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 2018

FINANCIAL HIGHLIGHTS

– The increase in revenue to approximately US$57.09 million for the Year from approximately US$50.35 million for the year ended 31 October 2017 was primarily due to the significant increase in delivery of single and double deck buses to Singapore and Hong Kong, which was offset by the decrease in delivery of buses to Malaysia during the year compared to the year ended 31 October 2017.

– The decrease of profit after tax for the Year compared to the year ended 31 October 2017 was mainly due to (1) the decrease in gross profit margin for the Group's business which was a result of the appreciation of Malaysian Ringgit against foreign currencies; and (2) the impairment loss of approximately US$2.72 million on accounts receivable due from a Malaysian customer as the recoverability of such receivables is expected to be remote (for further details, please refer to the section headed "Litigation" in this announcement).

– Basic and diluted (loss)/earnings per share for the year ended 31 October 2018 were (US$0.58) cents as compared with US$0.48 cents for the year ended 31 October 2017.

ANNUAL RESULTS

The board of directors (the "**Board**") 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 2018 (the "**Year**") with comparative figures for the year ended 31 October 2017. 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 2018

	Note	**2018** *US$'000*	2017 *US$'000*
Revenue	*4*	**57,091**	50,354
Cost of sales		**(44,959)**	(37,422)
Gross profit		**12,132**	12,932
Other revenue	*5*	**77**	93
Other net income	*5*	**36**	475
Selling and distribution expenses		**(5,389)**	(6,503)
General and administrative expenses		**(7,322)**	(4,674)
(Loss)/profit from operations		**(466)**	2,323
Finance costs	*6(a)*	**(798)**	(706)
Share of (loss)/profit of an associate		**(100)**	490
(Loss)/profit before taxation	*6*	**(1,364)**	2,107
Income tax	*7*	**(82)**	(922)
(Loss)/profit for the year attributable to the equity owners of the Company		**(1,446)**	1,185

	Note	**2018**	2017
		US$'000	*US$'000*
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		**399**	316
Total comprehensive (loss)/income for the year attributable to equity owners of the Company		**(1,047)**	1,501
(Loss)/earnings per share (US cents per share)	*9*		
– Basic		**(0.58)**	0.48
– Diluted		**(0.58)**	0.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 OCTOBER 2018

	Note	**2018** *US$'000*	2017 *US$'000*
Non-current assets			
Property, plant and equipment		**8,094**	7,984
Intangible assets		**323**	281
Interest in an associate	*10*	**545**	645
		8,962	8,910
Current assets			
Inventories		**17,738**	13,949
Trade and other receivables	*11*	**12,240**	16,811
Tax recoverable		**1,069**	221
Pledged bank deposits		**2,711**	2,039
Cash and bank balances		**4,246**	2,781
		38,004	35,801
Current liabilities			
Trade and other payables	*12*	**17,477**	15,502
Bank borrowings		**9,651**	7,259
Bank overdrafts		**2,602**	2,619
Obligations under finance leases		**70**	71
Provision for taxation		**78**	95
		29,878	25,546
Net current assets		**8,126**	10,255
Total assets less current liabilities		**17,088**	19,165

	Note	2018	2017
		US$'000	*US$'000*
Non-current liabilities			
Obligations under finance leases		**77**	145
Deferred tax liabilities		**112**	319
		189	464
Net assets		**16,899**	18,701
Capital and reserves			
Share capital	*13*	**324**	322
Reserves		**16,575**	18,379
Total equity attributable to owners of the Company		**16,899**	18,701

1. GENERAL INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands under the Companies Law 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 and its 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 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 CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

The consolidated financial statements for the year ended 31 October 2018 comprises the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis. 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 values of assets and liabilities that are 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 October 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 3	Definition of a business[5]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 28	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021
5 Effective for annual periods beginning on or after 1 January 2020

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

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers and the related Amendments, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

It is mandatory for the Group to adopt the new rules for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 November 2018, with the practical expedients permitted under the standard. Comparative figures as at and for the year ended 31 October 2018 will not be restated.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, that is, when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the timing and amounts of revenue recognised to the consolidated financial statements of the Group in the future based on the existing business model of the Group as at 31 October 2018.

HKFRS 16 Leases

Currently, the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, that is, at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (that is, where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease. The future aggregate minimum lease payments under non-cancellable operating lease of the Group as at 31 October 2018 amounted to approximately US$1,001,000. The majority of which is payable between 1 and 3 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

The Group has not yet decided whether it will choose to take advantage of practical expedient and which transition approach to be taken.

4. 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 of the Company, 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 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 after-sales and maintenance services for buses

Segment profit represents the profit earned by each segment without allocation of head office and corporate expenses, other revenue, other net income, finance costs and share of (loss)/profit of an associate. 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 2018

	Sales of bus bodies and kits *US$'000*	**Sales of parts and provision of relevant services** *US$'000*	**Total** *US$'000*
Revenue			
Revenue from external customers	**54,264**	**2,827**	**57,091**
Reportable segment revenue	**54,264**	**2,827**	**57,091**
Reportable segment profit	**799**	**406**	**1,205**
Unallocated head office and corporate expenses:			
– Other expenses			**(1,784)**
Other revenue			**77**
Other net income			**36**
Finance costs			**(798)**
Share of (loss) of an associate			**(100)**
(Loss) before income tax			**(1,364)**
Other segment information			
Depreciation	**558**	**–**	**558**
Allowances for doubtful debts	**2,685**	**6**	**2,691**

For the year ended 31 October 2017

	Sales of bus bodies and kits *US$'000*	Sales of parts and provision of relevant services *US$'000*	Total *US$'000*
Revenue			
Revenue from external customers	47,781	2,573	50,354
Reportable segment revenue	47,781	2,573	50,354
Reportable segment profit	3,701	270	3,971
Unallocated head office and corporate expenses:			
– Listing expenses			(563)
– Other expenses			(1,459)
Other revenue			93
Other net income			281
Finance costs			(706)
Share of profit of an associate			490
Profit before income tax			2,107
Other segment information			
Depreciation	453	–	453
Net (reversal of) allowances for doubtful debts	(194)	–	(194)

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.

	Revenues from external customers	
	2018	2017
	US$'000	*US$'000*
Malaysia (place of domicile)	**280**	7,731
Singapore	**26,785**	19,509
Australia	**15,449**	15,247
Hong Kong	**8,221**	4,481
Uzbekistan	**4,078**	2,231
Indonesia	**1,532**	–
Others	**746**	1,155
	57,091	50,354

5. OTHER REVENUE AND NET INCOME

	2018	2017
	US$'000	*US$'000*
Other revenue		
Bank interest income	**66**	83
Total interest income on financial assets not at fair value through profit or loss	**66**	83
Rental income	**5**	4
Others	**6**	6
	77	93
Other net income		
Net foreign exchange gain	**32**	262
Net reversal of doubtful debts	**–**	194
Gain on disposal of property, plant and equipment	**4**	19
	36	475

6. (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	2018	2017
	US$'000	*US$'000*
Interest on bank borrowings	**788**	693
Finance charge on obligations under finance leases	**10**	13
Total interest expenses on financial liabilities not at fair value through profit or loss	**798**	706

(b) Staff costs (including directors' emoluments)

	2018	2017
	US$'000	*US$'000*
Salaries, wages and other benefits	**3,059**	2,376
Equity-settled share-based payment expenses	**–**	379
Contributions to defined contribution retirement plans	**391**	197
	3,450	2,952

(c) Other items

	2018	2017
	US$'000	*US$'000*
Net allowance/(reversal of) for impairment losses on receivables	**2,691**	(194)
Auditors' remuneration	**153**	154
Cost of inventories*	**44,959**	37,422
Depreciation	**558**	453
Listing expenses	**–**	563
Net foreign exchange (gain)	**(32)**	(262)
(Gain) on disposal of property, plant and equipment	**(4)**	(19)
Operating lease charges: minimum lease payments in respect of		
– properties	**613**	295
– equipment	**12**	6

* *Cost of inventories includes approximately US$1,282,000 (2017: US$1,069,000) relating to staff costs and depreciation charges, which amount is also included in the respective total amounts disclosed separately above.*

7. INCOME TAX EXPENSE

	2018	2017
	US$'000	*US$'000*
Current tax		
Charge for the year	**143**	761
Underprovision in respect of prior years	**159**	20
Deferred tax		
Origination and reversal of temporary differences	**(220)**	141
Income tax expense for the year	**82**	922

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

(ii) Hong Kong profits tax rate is 16.5% for the year ended 31 October 2018 (2017: 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 years ended 31 October 2018 and 2017.

(iii) PRC subsidiaries are subject to The People's Republic of China ("**PRC**") EIT at 25% (2017: 25%).

(iv) GML Coach Technology Pte. Limited, a wholly-owned subsidiary of the Group is subject to Singapore statutory income tax rate of 17% (2017: 17%).

(v) Gemilang Coachwork Sdn. Bhd., a wholly-owned subsidiary of the Group is subject to Malaysia statutory income tax rate of 24% (2017: 24%).

8. DIVIDENDS

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

	2018	2017
	US$'000	*US$'000*
Final dividend proposed after the end of the reporting period of HK$nil per ordinary share (2017: HK$0.03 per ordinary share)	**–**	967
	–	967

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

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

	2018	2017
	US$'000	*US$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.03 per ordinary share (2017: nil)	**967**	–
	967	–

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated (loss) attributable to equity shareholders of the Company of approximately US$(1,446,000) (2017: consolidated profit of US$1,185,000) and the weighted average number of approximately 250,910,000 ordinary shares (2017: 248,303,000 ordinary shares) in issue during the year. The weighted average number of ordinary shares in issue during the year ended 31 October 2018 is determined by (1) the issued ordinary shares at 1 November 2017 of 250,144,000 shares and (2) effect of issue of shares under the Company's share option scheme of 766,000 shares. The weighted average number of ordinary shares in issue during the year ended 31 October 2017 is determined by (1) the issued ordinary shares at 1 November 2016 of 187,500,000 shares, (2) effect of shares issued by global offering of 60,788,000 shares, and (3) effect of issue of shares under the Company's share option scheme of 15,000 shares.

(b) Diluted (loss)/earnings per share

For the year ended 31 October 2018, diluted loss per share equal basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

For the year ended 31 October 2017, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding share options.

	2017 *US$'000*
Profit attributable to owners of the Company	1,185

	2017 *'000*
Weighted average number of ordinary shares used in the calculation of basic earnings per share	248,303
Effect of dilutive potential ordinary shares: Share options	129
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	248,432
Diluted earnings per share (US cent)	0.48

10. INTEREST IN AN ASSOCIATE

	2018 ***US$'000***	2017 *US$'000*
Investment costs	**–**	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	**380**	480
Goodwill	**165**	165
	545	645
Amount due to an associate	**(361)**	(2,955)

The amount due to an associate is unsecured, interest-free and repayable on demand.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	US$'000	*US$'000*
Trade receivables	**12,150**	15,295
Less: allowance for doubtful debts	**(2,678)**	(398)
	9,472	14,897
Other receivables	**2,024**	1,196
Advances to suppliers	**261**	341
Deposits	**67**	69
Prepayments	**416**	308
	2,768	1,914
	12,240	16,811

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis of trade receivables

As of the end of the reporting period, the ageing analysis of trade receivables based on invoice date is as follow:

	2018	2017
	US$'000	*US$'000*
Within 30 days	**3,084**	1,439
31 to 90 days	**4,902**	9,157
Over 90 days	**1,486**	4,301
	9,472	14,897

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

12. TRADE AND OTHER PAYABLES

	2018	2017
	US$'000	*US$'000*
Trade payables	**10,918**	9,306
Other payables and accruals	**3,148**	5,737
Advance deposits from customers	**3,411**	459
	17,477	15,502

Ageing analysis of trade payables

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

	2018	2017
	US$'000	*US$'000*
Within 30 days	**3,445**	3,011
31 to 90 days	**4,171**	3,290
Over 90 days	**3,302**	3,005
	10,918	9,306

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

13. SHARE CAPITAL

Ordinary shares of HK$0.01 each

Authorised:

	No. of shares	**Amount**
		US$'000
At 1 November 2016, 31 October 2017, 1 November 2017 and 31 October 2018	2,000,000,000	2,581

Issued and fully paid:

	No. of shares	**Amount**
		US$'000
At 1 November 2016	187,500,000	242
Issuance of new shares upon global offering *(note i)*	62,500,000	80
Issuance of new shares upon exercising of share option	144,000	–
At 31 October 2017 and 1 November 2017	250,144,000	322
Issuance of new shares upon exercising of share option	936,000	2
At 31 October 2018	251,080,000	324

Note:

(i) *On 11 November 2016, 62,500,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$1.28 per share by global offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange. The proceeds of HK$625,000 (equivalent to approximately US$80,000) representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$79,375,000 (equivalent to approximately US$10,229,000), before issuing expenses, were credited to share premium account.*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group designs and manufactures bus bodies and assemble 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 including Australia, Hong Kong, Uzbekistan and Indonesia. Our buses, comprising city buses and coaches in both aluminium and steel, 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* and CKDs*) for their local assembly and onward sales; and (ii) buses (CBUs*).

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 year, approximately 100% of our revenue was derived from the sales of aluminium buses and bus bodies. The demand in aluminium buses and bus bodies will continue to experience a higher growth due to increasing demand to use materials that meets environmental standards. Aluminium will likely be the preferred material for buses, in particular electric buses, due to its lighter weight and the resulting better energy efficiency.

The Group delivered totally 324 units of buses (CBUs*), 85 units of CKDs* and 85 units of SKDs* to our customers during the Year.

The Group's revenue from external customers are divided into two segments, namely sales of bus bodies and kits and sales of parts and provision of relevant services respectively.

** Notes:*

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

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

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*

Sales of bus bodies segment

	Revenue from external customers For the year ended 31 October	
	2018	2017
	US$'000	*US$'000*
Malaysia (place of domicile)	**149**	7,500
Singapore	**24,873**	18,073
Hong Kong	**7,872**	4,134
Australia	**15,204**	14,975
People's Republic of China	**335**	713
Uzbekistan	**4,069**	2,231
Indonesia	**1,451**	–
Others	**311**	155
	54,264	47,781

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 of our group contributing over 70% of revenue for both years. The revenue generated from this segment amounted to approximately US$54.26 million during the Year, representing an increase of approximately US$6.48 million or 13.6% as compared with approximately US$47.78 million for the year ended 31 October 2017. The increase in revenue in this segment was attributable to the significant increase in delivery of whole buses to the Singapore and Hong Kong market, which offsets by decrease in delivery of whole buses to Malaysia during the Year as compared to the year ended 31 October 2017.

The increase in revenue from Singapore market was approximately US$6.80 million or 37.6%, from approximately US$18.07 million for the year ended 31 October 2017 to approximately US$24.87 million for the Year. It was mainly due to the fact that the Company has delivered 130 units of single deck city buses and 86 units of double deck city buses to a customer in Singapore since the Company has secured a sales contract of a total of 250 units city buses (150 units of single deck buses and 100 units of double deck buses), out of which 216 units has been delivered during the Year. Whereas only 121 units of double deck city buses were delivered during the year ended 31 October 2017 in the Singapore market. The increase in number of buses delivery based on the secured contract causes a significant increase in revenue from the Singapore market.

The increase in revenue from Hong Kong market was approximately US$3.74 million or 90.6%, from approximately US$4.13 million for the year ended 31 October 2017 to approximately US$7.87 million for the Year. It was mainly attributable to the increase in demand of buses in Hong Kong especially from Hong Kong-Zhuhai-Macao Bridge ("**HZMB**"). Upon completion of the HZMB during the Year, the demand for buses travelling on HZMB rises significantly in order to accommodate the huge number of visitors and business travellers who are taking the advantage of HZMB for shorter travelling time or as an alternative option for transportation.

The decrease in revenue from Malaysia market was approximately US$7.35 million, from approximately US$7.50 million for the year ended 31 October 2017 to approximately US$0.15 million for the Year. It was mainly attributable to a decrease in market demand in connection with the city buses and coaches in the Malaysia market during the Year as compared to the year ended 31 October 2017.

Sales of parts and provision of relevant services segment

	Revenue from external customers For the year ended 31 October	
	2018	2017
	US$'000	*US$'000*
Malaysia (place of domicile)	**131**	231
Singapore	**1,912**	1,436
Hong Kong	**349**	347
Australia	**246**	272
People's Republic of China	**25**	120
India	**43**	89
Indonesia	**81**	–
Others	**40**	78
	2,827	2,573

This segment is our secondary source of income, in which its revenue mainly generated from providing after-sales service and sales of parts to our customers. The revenue generated from sales of parts and provision of relevant services segment amounted to approximately US$2.83 million during the Year, representing an increase of approximately US$0.26 million or 10.1% as compared with approximately US$2.57 million for the year ended 31 October 2017.

The increase in sales of parts and related services in our Singapore markets is consistent with our continuous supply of buses to Singapore, being our top market in our customers' portfolio.

The increase in revenue from this segment during the year was mainly contributed from the markets where we sold our whole buses to, particularly in Singapore, since the demand of sales of parts and related services was correlated with the number of buses sold to these places cumulatively. These places required a higher demand of spare parts replacement and after-sales service as more buses purchased from our Group accumulatively are running on the road.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

Our revenue was principally generated from the assembly and sale of aluminium and steel buses and the manufacture of bus bodies. We generated revenue of approximately US$50.35 million and US$57.09 million for the financial years ended 31 October 2017 and 2018 respectively. The increase in revenue was primarily due to the significant increase in delivery of single and double deck buses to Singapore and Hong Kong, which was offset by decrease in delivery of buses to Malaysia during the Year compared to the year ended 31 October 2017.

By product category

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

	For the year ended 31 October			
	2018		2017	
	US$'000	*%*	*US$'000*	*%*
Bus (CBU*)				
– City Bus	**46,932**	**82.2**	37,238	74.0
– Coach	**1,661**	**2.9**	1,483	2.9
Bus Body				
CKD				
– City Bus	**4,171**	**7.3**	2,750	5.5
SKD				
– City Bus	**1,500**	**2.6**	6,310	12.5
Maintenance and aftersales service	**2,827**	**5.0**	2,573	5.1
Total	**57,091**	**100.0**	50,354	100.0

By product material category

The following table sets out our revenue from products of different materials during the year:

	For the year ended 31 October			
	2018		2017	
	US$'000	*%*	*US$'000*	*%*
Aluminium	**54,264**	**95.0**	46,809	93.0
Steel	**–**	**–**	972	1.9
Subtotal	**54,264**	**95.0**	47,781	94.9
Maintenance and aftersales service	**2,827**	**5.0**	2,573	5.1
Total	**57,091**	**100.0**	50,354	100.0

Gross profit

Our gross profit was approximately US$12.93 million and US$12.13 million for years ended 31 October 2017 and 2018, respectively. Our gross profit margin was approximately 25.7% and 21.3% for financial years ended 31 October 2017 and 2018, respectively. The decrease in gross profit margin for the Group's business is a result of the appreciation of Malaysian Ringgit against foreign currencies. Given the fact that the Group's revenue which were denominated in foreign currencies (currencies other than Malaysian Ringgit) outweighted the Group's cost of sales which were denominated in foreign currencies. Therefore the appreciation of Malaysian Ringgit would cause a drop in the Group's gross profit margin during the Year as compared to the corresponding year.

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 decreased by approximately US$1.11 million or 17.1% from approximately US$6.50 million for the financial year ended 31 October 2017 to approximately US$5.39 million in the Year. Such decrease was driven by the decrease in commission payable of approximately US$0.88 million to Gemilang Australia Pty Limited, an associate of the Group, which acts as the marketing agent for the markets in Australia and New Zealand. The decrease in commission expenses was mainly due to the lower commission expense per bus incurred during the Year as the majority of buses that the Company delivered are single deck buses, while double deck buses dominated in the Australian market for the year ended 31 October 2017. The commission expenses for a single deck bus is significant lower than that of a double deck bus and therefore the product mix in the Australian market causes the decrease in commission expenses during the Year.

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 increased by approximately US$2.65 million or 56.8% from approximately US$4.67 million for the financial year ended 31 October 2017 to approximately US$7.32 million in the Year. Such increase was mainly attributable to the combination of the following factors:

(1) the impairment loss of approximately US$2.72 million on accounts receivable due from a Malaysian customer as the recoverability of such receivables is expected to be remote (for further details, please refer to the section headed "Litigation" in this announcement);

(2) a decrease in administrative expense was mainly attributed by a one-off share-based payment expenses of approximately US$0.38 million relating to the share options granted and listing expense of approximately US$0.56 million in relation to the global offering during the year ended 31 October 2017, as compared with the fact that no share option was granted and the absence of both share-based payment expenses and listing expense in relation to the global offering during the Year; and

(3) an increase in administrative expense mainly relating to an increase in salary costs of approximately US$0.60 million due to general salary and benefits increments for existing staff and increase in staff headcount.

Share of (loss)/profit of an associate

On 20 July 2016, the Group acquired 50% issued share capital in Gemilang Australia Pty Ltd ("**Gemilang Australia**"), being our Group's after-sales and marketing agent for Australia and New Zealand segment. The investment of 50% in Gemilang Australia enhances the Group's market presence and provide a platform for quality after-sales services to customers in Australia and New Zealand. The share of loss from this associate is approximately US$0.10 million during the Year compare to a share of result of approximately US$0.49 million during the year ended 31 October 2017. The decrease is mainly attributable to reason below.

Commission income from the Group is the main source of income of Gemilang Australia, as discussed in "Selling and distribution expenses" section in "Management Discussion and Analysis", there was a decrease in commission expense of approximately US$0.88 million or 15.7% incurred during the Year payable to Gemilang Australia from approximately US$5.59 million to approximately US$4.71 million during the year as compared to the Year ended 31 October 2017. The decrease from its contribution was consistent with this fact. Moreover, the loss of the associate was also attributable by the increase in wages and cost of material in Gemilang Australia.

Income tax expenses

There was a significant decrease in income tax expense of approximately US$0.84 million or 91.3% from approximately US$0.92 million during the year ended 31 October 2017 to approximately US$0.08 million during the Year. The drop in income tax expense during the Year was mainly as a result of decrease of earnings from operation as well as the increase in non-deductible administrative expenses during the Year and the effect was partially offset by a reinvestment allowance incentive in Malaysia of US$0.26 million. Reinvestment allowance is an incentive under the Malaysian Income Tax Act which is given to manufacturing companies which are residents in Malaysia in connection with an expansion, modernizing or diversification (of existing manufacturing business within the same industry) programme. This incentive grants the taxpayer an amount equivalent to 60% of the qualifying capital expenditure incurred on plant and equipment as well as industrial buildings to be set off against the statutory business income for that assessment year.

Significant investments held

During the Year, there was no significant investments 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 and affiliated companies

During the Year, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Pledge of assets

As at 31 October 2018, pledged bank deposits of approximately US$2.71 million (2017: US$2.04 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 following assets were pledged to secure certain banking facilities granted to the Group:

	2018	2017
	US$'000	*US$'000*
Freehold land	**1,838**	1,817
Buildings	**4,427**	4,478
	6,265	6,295

Contingent liabilities

As at 31 October 2018, the Group had the following contingent liabilities:

(i) Performance bonds

	2018	2017
	US$'000	*US$'000*
Performance bonds for contracts in favour of customers	**7,144**	5,140

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

As at 31 October 2018, the Group did not have any significant capital commitments.

PROSPECTS

Our objective is to become one of the leading bus manufacturing solution providers in Asia. We believe the Asian 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. We believe we are well positioned and equipped with the technological capability to capture this opportunity.

The following highlights our key development strategies:

We plan to expand our presence in China, Hong Kong and other Asian countries

China's bus market and industry is the largest in the world. The general demand for electric buses is also expected to increase. We have currently established business relationships with customers in Hong Kong and several other cities in China. We have the intention to set up an office in China in the future to better serve our existing customers and further develop these markets. We may set up a manufacturing facility and commence operation in China when we consider there is sufficient demand and potential.

We plan to streamline and improve our production process in Malaysia

We will continue to upgrade and improve our production process by enhancing the automation of our existing manufacture facility by installing new automated machineries. This would further improve our production efficiency and hence increase our production output.

We will further enhance our strategic partnership with chassis principals

We have always been maintaining close collaborations with our chassis principals. Our long standing relationship with them is a key factor behind the success of our business.

We will continue to co-design and jointly bid for projects with our chassis principals. In order to further enhance our strategic partnership with our chassis principals, we intend to implement the following measures:

- develop new markets with our chassis principals;

- develop new bus models with our chassis principals;

- share our bus production technology and know-how in improving production efficiency; and

- leverage our market position to help our chassis principals to enter new markets.

We aim to consolidate our leading position in Malaysia and Singapore

In order to strengthen our position in Malaysia and Singapore, we intend to increase the size of our after-sales service and marketing team in existing or potential cities which will enable us to provide prompt response to after-sales requests from our customers and to establish better relationship with our customers through gathering feedbacks on our products. Furthermore, we will promote our aluminium buses to the bus transportation operators in Malaysia and Singapore as we expect more migration from steel buses to aluminium buses.

In Malaysia, we have been supporting our chassis principals in the tendering of projects. We plan to be more aggressive in promoting our aluminium bodied buses in other cities which currently use city buses as a major mode of public transportation. Through our track record in Kuala Lumpur, we believe that we are in a better position to promote our products to other cities in Malaysia which are in the process of procuring new city buses. In addition, we intend to upgrade existing machineries and acquire additional machines to enhance our production process and keep up with our business expansion by increasing our overall production efficiency and capacity.

In Singapore, we aim to cooperate closely with Land Transport Authority through management discussions during the conceptual stage in order to produce buses that meet their requirements. Our continuous collaborations with our chassis principals in respect of product development will also place us in a better position to secure contracts in project tenders. We also sought to provide round the clock after-sales services to the bus transportation operators in both markets.

We will further diversify our product portfolio

Our current product portfolio covers city bus and coach. It is our plan to expand our product range to cater for a broader market. We will be exploring the markets for small and medium buses in developing markets. We will continue to design and manufacture suitable bus bodies that can be assembled on different chassis based on the demand from different regions.

Through our development efforts, we intend to develop new bus bodies with lighter materials to reduce the weight of the vehicle, so as to improve fuel efficiency and performance.

In the longer term, we will also invest in developing new products for new markets outside Asia which are regulated by different sets of regulatory standards. We will adopt stringent tests and specific compliance measures in order to enter the intended new markets.

EVENTS AFTER THE REPORTING PERIOD

In December 2018, 順鋁(上海)汽車科技有限公司, an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement with, Celestial Glow Limited, an investment holding company, and 上海北斗新能源有限公司 ("**Beidou**"), all being independent third parties, pursuant to which the parties to the said joint venture agreement agreed to establish a joint venture company in Shanghai, the PRC. 順鋁(上海)汽車科技有限公司, Beidou and Celestial Glow Limited would be expected to own 40%, 40% and 20% of the equity interest respectively in the joint venture company. The capital commitment required from 順鋁(上海)汽車科技有限公司 is RMB1.2 million according to the joint venture agreement.

Beidou is a company established in the PRC with limited liability and is principally engaged in research and development of high technology solution and promotion of clean energy solution vehicles. The Directors expect that the joint venture company will act as the Company's marketing arm in China and they consider that, with the aid of the network of Beidou and its expertise in electric vehicles, the Company can broaden its customer base in China and gain greater exposure to new business opportunities.

Save as disclosed in this section, there is no other material subsequent event undertaken by the Company or by the Group after 31 October 2018 and up to the date of this announcement.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 October 2018 (2017: HK$0.03 per share).

FOREIGN CURRENCY RISK

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2018, 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$4.36 million, representing a increase of approximately US$2.16 million compared with as at 31 October 2017 of approximately US$2.20 million. The net current assets and total equity of the Group were approximately US$8.13 million (2017: approximately US$10.26 million) and approximately US$16.90 million (2017: approximately US$18.70 million). As at 31 October 2018, the Group's bank borrowings and bank overdrafts amounted to approximately US$12.25 million (2017: approximately US$9.88 million).

As at 31 October 2018, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 48.3% (2017: 39.1%).

The Group monitors capital using, inter alias, a gearing ratio which is net debt divided by total equity. Net debt includes bank overdrafts, interest-bearing bank borrowings and obligations under finance leases, less cash and bank balances. The calculations of gearing ratio as at 31 October 2018 and 2017 are as follows:

	2018	2017
	US$'000	*US$'000*
Obligations under finance leases	**147**	216
Bank borrowings	**9,651**	7,259
Bank overdrafts	**2,602**	2,619
	12,400	10,094
Less: Cash and bank balances	**4,246**	2,781
Net debt	**8,154**	7,313
Total equity	**16,899**	18,701
Net debt-to-equity ratio	**48.3%**	39.1%

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 shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to 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 2018, the total number of full-time employees of the Group was approximately 304 (2017: 287). 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 jurisdiction.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the year ended 31 October 2018, the Company has complied with the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules for securities transactions by directors. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code regarding securities transactions by directors throughout the year ended 31 October 2018.

LITIGATION

In April 2018, Gemilang Coachwork Sdn. Bhd. ("**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 MYR10,884,624 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 would supply and deliver an aggregate of one hundred and fifty (150) units of eco-range aluminium superstructure body kits and supply and assemble one (1) unit of bus prototype. As at the date on which Gemilang Coachwork issued the writ, despite effort paid to recover the debt, the outstanding amount of approximately MYR10,884,624 (equivalent to approximately US$2.72 million) had not been paid to Gemilang Coachwork's account.)

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 and the hearing of the said originating summons was held on 24 January 2019. The Group is awaiting update about the hearing result and will consider options available and next step.

Despite of the fact that several attempts were made to recover the outstanding amount from the Defendants, in October and November 2018, Gemilang Coachwork filed and served a winding-up petition on the Defendants, respectively. As at the date of this announcement, 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 for 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

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.

Uses of net proceeds	**Planned amount as stated in the Prospectus[(1)]** *US$ million*	**Actual amount utilised up to 31 October 2018** *US$ million*	**Actual balance as at 31 October 2018** *US$ million*
Construction of the new facility in Senai, Malaysia	4.70	(3.70)	1.00
Upgrading and acquiring machines	0.89	(0.35)	0.54
Repayment of bank loans	2.39	(2.39)	–
Working capital	0.79	(0.79)	–
Total	8.77	(7.23)	1.54

(1) The planned amount as stated in 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 Company's prospectus dated 31 October 2016 (the "**Prospectus**"). The unutilised portion of the net proceeds were deposited in our banks in Hong Kong and Malaysia and is intended to be utilised in the manner consistent with the proposed allocation as set forth in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 October 2018, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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. The audit committee comprises the three independent non-executive directors of the Company. 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 ended 31 October 2018.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 October 2018 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe on the preliminary 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 ended 31 October 2018 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The annual general meeting is scheduled to be held on a date to be fixed by the Board. The notice of annual general meeting will be published and despatched to the shareholders in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our thanks and 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
Phang Sun Wah
Chairman

Hong Kong, 25 January 2019

As at the date of this announcement, the Board comprises (i) Mr. Phang Sun Wah (Chairman), Mr. Pang Chong Yong and Ms. Phang Huey Shyan as executive directors of the Company; and (ii) Ms. Lee Kit Ying, Ms. Wong Hiu Ping, Ms. Kwok Yuen Shan Rosetta and Mr. Huan Yean San as independent non-executive directors of the Company.