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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)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 APRIL 2022**

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

### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 April 2022*

*(Expressed in United States Dollars)*

	<i>Notes</i>	<b>For the six months ended 30 April</b>	
		<b>2022 (Unaudited) US\$'000</b>	<b>2021 (Unaudited) US\$'000</b>
<b>Revenue</b>	3	<b>14,138</b>	18,581
Cost of sales		<b>(10,828)</b>	(15,500)
<b>Gross profit</b>		<b>3,310</b>	3,081
Other revenue	4	<b>84</b>	104
Other net income	4	<b>200</b>	272
Selling and distribution expenses		<b>(234)</b>	(205)
Net allowance for impairment losses on trade receivable		<b>(614)</b>	(694)
General and administrative expenses		<b>(2,330)</b>	(2,344)

		<b>For the six months ended</b>	
		<b>30 April</b>	
		<b>2022</b>	2021
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Profit from operations</b>		<b>416</b>	214
Finance costs	5	<u>(255)</u>	<u>(321)</u>
<b>Profit/(loss) before income tax</b>	5	<b>161</b>	(107)
Income tax	7	<u>(36)</u>	<u>(7)</u>
<b>Profit/(loss) for the period attributable to the equity owners of the Company</b>		<u><b>125</b></u>	<u>(114)</u>
<b>Other comprehensive (loss)/income for the period</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>(932)</u>	<u>289</u>
<b>Total comprehensive (loss)/income for the period attributable to equity owners of the Company</b>		<u><b>(807)</b></u>	<u>175</u>
<b>Earnings/(loss) per share</b>			
– Basic (US cent per share)	8	<u><b>0.05</b></u>	<u>(0.05)</u>
– Diluted (US cent per share)	8	<u><b>0.03</b></u>	<u>(0.05)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 April 2022*

*(Expressed in United States dollars)*

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 April 2022*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Act of the Cayman Islands as an exempted company with limited liability on 21 June 2016 and the ordinary shares of the Company (the “**Shares**”) have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 11 November 2016.

The principal activity of the Company is investment holding. The Group is principally engaged in assembling and selling of aluminium and steel buses and manufacturing bus bodies. As at 30 April 2022, the Directors consider that the Company was ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong (the “**Controlling Shareholders**”). On 8 June 2022, Mr. Phang Sun Wah and Mr. Pang Chong Yong entered into a termination deed to terminate the concert party deed which was signed by Mr. Phang Sun Wah and Mr. Pang Chong Yong and dated 20 July 2016. As such, Mr. Phang Sun Wah and Mr. Pang Chong Yong are no longer deemed to be interested in the interests of each other from 8 June 2022 and Mr. Phang Sun Wah also ceased to have notifiable interest in the Shares. As at the date of this announcement, the Directors consider that the Company is ultimately controlled by Mr. Pang Chong Yong.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### **Basis of preparation**

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

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

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

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

### **Principal accounting policies**

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

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

### Application of amendments

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

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

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

### 3. REVENUE AND SEGMENT REPORTING

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

#### (a) Disaggregation of revenue

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

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

Disaggregated by geographical location

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

**(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

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

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

Information regarding the above segments is reported below.

The following is an analysis of the Group’s revenue and results by operating and reportable segments for both periods:

**For the six months ended 30 April 2022**

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

For the six months ended 30 April 2021

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

#### 4. OTHER REVENUE AND OTHER NET INCOME

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

## 5. PROFIT/(LOSS) BEFORE INCOME TAX

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

### (a) Finance costs

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

### (b) Staff costs (including Directors' emoluments)

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

### (c) Other items

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

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



## 6. DIVIDEND

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

## 7. INCOME TAX

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

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

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) Hong Kong profits tax rate is 16.5% for the six months ended 30 April 2022 (2021: 16.5%). The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong for the six months ended 30 April 2022 and 2021.
- (iii) Subsidiaries in the People's Republic of China (the "PRC") are subject to PRC Enterprise Income Tax ("EIT") at the rate of 25% (2021: 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 2022 and 2021.
- (iv) GML Coach Technology Pte. Limited, a wholly-owned subsidiary of the Company is subject to Singapore statutory income tax rate of 17% (2021: 17%).
- (v) Gemilang Coachwork Sdn. Bhd. ("Gemilang Coachwork"), a wholly-owned subsidiary of the Company is subject to Malaysia statutory income tax rate of 24% (2021: 24%).

## 8. EARNINGS/(LOSS) PER SHARE

	<b>For the six months ended</b>	
	<b>30 April</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Earnings/(loss)</b>		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	125	(114)
Adjustments for:		
Fair value change on embedded derivatives of convertible bonds	(83)	–
Imputed interest on convertible bonds	38	–
	<u>80</u>	<u>(114)</u>
Profit/(loss) for the period attributable to owners of the Company for the purpose of diluted earnings/(loss) per share	<u>80</u>	<u>(114)</u>
	<b>For the six months ended</b>	
	<b>30 April</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Number of Shares</b>		
<b>Weighted average number of issued Shares as at 1 November for the purpose of basic earnings/(loss) per Share</b>	<b>251,364,000</b>	251,364,000
Effect of dilutive potential Shares:		
Share options	–	–
Convertible bonds	8,563,535	–
	<u>259,927,535</u>	<u>251,364,000</u>
<b>Weighted average number of Shares for the purpose of diluted earnings/(loss) per share</b>	<b>259,927,535</b>	251,364,000

### Basic earnings/(loss) per share

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

### Diluted earnings/(loss) per share

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

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

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

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

### Property, plant and equipment

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

### Right-of-use assets

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

## 10. TRADE AND OTHER RECEIVABLES

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

*Notes:*

- (i) The amount of trade and other receivable as at 30 April 2022 is expected to be recovered or recognised as assets or expenses within one year.

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

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

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

#### 11. PLEDGED BANK DEPOSITS

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

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

#### 12. TRADE AND OTHER PAYABLES

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

### Ageing analysis of trade payables

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

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

### 13. BANK BORROWINGS

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

Bank borrowings are secured by:

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

### 14. CONVERTIBLE BONDS

On 14 December 2021, the Company entered into 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) (the “**Convertible Bonds**”).

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

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

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

Details of the terms and conditions of the Subscription Agreement are set out in the Company's announcement dated 14 December 2021.

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

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

The Convertible Bonds have been split as follows:

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

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

We sell our products to public and private bus transportation operators, chassis principals and their purchasing agents, bus assemblers and manufacturers in two categories: (i) in the form of bus bodies (SKDs<sup>(3)</sup> and CKDs<sup>(2)</sup>) for their local assembly and onward sales; and (ii) whole buses (CBUs<sup>(1)</sup>).

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

During the Reporting Period, 100% of our revenue derived from the sales of aluminium buses and bus bodies in the sales of bus bodies and kits segment. The demand in aluminium buses and bus bodies will continue to be the major business drive as using aluminium as materials meets environmental standards. Aluminium is likely the preferred material for buses, in particular electric buses, due to its lighter weight which results in better energy efficiency.

The Group delivered a total of 84 units of buses (CBUs<sup>(1)</sup>) and 29 units of CKDs<sup>(2)</sup> to our customers during the Reporting Period.

*Notes:*

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

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

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

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

### Sales of bus bodies and kits segment

	<b>Revenue from external customers for the six months ended 30 April</b>	
	<b>2022</b>	2021
	<i>US\$’000</i>	<i>US\$’000</i>
Malaysia (place of domicile)	<b>2,917</b>	4,192
Australia	<b>2,718</b>	3,867
Hong Kong	<b>1,792</b>	84
USA	<b>1,501</b>	–
Singapore	<b>140</b>	6,523
Others	<b>740</b>	1,282
	<b>9,808</b>	15,948

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



## Sales of parts and provision of relevant services segment

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

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

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

## OUTLOOK

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

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

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

During the Reporting Period, apart from carrying on the postponed projects awarded in previous financial years, the Group continues to explore new business opportunities, especially at the electric vehicle (“EV”) market. With our experience in building EV buses, our Group is looking forward to participating in certain EV projects and tenders. In addition, the Greater China’s bus market and industry remains the largest in the world and the Group will also be focusing more on promoting lightweight aluminium bus body solutions for electric buses as well as strengthening relationships with chassis principals in the region.

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

## **OPERATING RESULTS AND FINANCIAL REVIEW**

### **Revenue**

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

### *By product category*

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

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

### *By geographical location*

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

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

### **Gross profit and gross profit margin**

Our gross profit was approximately US\$3.31 million and US\$3.08 million for the six months ended 30 April 2022 and 2021, respectively. Our gross profit margin was approximately 23.4% and approximately 16.6% for the six months ended 30 April 2022 and 2021, respectively. The increase of gross profit margin during the Reporting Period was mainly due to: (i) the reversal of provision of slow-moving inventory of approximately US\$0.11 million recorded during the Reporting Period while approximately US\$0.33 million of provision of slow-moving inventory was recorded during the corresponding period in 2021; and (ii) the completion of a project during the Reporting Period which the Group recorded higher gross profit margin at the final stage as that part of revenue was service related which required minimal direct costs as compared with previous production stages.

### **Selling and distribution expenses**

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

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

### **General and administrative expenses**

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

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

### **Income tax expenses**

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

## **LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Cash flow**

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

### **Net current assets**

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

### **Cash and cash equivalents, bank deposits and bank loans**

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

### **Gearing ratio**

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

### **Capital expenditures**

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

### **Significant investments**

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

## Commitments

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

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

### Notes:

- (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**”) in Shanghai, the PRC. Pursuant to the JV Agreement, the amount of registered capital of the JV Company shall be RMB3,000,000 while 順鋁(上海) and Beidou shall each account for a capital contribution of RMB1,500,000. As at 30 April 2022, the Group has not contributed any capital into the JV Company.
- (ii) On 28 July 2021, Gemilang Coachwork, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and Gemilang Coachwork has conditionally agreed to purchase, the freehold industrial land situated in Malaysia for a total purchase price of RM16,915,864 (equivalent to approximately US\$4,008,000<sup>#</sup>). For further details, please refer to the announcement of the Company dated 28 July 2021. A deposit of RM1,691,586.40 (equivalent to approximately US\$401,000<sup>#</sup>) was paid upon execution of the Sale and Purchase Agreement during the year ended 31 October 2021. As at the date of this announcement, the approval of the Johor State authority pursuant to section 433B of the National Land Code, 1965 has not been obtained yet and completion of the acquisition has not taken place.

<sup>#</sup> Exchange rate applied at the date of the Sale and Purchase Agreement: RM1.00 = US\$0.23695

## Material investments or capital assets

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

## Material acquisitions or disposals

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

### Foreign exchange risk

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

### Charges on assets

As at 30 April 2022, pledged bank deposits of approximately US\$2.14 million (31 October 2021: approximately US\$1.98 million) as disclosed in the condensed consolidated statement of financial position have been pledged to banks as security for banking facilities granted to the Group. The net book value of the following assets were pledged to secure certain banking facilities granted to the Group:

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

### Contingent liabilities

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

### Performance bonds

	<b>As at 30 April 2022 US\$'000</b>	<b>As at 31 October 2021 US\$'000</b>
Performance bonds for contracts in favour of customers	<b><u>2,297</u></b>	<b><u>2,535</u></b>

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



## **INTERIM DIVIDEND**

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 April 2022, the total number of full-time employees of the Group was 273 (31 October 2021: 313). The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is offered with reference to market rates. Salary and/or promotion review is conducted upon performance appraisal by management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, in accordance with the Group's performance and individual's contribution. Ample in-house orientation and on-the-job training are arranged for the employees all year around. Employees are always encouraged to attend job-related seminars, courses and programs organised by professional or educational institutions in Malaysia, Hong Kong or other jurisdictions.

## **LITIGATION**

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

In August 2018, the case was heard in the High Court of Malaya at Johor Bahru and Gemilang Coachwork successfully obtained a summary judgment against the Defendants. Subsequently, a winding up petition dated 30 October 2018 was filed in the High Court of Malaya and has been served on the Defendants on 15 November 2018. The winding up petition served on the Defendant 1 was subsequently dismissed on 2 January 2019 as Defendant 1 was already wound up in July 2018 by a third party. Defendant 2 had filed an originating summons for judicial management in the High Court of Malaya at Shah Alam. The hearing of the said originating summons was held on 24 January 2019 and the order for judicial management was subsequently granted. Defendant 2 has applied for second extension on the judicial management in the High Court of Malaya at Shah Alam in May 2019 for 2 months and the extension was approved. After that, Defendant 2 has applied for extension of judicial management order in the High Court of Malaya at Shah



Alam on 13 August 2019 but the application was not allowed by the High Court of Malaya on 10 December 2019. Eventually, the High Court of Malaya ordered Defendant 2 be wound up under the provisions of the Companies Act 2016 on 30 January 2020. The Company was informed by its legal adviser that the outstanding amount will be paid upon when the receiver has exercised the right and duty according to the winding up order and the debt will be repaid according to the debt security. As at the date of this announcement, the distribution results are not completed.

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

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

#### 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.

	<b>Planned amount as stated in the Prospectus<sup>(1)</sup> US\$ million</b>	<b>Actual amount utilised up to 30 April 2022 US\$ million</b>	<b>Actual balance as at 30 April 2022 US\$ million</b>
<b>Use of net proceeds</b>			
Construction of the new facility in Senai, Malaysia	4.70	(3.83)	0.87
Upgrading and acquiring machines	0.89	(0.72)	0.17
Repayment of bank loans	2.39	(2.39)	–
Working capital	0.79	(0.79)	–
	<u>8.77</u>	<u>(7.73)</u>	<u>1.04</u>
<b>Total</b>	<u>8.77</u>	<u>(7.73)</u>	<u>1.04</u>

- (1) The planned amount as stated in the Company’s prospectus dated 31 October 2016 (the “Prospectus”) was further adjusted as disclosed in the announcement of the Company dated 10 November 2016 after the offer price being fixed at HK\$1.28.

Such utilisation of the net proceeds was in accordance with the proposed allocations as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The unutilised portion of the net proceeds were deposited in our banks in Hong Kong and Malaysia and is intended to be utilised in the manner consistent with the proposed allocation as set forth in the Prospectus. The unutilised amount of net proceeds for (i) construction of the new facility in Senai, Malaysia (approximately to US\$0.87 million) and (ii) upgrading and acquiring machines (approximately US\$0.17 million) shall be fully utilised by the financial year ending 31 October 2023 and the financial year ending 31 October 2022, respectively.

## **USE OF PROCEEDS FROM CONVERTIBLE BONDS**

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

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

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

As at 30 April 2022, the Group had utilised the entire net proceeds from the issue of the Convertible Bonds for development of the existing business of the Group and for working capital purposes of the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Director’s securities transactions. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the Reporting Period.

The Company has also established written guidelines no less exacting than the Model Code (the “**Employees Written Guidelines**”) for securities transactions by employees who are likely to be in possession of inside information of the Company. No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company during the Reporting Period.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and to enhance corporate value accountability. The Company has 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 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.

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.

## **AUDIT COMMITTEE**

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

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

## **PUBLICATION OF UNAUDITED INTERIM RESULTS AND THE INTERIM REPORT**

In accordance with the requirements under the Listing Rules, the interim report containing all the Company’s information set out in this announcement including the unaudited financial results for the six months ended 30 April 2022 will be despatched to the Shareholders and posted on the Company’s website ([www.gml.com.my](http://www.gml.com.my)) and the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) in due course.

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

24 June 2022

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