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 2019

The board of directors (the "**Board**") 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 2019 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 April 2019
(Expressed in United States Dollars)

		For the six months ended 30 April	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	***US$'000***	*US$'000*
Revenue	3	**34,935**	14,107
Cost of sales		**(27,808)**	(10,859)
Gross profit		**7,127**	3,248
Other revenue		**26**	91
Other net income		**344**	11
Selling and distribution expenses		**(1,678)**	(3,158)
General and administrative expenses		**(2,945)**	(2,081)

	Note	For the six months ended 30 April **2019** **(Unaudited)** ***US$'000***	2018 (Unaudited) *US$'000*
Profit/(loss) from operations		**2,874**	(1,889)
Finance costs	4a	**(376)**	(279)
Share of (loss) of an associate		**(300)**	(113)
Profit/(loss) before taxation	4	**2,198**	(2,281)
Income tax	6	**(935)**	(16)
Profit/(loss) for the period attributable to the equity owners of the Company		**1,263**	(2,297)
Other comprehensive (loss)/income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		**(335)**	1,379
Total comprehensive income/(loss) for the period attributable to equity owners of the Company		**928**	(918)
Earnings/(loss) per share			
– Basic (US cents per share)	7	**0.50**	(0.92)
– Diluted (US cents per share)	7	**0.50**	(0.92)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2019
(Expressed in United States dollars)

	Note	As at 30 April 2019 (Unaudited) *US$'000*	As at 31 October 2018 (Audited) *US$'000*
Non-current assets			
Property, plant and equipment	8	**8,040**	8,094
Intangible assets		**327**	323
Interest in an associate		**38**	545
Deferred tax assets		**90**	–
		8,495	8,962
Current assets			
Inventories		**16,662**	17,738
Trade and other receivables	9	**10,877**	12,240
Tax recoverable		**1,157**	1,069
Pledged bank deposits	10	**3,238**	2,711
Cash and bank balances		**2,284**	4,246
		34,218	38,004
Current liabilities			
Trade and other payables	11	**13,012**	17,477
Bank borrowings	12	**7,949**	9,651
Bank overdrafts		**–**	2,602
Obligations under finance leases		**70**	70
Provision for taxation		**129**	78
Contract liabilities		**3,847**	–
		25,007	29,878
Net current assets		**9,211**	8,126
Total assets less current liabilities		**17,706**	17,088
Non-current liabilities			
Obligations under finance leases		**90**	77
Deferred tax liabilities		**–**	112
		90	189
Net assets		**17,616**	16,899
Capital and reserves			
Share capital		**324**	324
Reserves		**17,292**	16,575
Total equity attributable to owners of the Company		**17,616**	16,899

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 April 2019

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activity of the Group is engaged in assembling and selling of aluminium and steel buses and manufacturing bus bodies. As at 30 April 2019, the directors consider that the Company is ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong (the "**Controlling shareholders**").

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements for the six months ended 30 April 2019 comprises the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in an associate.

The condensed consolidated financial statements have been prepared in accordance with 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 of Hong Kong Limited (the "**Listing Rules**").

The condensed consolidated financial statements have been prepared on a going concern basis as at 30 April 2019, as the directors of the Company 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 should be read in conjunction with the annual financial statements of the Group for the year ended 31 October 2018.

Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

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 2019 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 October 2018.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRSs	Annual Improvements HKFRSs 2014-2016 Cycle
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Other than HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**"), the application of the above new standards, amendments and interpretation which are effective for the financial period beginning on 1 January 2018 had no material impact to the Group's condensed consolidated financial statements.

2.1 Impact on the condensed consolidated financial statements

As explained in notes 2.2 and 2.3 below, HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. As a result of the changes in the Group's accounting policies, certain reclassifications and adjustments are therefore not reflected in the condensed consolidated financial statements for the year ended 31 October 2018, but are recognised in the opening balance of the condensed consolidated financial statements on 1 November 2018. The adjustments are explained in more details below.

2.2 HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" ("**HKAS 39**"). It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 November 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 November 2018. Therefore, comparative information continues to be reported under HKAS 39.

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss ("**FVPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI. Changes in the fair value of the investment (including interest) are recognised in profit or loss.

The classification and carrying amounts for the Group's financial assets and financial liabilities at 1 November 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instrument, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial asset's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits
	US$'000
Retained profits	
Balance as at 31 October 2018 under HKAS 39	5,917
Recognition of expected credit losses for trade receivables under HKFRS 9	(277)
Deferred tax in relation to the above	66
Balance as at 1 November 2018 under HKFRS 9	5,706

2.3 HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 "Revenue", which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction Contracts", which specified the accounting for construction contracts.

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, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Timing of revenue recognition

Prior to 1 November 2018, revenue arising from provision of services was recognised when services were provided, whereas revenue from sale of goods was recognised when the goods were delivered and titles had passed.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on the timing and amounts of revenue recognised in the Group's condensed consolidated statement of profit or loss and other comprehensive income.

Presentation of contract asset and liabilities

Before the adoption of HKFRS 15, the Group recognised advances from customers as other payables. Under HKFRS 15, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Therefore, upon adoption of HKFRS 15, the Group reclassified US$3,411,000 from advance deposits from customers included in trade and other payables to contract liabilities as at 1 November 2018.

3. REVENUE AND SEGMENT REPORTING

The principal activities of the Group are sales of bus bodies, trading of body kits and spare parts for buses and the provision of relevant services.

(a) Dissagregation of revenue

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

	Six months ended 30 April	
	2019	2018
	(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	**33,380**	12,504
– Sales of parts and provision of relevant services	**1,555**	1,603
	34,935	14,107

Disaggregated by geographical location

	Six months ended 30 April	
	2019	2018
	(unaudited)	(unaudited)
Malaysia (place of domicile)	**48**	148
Singapore	**27,157**	1,747
Hong Kong	**3,724**	2,243
Australia	**3,550**	8,300
People's Republic of China	**–**	257
Others	**456**	1,412
	34,935	14,107

(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 board of directors 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 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, share of loss of an associate 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 period ended 30 April 2019

	Sales of bus bodies and kits (Unaudited) *US$'000*	Sales of parts and provision of relevant services (Unaudited) *US$'000*	Total (Unaudited) *US$'000*
Revenue			
Revenue from contracts with external customers recognised at a point in time	**33,380**	**1,555**	**34,935**
Reportable segment revenue	**33,380**	**1,555**	**34,935**
Reportable segment profit	**2,829**	**107**	**2,936**
Unallocated head office and corporate expenses:			
– Other expenses			**(432)**
Other revenue			**26**
Other net income			**344**
Finance costs			**(376)**
Share of loss of an associate			**(300)**
Profit before income tax			**2,198**

For the six months period ended 30 April 2018

	Sales of bus bodies and kits (Unaudited) *US$'000*	Sales of parts and provision of relevant services (Unaudited) *US$'000*	Total (Unaudited) *US$'000*
Revenue			
Revenue from contracts external customers recognised at a point in time	12,504	1,603	14,107
Reportable segment revenue	12,504	1,603	14,107
Reportable segment (loss)/profit	(1,858)	278	(1,580)
Unallocated head office and corporate expenses:			
– Other expenses			(411)
Other revenue			91
Other net income			11
Finance costs			(279)
Share of loss of an associate			(113)
Loss before income tax			(2,281)

4. PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Interest on bank and other borrowings	**371**	274
Finance charge on obligations under finance leases	**5**	5
Total interest expenses on financial liabilities not at fair value through profit or loss	**376**	279

(b) Staff costs (including directors' emoluments)

	Six months ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Salaries, wages and other benefits	**1,532**	1,299
Contributions to defined contribution retirement plans	**205**	153
	1,737	1,452

(c) Other items

	Six months ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Cost of inventories	**27,808**	10,859
Depreciation	**269**	275
Net foreign exchange (gain)	**(324)**	(11)
(Gain) on disposal of property, plant and equipment	**–**	(4)
Operating lease charges in respect of		
– properties	**131**	151
– equipment	**7**	4

5. DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.03 per share for the Reporting Period (2018: nil). The interim dividend will be distributed on or about Thursday, 8 August 2019 to shareholders whose names appear on the register of members of the Company after the close of business on Friday, 12 July 2019. Such interim dividend will not be subject to any withholding tax in Hong Kong.

6. INCOME TAX

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

	Six months ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Current tax		
Charge for the period	**1,071**	16
Deferred tax		
Origination and reversal of temporary differences	**(136)**	–
Income tax expense	**935**	16

(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) During the six months period ended 30 April 2019, GML Coach Technology Pte. Limited is subject to Singapore statutory income tax rate of 17% (2018: 17%).

(iii) During the six months period ended 30 April 2019, Gemilang Coachwork Sdn. Bhd. is subject to Malaysia statutory income tax rate of 24% (2018: 24%).

7. EARNINGS/(LOSS) PER SHARE

	Six months ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Earnings/(loss)		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic and diluted per share	**1,263**	(2,297)

Number of shares	Six months ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 November	**251,080,000**	250,144,000
Effect of shares issued by shares options	**–**	426,022
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**251,080,000**	250,570,022
Effect of dilutive potential ordinary shares:		
Share options	**283,817**	1,356,030
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**251,363,817**	251,926,052

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the period of approximately US$1,263,000 (2018: loss of US$2,297,000) and the weighted average of 251,080,000 ordinary shares (2018: 250,570,022 shares).

Diluted earnings/(loss) per share

For the six months period ended 30 April 2019, the calculation of diluted earnings per share is based on the profit for the period of approximately US$1,263,000 and the weighted average number of 251,363,817 ordinary shares, which is calculated after taking into account of the effect of deemed issue of shares under the Company's share option scheme. For the six months ended 30 April 2018, diluted loss per share equal basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months period ended 30 April 2018, the Group disposed of certain tools and equipment, and motor vehicles with an aggregate carrying amount of both US$nil for proceeds of US$4,000 and US$1,000 respectively (2019: US$nil).

The Group paid US$121,000 (unaudited) (six-month period ended 30 April 2018: US$74,000 (unaudited)) for the acquisition of property, plant and equipment to expand its operations.

9. TRADE AND OTHER RECEIVABLES

	At 30 April 2019 (Unaudited) ***US$'000***	At 31 October 2018 (Audited) *US$'000*
Trade receivables	**11,056**	12,150
Less: allowance for doubtful debts	**(3,585)**	(2,678)
	7,471	9,472
Other receivable	**984**	2,024
Advances to suppliers	**1,819**	261
Deposits	**136**	67
Prepayments	**467**	416
	3,406	2,768
	10,877	12,240

All of the trade receivables are expected to be recovered within one year.

Ageing analysis of trade receivables

The following is an ageing analysis of trade receivables presented based on the invoice date at the end of each reporting period.

	At 30 April 2019 (Unaudited) ***US$'000***	At 31 October 2018 (Audited) *US$'000*
Within 30 days	**3,385**	3,084
31 to 90 days	**3,197**	4,902
Over 90 days	**889**	1,486
	7,471	9,472

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

10. PLEDGED BANK DEPOSITS

	At 30 April 2019	At 31 October 2018
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Fixed deposits	**3,238**	2,711

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

11. TRADE AND OTHER PAYABLES

	At 30 April 2019	At 31 October 2018
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Trade payables	**9,948**	10,918
Other payables and accruals	**3,064**	3,148
Advance deposits from customers	**–**	3,411
	13,012	17,477

Ageing analysis of trade payables

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

	At 30 April 2019	At 31 October 2018
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Within 30 days	**1,828**	3,445
31 to 90 days	**6,648**	4,171
Over 90 days	**1,472**	3,302
	9,948	10,918

As a result of the adoption of HKFRS 15, advance deposits received from customers are included in contract liabilities (see note 2.3).

12. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to US$18,354,000 (unaudited) (31 October 2018: US$26,013,000 (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;

(iii) Legal charge over a land held by a related company of the Group for the bank borrowings as at 30 April 2019 and 31 October 2018;

(iv) 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; and

(v) Charge over a bank account.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 and People's Republic of China. 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* and CKDs*) for their local assembly and onward sales; and (ii) in the form of whole 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 Reporting Period, all of our revenue was derived from the sales of aluminium buses and bus bodies. The demand in aluminium bus and bus body will continue to experience a higher growth due to increasing demand for the use of materials that meets environmental standards. Aluminium will likely be the preferred material for buses, in particular electric buses, due to its lighter weight and better energy efficiency.

The Group delivered a total of 229 buses (CBUs*) and 2 units of CKDs* to our customers during the Reporting Period.

**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

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

Sales of bus bodies segment

	Revenue from external customers For the six months ended 30 April	
	2019	2018
	US$'000	*US$'000*
Malaysia (place of domicile)	**–**	58
Singapore	**25,865**	903
Hong Kong	**3,692**	2,220
Australia	**3,516**	8,021
People's Republic of China	**–**	103
Others	**307**	1,199
	33,380	12,504

The sales of bus bodies segment is our major source of income for our Group, with the sales of whole buses as the major product contributing over 95.5% of revenue for the Reporting Period. The revenue generated from this segment amounted to approximately US$33.38 million during the Reporting Period, representing an increase of approximately 167.0% compared to the corresponding period in 2018 of approximately US$12.50 million. The increase in revenue in this segment was attributable to the significant increase in delivery of whole buses to Singapore, which was offset by a decrease in delivery of whole buses to Australia during the Reporting Period. During the Reporting Period, the Group had delivered 182 units of whole buses to a customer in Singapore.

Sales of parts and provision of relevant services segment

	Revenue from external customers For the six months ended 30 April	
	2019	2018
	US$'000	*US$'000*
Malaysia (place of domicile)	**48**	90
Singapore	**1,292**	844
Hong Kong	**32**	23
Australia	**34**	279
India	**–**	98
People's Republic of China	**–**	154
Others	**149**	115
	1,555	1,603

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 service and sales of parts to our customers. The revenue generated from this segment amounted to approximately US$1.56 million during the Reporting Period representing a decrease of approximately 3.0% as compared with approximately US$1.60 million for the corresponding period in 2018.

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

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. These markets will continue to have higher demand for spare parts replacement and after-sales service as more buses purchased from our group are running on the road.

OUTLOOK

The Group had been able to maintain our market position in Asia, with the continuous support from our customers in the region. The Group believes in maintaining the top quality products to be the leading bus manufacturing solution provider. We will continue to innovate and provide high technology and quality products and solutions to our customers.

During the Reporting Period, the Group had experienced growth in our revenue. The Board remains confident in the financial performance of the Group for the financial year ending 31 October 2019, according to the delivery schedule of our confirmed sales orders from our customers, we expect to deliver whole buses to Singapore, Australia, Dubai and Hong Kong in the second half of the financial year.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately US$34.94 million, representing a significant increase of approximately 147.6% as compared with approximately US$14.11 million for the corresponding period in 2018. Such significant increase was attributable to the significant increase in delivery of double deck buses in Singapore, which was offset by a decrease in delivery of whole buses to Australia during the Reporting Period as compared to the corresponding period in 2018.

By product category

We derive our revenue mainly from the assembly and sales of aluminium 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 Reporting Period:

	For the six months ended 30 April			
	2019		2018	
	US$'000	*%*	*US$'000*	*%*
Bus				
CBU				
– City Bus	**33,290**	**95.3**	11,078	78.5
– Coach	**–**	**–**	124	0.9
Bus Body				
CKD				
– City Bus	**90**	**0.3**	103	0.7
SKD				
– City Bus	**–**	**–**	1,199	8.5
Maintenance and aftersales service	**1,555**	**4.4**	1,603	11.4
TOTAL	**34,935**	**100.0**	14,107	100.0

By geographical location

The following table sets 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 For the six months ended 30 April	
	2019	2018
	US$'000	*US$'000*
Malaysia (place of domicile)	**48**	148
Singapore	**27,157**	1,747
Hong Kong	**3,724**	2,243
Australia	**3,550**	8,300
People's Republic of China	**–**	257
Others	**456**	1,412
	34,935	14,107

Gross profit and gross profit margin

Our gross profit was approximately US$7.13 million and US$3.25 million for the six months ended 30 April 2019 and 2018, respectively. Our gross profit margin was approximately 20.4% and 23.0% for the six months ended 30 April 2019 and 2018, respectively. The decrease of gross profit margin during the six months ended 30 April 2019 was due to an increase in contractor wages in relation to tight production schedule to cope with the commitment in delivering 229 units of whole buses in the Reporting Period, which is in consistent with our production planning.

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$1.48 million or 46.9% from approximately US$3.16 million for six months period ended 30 April 2018 to approximately US$1.68 million in the Reporting Period. Such decrease was driven mainly by the decrease in commission payable for whole buses delivery to Australia which is in line with the decrease in number of whole buses delivered to Australia during the Reporting Period. Furthermore, due to the change in mode of business operation with Gemilang Australia Pty Limited ("**GMLA**") since April 2019, the Group sells whole buses to GMLA instead of selling to end customers in Australia and New Zealand, therefore it is expected that commission expenses will drop significantly especially to GMLA upon this change since April 2019.

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$0.86 million or 41.5% from approximately US$2.08 million for the six months ended 30 April 2018 to US$2.95 million during the Reporting Period. Such increase is mainly attributable to increase in provision for expected credit loss.

Income tax expenses

In the Reporting Period, the income tax expense increased by approximately US$0.92 million as compared with the six months period ended 30 April 2018. The increase was in line with the increase in the Group's profit as compared to the period ended 30 April 2018. The effective tax rate for the period ended 30 April 2018 and 2019 was -0.7% and 42.5%, respectively. A higher effective tax rate in the period ended 30 April 2019 was a result of non-deductible administrative expenses such as corporate expenses and legal and professional fees.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash flow

For the six months ended 30 April 2019, the Group's working capital was financed by bank loans.

Net current assets

The Group's net current assets amounted to approximately US$9.21 million as at 30 April 2019, as compared to approximately US$8.13 million as at 31 October 2018. As at 30 April 2019, the Group's current ratio was approximately 1.37, as compared to approximately 1.27 as at 31 October 2018.

Cash and cash equivalents, bank deposits and bank loans

As at 30 April 2019, cash and cash equivalents of the Group was approximately US$2.28 million, as compared to approximately US$1.64 million as at 31 October 2018. As at 30 April 2019, the Group had pledged bank deposits of approximately US$3.24 million, as compared to approximately US$2.71 million as at 31 October 2018. The bank borrowings of the Group decreased by approximately 17.6% to approximately US$7.95 million as at 30 April 2019 from approximately US$9.65 million as at 31 October 2018.

Gearing ratio

As at 30 April 2019, the gearing ratio (calculated by dividing obligations under finance leases, bank borrowings and bank overdrafts less cash and bank balance by total equity as at the end of the year/period) of the Group decreased to approximately 33.1% from approximately 48.3% as at 31 October 2018, primarily attributable to the decrease in bank borrowings and increase in total equity of the Group.

Capital expenditures

For the six months ended 30 April 2019, the Group had capital expenditure of approximately US$0.12 million, as compared to approximately US$0.07 million for the six months ended 30 April 2018. The expenditure was mainly related to the purchase of plants and machineries as part of expansion of the facility.

Significant investments

As at 30 April 2019, the Group did not have any significant investments.

Commitments

As at 30 April 2019, the Group's capital commitments amounted to approximately US$178,173. As at 30 April 2019, the Group's operating lease commitments amounted to approximately US$0.93 million, as compared with approximately US$1.00 million as at 31 October 2018.

Material investments or capital assets

As at 30 April 2019, the Group did not hold any material investment. There was no specific plan for material investments or capital assets as at 30 April 2019.

Material acquisitions or disposals

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

Foreign exchange risk

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

Charges on assets

As at 30 April 2019, pledged bank deposits of approximately US$3.24 million (31 October 2018: US$2.71 million) as disclosed in the condensed consolidated statement of financial position have been pledged to banks as security for banking facilities granted to the Group. The net book value of the following assets were pledged to secure certain banking facilities granted to the Group:

	As at 30 April 2019 *US$'000*	As at 31 October 2018 *US$'000*
Freehold land	**1,785**	1,838
Buildings	**4,384**	4,427
	6,169	6,265

Performance bonds

	As at 30 April 2019	As at 31 October 2018
	US$'000	*US$'000*
Performance bonds for contracts in favour of customers	**3,360**	7,144

The above performance bonds were given by banks in favour of some of Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated 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 declared an interim dividend of HK$0.03 (2018: nil) per share for the six months ended 30 April 2019 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 12 July 2019. The interim dividend will be paid on or about Thursday, 8 August 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 11 July 2019 to Friday, 12 July 2019 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 10 July 2019 for registration.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2019, the total number of full-time employees of the Group was approximately 294 (31 October 2018: 304). 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.

EVENTS AFTER THE REPORTING PERIOD

Disposal of an associated company

Subsequent to the Reporting Period on 27 May 2019, Gemilang Asia Pacific Limited (the "**Vendor**"), a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") with an independent third party, pursuant to which the Vendor agreed to conditionally sell the entire 50% equity interest in GMLA, at a cash consideration of AUD 71,500 (representing approximately US$50,337). The disposal of GMLA was completed on 3 June 2019. Upon completion of the disposal, GMLA ceased to be an associated company of the Group.

Update on 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 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. Despite 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.

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.

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.

Use of net proceeds	**Planned amount as stated in the Prospectus[1]**	**Actual amount utilised up to 30 April 2019**	**Actual balance as at 30 April 2019**
	US$ million	***US$ million***	***US$ million***
Construction of the new facility in Senai, Malaysia	4.70	(3.70)	1.00
Upgrading and acquiring machines	0.89	(0.61)	0.28
Repayment of bank loans	2.39	(2.39)	–
Working capital	0.79	(0.79)	–
Total	8.77	(7.49)	1.28

(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 utilization 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 unutilized portion of the net proceeds were deposited in our banks in Hong Kong and Malaysia and is intended to be utilized in the manner consistent with the proposed allocation as set forth in the Prospectus.

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 enquires have been made to all Directors and the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout 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 all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the Reporting Period. The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to 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 Ms. Wong Hiu Ping 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 2019 and agreed to the accounting principles and practices adopted by the Company.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND 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 2019 will be posted on the Company's website (***www.gml.com.my***) and the website of the Stock Exchange (***www.hkex.com.hk***) in due course.

By order of the Board
Gemilang International Limited
Phang Sun Wah
Chairman

21 June 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.