as used in the basic earnings per share calculation, and (ii) the weighted average of 25,000,000 Shares (2022: 8,563,535 Shares) assumed to have been issued on the conversion of all dilutive potential Shares into Shares.

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

Property, plant and equipment

During the six months ended 30 April 2023, the Group acquired certain property, plant and equipment with a cost of approximately US\$7,000 (unaudited) (2022: approximately US\$116,000 (unaudited)). During the six months ended 30 April 2023, the Group had not recorded any gain or loss on disposal of property, plant and equipment (2022: nil).

Right-of-use assets

During the six months ended 30 April 2023 and 2022, the Group did not enter into any new leasing arrangements for properties leased for own use and motor vehicles.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE AND OTHER RECEIVABLES

Notes	As at 30 April 2023 (Unaudited) US\$'000	As at 31 October 2022 (Audited) US\$'000
Trade receivables	2,190	3,623
Less: allowance for impairment losses	(481)	(1,203)
	1,709	2,420
Deposits, prepayments and other receivable	4,101	3,993
	5,810	6,413
Less: non-current portion		
Deposit paid for acquisition of a subsidiary	(330)	(330)
	5,480	6,083

Notes:

- (i) The amount of trade and other receivable as at 30 April 2023 is expected to be recovered or recognised as assets or expenses within one year.
- (ii) On 27 October 2022, the Purchaser, a direct wholly-owned subsidiary of the Company, and Mr. CY Pang (who is the chairman, the chief executive officer, the executive Director and a controlling Shareholder of the Company) and Mr. JK Pang (who is the son of Mr. CY Pang and the brother of Mr. Pang Jun Jie, an executive Director), entered into the Conditional Share Sale Agreement, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of the Target Company and the advances owing to the Vendors by the Target Company, for an aggregate consideration of RM2,591,244 (equivalent to approximately US\$550,000[^]). RM1,554,746 (equivalent to approximately US\$330,000[^]), being the deposit and part payment towards account of the consideration, had been paid by the Purchaser to the Vendors upon the execution of the Conditional Share Sale Agreement.
- [^] Exchange rate applied at the date of the Conditional Share Sale Agreement: RM1.00 = US\$0.2122

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2023 (Unaudited) US\$'000	As at 31 October 2022 (Audited) US\$'000
Within 30 days	392	707
31 to 90 days	57	738
Over 90 days	1,260	975
	1,709	2,420

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

11. PLEDGED BANK DEPOSITS

	As at 30 April 2023 (Unaudited) US\$'000	As at 31 October 2022 (Audited) US\$'000
Fixed deposits	1,139	1,982

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES

	As at 30 April 2023 (Unaudited) US\$'000	As at 31 October 2022 (Audited) US\$'000
Trade payables	3,752	2,420
Other payables and accruals	490	946
	4,242	3,366

Ageing analysis of trade payables

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

	As at 30 April 2023 (Unaudited) US\$'000	As at 31 October 2022 (Audited) US\$'000
Within 30 days	894	681
31 to 90 days	900	1,401
Over 90 days	1,958	338
	3,752	2,420

13. BANK BORROWINGS

During the Reporting Period, the Group obtained new bank borrowings amounting to approximately US\$2,928,000 (unaudited) (during the year ended 31 October 2022: approximately US\$19,295,000 (audited)).

Bank borrowings are secured by:

- (i) Legal charges over freehold land, buildings and plant and machinery 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE BONDS

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

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

The Convertible Bonds will mature on the day falling on the second anniversary of the issue of the Convertible Bonds (the “**Initial Maturity Date**”). In the event that any of the Convertible Bonds remain unconverted and outstanding on the date falling one (1) month prior to the Initial Maturity Date, the Company may serve a written notice on the 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.

The gross proceeds and net proceeds (after deducting all the relevant costs and expenses) from the issue of the Convertible Bonds shall be approximately HK\$25,000,000 and approximately HK\$24,837,000, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE BONDS (continued)

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

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

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

The Convertible Bonds have been split as follows:

	Liability component <i>US\$'000</i>	Derivative financial instruments <i>US\$'000</i>	Equity component <i>US\$'000</i>	Total <i>US\$'000</i>
As at 1 November 2021 (Audited)	–	–	–	–
Issue during the year	2,953	(762)	1,031	3,222
Transaction costs	(21)	–	–	(21)
Fair value change	–	93	–	93
Imputed interest for the year	152	–	–	152
As at 31 October 2022 (Audited)	3,084	(669)	1,031	3,446
As at 1 November 2022 (Audited)	3,084	(669)	1,031	3,446
Fair value change	–	(1,226)	–	(1,226)
Imputed interest for the period	117	–	–	117
As at 30 April 2023 (Unaudited)	3,201	(1,895)	1,031	2,337

Binomial tree method is used for valuation of derivatives financial instruments of the Convertible Bonds. The key inputs used in the model are disclosed in note 17.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. SHARE CAPITAL

Ordinary Shares of HK\$0.01 each

Authorised:

	No. of Shares	Amount <i>US\$'000</i>
As at 1 November 2021, 31 October 2022 and 30 April 2023	2,000,000,000	2,581

Issued and fully paid:

	No. of Shares	Amount <i>US\$'000</i>
As at 31 October 2022 and 30 April 2023	251,364,000	324

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE OPTION SCHEME (continued)

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.

The name of the grantees, 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 2021 (Audited)	Lapsed during the period	Exercised during the period	Outstanding as at 31 October 2022 (Audited)	Lapsed during the period	Exercised during the period	Outstanding as at 30 April 2023 (Unaudited)	Exercise price per share (HK\$)	Vesting date	Exercised period
Directors										
Mr. Pang Chong Yong	250,000	(250,000)	-	-	-	-	-	1.764	Immediately vested	Within 5 years from grant date
Employees										
Ms. Pang Yok Moy ¹	38,000	(38,000)	-	-	-	-	-	1.764	Immediately vested	Within 5 years from grant date
Other employees	1,702,000	(1,702,000)	-	-	-	-	-	1.764	Immediately vested	Within 5 years from grant date
	1,990,000	(1,990,000)	-	-	-	-	-			
Weighted average exercise price (HK\$)	1.764	1.764	1.764	1.764	1.764	1.764	1.764			

- The sister of Mr. Pang Chong Yong and employee of the Group.
- 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE OPTION SCHEME (continued)

No share option has been exercised or cancelled during the six months ended 30 April 2023 and the year ended 31 October 2022.

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value measurements as at 30 April 2023 categorised into				Fair value measurements as at 31 October 2022 categorised into			
	Fair value at 30 April 2023 (Unaudited) US\$'000	Level 1 (Unaudited) US\$'000	Level 2 (Unaudited) US\$'000	Level 3 (Unaudited) US\$'000	Fair value at 31 October 2022 (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	-	-	-	-	164	164	-	-
Embedded derivative components of convertible bonds	1,895	-	-	1,895	669	-	-	669

During the six months ended 30 April 2023 and year ended 31 October 2022, 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.

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	16.07% to 16.10%
		Probability of the Extended Maturity Date	50%
		Risk free rate	3.30% to 3.33%
		Expected volatility	68.27% to 74.45%

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 2023, 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\$53,000; 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\$32,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2023 (Unaudited) US\$'000	As at 31 October 2022 (Audited) US\$'000
Contracted but not provided for:		
– Investment in joint venture (RMB1,500,000) (Note below)	220	205
– Acquisition of a subsidiary (Note 10(ii))	232	219
	452	424

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 2023, 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Short-term employee benefits	389	558
Post-employment benefits	49	56
	438	614

(b) Financing arrangements with related parties

As at 30 April 2023, the Group has the following balances with related parties:

	Notes	As at 30 April 2023 (Unaudited) US\$'000	As at 31 October 2022 (Audited) US\$'000
Amounts due from/(to) related companies			
– CP Excel Auto Tech Pte. Ltd.	(i), (ii)	–	13
– P&P Excel Car Air-Conditioning Sdn. Bhd.	(i), (ii)	(14)	(3)
– P&P Excel Tech Engineering Sdn. Bhd.	(i), (ii)	1	(15)
– SW Excel Tech Engineering Sdn. Bhd.	(i), (ii)	19	22
		6	17

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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. RELATED PARTY TRANSACTIONS (continued)

(c) Other related party transactions

- (i) During the six months ended 30 April 2023 and 2022, the Company entered into the following material related party transactions:

Continuing transactions

	For the six months ended 30 April	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Purchases of parts and services		
– P&P Excel Tech Engineering Sdn. Bhd.	24	110
Repair and maintenance service		
– P&P Excel Car Air-Conditioning Sdn. Bhd.	17	12
– CP Excel Auto Tech Pte. Ltd.	14	–
	31	12
Repair and maintenance services/ rental of equipment		
– SW Excel Tech Engineering Sdn. Bhd.	1	4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. CONTINGENT LIABILITIES

Performance bonds

	As at 30 April 2023 (Unaudited) US\$'000	As at 31 October 2022 (Audited) US\$'000
Performance bonds for contracts in favour of customers	691	913

The above performance bonds were given by banks in favour of some of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated 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.