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Gemilang International Limited

彭順國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6163)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 OCTOBER 2023

FINANCIAL HIGHLIGHTS

- Revenue decreased to approximately US\$14.27 million for the Year from approximately US\$27.47 million for the year ended 31 October 2022. The decrease was attributable to the decrease in revenue of sales of bus bodies and kits and sales of parts and provision of relevant services.

- The Group recorded a loss of approximately US\$2.79 million during the Year (2022: US\$1.38 million). The loss for the Year was mainly attributable to (i) the decrease in sales of bus bodies and kits and sales of parts and provision of relevant services; and (ii) the increase in net allowance for impairment losses on trade and other receivables, as compared with the year ended 31 October 2022.

- Basic and diluted loss per share for the Year was US 1.11 cents. (2022: US 0.55 cent).

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Gemilang International Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 October 2023 (the “**Year**”) with comparative figures for the year ended 31 October 2022. All amounts set out in this announcement are expressed in United States dollars (“**US\$**”) unless otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER 2023

		2023	2022
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	5	14,265	27,474
Cost of sales		<u>(12,080)</u>	<u>(22,557)</u>
Gross profit		2,185	4,917
Other income	6	1,772	283
Selling and distribution expenses		(335)	(506)
Net allowance for impairment losses on trade and other receivables		(1,382)	(555)
General and administrative expenses		<u>(4,158)</u>	<u>(4,446)</u>
Loss from operations		(1,918)	(307)
Finance costs	7(a)	<u>(966)</u>	<u>(934)</u>
Loss before taxation	7	(2,884)	(1,241)
Income tax credit/(expense)	8	<u>97</u>	<u>(136)</u>
Loss for the year attributable to the equity owners of the Company		<u>(2,787)</u>	<u>(1,377)</u>

	<i>Notes</i>	2023 US\$'000	2022 US\$'000
Other comprehensive loss for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>(3)</u>	<u>(2,192)</u>
Total comprehensive loss for the year attributable to equity owners of the Company		<u><u>(2,790)</u></u>	<u><u>(3,569)</u></u>
Loss per share (US cent)	<i>10</i>		
– Basic		<u><u>(1.11)</u></u>	<u><u>(0.55)</u></u>
– Diluted		<u><u>(1.11)</u></u>	<u><u>(0.55)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 OCTOBER 2023

	<i>Notes</i>	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment		5,929	10,146
Intangible assets		284	286
Interest in a joint venture		–	–
Deposit paid for acquisition of a subsidiary	<i>11(b)</i>	330	330
Deferred tax assets		269	125
		6,812	10,887
		6,812	10,887
Current assets			
Inventories		11,959	14,246
Trade receivables	<i>11(a)</i>	3,758	2,420
Deposits, prepayment and other receivables	<i>11(b)</i>	4,988	3,663
Tax recoverable		215	231
Financial assets at fair value through profit or loss		1,867	833
Pledged bank deposits		521	1,982
Cash at banks and on hand		259	1,233
		23,567	24,608
Asset held for sale		3,773	–
		27,340	24,608
		27,340	24,608
Current liabilities			
Trade and other payables	<i>12</i>	5,260	3,366
Contract liabilities	<i>13</i>	3,683	745
Bank loans and overdrafts		8,029	11,997
Lease liabilities		26	25
Convertible bonds	<i>14</i>	3,325	–
		20,323	16,133
		20,323	16,133
Net current assets		7,017	8,475
Total assets less current liabilities		13,829	19,362

	<i>Notes</i>	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Non-current liabilities			
Lease liabilities		80	106
Convertible bonds	<i>14</i>	<u>—</u>	<u>3,084</u>
		80	3,190
Net assets			
		13,749	16,172
Capital and reserves			
Share capital	<i>15</i>	324	324
Reserves		<u>13,425</u>	<u>15,848</u>
Total equity attributable to owners of the Company			
		13,749	16,172

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- investment in equity securities; and
- derivative financial instruments.

Asset held for sale is stated at the lower of carrying amount and fair value less costs to sell.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ³
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules ¹
Amendment to HKAS 21	Lack of Exchangeability ⁴

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or 1 January 2024

⁴ Effective for annual periods beginning on or 1 January 2025

Except for the new and revised HKFRSs mentioned below, the Directors anticipate that the application of all other new and revised HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies.

4. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these consolidated financial statements for the current accounting period for the first time:

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 in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

5. SEGMENT INFORMATION AND REVENUE

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

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

- Sales of bus bodies and kits – sales and fabrication of body work for buses and trading of body kits
- Sales of parts and provision of relevant services – dealing in spare parts for buses and provision of after-sales and maintenance services for buses
- Sales of program and related intellectual property (“IP”) rights. No revenue had been generated during the year.

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

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

Information regarding the above segments is reported below.

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

For the year ended 31 October 2023

	Sales of bus bodies and kits <i>US\$'000</i>	Sales of parts and provision of relevant services <i>US\$'000</i>	Sales of program and related IP rights <i>US\$'000</i>	Total <i>US\$'000</i>
Revenue from external customers recognised at a point in time	<u>11,330</u>	<u>2,935</u>	<u>–</u>	<u>14,265</u>
Reportable segment revenue	<u><u>11,330</u></u>	<u><u>2,935</u></u>	<u><u>–</u></u>	<u><u>14,265</u></u>
Reportable segment (loss)/profit	<u><u>(643)</u></u>	<u><u>284</u></u>	<u><u>(2,195)</u></u>	<u><u>(2,554)</u></u>
Unallocated head office and corporate expenses:				
– Other expenses				(1,136)
Other income				1,772
Finance costs				<u>(966)</u>
Loss before income tax				<u><u>(2,884)</u></u>
Other segment information				
Depreciation	386	–	–	386
Net (reversal)/allowance for impairment losses on trade and other receivables	(798)	9	2,171	1,382
(Reversal) for writedown of inventories	<u>(295)</u>	<u>–</u>	<u>–</u>	<u>(295)</u>

For the year ended 31 October 2022

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

Geographical information

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

	Revenue from external customers	
	2023	2022
	US\$'000	US\$'000
Malaysia (place of domicile)	2,703	3,752
Singapore	2,353	4,410
Australia	1,424	4,058
Hong Kong	5,426	3,346
New Zealand	1,092	–
United States of America	1,112	2,978
Uzbekistan	–	6,955
Others	155	1,975
	14,265	27,474

6. OTHER INCOME	2023	2022
	US\$'000	US\$'000
Bank and other interest income	328	36
Total interest income on financial assets measured at amortised cost	328	36
Dividends from listed securities	1	8
Net foreign exchange gain	152	263
Gain on disposal of property, plant and equipment	–	9
Gain on disposal of listed securities	10	8
Gain/(loss) on fair value change on financial assets at fair value through profit or loss (“FVPL”)	1,198	(109)
Others	83	68
	1,772	283

7. LOSS BEFORE TAXATION

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

(a) Finance costs

	2023 US\$'000	2022 US\$'000
Interest on bank borrowings	718	600
Interest on lease liabilities	7	6
Imputed interest on convertible bonds	241	152
Others	–	176
	<hr/>	<hr/>
Total interest expenses on financial liabilities not at FVPL	966	934
	<hr/> <hr/>	<hr/> <hr/>

(b) Staff costs (including directors' emoluments)

	2023 US\$'000	2022 US\$'000
Salaries, wages and other benefits	2,357	2,891
Equity-settled share-based payment expenses	168	–
Contributions to defined contribution retirement plans	255	278
	<hr/>	<hr/>
	2,780	3,169
	<hr/> <hr/>	<hr/> <hr/>

(c) Other items

	2023 US\$'000	2022 US\$'000
Auditors' remuneration	145	146
Cost of inventories*	12,080	22,557
Depreciation		
– Owned property, plant and equipment	345	422
– Right-of-use assets	41	29
(Gain) on disposal of property, plant and equipment	–	(9)
Net allowance for impairment losses on trade and other receivables	1,382	555
Net foreign exchange (gain)	(152)	(263)
Expenses relating to short-term lease	163	180
	<hr/> <hr/>	<hr/> <hr/>

* *Cost of inventories includes approximately US\$836,000 (2022: approximately US\$982,000) relating to staff costs and depreciation charges, which amount is also included in the respective total amounts disclosed separately above or in the note 7(b) for each of these types of expenses, and (reversal) of slow-moving inventory of approximately US\$(295,000) (2022: provision of approximately US\$140,000).*

8. INCOME TAX CREDIT/(EXPENSE)

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
The income tax credit/(expense) comprises:		
Current tax:		
Malaysia Income Tax	–	(45)
Singapore Income Tax	(47)	(4)
	<u>(47)</u>	<u>(4)</u>
	<u>(47)</u>	<u>(49)</u>
Interest withholding tax	(47)	(60)
	<u>(47)</u>	<u>(60)</u>
Over/(under) provision in prior years:		
Malaysia Income Tax	39	6
Singapore Income Tax	–	(18)
	<u>39</u>	<u>(12)</u>
	<u>39</u>	<u>(12)</u>
Deferred taxation	152	(15)
	<u>152</u>	<u>(15)</u>
Income tax credit/(expense) for the year	<u>97</u>	<u>(136)</u>

- (i) Hong Kong profits tax rate is 16.5% for the Year on the estimated assessable profits arising in Hong Kong except for the first HK\$2 million of qualified group entity's assessable profits is calculated at 8.25% which is in accordance with the two-tiered profit tax rates regime in Hong Kong (2022: 16.5%). The Group is not subject to Hong Kong profits tax as it had no assessable profits arising in and derived from Hong Kong for the years ended 31 October 2023 and 2022.
- (ii) The People's Republic of China ("PRC") Enterprise Income Tax ("EIT") is at the rate of 25% for the Year (2022: 25%). The PRC subsidiaries are not subject to PRC EIT as they had no assessable profits for the years ended 31 October 2023 and 2022.
- (iii) The domestic statutory tax rate of Malaysia and Singapore is 24% and 17% (2022: 24% and 17%) of the estimated assessable profits, respectively.

9. DIVIDENDS

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

No dividend was paid or proposed for ordinary shareholders of the Company during the Year, nor has any dividend been proposed since the end of the reporting period (2022: nil).

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

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the Year, of HK\$Nil per ordinary share (2022: HK\$0.015)	—	486
	<u>—</u>	<u>486</u>

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the consolidated loss attributable to equity shareholders of the Company of approximately US\$2,787,000 (2022: US\$1,377,000) and the weighted average number of approximately 251,364,000 ordinary shares (2022: 251,364,000 ordinary shares) in issue during the Year. There is no issuance or cancellation of share during the years ended 31 October 2023 and 2022.

(b) Diluted loss per share

The diluted loss per share equals to the basic loss per share as (i) the computation did not assume the exercise of the outstanding options since the exercise price per share option was higher than the average market price of the Company's share during the Year; and (ii) the conversion of the Company's outstanding convertible bonds would result in a decrease in loss per share for the years ended 31 October 2023 and 2022.

11. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Trade receivables

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Trade receivables	4,188	3,623
Less: allowance for impairment losses	(430)	(1,203)
	<u>3,758</u>	<u>2,420</u>
Financial assets measured at amortised cost	3,758	2,420
	<u>3,758</u>	<u>2,420</u>

Trade receivables are expected to be recovered within one year.

Ageing analysis of trade receivables

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

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Within 30 days	2,443	707
31 to 90 days	911	738
Over 90 days	404	975
	<u>3,758</u>	<u>2,420</u>
	3,758	2,420

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

(b) Deposits, prepayments and other receivables

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Deposits	392	367
Prepayments	3,465	2,919
Other receivables	3,632	707
Less: allowance for impairment losses*	(2,171)	–
	<u>5,318</u>	<u>3,993</u>
Less: non-current portion		
Deposit paid for acquisition of a subsidiary**	(330)	(330)
	<u>4,988</u>	<u>3,663</u>
	4,988	3,663

The amount of deposits, prepayments and other receivables as at 31 October 2023, are expected to be recovered or recognised as assets or expenses within one year.

Note:

* *Included in the impairment loss of other receivable was an individually impaired other receivable related to an entity that was credit-impaired or in default payment, of approximately US\$2,171,000 and US\$nil, respectively, for the years ended 31 October 2023 and 2022.*

** *Deposit paid for acquisition of a subsidiary*

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”, together with Mr. CY Pang, the “Vendors”)) (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, 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.

On 19 October 2023, the Purchaser and the Vendors have mutually agreed to extend the conditional period, which was initially 12 months from the date of the agreement for a further period of 6 more months, i.e. to the 26 April 2024, as additional time is required for the parties to obtain approvals from relevant authorities in Malaysia on the change of the category of land use and transfer of shares.

For further details of the above acquisition, please refer to the announcements of the Company dated 27 October 2022 and 19 October 2023.

12. TRADE AND OTHER PAYABLES

	2023 US\$'000	2022 US\$'000
Trade payables	3,704	2,420
Other payables and accruals	1,252	946
Deposits received	304	–
	5,260	3,366
	5,260	3,366

Ageing analysis of trade payables

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

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Within 30 days	1,321	681
31 to 90 days	767	1,401
Over 90 days	1,616	338
	<u>3,704</u>	<u>2,420</u>

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

13. CONTRACT LIABILITIES

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Deposits received from customers	<u>3,683</u>	<u>745</u>

14. CONVERTIBLE BONDS

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

The Convertible Bonds entitle the holders thereof to convert them into ordinary shares of the Company at any time between the date of issue and the date of maturity. 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 (equivalent to US\$3,222,000) and approximately HK\$24,837,000 (equivalent to US\$3,201,000), respectively.

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	Derivative financial instruments	Equity component	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Issue during the year ended				
31 October 2022	2,953	(762)	1,031	3,222
Transaction costs	(21)	–	–	(21)
Fair value change	–	93	–	93
Imputed interest for the year ended				
31 October 2022	152	–	–	152
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 October 2022 and				
1 November 2022	3,084	(669)	1,031	3,446
Fair value change	–	(1,198)	–	(1,198)
Imputed interest for the Year	241	–	–	241
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 October 2023	<u>3,325</u>	<u>(1,867)</u>	<u>1,031</u>	<u>2,489</u>

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

15. SHARE CAPITAL

Ordinary shares of HK\$0.01 each

Authorised:

	No. of shares	Amount
		<i>US\$'000</i>
At 1 November 2021, 31 October 2022, 1 November 2022 and 31 October 2023	2,000,000,000	2,581
	<u> </u>	<u> </u>

Issued and fully paid:

	No. of shares	Amount
		<i>US\$'000</i>
At 31 October 2022, 1 November 2022 and 31 October 2023	251,364,000	324
	<u> </u>	<u> </u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

The Group 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) buses (CBUs⁽¹⁾).

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

During the Year, 100% of the Group’s revenue derived from the sales of aluminium buses and bus bodies in the sales of bus bodies and kits segment. The demand in aluminium buses and bus bodies will continue to be the major business drive as using aluminium as materials meets environmental standards. Aluminium is likely 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 108 units of buses (CBUs⁽¹⁾) and 46 units of CKDs⁽²⁾ to its customers during the Year.

Notes:

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

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

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

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

Sales of bus bodies and kits segment

	Revenue from external customers	
	For the year ended 31 October	
	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
Malaysia (place of domicile)	2,581	2,866
Singapore	–	136
Australia	1,351	3,983
Hong Kong	5,219	2,775
New Zealand	1,090	–
Uzbekistan	–	6,955
USA	979	2,947
Others	110	1,857
	11,330	21,519

The sales of bus bodies and kits segment is the major source of income for the Group, with the sales of whole buses as the major product of the Group contributing approximately 79% of revenue for the Year (2022: 78%). The revenue generated from this segment amounted to approximately US\$11.33 million during the Year, representing a decrease of approximately US\$10.19 million or 47.3% as compared with approximately US\$21.52 million for the year ended 31 October 2022. The decrease in revenue in this segment was mainly attributable to the significant decrease in the completed orders of whole buses to Uzbekistan, the USA and Australia, which was partly offset by the increase in completed orders of bus bodies to Hong Kong and New Zealand during the Year as compared to the year ended 31 October 2022.

There are no completed orders to Uzbekistan for the Year and thus no revenue was recorded from Uzbekistan market. During the year ended 31 October 2022, approximately US\$6.96 million of revenue were recorded from 190 units of single deck buses delivered to Uzbekistan.

During the Year, the Group delivered a total of 14 units of electric buses to its customers in the USA, as compared to 59 units of buses and coaches delivered for the year ended 31 October 2022, resulting in the decrease in revenue from the USA market of approximately US\$1.97 million or 66.8% from approximately US\$2.95 million for the year ended 31 October 2022 to approximately US\$0.98 million for the Year.

The decrease in revenue from the Australia market was approximately US\$2.63 million or 66.1%, from approximately US\$3.98 million for the year ended 31 October 2022 to approximately US\$1.35 million for the Year. The decrease was mainly attributable to the decrease in the number of buses delivered to Australia from 45 units for the year ended 31 October 2022 to 18 units for the Year.

The increase in revenue from Hong Kong market was approximately US\$2.44 million or 88.1%, from approximately US\$2.78 million for the year ended 31 October 2022 to approximately US\$5.22 million for the Year. The increase was mainly attributable to the increase in the number of CBUs delivered to Hong Kong customers from 45 units for the year ended 31 October 2022 to 64 units for the Year.

Sales of parts and provision of relevant services segment

	Revenue from external customers	
	For the year ended 31 October	
	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
Malaysia (place of domicile)	122	886
Singapore	2,353	4,274
Hong Kong	207	571
Australia	73	75
USA	133	31
Others	47	118
	<u>2,935</u>	<u>5,955</u>

The segment of sales of parts and provision of relevant services is the Group's secondary source of income, in which its revenue mainly generated from providing after-sales service and sales of parts to the Group's customers. The revenue generated from sales of parts and provision of relevant services segment amounted to approximately US\$2.94 million during the Year, representing a decrease of approximately US\$3.02 million or 50.7% as compared with approximately US\$5.96 million for the year ended 31 October 2022.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

The Group's revenue was principally generated from the assembly and sales of aluminium buses and the manufacture of bus bodies. The Group generated revenue of approximately US\$14.27 million and US\$27.47 million for the years ended 31 October 2023 and 2022, respectively. The decrease in revenue was due to the decrease in revenue from sales of bus bodies and kits and sale of parts and provision of related services during the Year as compared to the year ended 31 October 2022.

By product category

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

	For the year ended 31 October			
	2023		2022	
	US\$'000	%	US\$'000	%
Bus (CBU)				
– City Bus	9,522	66.8	7,422	27.0
– Coach	496	3.4	2,331	8.5
Bus Body (CKD)				
– City Bus	1,312	9.2	11,766	42.8
Maintenance and after-sales service				
	2,935	20.6	5,955	21.7
Total	14,265	100.0	27,474	100.0

Gross profit

The Group's gross profit was approximately US\$2.19 million and US\$4.92 million for the years ended 31 October 2023 and 2022, respectively. The Group's gross profit margin was approximately 15.3% and 17.9% for the years ended 31 October 2023 and 2022, respectively. The slight decrease of gross profit margin for the Year was mainly due to the completion of a project during the year ended 31 October 2022 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 and no such projects were incurred during the Year.

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 decreased by approximately US\$0.17 million or 33.8% from approximately US\$0.51 million for the year ended 31 October 2022 to approximately US\$0.34 million for the Year. The decrease was mainly due to the decrease in carriage outwards expenses. The export costs to Uzbekistan, the USA and Australia have decreased significantly due to the decrease in sales to these countries.

Net allowance for impairment losses on trade and other receivables

During the Year, the Group recognised approximately US\$1.38 million of net allowance for impairment losses on trade and other receivables, representing an increase of approximately US\$0.82 million or 149.0% as compared to approximately US\$0.56 million for the year ended 31 October 2022. Such increase was mainly due to the increasing uncertainty in the repayment of other receivables.

The net allowance for impairment losses on other receivables was attributable to one of the Group's other receivables arising from the return of certain inventories under the sales of program and related intellectual property rights segment. As at 31 October 2023, the Group assessed the outstanding receivable of approximately US\$3.53 million to be credit impaired due to default in payment and had engaged an independent professional valuer to conduct a valuation (the "**Valuation**") to assess its expected credit loss as at 31 October 2023 and approximately US\$2.17 million of allowance for impairment losses on other receivables was recognised during the Year. The Valuation is performed in accordance with HKFRS 9 to estimate the expected credit loss ("**ECL**") of this receivable. In accordance with HKFRS 9, general approach is adopted in valuation of ECL of this receivable and the standard ECL formula of general approach refers to the probability-weighted loss default model. The key assumptions of the Valuation included: (i) there will be no material change in the political, legal, fiscal, technological, market and economic conditions that will materially affect the operation of the Group and the debtor of this receivable; and (ii) the interest rates and exchange rates will not differ materially from those of present or expected.

For net allowance for impairment losses on trade receivables, the Group had recovered certain trade receivables which had been provided for impairment losses in previous years, thus the Group had recognised approximately US\$0.79 million of net reversal for impairment losses on trade receivables during the Year and it partially offset the net allowance for impairment losses on other receivables mentioned above.

General and administrative expenses

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

General and administrative expenses decreased by approximately US\$0.29 million or 6.5% from approximately US\$4.45 million for the year ended 31 October 2022 to approximately US\$4.16 million for the Year. The decrease was mainly attributable to the decrease in salaries of administration staff due to the decrease in the average number of staff during the Year as compared to the year ended 31 October 2022.

Income tax credit/(expense)

The Group recorded an income tax credit of approximately US\$97,000 for the Year, as compared with an income tax expense of approximately US\$0.14 million recorded for the year ended 31 October 2022. The income tax credit for the Year was mainly attributable to the temporary tax difference arose from the net reversal for impairment losses on trade receivables and the offset against with reversal for slow-moving inventory provision recognised in previous years.

Significant investments held

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

Future plans for material investments and capital assets

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

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

On 18 August 2023, Gemilang Coachwork Sdn. Bhd. (“**Gemilang Coachwork**” or the “**Vendor**”), being an indirect wholly-owned subsidiary of the Company, as vendor, and Super Choice Sdn. Bhd. (the “**Purchaser**”), as purchaser entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the freehold vacant industrial land situated at GM 79 Lot 250, Mukim of Senai, District of Kulai, State of Johor, Malaysia with an area of approximately 3.3437 hectares (equivalent to approximately 359,912 square feet) (the “**Property**”) for a total consideration of RM20,688,000 (the “**Purchase Price**”, equivalent to approximately US\$4,456,000[#]) (the “**Disposal**”). A deposit of RM2,068,800 (equivalent to approximately US\$446,000[#]), being the earnest deposit of RM206,880 (equivalent to approximately US\$45,000[#]), and the balance deposit of RM1,861,920 (equivalent to approximately US\$401,000[#]) was paid upon execution of the Sale and Purchase Agreement to the Vendor’s solicitors as stakeholder. At the extraordinary general meeting of the Company held on 13 October 2023, the ordinary resolution approving the Disposal was duly passed by way of poll and the Sale and Purchase Agreement has become unconditional on 17 October 2023 (the “**Unconditional Date**”).

As at 31 October 2023, the Disposal had not been completed yet and the Property was still 100% owned by the Vendor and recorded as asset held for sale in the consolidated statement of financial position of the Group. The Purchaser shall pay the remaining balance of the Purchase Price (i.e. RM18,619,200, the (“**Balance Purchase Price**”), equivalent to approximately US\$4,010,000[#]) to the Vendor within three (3) months from the Unconditional Date (the “**Completion Period**”) or one (1) month from the expiry of the Completion Period (the “**Extended Completion Period**”), as the case may be. As at the date of this announcement, the Disposal is not completed yet. For further details, please refer to the announcements of the Company dated 18 August 2023 and 13 October 2023 and the circular of the Company dated 27 September 2023.

[#] Exchange rate applied at the date of the Sale and Purchase Agreement for the Property: RM1.00 = US\$0.2154

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

Pledge of assets

As at 31 October 2023, bank deposits of approximately US\$0.52 million (2022: approximately US\$1.98 million) as disclosed in the consolidated statement of financial position have been pledged to banks as security for banking facilities granted to the Group. The net book value of the following assets which were pledged to banks to secure certain banking facilities granted to the Group is as follows:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Freehold land	1,618	5,438
Buildings	3,548	3,684
Assets held for sale	3,773	–
Financial assets at FVPL	–	94
	8,939	9,216

Contingent liabilities

As at 31 October 2023, the Group had the following contingent liabilities:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Performance bonds for contracts in favour of customers	603	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 under such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon the completion of the contract work for the relevant customers.

Capital commitments

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

	2023 US\$'000	2022 US\$'000
Contracted but not provided for:		
– Investment in a joint venture (<i>note (i)</i>)	206	205
– Acquisition of a subsidiary (<i>note (ii)</i>)	218	219
	<u>424</u>	<u>424</u>

- (i) During the year ended 31 October 2019, 順鋁(上海)汽車科技有限公司 (“**順鋁(上海)**”), an indirectly wholly-owned subsidiary of the Company, entered into a joint venture agreement (the “**JV agreement**”) with 上海北斗新能源有限公司 (“**Beidou**”) pursuant to which both companies agreed to establish a joint venture company, 上海北鋁汽車科技有限公司 (the “**JV Company**”). Pursuant to the JV agreement, the amount of registered capital of the JV Company shall be RMB3,000,000 while 順鋁(上海) and Beidou shall each account for a capital contribution of RMB1,500,000. As at 31 October 2023, the Group has not contributed any capital into the JV Company.
- (ii) On 27 October 2022, Gemilang Limited (the “**Purchaser**”), being direct wholly-owned subsidiary of the Company, and Mr. Pang Chong Yong (“**Mr. CY Pang**”) and Mr. Pang Jun Kang (“**Mr. JK Pang**”), together with Mr. CY Pang, the “**Vendors**”), 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 sums of money advanced to and expended by the Vendors for the Target Company which are due and 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.

For further details of the Conditional Share Sale Agreement, please refer to the announcement of the Company dated 27 October 2022 and 19 October 2023.

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

PROSPECTS

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

The following highlights the Group's key development strategies:

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

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

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

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

The Group will further enhance its strategic partnership with chassis principals

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

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

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

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

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

The Group will further diversify its product portfolio

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

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

The Group entered into a conditional share sale agreement to acquire 100% of shareholding of GML Premier Sdn. Bhd. (“**GMLP**”), which is a beneficial proprietor of a piece of land closed to the Group's headquarter in Malaysia in October 2022 and the Group had explored the opportunities to convert the land to commercial or industrial use which will allow the Group to explore different business development opportunities (such as showroom for rental income) to provide additional source of income to the Group. Looking forward, the Group will continue to explore suitable locations near its headquarter for expansion of its business and evaluate different business opportunities to broaden the Group's existing earnings base, enhance its profitability and offer better returns to the shareholders of the Company (the “**Shareholders**”).

EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 October 2023 and up to the date of this announcement.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the Year (for the year ended 31 October 2022: Nil).

ANNUAL GENERAL MEETING

The annual general meeting is scheduled to be held on Friday, 22 March 2024. The notice of annual general meeting will be published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.gml.com.my) and despatched to the Shareholders (if requested).

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company which will be held on Friday, 22 March 2024, the register of members of the Company will be closed from Tuesday, 19 March 2024 to Friday, 22 March 2024, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 18 March 2024.

FOREIGN CURRENCY RISK

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2023, the aggregate sum of the Group's bank balances and cash net of bank overdrafts, and short-term pledged bank deposits amounted to approximately US\$(2.16) million, representing a decrease of approximately US\$2.59 million as compared with approximately US\$0.43 million as at 31 October 2022. The net current assets and total equity of the Group were approximately US\$7.02 million (2022: approximately US\$8.48 million) and approximately US\$13.75 million (2022: approximately US\$16.17 million). As at 31 October 2023, the Group's bank borrowings and bank overdrafts amounted to approximately US\$8.03 million (2022: approximately US\$12.00 million).

As at 31 October 2023, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 81% (2022: approximately 86%).

The Group monitors capital using, *inter alia*, a gearing ratio which is net debt divided by total equity. Net debt includes bank overdrafts, interest-bearing bank borrowings, convertible bonds and lease liabilities, less cash and bank balances. The gearing ratios as at 31 October 2023 and 2022 are as follows:

	2023	2022
	US\$'000	US\$'000
Lease liabilities	106	131
Bank borrowings	5,094	9,213
Bank overdrafts	2,935	2,784
Convertible bonds	3,325	3,084
	11,460	15,212
Less: Cash and bank balances	259	1,233
Net debt	11,201	13,979
Total equity	13,749	16,172
Net debt-to-equity ratio	81%	86%

CAPITAL STRUCTURE

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2023, the total number of full-time employees of the Group was 270 (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 the management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, taking into account the Group's performance and individual's contribution. Ample in-house orientation and on-the-job training are arranged for the employees all year round. Employees are always encouraged to attend job-related seminars, courses and programs organised by professional or educational institutions, in Malaysia, Hong Kong or other jurisdictions.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value accountability. The Company has adopted and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix C1 (previous known as Appendix 14) to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), save and except for code provision C.2.1 of the CG Code throughout the Year. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest developments.

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 a majority of the Board members are represented by the independent non-executive Directors, who offer different independent perspectives. In addition, the Board meets regularly to consider major matters affecting the operations of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information. Therefore, the Board is of the view that the balance of power and safeguards in place are adequate. The Board would review and monitor the situation on a regular basis, and it would ensure that the present structure would not impair the balance of power in the Group.

USE OF PROCEEDS FROM GLOBAL OFFERING

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

	Planned amount as stated in the Prospectus⁽¹⁾ US\$ million	Actual amount utilised up to 31 October 2023 US\$ million	Actual balance as at 31 October 2023 US\$ million
Uses 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	–
	<u>8.77</u>	<u>8.60</u>	<u>0.17</u>
Total	<u>8.77</u>	<u>8.60</u>	<u>0.17</u>

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

Such utilisation of the net proceeds was in accordance with the proposed allocations as set out in the section headed “Future Plans and Use of Proceeds” in the Company’s prospectus dated 31 October 2016 (the “**Prospectus**”). The unutilised portion of the net proceeds were deposited in the Group’s banks in Hong Kong and Malaysia and is intended to be utilised in the manner consistent with the proposed allocation as set forth in the Prospectus. The unutilised amount of net proceeds for upgrading and acquiring machines (approximately US\$0.17 million) shall be fully utilised by the financial year ending 31 October 2024.

USE OF PROCEEDS FROM CONVERTIBLE BONDS

On 14 December 2021, the Company entered into a subscription agreement (the “**Subscription Agreement**”) with the Ms. Kan Suk Ping (the “**Subscriber**”), who is 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 (the “**Convertible Bonds**”) in the principal amount of HK\$25,000,000 (equivalent to approximately US\$3,222,000).

The initial conversion price is HK\$1.00 (subject to adjustments) per conversion share under the terms and conditions of the Subscription Agreement, representing a premium of approximately 35.14% over the closing price of HK\$0.740 per Share as quoted on the Stock Exchange on the date 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.

The gross proceeds and net proceeds (after deducting all the relevant costs and expenses) from the issue of the Convertible Bonds were approximately HK\$25,000,000 and approximately HK\$24,837,000, respectively, representing a net issue price of approximately HK\$0.993 per conversion share. 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.

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 during the year ended 31 October 2022 according to the intentions previously disclosed in the announcements of the Company dated 14 December 2021 and 28 February 2022.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 (previously known as Appendix 10) to the Listing Rules on terms no less exacting than the required standard set out in the Model Code as its code of conduct regarding securities transactions by Directors.

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

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

AUDIT COMMITTEE

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

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

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

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

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

APPRECIATION

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

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

26 January 2024

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